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## Independent Auditor's Report

To the Shareholders of Almunajem Foods Company (formerly known as Almunajem Cold Stores Company)  
(A Saudi Joint Stock Company)

### Opinion

We have audited the financial statements of Almunajem Foods Company (formerly known as Almunajem Cold Stores Company) (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

**Independent Auditor's Report (continued)**  
**To the Shareholders of Almunajem Foods Company (formerly known as Almunajem Cold Stores Company) (continued)**  
**(A Saudi Joint Stock Company)**

**Key Audit Matters (continued)**

Key audit matter	How our audit addressed the key audit matter
<b>Revenue recognition</b>	
<p>The Company's revenue for the year ended 31 December 2021 is SR 2,577 million (2020: SR 2,538 million).</p> <p>Revenue is recognised in accordance with International Financial Reporting Standard 15 - Revenue from Contracts with Customers ("IFRS 15") which requires taking into account rebates and discounts given to customers on the Company's sales.</p> <p>The recognition of promotions and customer rebates depend on the performance criteria under each commercial contract. This area is key to our audit as the estimates of recognized allowances and discounts involve judgment and have an impact on reported revenue and accordingly, revenue recognition has been considered a key audit matter.</p> <p><i>The accounting policy for revenue is outlined in Note 4 and a breakdown of revenue is presented in Note 15.</i></p>	<p>Our audit procedures performed included, among other audit procedures, the following:</p> <ul style="list-style-type: none"> <li>• Assessed the Company's revenue recognition accounting policies for compliance with the requirements of IFRS 15.</li> <li>• Evaluated key contractual, returns and rebates arrangements by considering relevant documentation and agreements with the customers.</li> <li>• Recalculated discounts and rebates for sample of customers according to their agreements.</li> <li>• Evaluated the design and implementation, and tested the operating effectiveness of relevant controls over the revenue cycle.</li> <li>• Selected a sample of sales transactions taking place during the year and inspected the supporting documents to ensure they were recognized at correct amounts.</li> <li>• Inspected sample of sales transactions recorded before and after the year-end to assess whether revenue was recorded in the correct accounting period.</li> <li>• Performed variance analysis by comparing current year's revenue with the historical trend, and discussed material variances, if any.</li> <li>• Assessed the adequacy of the relevant disclosures in accordance with the requirements of IFRS 15 included in the financial statements.</li> </ul>

Independent Auditor's Report (continued)  
To the Shareholders of Almunajem Foods Company (formerly known as Almunajem Cold Stores Company) (continued)  
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Key audit matter	How our audit addressed the key audit matter
<i>Provision for expected credit losses in respect of trade receivables</i>	
<p>As at 31 December 2021, the Company's gross trade receivables amounted to SR 230.97 million against which a provision for expected credit losses of SR 11.13 million is maintained.</p> <p>The Company applies simplified approach in calculating the expected credit losses (ECL) as required by International Financial Reporting Standard 9 - Financial Instruments ("IFRS 9") to calculate the provision for expected credit losses in respect of trade receivables.</p> <p>We considered this as a key audit matter as it involves complex calculations and use of assumptions by management in addition to the materiality of the amounts involved.</p> <p><i>Refer to notes 4 and 5 for the accounting policy and significant estimates related to provision for expected credit losses and notes 11 and 26.3 for the related disclosures.</i></p>	<p>Our audit procedures performed included, among other audit procedures, the following:</p> <ul style="list-style-type: none"> <li>• Assessed the design, implementation, and operating effectiveness of the key controls over the following: <ul style="list-style-type: none"> <li>- Recording of trade receivables</li> <li>- Trade receivables aging report</li> </ul> </li> <li>• Assessed significant assumptions, including loss rates and those relating to future economic events that are used to calculate the expected credit loss.</li> <li>• Tested the mathematical accuracy of the ECL model.</li> <li>• Assessed the adequacy of the relevant disclosures included in the financial statements.</li> </ul>



## **Independent Auditor's Report (continued)**

To the Shareholders of Almunajem Foods Company (formerly known as Almunajem Cold Stores Company) (continued)  
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### **Other information included in the Company's 2021 Annual Report**

Other information consists of the information included in the Company's 2021 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Company's 2021 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Company's 2021 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### **Responsibilities of Management and those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of the Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Board of Directors, are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



## Independent Auditor's Report (continued)

To the Shareholders of Almunajem Foods Company (formerly known as Almunajem Cold Stores Company) (continued)  
(A Saudi Joint Stock Company)

### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit, in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



**Independent Auditor's Report (continued)**  
**To the Shareholders of Almunajem Foods Company (formerly known as Almunajem Cold Stores Company) (continued)**  
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**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young Professional Services

Rashid S. Roshod  
Certified Public Accountant  
License No. (366)

Riyadh: 24 Sha'ban 1443H  
27 March 2022G

