

ALMUNAJEM FOODS COMPANY
(formerly known as ALMUNAJEM COLD
STORES COMPANY)
(SAUDI CLOSED JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

ALMUNAJEM FOODS COMPANY (formerly known as ALMUNAJEM COLD
STORES COMPANY)
(SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 31 March 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ALMUNAJEM FOODS COMPANY (formerly known as ALMUNAJEM COLD STORES COMPANY) (SAUDI CLOSED JOINT STOCK COMPANY)

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of AlMunajem Foods Company (formerly known as AlMunajem Cold Stores Company) (the "Company") as at 31 March 2021, and the related interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Emphasis of Matter:

We issued a review report on 22 June 2021 on the interim condensed financial statements for the three-month period ended 31 March 2021 with "Other Matter" paragraph indicating that the comparative numbers for the three-month period ended 31 March 2020 were unreviewed.

Subsequently, Capital Market Authority of Saudi Arabia (CMA) instructed the Company to engage their auditors to perform a review on the interim condensed financial statements for the three-month period ended 31 March 2020, and to remove the reference from the review report indicating comparative numbers for the three-month period ended 31 March 2020 were unreviewed.

We performed a review on the interim condensed financial statements for the three-month period ended 31 March 2020 and issued a review report on 5 September 2021. Therefore, this review report replaces our review report issued on 22 June 2021. Our conclusion has not been modified in respect of this matter.

for Ernst & Young



Fahad M. Al-Toalmi
Certified Public Accountant
License number 354

Riyadh: 6 Safar 1443H
(13 September 2021)



ALMUNAJEM FOODS COMPANY (formerly known as ALMUNAJEM COLD
STORES COMPANY)
(SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

		31 March 2021 SR (Unaudited)	31 December 2020 SR (Audited)
	Note		
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	280,633,260	281,033,658
Intangible assets		3,891,634	4,265,572
Right-of-use assets		46,274,747	46,945,925
TOTAL NON-CURRENT ASSETS		330,799,641	332,245,155
CURRENT ASSETS			
Inventories	7	459,592,077	419,992,579
Trade receivables, prepayments and others	8	270,560,422	216,177,674
Due from related parties	11	72,056,960	81,527,168
Bank balances and cash	9	29,232,063	19,906,229
TOTAL CURRENT ASSETS		831,441,522	737,603,650
TOTAL ASSETS		1,162,241,163	1,069,848,805
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	600,000,000	150,000,000
Proposed increase in share capital	10	-	450,000,000
Statutory reserve	10	22,967,876	22,967,876
Actuarial valuation reserve		(3,739,413)	(3,739,413)
Retained earnings		50,686,283	21,222,480
TOTAL EQUITY		669,914,746	640,450,943
NON-CURRENT LIABILITIES			
Lease liabilities – non-current portion		38,933,060	41,936,474
Employees' defined benefit liabilities		40,688,103	39,668,205
TOTAL NON-CURRENT LIABILITIES		79,621,163	81,604,679
CURRENT LIABILITIES			
Trade payables, accruals and others	12	252,013,939	181,048,705
Due to related parties	11	3,065,951	187,314
Refund liabilities		1,395,729	1,150,025
Lease liabilities – current-portion		7,570,538	6,924,936
Short-term loans	13	105,000,000	128,000,000
VAT payable		34,796,662	25,196,294
Zakat payable	14	8,862,435	5,285,909
TOTAL CURRENT LIABILITIES		412,705,254	347,793,183
TOTAL LIABILITIES		492,326,417	429,397,862
TOTAL EQUITY AND LIABILITIES		1,162,241,163	1,069,848,805

The accompanying notes form an integral part of these interim condensed financial statements.

ALMUNAJEM FOODS COMPANY (formerly known as ALMUNAJEM COLD
STORES COMPANY)
(SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

For the three-month period ended at 31 March 2021

		<i>For the three-month period ended</i>	
		31 March 2021	31 March 2020
		SR	SR
	<i>Note</i>	(Unaudited)	(Unaudited)
Revenue	15	628,055,404	687,578,509
Cost of revenue		(530,614,947)	(549,468,416)
Gross profit		97,440,457	138,110,093
Selling and marketing expenses		(57,276,284)	(53,483,752)
General and administrative expenses		(4,964,951)	(5,310,185)
Depreciation of right-of-use assets		(1,909,030)	(1,690,520)
Operating income		33,290,192	77,625,636
Other income		488,259	1,215,893
Finance costs	16	(738,122)	(1,366,115)
Income before zakat		33,040,329	77,475,414
Zakat	14	(3,576,526)	(1,808,719)
Net income for the period		29,463,803	75,666,695
Other comprehensive income for the period		-	-
Total comprehensive income for the period		29,463,803	75,666,695
Basic and diluted earnings per share:			
Basic and diluted earnings per share from net income	17	0.49	1.26

The accompanying notes form an integral part of these interim condensed financial statements.

ALMUNAJEM FOODS COMPANY (formerly known as ALMUNAJEM COLD
STORES COMPANY)
(SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended at 31 March 2021

	<i>Share capital SR</i>	<i>Proposed increase in share capital SR</i>	<i>Statutory reserve SR</i>	<i>Actuarial valuation reserve SR</i>	<i>Retained earnings SR</i>	<i>Total SR</i>
As at 1 January 2021	150,000,000	450,000,000	22,967,876	(3,739,413)	21,222,480	640,450,943
Net income for the period	-	-	-	-	29,463,803	29,463,803
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	29,463,803	29,463,803
Increase in share capital (note 10)	450,000,000	(450,000,000)	-	-	-	-
As at 31 March 2021 (Unaudited)	600,000,000	-	22,967,876	(3,739,413)	50,686,283	669,914,746
As at 1 January 2020	150,000,000	-	75,000,000	(1,500,754)	240,202,303	463,701,549
Net income for the period	-	-	-	-	75,666,695	75,666,695
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	75,666,695	75,666,695
As at 31 March 2020 (Unaudited)	150,000,000	-	75,000,000	(1,500,754)	315,868,998	539,368,244

The accompanying notes form an integral part of these interim condensed financial statements.

ALMUNAJEM FOODS COMPANY (formerly known as ALMUNAJEM COLD
STORES COMPANY)
(SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the three-month period ended at 31 March 2021

		31 March 2021 SR (Unaudited)	31 March 2020 SR (Unaudited)
	Note		
OPERATING ACTIVITIES			
Profit before zakat		33,040,329	77,475,414
<i>Non-cash adjustments to reconcile income before zakat to net cash flows from operating activities</i>			
Amortization of right-of-use assets		1,909,030	1,690,520
Depreciation	6	6,759,333	6,967,994
Amortization of intangible assets		383,938	333,411
Interest on lease liabilities		314,655	261,359
Interest on short-term loans		423,465	1,104,756
Allowance for expected credit losses	8	2,395,248	590,599
Gain on disposal of property, plant and equipment		(319,195)	(840,903)
Employees' defined benefit liabilities		1,278,717	1,699,058
		<u>46,185,520</u>	<u>89,282,208</u>
Working capital adjustments:			
Trade receivables, prepayments and others		(56,777,996)	(71,707,743)
Inventories		(39,599,498)	51,218,533
Trade payables, accruals and others		70,941,881	(14,822,239)
Refund liabilities		245,704	410,025
VAT payable		9,600,368	25,010,828
Due from/to related parties		12,348,846	(27,402,240)
		<u>42,944,825</u>	<u>51,989,372</u>
Finance costs paid		(400,112)	(1,093,857)
Employees' defined benefit liabilities paid		(258,819)	(451,850)
		<u>(658,931)</u>	<u>(1,545,707)</u>
Net cash from operating activities		<u>42,285,894</u>	<u>50,443,665</u>
INVESTING ACTIVITIES			
Additions to property, plant and equipment	6	(6,376,571)	(4,542,275)
Proceeds from disposal of property, plant and equipment		336,830	873,421
Additions to intangible assets		(10,000)	(3,417)
		<u>(6,049,741)</u>	<u>(3,672,271)</u>
FINANCING ACTIVITIES			
Payment of lease liabilities		(3,910,319)	(3,723,572)
Proceeds from short-term loans		1,013,000,000	1,494,000,000
Repayments of short-term loans		(1,036,000,000)	(1,475,000,000)
Due from shareholders	11	-	(42,904,361)
		<u>(26,910,319)</u>	<u>(27,627,933)</u>
Net cash used in financing activities		<u>(26,910,319)</u>	<u>(27,627,933)</u>
Increase in bank balances and cash		9,325,834	19,143,461
Bank balances and cash at the beginning of the period	9	19,906,229	20,090,651
		<u>29,232,063</u>	<u>39,234,112</u>
Bank balances and cash at the end of the period	9	<u>29,232,063</u>	<u>39,234,112</u>
Non-cash transactions:			
Additions to right-of-use assets and lease liabilities		1,237,852	-
Transfer of proposed increase in share capital to share capital	10	450,000,000	-

The accompanying notes form an integral part of these interim condensed financial statements.

ALMUNAJEM FOODS COMPANY (formerly known as ALMUNAJEM COLD STORES COMPANY)

(SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2021

1. ORGANISATION AND ACTIVITIES

AlMunajem Foods Company (formerly known as AlMunajem Cold Stores Company) (the “Company”) is a Saudi Closed Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia (KSA) under commercial registration number 1010231822, dated 7 Rabie Thani 1428H (corresponding to 24 April 2007). The registered address of the Company is located at Riyadh, P O Box 1544, Riyadh 11451, KSA.

The Company is a subsidiary of Abdullah Al Ali AlMunajem Sons Company (the “Parent Company”) which is a Saudi Closed Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010000565 dated 11 Dhu Al-Qidah 1376H (corresponding to 10 June 1957). The registered address of the Parent Company is located at Riyadh, P O Box 2395, Riyadh 11451, KSA.

On 11 October 2020 the Partners decided to go for an IPO. Also, the Partners decided in their meeting dated 2 November 2020 to convert the Company from Limited Liability Company to a Saudi Closed Joint Stock Company. In addition, the Company’s has changed its legal name from “AlMunajem Foods Company” to “AlMunajem Foods Company” (Saudi Closed Joint Stock Company). Legal formalities in respect of conversion of the legal form of the Company and change of name are completed during the current year (note 10).

The Company is engaged in wholesale and retail trading in fruits, vegetables, cold and frozen meat, bottled, food stuff, through its following branches:

Commercial registration

1131026002
2050059043
4030176226
5855030212
4650046753
3550027505
3350031238
2250045420
4031067309
4032032800
5900017953
1010401313
1010465454
4030291805
1010653210
3400119907

Branch location

Burieda
Dammam
Jeddah
Khamis Mushait
Madina
Tabouk
Hail
Ahsa
Makkah
Taif
Jizan
Riyadh
Riyadh
Jeddah
Riyadh
Sakaka

2. BASIS OF PREPARATION

2.1 Statement of compliance

These interim condensed financial statements for the three months period ended 31 March 2021 have been prepared in accordance with International Accounting Standard “Interim Financial Reporting” (“IAS 34”) endorsed in the Kingdom of Saudi Arabia. The Company has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast doubt significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements as at 31 December 2020.

2.2 Basis of measurement

These interim condensed financial statements have been prepared under the historical cost convention using the accruals basis of accounting. For employee and other post-employment benefits, actuarial present value calculations are used.

2.3 Functional and presentation currency

These interim condensed financial statements are presented in Saudi Riyals (SR) which is also the functional currency of the Company.

ALMUNAJEM FOODS COMPANY (formerly known as ALMUNAJEM COLD STORES COMPANY)

(SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

The accounting policies adopted in the preparation of interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2020, except for the adoption of amendments to standards effective as of 1 January 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021 but do not have an impact on the interim condensed financial statements of the Company.

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed financial statements of the Company.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the interim condensed financial statements of the Company.

5. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the Company's interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities.

The significant judgments made by management in applying the Company accounting policies and the methods of computation and the key sources of estimation are the same as those that applied to the financial statements for the year ended 31 December 2020. However, in view of the current uncertainty regarding COVID 19, any future change in assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amounts of assets or liabilities affected in future periods. As the situation continues to evolve, management will continue to assess the impact based on prospective developments (see also note 21).

ALMUNAJEM FOODS COMPANY (formerly known as ALMUNAJEM COLD STORES COMPANY)

(SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

6. PROPERTY, PLANT AND EQUIPMENT

	<i>For the three-month period ended 31 March 2021 SR (Unaudited)</i>	<i>For the year ended 31 December 2020 SR (Audited)</i>
Cost:		
At the beginning of the period / year	514,532,525	537,988,035
Additions during the period / year	6,376,571	18,895,703
Disposals during the period / year	(983,572)	(24,728,152)
Transfer to a related party (Note 11)	-	(17,623,060)
At the end of the period / year	519,925,524	514,532,526
Accumulated depreciation:		
At the beginning of the period / year	233,498,868	233,871,974
Depreciation charge for the period / year	6,759,333	27,826,381
Relating to disposals during the period / year	(965,937)	(24,630,261)
Relating to transfer to a related party (Note 11)	-	(3,569,226)
At the end of the period / year	239,292,264	233,498,868
Net book amounts:		
At the end of the period / year	280,633,260	281,033,658

7. INVENTORIES

	<i>31 March 2021 SR (Unaudited)</i>	<i>31 December 2020 SR (Audited)</i>
Goods for resale	280,811,408	315,325,512
Goods-in-transit	168,349,645	94,599,890
Spare parts and consumables	10,431,024	10,067,177
	459,592,077	419,992,579

8. TRADE RECEIVABLES, PREPAYMENTS AND OTHERS

	<i>31 March 2021 SR (Unaudited)</i>	<i>31 December 2020 SR (Audited)</i>
Trade receivables	249,724,691	207,570,533
Less: allowance for expected credit losses	(9,201,657)	(6,806,409)
	240,523,034	200,764,124
Prepayments	19,838,364	7,905,653
Advances to suppliers and contractors	6,439,000	4,642,664
Right of return assets	1,183,815	976,777
Other current financial assets	2,576,209	1,888,456
	270,560,422	216,177,674

ALMUNAJEM FOODS COMPANY (formerly known as ALMUNAJEM COLD STORES COMPANY)

(SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

8. TRADE RECEIVABLES, PREPAYMENT AND OTHERS (continued)

Terms and conditions of the above financial assets:

Trade receivables are non-interest bearing and are generally on terms of 15-60 days. It is not the practice of the Company to obtain collateral over receivables and the vast majority are, therefore, unsecured.

The movements in the allowance for expected credit losses during the period were as follows:

	<i>For the three-month period ended 31 March 2021 SR (Unaudited)</i>	<i>For the year ended 31 December 2020 SR (Audited)</i>
At the beginning of the period / year	6,806,409	4,624,131
Allowance for expected credit losses	2,395,248	2,182,278
	<hr/>	<hr/>
At the end of the period / year	9,201,657	6,806,409
	<hr/>	<hr/>

9. BANK BALANCES AND CASH

	<i>31 March 2021 SR (Unaudited)</i>	<i>31 December 2020 SR (Audited)</i>
Cash at banks	26,622,761	17,571,434
Cash on hand	2,609,302	2,334,795
	<hr/>	<hr/>
	29,232,063	19,906,229
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10. SHARE CAPITAL AND STATUTORY RESERVE

(a) Share Capital

During the year 2020, the partners of the Company in their meeting held on 16 Rabi' al-Awwal 1442H (corresponding to 2 November 2020) resolved to increase the share capital of the Company from SR 150,000,000 to SR 600,000,000 (divided into 60,000,000 shares of SR 10 each) by transferring an amount of SR 450,000,000 from proposed increase in capital and to change the legal structure of the Company from a limited liability company to a closed joint stock company. The legal formalities for the increase in share capital and change of legal structure, including approval by the Ministry of Commerce and issuance of ministerial resolution, were completed on 5 Rajab 1442H (corresponding to 17 February 2021). Further, the Company also obtained approval from Ministry of Commerce to continue with the current financial year from 1 January 2021 to 31 December 2021 and accordingly exempted from preparing cut-off financial statement at the date of conversion to a closed joint stock company.

Authorized, issued and paid up capital is divided into 60,000,000 shares (31 December 2020: 150,000 shares) of SR 10 each (31 December 2020: 1,000 each). The percentage of holding is as follows:

	<i>31 March 2021 SR (Unaudited)</i>	<i>31 December 2020 SR (Audited)</i>
Abdullah Al Ali AlMunajem Sons Company	99%	99%
Al-Kafa'a Real Estate Company	1%	1%
	<hr/>	<hr/>
	100%	100%
	<hr/>	<hr/>

ALMUNAJEM FOODS COMPANY (formerly known as ALMUNAJEM COLD STORES COMPANY)

(SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

10. SHARE CAPITAL AND STATUTORY RESERVE (continued)

(b) Statutory Reserve

In accordance with Saudi Arabian Regulations for Companies and the Company's by-law, the Company must transfer 10% of its net income in each year, until this reserve reaches 30% of the capital. This reserve is not available for distribution.

11. RELATED PARTIES DISCLOSURES

Related parties represent major shareholders, director and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Transactions with related parties included in the statement of profit or loss are as follows:

a) Related party transactions

	<i>Sales</i>	<i>Purchases</i>	<i>Expenses</i>	<i>PPE purchase</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
For the three-month period ended 31 March 2021 (Unaudited)				
France Poultry	-	111,869,105	-	-
Shawaya House Company	9,022,085	66,871	118,505	-
Gulf Catering Company	2,570,927	348,958	918,748	-
Nutrition and Diet Center Company	1,313,071	520,143	1,549,231	3,656,268
Az-Zad Saudi Company	255,987	28,879	47,287	-
Burieda Trading and Refrigeration Company	-	861,680	80,332	-
Al-Kafa'a Real State Company	-	-	618,375	-
Abdullah Al Ali AlMunajem Sons Company.	-	-	2,109,056	-
	<i>Sales</i>	<i>Purchases</i>	<i>Expenses</i>	<i>Financing*</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
For the three-month period ended 31 March 2020 (Unaudited)				
France Poultry	-	59,349,996	-	-
Shawaya House Company	8,041,193	-	152,486	-
Gulf Catering Company	3,474,819	208,186	535,500	-
Nutrition and Diet Center Company	1,767,175	229,120	1,018,993	-
Az-Zad Saudi Company	297,685	97,239	36,942	-
Thati Limited Company	587,031	-	28,716	-
Burieda Trading and Refrigeration Company	-	2,000	166,114	-
Al-Kafa'a Real State Company*	-	-	587,690	429,044
Abdullah Al Ali Almunajem Sons Company*	-	-	682,344	42,475,317
Al Ameda Contracting Company	-	-	5,000	-

*Amounts paid to shareholders totaling SR 42,904,361 was subsequently settled against dividends declared (note 18).

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ALMUNAJEM FOODS COMPANY (formerly known as ALMUNAJEM COLD STORES COMPANY)

(SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

11. RELATED PARTIES DISCLOSURES (continued)

Balances with related parties included in the statement of financial position are as follows:

b) Amounts due from related parties

The breakdown of amounts due from related parties is as follows:

	31 March 2021 SR (Unaudited)	31 December 2020 SR (Audited)
France Poultry	60,084,539	71,043,712
Shawaya House Company	9,974,601	7,150,774
Gulf Catering Company	1,029,256	720,017
Gulf Catering Food Factory (Kako)	730,372	542,887
Thati Limited Company	92,198	473,886
Az-Zad Saudi Company	86,421	151,715
Burieda Trading and Refrigeration Company	59,573	418,942
Nutrition and Diet Center Company	-	1,025,235
	72,056,960	81,527,168

The above balances are unsecured, interest free and settled within 12 months. The management estimate the allowance on due from related party balance at the reporting date at an amount equal to lifetime ECL. No receivable balance from related parties at the reporting date are past due, taking into account the historical default experience and the future prospects of the industries in which the related parties operate, the management considers that related party balances are not impaired. There has been no change in estimation techniques or significant assumptions made during the current reporting period in assessing the allowances for balances due from related parties.

c) Amounts due to related parties

The breakdown of amounts due to related parties is as follows:

	31 March 2021 SR (Unaudited)	31 December 2020 SR (Audited)
Nutrition and Diet Center Company	2,839,981	-
Abdullah Al Ali AlMunajem Sons Company (Parent Company)	171,222	40,364
Sudair Frozen Factory	54,748	146,950
	3,065,951	187,314

The Company uses a bank account under the name of the parent company. The Company is the beneficiary of this bank account. The balance as at 31 March 2021 is SR 115,995 (31 December 2020: SR 1,003).

Terms and conditions of the above due to a shareholder:

These amounts are non-interest bearing and are generally on terms of 30 to 45 days.

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11. RELATED PARTIES DISCLOSURES (continued)

d) Key management compensation

Key management personnel of the Company comprise of key members of the management having authority and responsibility for planning, directing and controlling the activities of the Company. The compensation to key management is shown below:

	For the three-month period ended	
	31 March 2021	31 March 2020
	SR	SR
	(Unaudited)	(Unaudited)
Short-term employee benefits	1,362,694	1,175,088
Employees' defined benefit liabilities	108,441	128,734

12. TRADE PAYABLES, ACCRUALS AND OTHERS

	31 March 2021	31 December 2020
	SR	SR
	(Unaudited)	(Audited)
Trade payables	225,703,227	149,777,122
Accrued expenses	24,695,498	29,098,804
Advances from customers	694,462	762,544
Other payables	920,752	1,410,235
	<u>252,013,939</u>	<u>181,048,705</u>

Terms and conditions of the above financial liabilities:

* Trade and other payables are non-interest bearing and have a term of three months.

13. SHORT-TERM LOANS

The Company has obtained Murabaha and Tawaruq loans from local banks for financing the Company's working capital requirements. The loans are secured by corporate guarantee from the Parent Company and carry borrowing costs at commercial rates.

As of 31 March 2021, the Company has obtained total facilities amounting to SR 700,000,000 (2020: SR 520,000,000) and utilized SR 105,000,000 (2020: SR 128,000,000).

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14. ZAKAT PAYABLE

Abdullah Al Ali Almunajem Sons Company (the "Parent Company") and the Company have filed their zakat declaration on a standalone basis until the year ended 31 December 2016. The Parent Company obtained an approval from the General Authority of Zakat and Tax (the "GAZT") to submit its zakat returns on a combined basis, including the Company and therefore, from 2017 and onwards, the Parent Company started filing the combined zakat declarations for all wholly owned subsidiaries, including the Company. Combined zakat declaration for the years ended 31 December 2017 through 2020 have been already submitted with GAZT. The Parent Company has also obtained the zakat certificate until 31 December 2020. The calculation of the zakat liability is done by calculating Zakat due on the standalone basis for each entity of the group and then prorating the amount due to each company based on the combined Zakat calculation of the group.

In view of the approval of IPO process (note 1) and change in the legal status of the Company during the current year end (note 10), the Parent Company has pledged that any additional liability that may arise upon the finalization of zakat assessments that may arise in the future related to the years from 2008 until 2020 will be settled by the Parent Company.

Zakat expense

The zakat charge for the period/year comprise of the following:

	<i>For the three- month period ended 31 March 2021 SR (Unaudited)</i>	<i>For the year ended 31 December 2020 SR (Audited)</i>
Additional Zakat allocation (Note A below)	-	1,948,966
Current period /year provision	<u>3,576,526</u>	<u>5,285,909</u>
Total provided during the period/year	<u><u>3,576,526</u></u>	<u><u>7,234,875</u></u>

- (A) This amount represents additional Zakat expense allocation made by the Parent Company based on the combined Zakat calculation.

Movement in the zakat provision:

	<i>For the three- month period ended 31 March 2021 SR (Unaudited)</i>	<i>For the year ended 31 December 2020 SR (Audited)</i>
At the beginning of the period /year	5,285,909	2,780,142
Current period /year provision	3,576,526	7,234,875
Payment during the period /year	<u>-</u>	<u>(4,729,108)</u>
Balance at the end of the period /year	<u><u>8,862,435</u></u>	<u><u>5,285,909</u></u>

Status of assessments

Standalone zakat filing from 2008 to 2016

Zakat returns have been filed with the General Authority of Zakat and Tax (the GAZT) for all years from 2008 to 2016. However, final assessments have not yet been raised by the GAZT. For any assessment that may arise in the future related to the years from 2008 until 2020, will be settled by the Parent Company.

Combined zakat filing from 2017 to 2020

Combined Zakat returns have been filed by the Parent Company, including the Company, with the General Authority of Zakat and Tax (the GAZT) for the years from 2017 to 2020. However, final assessments have not yet been raised by the GAZT.

Going forward the Company will be filling Zakat return on standalone basis.

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15. REVENUE

	<i>For the three-month period ended</i>	
	<i>31 March 2021</i>	<i>31 March 2020</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Non-retail - goods transferred at a point in time	348,077,089	401,894,334
Retail - goods transferred at a point in time	278,344,027	284,088,795
Services transferred over time	1,634,288	1,595,380
	<u>628,055,404</u>	<u>687,578,509</u>
	<i>For the three-month period ended</i>	
	<i>31 March 2021</i>	<i>31 March 2020</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Timing of revenue recognition		
Goods transferred at a point in time	626,421,116	685,983,129
Services transferred over time	1,634,288	1,595,380
	<u>628,055,404</u>	<u>687,578,509</u>

16. FINANCE COSTS

	<i>For the three-month period ended</i>	
	<i>31 March 2021</i>	<i>31 March 2020</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Interest on bank borrowings	423,467	1,104,756
Interest on lease liabilities	314,655	261,359
	<u>738,122</u>	<u>1,366,115</u>

17. EARNING PER SHARE (EPS)

Basic and diluted earnings per share ("EPS") is calculated by dividing the net income for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is the same as the basic earnings per share as the Company does not have any convertible securities or diluted instruments to exercise.

The following table reflects the income for the period attributable to ordinary equity holders and weighted average number of ordinary share outstanding during the period used in the basic and diluted EPS computations:

Basic and diluted earnings per share from total income.

	<i>For the three-month period ended</i>	
	<i>31 March 2021</i>	<i>31 March 2020</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Total income for the period	29,463,803	75,666,695
Weighted average no of shares for basic & diluted earnings per share	60,000,000	60,000,000
	<u>0.49</u>	<u>1.26</u>

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18. DIVIDENDS

No dividends have been proposed in the current period. During the three-month period ended 31 March 2020, the Board of Directors proposed dividends of SR 42,904,361 (SR 286.03 dividends per share) which were approved the shareholders in their meeting held on 23 Sha'ban 1441 H (corresponding to 16 April 2020).

19. SEGMENT INFORMATION

For management purposes, the Company is organised into business units based on its geographical regions within the Kingdom of Saudi Arabia, as follows:

	<i>Central region SR</i>	<i>Eastern region SR</i>	<i>Western region SR</i>	<i>Total SR</i>
<i>For the three-month period ended at 31 March 2021 (Unaudited)</i>				
Revenues	289,392,183	121,778,940	216,884,281	628,055,404
Cost of revenues	245,871,958	102,664,268	182,078,721	530,614,947
Asset depreciation and amortization	2,719,611	1,608,372	2,815,288	7,143,271
Depreciation of right-of-use assets	1,048,164	279,709	581,157	1,909,030
Segment profit before zakat	14,738,822	7,452,067	10,849,440	33,040,329
Total assets 31 March 2021 (Unaudited)	604,641,795	219,931,564	337,667,804	1,162,241,163
Total liabilities 31 March 2021 (Unaudited)	459,834,350	11,968,677	20,523,390	492,326,417
	<i>Central region SR</i>	<i>Eastern region SR</i>	<i>Western region SR</i>	<i>Total SR</i>
<i>For the three-month period ended at 31 March 2020 (Unaudited)</i>				
Revenues	309,410,757	140,764,017	237,403,735	687,578,509
Cost of revenues	245,524,747	113,211,449	190,732,220	549,468,416
Asset depreciation and amortization	2,261,554	1,823,073	3,216,778	7,301,405
Depreciation of right-of-use assets	920,945	228,677	540,898	1,690,520
Segment profit before zakat	37,789,200	16,936,973	22,749,241	77,475,414
Total assets 31 December 2020	512,376,104	219,767,247	337,705,454	1,069,848,805
Total liabilities 31 December 2020	101,077,110	158,667,167	169,653,585	429,397,862

The Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements. Also, the Company's financing and administrative (including finance costs, salaries and benefits of CEO, directors, finance and IT departments, legal and HR departments, administrative and support department, other expenses and other income) and Zakat are managed on a Company basis and are not allocated to operating segments.

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20. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Company has given letters of guarantee, limited to SR 650,000 (31 December 2020: SR 410,000), in respect of contract performance, and letters of credit amounting to SR 25,051,712 (31 December 2020: SR 33,597,707). There are capital commitments amounting to SR 5,124,074 as at 31 March 2021 (31 December 2020: SR 9,677,152) related to property, plant and equipment.

21. COVID 19 IMPACT

A novel strain of coronavirus ("COVID-19") was first identified at the end of December 2019, subsequently in March 2020 was declared as a pandemic by the World Health Organization ("WHO"). COVID-19 continues to spread throughout in nearly all regions around the world including the Kingdom of Saudi Arabia and resulted in travel restrictions and curfew in the cities which resulted in a slowdown of economic activities and shutdowns of many sectors at global and local levels.

The extent to which coronavirus pandemic impacts the Company's business, operations, and financial results, is uncertain and depends on many factors and future developments, that the Company may not be able to estimate reliably during the current period. These factors include the virus transmission rate, the duration of the outbreak, precautionary actions that may be taken by governmental authorities to reduce the spread of the epidemic and the impact of those actions on economic activity, the impact to the businesses of the Company's customers and partners and other factors.

As far and as of the date of preparation of the interim condensed financial statements for the period ended 31 March 2021, the Company's operations did not have a significant negative impact from the COVID-19 outbreak. The Company's management will continue to evaluate the nature and extent of the impact of COVID-19 on the Company's business and financial results.

22. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved for issuance by the Board of Directors on 6 Safar 1443H (corresponding to 13 September 2021).