

ALAMAR FOODS COMPANY
(A Closed Joint Stock Company)
**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)**
For the three and nine months period ended 30 September 2021
together with the
INDEPENDENT AUDITOR'S REVIEW REPORT

ALAMAR FOODS COMPANY
(A CLOSED JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021

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KPMG Professional Services

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Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Alamar Foods Company

Introduction

We have reviewed the accompanying 30 September 2021 condensed consolidated interim financial statements of Alamar Foods Company ("the Company") and its subsidiaries ("the Group"), which comprise:

- the condensed consolidated interim statement of financial position as at 30 September 2021;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2021;
- the condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2021;
- the condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 2021; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of 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 30 September 2021 condensed consolidated interim financial statements of Alamar Foods Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services

Fahad Mubark Al Dossari
License No: 469

Date: 22 December 2021

Corresponding to: 18 Jamada I 1443H



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كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (٢٥.٠٠٠.٠٠٠) ريال سعودي مدفوع بالكامل، المسجلة بملف "شركة كي بي إم جي للوزان وشركاه محاسبين ومراجعين قانونيين". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

ALAMAR FOODS COMPANY
(A CLOSED JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021
(Amount in Saudi Riyals)

	<i>Note</i>	30 September 2021 (Unaudited)	31 December 2020 (Audited)
ASSETS			
Property and equipment	5	155,883,501	153,631,720
Right of use assets	6	197,751,750	188,306,035
Goodwill	24	24,876,627	24,993,979
Other intangible assets		4,937,264	4,434,272
Equity-accounted investees		12,746	12,746
Deferred tax assets		3,002,698	2,840,143
Non-current assets		386,464,586	374,218,895
Inventories	7	50,127,964	33,813,668
Trade and other receivables	8	62,874,209	64,853,142
Due from related parties	9	22,092,167	10,611,820
Cash and cash equivalents	10	168,257,987	128,105,607
Current assets		303,352,327	237,384,237
TOTAL ASSETS		689,816,913	611,603,132
EQUITY AND LIABILITIES			
Equity			
Share capital	11	252,000,000	5,000,000
Proposed increase in share capital	11	3,000,000	--
Statutory reserve	12	2,500,000	2,500,000
Capital contribution	13	--	151,268,859
Retained earnings		61,173,011	64,322,839
Foreign currency translation reserve		(9,836,615)	2,339,886
Equity attributable to owners of the Company		308,836,396	225,431,584
Non-controlling interests		60,630	1,560,826
Total equity		308,897,026	226,992,410
Lease liabilities	14	146,795,875	137,486,754
Employee benefits	15	25,414,438	22,087,041
Trade and other payables	16	905,254	7,058,239
Loans and borrowings	21	2,289,582	2,864,273
Deferred tax liabilities		1,449,382	1,444,257
Non-current liabilities		176,854,531	170,940,564
Lease liabilities	14	65,299,560	64,470,722
Employee benefits	15	17,317,408	18,020,800
Trade and other payables	16	107,434,509	119,431,509
Due to related parties	9	2,783,984	2,602,743
Loans and borrowings	21	1,895,738	1,148,361
Provision for zakat and income tax		9,334,157	7,996,023
Current liabilities		204,065,356	213,670,158
Total liabilities		380,919,887	384,610,722
TOTAL EQUITY AND LIABILITIES		689,816,913	611,603,132

The accompanying notes (1) through (28) form an integral part of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements shown on pages 2 to 25 were approved on 18 Jamada I 1443H (corresponding to 22 December 2021) and signed on behalf of the board of directors by Chairman, Chief Executive Officer and Chief Financial Officer.

ALAMAR FOODS COMPANY
(A CLOSED JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**
(Amount in Saudi Riyals)

	<i>Note</i>	For the three months period		For the nine months period	
		30 September 2021	30 September 2020	30 September 2021	30 September 2020
Revenue	17	220,797,906	205,224,491	622,451,129	485,366,406
Cost of sales		(145,349,940)	(122,916,955)	(404,649,959)	(334,924,774)
Gross profit		75,447,966	82,307,536	217,801,170	150,441,632
Selling and distribution expenses		(20,314,640)	(14,933,984)	(57,763,201)	(44,904,315)
Administrative expenses		(24,923,702)	(24,101,038)	(66,396,992)	(64,550,486)
Other income		5,898,380	5,011,296	17,819,958	11,728,072
Impairment of trade and other receivables	8.1 & 8.2	(290,621)	--	(1,790,621)	--
Operating profit		35,817,383	48,283,810	109,670,314	52,714,903
Finance costs and bank charges		(4,374,614)	(4,564,728)	(12,025,208)	(11,428,546)
Share of losses of equity-accounted investee		(1,186)	30,658	(415,159)	(803,191)
Impairment loss on investment in equity-accounted investee		--	(1,637,797)	--	(4,913,390)
Profit before zakat and tax		31,441,583	42,111,943	97,229,947	35,569,776
Zakat and income tax		(5,746,780)	(689,481)	(10,681,619)	(2,994,192)
Profit for the period		25,694,803	41,422,462	86,548,328	32,575,584
Other comprehensive loss					
<i>Item that will not be reclassified subsequently to profit or loss:</i>					
Remeasurement of employee defined benefit liabilities		--	--	--	--
<i>Item that are reclassified subsequently to profit or loss</i>					
Foreign operation – foreign currency translation differences		1,579,768	2,389,868	(12,826,597)	1,313,527
Other comprehensive (loss) / income for the period		1,579,768	2,389,868	(12,826,597)	1,313,527
Total comprehensive income for the period		27,274,571	43,812,330	73,721,731	33,889,111
Profit attributable to:					
Owners of the Company		25,493,302	40,851,138	87,398,428	33,018,895
Non-controlling interests		201,501	571,324	(850,100)	(443,311)
		25,694,803	41,422,462	86,548,328	32,575,584
Total comprehensive income attributable to:					
Owners of the Company		27,023,244	43,033,218	75,221,927	34,270,279
Non-controlling interests		251,327	779,112	(1,500,196)	(381,168)
		27,274,571	43,812,330	73,721,731	33,889,111
Earnings per share - basic and diluted	26	1.00	1.60	3.43	1.29

The accompanying notes (1) through (28) form an integral part of these condensed consolidated interim financial statements.

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**

Attributable to owners of the Company

The accompanying notes (1) through (28) form an integral part of these condensed consolidated interim financial statements.

ALAMAR FOODS COMPANY
(A CLOSED JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021
(Amount in Saudi Riyals)

	<i>Note</i>	30 September 2021	30 September 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		86,548,328	32,575,584
<i>Adjustments for:</i>			
- Income tax and zakat		10,681,619	2,994,192
- Depreciation of property, plant and equipment	5	23,629,564	23,840,850
- Depreciation of right of use assets	6	47,612,006	46,756,595
- Amortization of intangible assets		767,142	1,088,795
- Share of loss in equity-accounted investee		415,159	5,716,581
- Loss on disposal of right of use assets		--	1,202,695
- Employee benefits	15	3,040,108	3,347,245
- Interest expense of lease liabilities	14	9,165,069	11,428,546
- Impairment loss on trade and other receivables		1,790,621	--
- Loss on disposal of property, plant and equipment		432,652	1,736,906
- Impairment loss on inventories		558,647	893,368
		184,640,915	131,581,357
<i>Changes in operating assets and liabilities:</i>			
Inventories		(16,872,943)	(7,052,799)
Trade and other receivables		188,312	(4,254,327)
Due from related parties		(19,663,230)	64,423,940
Employee benefits		3,193,156	5,227,045
Trade and other payables		(18,149,985)	24,562,381
Due to related parties		181,241	(62,186,844)
Cash generated from operations		133,517,466	152,300,753
Zakat and income tax paid		(1,160,603)	(4,574,727)
Employee benefits paid	15	(3,609,259)	(1,202,205)
Net cash generated from operating activities		128,747,604	146,523,821
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	5	(27,757,577)	(16,944,636)
Acquisition of intangible assets		(1,274,560)	--
Proceed from sale of property, plant and equipment		427,991	--
Acquisition of subsidiary, net of cash acquired		--	10,486,821
Acquisition of equity accounted investee		--	(12,683)
Net cash used in investing activities		(28,604,146)	(6,470,498)
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in loans and borrowings		172,686	34,519,091
Payments of lease liabilities	14	(50,752,213)	(34,097,850)
Payment of interest on lease liabilities	14	(9,165,069)	(11,428,546)
Net cash used in financing activities		(59,744,596)	(11,007,305)
Net increase in cash and cash equivalents		40,398,862	129,046,018
Cash and cash equivalents at beginning of the period		128,105,607	17,024,197
Effect of movement in exchange rates on cash held		(246,482)	445,760
Cash and cash equivalents at 30 September	10	168,257,987	146,515,975

The accompanying notes (1) through (28) form an integral part of these condensed consolidated interim financial statements.

ALAMAR FOODS COMPANY
(A CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021
(Amount in Saudi Riyals)

1. ACTIVITIES

Alamar Foods Company (the "Company" or the "Parent Company") is a Saudi Closed Joint Stock Company formed under the Regulations for Companies in Kingdom of Saudi Arabia under Commercial Registration (CR) Number 1010168969 dated 20 Jumada Al-Thani 1422 H (corresponding to 09 September 2001). The Company has obtained the Ministry of Commerce approval based on Board of Ministries Resolution No. 97 dated 16 Rabi Al Awal 1433H (corresponding to 08 February 2012).

The main activities of the Company and its subsidiaries (collectively referred to as "the Group") consist of:

- i) Administration and operation of 374 restaurants (31 December 2020: 359) under a Domino's franchise agreement catering service for cooked and non-cooked food and fast-food meals.
- ii) Administration and operation of 39 restaurants (31 December 2020: 35 restaurants) under Dunkin Donut's franchisee agreement.

The address of the Company's registered office is as follows:

Alamar Building
Olaya Road, Olaya District
P.O Box 4748, Riyadh 11412
Kingdom of Saudi Arabia

These condensed consolidated interim financial statements include the financial position and performance of the Company and its following subsidiaries:

<u>Name of the Company</u>	<u>Place of incorporation</u>	<u>Principal activity</u>	<u>Date of acquisition</u>	<u>Effective holding percentage</u>	
				<u>30 September 2021</u>	<u>31 December 2020</u>
Alamar Foods Company LLC	Amman, Jordan	Establishing, operating and managing of fast food restaurants	9 January 2020	75%	75%
Alamar Foods Company LLC	Cairo, Egypt	Establishing, operating and managing of fast food restaurants.	9 January 2020	99%	99%
Alamar Foods LLC	Doha, Qatar	Establishing, operating and managing of fast food restaurants	9 January 2020	99%	99%
Alamar Foods DMCC	Dubai, UAE	Establishing, operating and managing of fast food restaurants	9 January 2020	100%	100%
Alamar Foods LLC	Dubai, UAE	Establishing, operating and managing of fast food restaurants	9 January 2020	99%	99%
Alamar Foods Company W.L.L	Manama, Bahrain	Establishing, operating and managing of fast food restaurants	9 January 2020	99%	99%
Alamar Foods SARL	Beirut, Lebanon	Establishing, operating and managing of fast food restaurants	9 January 2020	95%	95%
HEA Trade and Services Company	Rabat, Morocco	Establishing, operating and managing of fast food restaurants	23 January 2020	49%	49%

ALAMAR FOODS COMPANY
(A CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021
(Amount in Saudi Riyals)

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements ("consolidated financial statements") have been prepared in accordance with IAS 34 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA"), and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2020 ("last annual financial statements").

These consolidated financial statements do not include all of information required for complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the defined benefit plan which is measured at present value of future obligations using Projected Unit Credit Method and equity-accounted investees which are measured at equity method. Further, the consolidated financial statements are prepared using the accrual basis of accounting and going concern concept.

Going concern:

In response to the spread of COVID-19 ("coronavirus") in GCC and other territories, the Group has been closely monitoring the impact of coronavirus on the Group's businesses and has put in place contingency measures. These contingency measures include regular monitoring of cash flows and utilizing undrawn facilities in order to meet working capital requirements. The Group will keep contingency measures under review as the situation evolves. As far as the Group's business is concerned, the outbreak has not caused a significant disruption to the business as the business was operational and operational activities were ongoing during the period. Vaccination programs continue to reduce the level of disruption and improve the economic environment in the jurisdictions in which the Group operates. However, the effect of the outbreak is still subject to uncertainty, with the full range of possible effects unknown.

The management expects that it would be able to continue with the positive financial performance and cash flows of the Group, through ongoing customer demand as well as implementing necessary cost saving measures where needed. Based on the information available and improvement in financial performance in current period, the management expects further improvements in cash flows in subsequent quarters and is confident that the Group has adequate resources to continue its operations for the foreseeable future. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyal ("SR") which is the functional and presentation currency of the Group.

3. USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

In preparing these consolidated financial statements, management has made estimates and judgments that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

ALAMAR FOODS COMPANY
(A CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021
(Amount in Saudi Riyals)

3. USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability are categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated annual financial statements for the year ended 31 December 2020.

- a) Following are the new standards and amendments to standards which are effective for annual periods beginning after 1 January 2021, however the amendments do not have a significant effect of the Company's financial statements.

Effective date	New standards or amendments
1 January 2021	<i>Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16</i>

- b) Following are the new standards and amendments to standards which are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Company has not early adopted them in preparing these financial statements.

Effective date	New standards or amendments
1 January 2022	<i>Onerous Contracts: Cost of Fulfilling a Contract – Amendments to IAS 37</i>
	<i>Annual Improvements to IFRS Standards 2018–2020 – Amendments to IFRS 1, IFRS 9, illustrative examples accompanying IFRS 16 and IAS 41</i>
	<i>Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16</i>
	<i>Reference to the Conceptual Framework – Amendments to IFRS 3</i>

ALAMAR FOODS COMPANY
(A CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021
(Amount in Saudi Riyals)

5. PROPERTY AND EQUIPMENT

	<u>Land</u>	<u>Buildings and buildings improvements</u>	<u>Leasehold improvements</u>	<u>Furniture</u>	<u>Machines and equipment</u>	<u>Computer devices and hardware</u>	<u>Vehicles</u>	<u>Total</u>
<i>Cost:</i>								
At 1 January 2020 (Audited)	--	529,940	95,200,056	8,886,460	85,281,236	17,245,779	2,648,819	209,792,290
Acquisitions through business combinations	70,098	606,654	47,228,206	9,137,276	38,165,943	6,259,550	5,523,349	106,991,076
Additions	2,914,153	21,028	14,008,796	338,418	9,454,425	1,632,895	381,613	28,751,328
Transfer to intangible assets	--	(2,750)	(73,818)	--	--	--	--	(76,568)
Disposals	--	--	(2,691,781)	(41,031)	(1,279,419)	(1,238,726)	(298,798)	(5,549,755)
Exchange rates movements	1,269	15,250	441,275	39,486	507,646	21,151	43,285	1,069,362
At 31 December 2020 (Audited)	2,985,520	1,170,122	154,112,734	18,360,609	132,129,831	23,920,649	8,298,268	340,977,733
Additions	--	2,268	15,714,027	479,344	9,464,982	1,399,936	697,020	27,757,577
Disposals	--	(1,562)	(1,034,381)	(119,838)	(807,726)	(13,034)	(530,962)	(2,507,503)
Exchange rates movements	10,592	1,413	(3,252,057)	(1,760,296)	(4,028,344)	(1,236,747)	(313,061)	(10,578,500)
At 30 September 2021 (Un-audited)	2,996,112	1,172,241	165,540,323	16,959,819	136,758,743	24,070,804	8,151,265	355,649,307
<i>Accumulated depreciation and impairment loss:</i>								
At 1 January 2020 (Audited)	--	158,982	41,865,524	4,775,214	45,740,068	12,563,536	1,473,255	106,576,579
Acquisitions through business combinations	--	141,707	22,944,871	5,959,580	17,834,353	3,779,507	3,346,166	54,006,184
Charge for the year	--	47,332	14,379,404	1,618,444	11,378,967	2,956,529	963,948	31,344,624
Reversal of impairment loss	--	--	(1,900,000)	--	--	--	--	(1,900,000)
Transfer to intangible assets	--	(2,750)	(73,818)	--	--	--	--	(76,568)
Disposals	--	--	(1,402,092)	(21,019)	(789,593)	(661,138)	(244,126)	(3,117,968)
Exchange rates movements	--	3,810	230,173	19,429	224,245	4,373	31,132	513,162
At 31 December 2020 (Audited)	--	349,081	76,044,062	12,351,648	74,388,040	18,642,807	5,570,375	187,346,013
Charge for the period	--	37,738	11,553,894	1,126,996	8,318,338	1,783,536	809,062	23,629,564
Disposals	--	(1,244)	(505,893)	(78,912)	(525,497)	(6,154)	(529,160)	(1,646,860)
Exchange rates movements	--	3,095	(4,006,258)	(1,092,817)	(2,998,671)	(1,217,948)	(250,312)	(9,562,911)
At 30 September 2021 (Unaudited)	--	388,670	83,085,805	12,306,915	79,182,210	19,202,241	5,599,965	199,765,806
Net book value								
At 30 September 2021 (Unaudited)	2,996,112	783,571	82,454,518	4,652,904	57,576,533	4,868,563	2,551,300	155,883,501
At 31 December 2020 (Audited)	2,985,520	821,041	78,068,672	6,008,961	57,741,791	5,277,842	2,727,893	153,631,720

ALAMAR FOODS COMPANY
(A CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021
(Amount in Saudi Riyals)

6. RIGHT OF USE ASSETS

Right-of-use assets related to leased properties that meet the definition of leased assets under the adoption of IFRS 16.

The Group leases stores and vehicles. The leases typically run for an average lease term of up to 5 years, with an option to renew the lease after that date in some contracts. Lease payments are fixed, some leases include escalated rent payments.

	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
<i>Cost:</i>			
At 1 January 2020 (Audited)	163,195,742	22,167,715	185,363,457
Acquisitions through business combination	95,193,266	1,455,264	96,648,530
Additions	33,432,884	4,838,113	38,270,997
Disposals	(3,085,793)	(2,745,281)	(5,831,074)
Exchange rates movements	578,635	89,646	668,281
At 31 December 2020 (Audited)	289,314,734	25,805,457	315,120,191
Modifications	(28,354)	--	(28,354)
Additions	51,397,556	9,520,971	60,918,527
Disposals	(3,765,545)	(6,375,900)	(10,141,445)
Exchange rates movements	(3,846,314)	(8,775)	(3,855,089)
At 30 September 2021 (Unaudited)	333,072,077	28,941,753	362,013,830
<i>Accumulated depreciation:</i>			
At 1 January 2020 (Audited)	35,986,999	10,514,005	46,501,004
Acquisitions through business combination	19,027,706	512,277	19,539,983
Charge for the year	58,342,618	6,020,348	64,362,966
Disposal	(1,378,190)	(2,344,695)	(3,722,885)
Exchange rates movements	101,531	31,557	133,088
At 31 December 2020 (Audited)	112,080,664	14,733,492	126,814,156
Modifications	--	--	--
Charge for the period	43,041,218	4,570,788	47,612,006
Disposals	(1,891,817)	(6,209,228)	(8,101,045)
Exchange rates movements	(2,058,017)	(5,020)	(2,063,037)
At 30 September 2021 (Unaudited)	151,172,048	13,090,032	164,262,080
<i>Net book values:</i>			
At 30 September 2021 (Unaudited)	181,900,029	15,851,721	197,751,750
At 31 December 2020 (Audited)	177,234,070	11,071,965	188,306,035

7. INVENTORIES

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Raw materials	43,852,369	28,626,150
Consumables and packing material	6,589,452	4,609,699
Goods in transit	3,776	616,398
	50,445,597	33,852,247
Provision for slow moving items	(317,633)	(38,579)
	50,127,964	33,813,668

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7. INVENTORIES (CONTINUED)

Movement in the provision for slow moving items for the period is as follows:

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Balance at the beginning of the period	38,579	--
Charge during the period/year	558,647	893,368
Write off during the period/year	(279,593)	(854,789)
Balance at the end of the period	<u>317,633</u>	<u>38,579</u>

8. TRADE AND OTHER RECEIVABLES

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
	Note	
Trade receivables	12,604,914	16,930,586
Allowance for doubtful debts	8.1 (5,185,034)	(5,179,861)
Net trade receivables	<u>7,419,880</u>	<u>11,750,725</u>
Prepaid expenses	25,702,085	23,022,237
Advances to suppliers	17,268,424	14,250,279
Advances to employees	729,895	3,856,654
Other receivables	13,540,546	11,973,247
Less: Impairment loss on other receivables	8.2 (1,786,621)	--
	<u>62,874,209</u>	<u>64,853,142</u>

8.1 Movement in the allowance for doubtful debts for the period / year is as follows:

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Balance at beginning of the period / year	5,179,861	--
Acquisitions through business combination	--	5,143,799
Charge during the period / year	4,000	35,572
Exchange rate movements	1,173	490
Balance at end of the period / year	<u>5,185,034</u>	<u>5,179,861</u>

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses ("ECL"). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off or provides a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, for example when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

8.2 It represents impairment loss on other receivables recognized during the period.

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9. RELATED PARTIES INFORMATION

The Group's immediate and ultimate controlling party is Abdul Aziz Ibrahim AlJammaz and Brothers Company, which is incorporated in the Kingdom of Saudi Arabia. The related party transactions were made on terms agreed at group level. During the period, the Group entered into the following transactions with related parties:

	30 September 2021 (Unaudited)	30 September 2020 (Unaudited)
<i>Transactions with shareholding companies</i>		
Contribution from shareholders	8,182,885	4,574,727
<i>Transactions with joint venture investment</i>		
Expenses	29,646	--
Other charges	19,404	54,034
<i>Transactions with associate</i>		
Expenses	(2,465,595)	(1,538,270)
Other charges	65,220	92,066
Purchase of property and equipment	--	(57,750)

The following balances were outstanding with related parties at the reporting date:

		30 September 2021 (Unaudited)	31 December 2020 (Audited)
<i>Due from related parties</i>	<u>Nature of relationship</u>		
Abdul Aziz Ibrahim AlJammaz and Brothers Company	Holding company	6,760,192	4,243,136
Alamar Foods Company, Oman	Associate company	1,115,058	2,755,943
2 in 1 restaurants Company	Joint venture investment	19,513	7,414
Alamar Foods For Restaurants Management WLL	Associate company	12,552	6,239
AlJammaz Establishment	Company under common control	--	52,760
Meadow Holding (Cayman) Limited *	Shareholder	8,454,435	989,138
Meadow Saudi Arabia Company *	Shareholder	4,530,114	1,357,122
Yasmine Flower Company	Shareholder of subsidiary	1,200,303	1,200,068
		22,092,167	10,611,820
<i>Due to related parties</i>	<u>Nature of relationship</u>	30 September 2021 (Unaudited)	31 December 2020 (Audited)
AlJammaz Agriculture	Company under common control	347,709	53,706
Hakam El Abbes	Shareholder of subsidiary	2,428,270	2,456,818
Sovana Inc. USA	Others	8,005	92,219
		2,783,984	2,602,743

* During the period ended 30 September 2021, the Company incurred IPO costs on behalf of selling shareholders amounted to SR 5,404,624. This amount represents the IPO cost which was agreed to be reimbursed by the shareholders.

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9. RELATED PARTIES INFORMATION (CONTINUED)

The amounts outstanding with related parties are unsecured and will be settled in cash. No amounts have been expensed in respect of due from other related parties during the period.

Compensation due to key management personnel during the period is as follows:

	30 September 2021 (Unaudited)	30 September 2020 (Unaudited)
Short-term benefits	9,547,605	8,705,983
Post-employment benefits	1,211,286	1,791,616

10. CASH AND CASH EQUIVALENTS

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Cash on hand	2,561,501	10,851,216
Cash at bank	166,050,930	121,004,391
Cash and cash equivalents – gross	168,612,431	131,855,607
Impairment loss allowance	(354,444)	(3,750,000)
Cash and cash equivalent – net	168,257,987	128,105,607

11. SHARE CAPITAL

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Number of shares	25,200,000	500,000
Face value (SR)	10	10
Share capital (SR)	252,000,000	5,000,000

On 27 May 2021 (corresponding to 15 Shawwal 1442H), the Board of Directors resolved to increase the Company's share capital from SR 5,000,000 to SR 252,000,000. On 16 June 2021, (corresponding to 06 Dhul Qadah 1442H) the shareholders have approved increase in capital in the extra ordinary general meeting. This was achieved through transfer from "Capital contribution" account and "Retained Earnings" account to "Proposed increase in share capital" account by a total amount of SR 247,000,000. On 18 July 2021, the legal formalities have been completed and updated Commercial Registration has been issued. This resulted in transfer of SR 247,000,000 from "Proposed increase in share capital" account to "Share capital" account.

On 8 September 2021 (corresponding to 1 Safar 1443H), the Board of Directors have resolved to increase the Company's share capital from SR 252,000,000 to SR 255,000,000. On 28 October 2021, (corresponding to 29 Rabi Awwal 1443H) the shareholders have resolved an increase in capital in their extra ordinary general meeting. Increase in share capital will be achieved through transfer from "Retained Earnings" account to "Proposed increase in share capital" account by a total amount of SR 3,000,000. On 7 December 2021 (corresponding to 3 Jumada Al Awal 1443H), the legal formalities have been completed and updated Commercial Registration has been issued.

12. STATUTORY RESERVE

In accordance with the Regulations for Companies in Saudi Arabia and the Company's By-Laws, the Company is required to transfer 10% of its profit for the year to a statutory reserve until such reserve equals 30% of its share capital. This reserve is not available for dividend distribution.

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13. CAPITAL CONTRIBUTION

These funds were provided by the shareholders to be used for any capital increase in the future. These accounts are non-interest bearing. The details of shareholders' contribution accounts are as follows:

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Abdul Aziz Ibrahim AlJammaz and Brothers Company	--	87,439,451
Meadow Saudi Arabia Company	--	27,966,587
Meadow Holding (Cayman) Limited	--	35,862,821
	<u>--</u>	<u>151,268,859</u>

On 27 May 2021 (corresponding to 15 Shawwal 1442H), the Board of Directors have resolved to transfer the SR 151,268,859 of capital contribution to share capital (Note 11).

14. LEASE LIABILITIES

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
<i>Non-Current liabilities</i>		
Lease liabilities	<u>146,795,875</u>	<u>137,486,754</u>
<i>Current liabilities</i>		
Current portion of lease liabilities	<u>65,299,560</u>	<u>64,470,722</u>

The Company leased certain of its vehicles and its stores. The average lease term is 5 years (2020: 5 years).

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Balance as on 1 January	201,957,476	137,210,624
Acquisition through business combination	--	75,186,476
Additions	60,918,527	36,270,998
Finance cost	9,165,069	12,767,909
Disposals	(9,193,424)	(967,460)
Payments made during the year	(50,752,213)	(58,511,071)
Balance as on 31 December	<u>212,095,435</u>	<u>201,957,476</u>

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
<u>Minimum lease payments</u>		
Not later than one year	79,043,953	73,147,712
Later than one year and not later than 5 years	143,022,669	151,940,378
More than 5 years	21,063,987	4,518,162
	<u>243,130,609</u>	<u>229,606,252</u>
Less: future finance charges	(31,035,174)	(27,648,776)
Present value of minimum lease payments	<u>212,095,435</u>	<u>201,957,476</u>

Present value of minimum lease payments

Not later than one year	65,299,560	64,470,722
More than one year	146,795,875	137,486,754
	<u>212,095,435</u>	<u>201,957,476</u>

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15. EMPLOYEE BENEFITS

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
<i><u>Non-Current liabilities</u></i>		
Defined benefit liabilities	21,517,890	22,087,041
Others	3,896,548	--
	25,414,438	22,087,041
<i><u>Current liabilities</u></i>		
Payroll & bonus	5,939,450	8,099,620
Accrued vacation	7,433,176	7,180,212
Accrued air ticket & Iqama fee	2,993,115	2,140,944
Others	951,667	600,024
	17,317,408	18,020,800
	42,731,846	40,107,841

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Defined benefit liability		
Balance at the beginning of the period/ year	22,087,041	16,718,000
Acquisition through business combination	-	2,218,900
Current service cost	2,873,892	4,616,221
Interest cost	166,216	415,839
	3,040,108	5,032,060
Paid during the period / year	(3,609,259)	(2,906,878)
Actuarial loss	--	1,024,959
Balance at the end of the period/ year	21,517,890	22,087,041

The most recent actuarial valuation was performed by an independent, qualified actuary using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Discount rate	1.13%	2.05%
Rate of salary increases	1.31%	2.24%

All movements in the employee defined benefit liabilities are recognized in profit or loss except for the actuarial loss which is recognized in other comprehensive income.

Sensitivity analyses

The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability.

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Increase in discount rate of 1%	(1,242,942)	(1,243,387)
Decrease in discount rate of 1%	2,650,016	1,454,541
Increase in rate of salary increase of 1%	140,324	1,542,737
Decrease in rate of salary increase of 1%	(2,832,110)	(1,347,677)

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16. TRADE AND OTHER PAYABLES

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
<i>Non-Current liabilities</i>		
Other long-term liabilities	<u>905,254</u>	<u>7,058,239</u>
<i>Current liabilities</i>		
Trade payables	57,509,552	65,418,615
Accrued expenses	32,912,404	25,785,950
Deferred revenues	15,947,132	17,505,796
Other payables	<u>1,065,421</u>	<u>10,721,148</u>
	<u>107,434,509</u>	<u>119,431,509</u>

- 16.1 Deferred revenue includes the amount received from supplier as signing bonus amounting to USD 7 million (SR 26.2 million) during 2018 which is being amortized based on the quantity procured in accordance with the terms of the contract.
- 16.2 No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.
- 16.3 Other payables include additional losses against investment on joint venture amounting to SR 0.9 million (2020: SR 0.5 million) since the group has legal and constructive obligation to record additional losses in proportion to its ownership percentage in accordance with the terms of the agreement.

17. REVENUE

Revenue streams

The Group generates revenue primarily from the sale of food and beverages:

	30 September 2021 (Unaudited)	30 September 2020 (Unaudited)
Sale of products:		
- Domino's Pizza	569,398,823	450,394,560
- Dunkin Donuts	40,779,669	23,535,397
- Other	<u>12,272,637</u>	<u>11,436,449</u>
	<u>622,451,129</u>	<u>485,366,406</u>

Disaggregation of revenue

In the following table, revenue from contracts with customers is disaggregated by primary geographical market and timing of revenue recognition.

	30 September 2021 (Unaudited)	30 September 2020 (Unaudited)
<i>Primary geographical markets</i>		
Kingdom of Saudi Arabia	427,414,543	341,536,746
Other GCC and Levant	123,309,128	99,511,617
North Africa	<u>71,727,458</u>	<u>44,318,043</u>
Net revenue as reported in note 25	<u>622,451,129</u>	<u>485,366,406</u>
<i>Timing of revenue recognition</i>		
Products transferred at a point in time	<u>622,451,129</u>	<u>485,366,406</u>

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18. CAPITAL COMMITMENTS

The Group had capital commitments of SR 5.1 million for the construction of new outlets at the reporting date (31 December 2020: SR 5.9 million).

19. FINANCIAL INSTRUMENTS

Capital management

The Group manages its capital to ensure it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the equity balance. The Group's overall strategy remains unchanged from the previous year.

The capital structure of the Group consists of equity comprising share capital, statutory reserve, additional contribution to capital and retained earnings.

Categories of financial instruments:

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Financial assets		
<i>Amortized cost</i>		
Cash and cash equivalents (note 10)	168,257,987	128,105,607
Trade receivables (note 8)	7,419,880	11,750,725
Due from related parties (note 9)	<u>22,092,167</u>	<u>10,611,820</u>
Financial liabilities		
<i>Amortized cost</i>		
Trade and other payables (note 16)	59,480,227	83,031,479
Due to related parties (note 9)	2,783,984	2,602,743
Employees benefits (note 15)	17,317,408	18,020,800
Lease liabilities (note 14)	212,095,435	201,957,476
Loans and borrowings (note 21)	<u>4,185,320</u>	<u>4,012,634</u>

Fair values of financial assets and financial liabilities measured at amortized cost are not significantly different from their carrying amounts.

Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks which mainly include market risk, credit risk and liquidity risk. The Board of Directors of the Group has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instruments may fluctuate as a result of changes in market prices. Market risk comprises three types of risks: currency risk, yield / interest rate risk and other price risk. The Group was not exposed significantly to market risk during the period under review. There were no changes in these circumstances from the previous year.

Foreign currency risk management

The Group did not have any significant foreign currency denominated monetary assets or liabilities at the reporting date for which it was exposed to any material foreign currency fluctuations. Foreign currency risk can only arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. Translation-related risks are therefore not included in the assessment of the entity's exposure to currency risks. Accordingly, no foreign currency sensitivity analysis has been presented.

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19. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate and liquidity risks management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Group did not have any significant exposure to movements in interest rates at the current or prior reporting date. Consequently, no interest rate sensitivity analysis has been presented.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows:

30 September 2021

(Unaudited)

<u>Details</u>	<u>Interest rate %</u>	<u>Within one year</u>	<u>One year to five years</u>	<u>Over five years</u>	<u>Total</u>
Trade and other payables	Interest free	58,574,973	905,254	--	59,480,227
Due to related parties	Interest free	2,783,984	--	--	2,783,984
Employee benefits	Interest free	17,317,408	--	--	17,317,408
Lease liabilities	2-4%	79,043,953	143,022,669	21,063,987	243,130,609
Loans and borrowings	3-6%	2,005,281	2,518,744	--	4,524,025
		<u>159,725,599</u>	<u>146,446,667</u>	<u>21,063,987</u>	<u>327,236,253</u>

31 December 2020

(Audited)

<u>Details</u>	<u>Interest Rate %</u>	<u>Within one year</u>	<u>One year to five years</u>	<u>Over five years</u>	<u>Total</u>
Trade and other payables	Interest free	76,139,763	7,058,239	--	83,198,002
Due to related parties	Interest free	2,602,743	--	--	2,602,743
Employee benefits	Interest free	18,020,800	--	--	18,020,800
Lease liabilities	2-4%	73,147,712	151,940,378	4,518,162	229,606,252
Loans and borrowings	3-6%	1,148,361	2,864,273	--	4,012,634
		<u>171,059,379</u>	<u>161,862,890</u>	<u>4,518,162</u>	<u>337,440,431</u>

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 30 September 2021, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognized financial assets as stated in the statement of financial position. The Group performs credit-vetting procedures which are reviewed and updated on an ongoing basis before granting credit to its customers.

Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade receivable on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

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19. FINANCIAL INSTRUMENTS (CONTINUED)

Trade receivables consist mainly aggregators. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group is primarily engaged in the cash business and trade receivables are mainly on account of sub franchise fee. The Group had 3 (31 December 2020: 3) trade receivables at the reporting date which comprised more than 97% (31 December 2020: 98%) of the trade receivables balance. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

20. RETIREMENT BENEFIT INFORMATION

The Group makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its Saudi employees. The total amount expensed during the period in respect of this plan was SR 2.2 million (30 September 2020: SR 1.47 million).

21. LOANS AND BORROWINGS

The Group has secured bank facilities and loans in the form of multi-purpose import facility, letters of credit, bonds, short-term finance, and loans from local commercial banks. These facilities bear finance charges at ranging between 3% - 6%. These facilities and loans are secured against promissory notes, personal and corporate guarantees.

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
<i>Non-Current liabilities</i>		
Loan and borrowings	<u>2,289,582</u>	<u>2,864,273</u>
<i>Current liabilities</i>		
Current portion of loan and borrowings	<u>1,895,738</u>	<u>1,148,361</u>

22. CONTINGENT LIABILITIES

As at 30 September 2021, the Group has utilized balances of irrevocable letter of guarantees from local commercial bank amounting to SR 5.8 million (31 December 2020: SR 5.8 million). Further the Group has issued the post-dated cheques amounting to SR 5.4 million to the landlords of various properties.

Contingencies:

There were no contingencies in existence at the reporting period 30 September 2021 except for the following:

Zakat and income tax declaration up to and including the year ended 31 December 2020 have been submitted to the Zakat, Tax and Customs Authority ('ZATCA').

During 2020, ZATCA had raised an assessment for the year ended 31 December 2018, amounting to SR 4.4 million initially, which is subsequently reduced to SR 2.6 million based on partial acceptance of appeal of the Company. The Company has filed appeal in respect of revised assessment which is still under review. The tax advisor of the Company expects that the appeal will be decided in favor of the Company.

During 2021, ZATCA has raised an initial assessment for the year ended 31 December 2016 and 31 December 2017, amounting to SR 2.6 million and SR 5.9 respectively, which is subsequently reduced to SR 0.076 million and SR 2.1 million based on responses submitted by the Company. The Company has filed an appeal for 2016 in respect of unsettled amount. Further, the Company has paid SR 2.1 million during the period in respect of assessment for 2017 and settled. The management of the Company expects that the matter related to 2016 will be decided in favor of the Company and accordingly considers the amounts held to be sufficient for zakat and income tax liabilities as at 30 September 2021.

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22. CONTINGENT LIABILITIES (CONTINUED)

Income tax declarations for foreign jurisdictions were submitted to the relevant authorities up to year ended 31 December 2020. There are no material open assessments or claims as at 30 September 2021.

23. ACQUISITION OF SUBSIDIARIES

23.1 On 9 January 2020, the Group acquired 100% of the shares and voting interest in Alamar Foods DMCC, and all its subsidiaries. The acquisition is considered as a business combination between entities under common control. The related disclosures have been included in the Group's consolidated annual financial statements for the year ended 31 December 2020.

23.2 HEA Trade and Services Company

On 23 January 2020, the Group acquired 49% of the shares and voting interest in HEA Trade and Services Company – Morocco against a purchase consideration of SR 26.2 Million. The share purchase agreement entitles the acquirer to control the operating and financial policies of the subsidiary. The acquisition was expected to provide the Group with diversification of its investments and its presence in North Africa Region.

The assets and liabilities of HEA Trade and Services Company as at acquisition date are being consolidated by the Group. The net assets recognized in the 31 December 2020 consolidated financial statements were based on the provisional assessment. During period ended 31 March 2021, the Group has completed the process of allocating the purchase consideration to the identifiable assets and liabilities acquired. The assessment and allocation of purchase consideration has not resulted in a significant change in net assets of acquiree recognized in the consolidated financial statements of 31 December 2020. The final purchase price allocation was based on the independent valuation of certain assets. The Group has accounted for the transaction based on the fair values of the assets as of the acquisition date which is summarized below:

During the period ended 30 September 2021, HEA Trade and Services Company contributed revenue of SR 19.3 million and loss of SR 1.1 million to the Group's results.

Identifiable assets acquired, and liabilities assumed

The following table summarizes the final recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

	Fair value recognized on acquisition January 2020 (Final)
Assets:	
Property, plant and equipment	4,889,557
Right of use assets	18,488,679
Intangible assets	2,191,654
Deferred tax assets	110,155
Inventories	1,010,015
Trade and other receivables	3,349,703
Cash and cash equivalents	613,509
	28,653,272
Lease liabilities	(14,620,363)
Deferred tax liabilities	(97,201)
Employee liabilities	(574,081)
Trade and other payables	(2,385,292)
Due to related parties	(2,830,771)
Loans and borrowings	(1,890,914)
	(22,398,622)
Total identifiable net assets acquired	6,254,650

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24. GOODWILL

Goodwill represents goodwill arising from the acquisition of HEA Trade and Services Company - Morocco which has been recognized as follows:

	Fair value recognized on acquisition January 2020 (Final) 30 September 2021	Fair value recognized on acquisition January 2020 (Provisional) 31 December 2020
Consideration transferred	26,258,883	26,258,883
NCI, based on their proportionate interest in the recognized amounts of the assets and liabilities	3,189,871	3,189,871
Identifiable net assets acquired	<u>(6,254,650)</u>	<u>(6,254,650)</u>
Goodwill	23,194,104	23,194,104
Accumulated foreign currency translation change	<u>1,682,523</u>	<u>1,799,875</u>
Net goodwill reported in the statement of financial position	<u>24,876,627</u>	<u>24,993,979</u>

The goodwill is attributable mainly to the skills and talent of employees of the subsidiary and the synergies expected to be achieved from integrating the Company into Group's existing operations.

Consideration transferred include an amount of SR 2.6 Million which was transferred to the escrow account as indemnity against the claims in accordance with share purchase agreement and subsequently cleared in 2021.

Final goodwill is retranslated at rates prevailing at the reporting date and an impact of SR 1.6 Million for the period is recognized in foreign currency translation reserve.

25. REPORTING SEGMENTS

Basis of segmentation

Beginning with the third quarter 2021, the Group will report Core Segment results as follows:

Reportable segments

Kingdom of Saudi Arabia
Other GCC and Levant
North Africa

Previous reportable segments

Alamar Foods – KSA
Alamar Foods LLC – UAE
Alamar Foods DMCC – UAE

The reporting segments are involved in the establishing, operating and managing of fast food restaurants.

The segment reporting changes reflect a corresponding change in how the Company's Chief Executive Officer (its chief operating decision maker) reviews financial information in order to allocate resources and assess performance. The Group's chief executive officer reviews the internal management reports of each segment at least quarterly.

These changes have no impact on previously reported consolidated statement of financial position, statements of profit or loss and other comprehensive income and changes in equity or cash flows.

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25. REPORTING SEGMENTS(CONTINUED)

Information about reportable segments is follows:

<u>30 September 2021 (unaudited)</u>	<u>Reporting Segments</u>			<u>Total reportable segments</u>
	<u>Kingdom of Saudi Arabia</u>	<u>Other GCC and Levant</u>	<u>North Africa</u>	
External revenue	427,414,543	123,305,341	71,731,245	622,451,129
Internal revenue	633,521	15,675,893	1,051,036	17,360,450
Segment revenue	428,048,064	138,981,234	72,782,281	639,811,579
External revenue as reported in note 17	427,414,543	123,309,128	71,727,458	622,451,129
Major Products				
Domino's Pizza	415,263,280	123,183,967	30,951,576	569,398,823
Dunkin Donuts	--	--	40,779,669	40,779,669
Others	12,784,784	15,797,267	1,051,036	29,633,087
	428,048,064	138,981,234	72,782,281	639,811,579
Timing of revenue recognition				
Point in time	428,048,064	138,981,234	72,782,281	639,811,579
Segment profit / (loss) before tax and zakat	84,615,791	13,479,226	(138,474)	97,956,542
Interest expense	(4,984,446)	(2,732,981)	(4,307,781)	(12,025,208)
Depreciation:				
- Property, plant and equipment	(14,117,558)	(5,640,003)	(3,872,003)	(23,629,564)
- Right of use assets	(27,835,820)	(11,100,322)	(8,675,864)	(47,612,006)
Share of losses of equity-accounted investee	(415,159)	--	--	(415,159)
<u>30 September 2021 (unaudited)</u>				
Segment non-current assets*	187,237,064	181,818,910	80,366,347	449,422,321
Segment assets	521,698,800	266,488,308	113,237,223	901,424,331
Segment liabilities	209,622,763	217,077,739	90,110,314	516,810,816

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25. REPORTING SEGMENTS(CONTINUED)

<u>30 September 2020 (unaudited)</u>	<u>Reporting Segments</u>			<u>Total reportable segments</u>
	<u>Kingdom of Saudi Arabia</u>	<u>Other GCC and Levant</u>	<u>North Africa</u>	
External revenue	330,100,298	99,511,616	44,318,043	473,929,957
Internal revenue	12,989,784	9,357,397	1,219,947	23,567,128
Segment revenue	343,090,082	108,869,013	45,537,990	497,497,085
External revenue as reported in note 17	341,536,746	99,511,617	44,318,043	485,366,406
Major Products				
Domino's Pizza	330,100,298	99,511,616	20,782,646	450,394,560
Dunkin Donuts	--	--	23,535,397	23,535,397
Others	12,989,784	9,357,397	1,219,947	23,567,128
	343,090,082	108,869,013	45,537,990	497,497,085
Timing of revenue recognition Point in time	343,090,082	108,869,013	45,537,990	497,497,085
Segment profit (loss) before tax	33,903,959	5,858,850	(3,745,614)	36,017,195
Interest expense	(4,510,055)	(2,321,893)	(4,596,598)	(11,428,546)
Depreciation:				
- Property, plant and equipment	(15,733,993)	(4,840,541)	(3,266,316)	(23,840,850)
- Right of use assets	(29,115,721)	(10,618,066)	(7,022,808)	(46,756,595)
Share of losses of equity-accounted investee	(803,191)	--	--	(803,191)
<u>31 December 2020 (audited)</u>				
<u>restated for Reporting Segment change</u>				
Segment non-current assets*	196,962,224	171,589,274	71,329,871	439,881,368
Segment assets	447,123,489	240,651,362	96,767,189	784,542,039
Segment liabilities	216,935,729	194,026,630	72,878,356	483,840,716

*Non-current assets excludes financial instruments and deferred tax assets.

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25. REPORTING SEGMENTS(CONTINUED)

Reconciliations of information on reportable segments to the amounts reported in the consolidated financial statements:

i. Revenue:

	30 September 2021 (Unaudited)	30 September 2020 (Unaudited)
Total revenue for reportable segments	639,811,579	497,497,085
Elimination of inter-segment revenue	<u>(17,360,450)</u>	<u>(12,130,679)</u>
Consolidated revenue	<u>622,451,129</u>	<u>485,366,406</u>

ii. Profit /(loss) before zakat and tax:

	30 September 2021 (Unaudited)	30 September 2020 (Unaudited)
Total profit before zakat and tax for reportable segments	97,956,542	36,017,195
Elimination of inter-segment profit	<u>(726,595)</u>	<u>(447,419)</u>
Consolidated profit before zakat and tax	<u>97,229,947</u>	<u>35,569,776</u>

iii. Assets:

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Total assets for reportable segments	901,424,331	784,542,039
Elimination of inter-segment balances	<u>(211,607,418)</u>	<u>(172,938,907)</u>
Consolidated total assets	<u>689,816,913</u>	<u>611,603,132</u>

iv. Liabilities:

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Total liabilities for reportable segments	516,810,816	483,840,716
Elimination of inter-segment balances	<u>(135,890,929)</u>	<u>(99,229,994)</u>
Consolidated total liabilities	<u>380,919,887</u>	<u>384,610,722</u>

v. Other material items:

<u>30 September 2021 (Un-audited)</u>	Reportable segments total	Consolidated
Interest expense	(12,025,208)	(12,025,208)
Depreciation:		
- Property, plant and equipment	(23,629,185)	(23,629,185)
- Right of use assets	(47,612,006)	(47,612,006)
Share of losses of equity-accounted investee	(415,159)	(415,159)

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25. REPORTING SEGMENTS(CONTINUED)

<u>30 September 2020 (Un-audited)</u>	<u>Reportable segments total</u>	<u>Consolidated</u>
Interest expense	(11,428,546)	(11,428,546)
Depreciation:		
- Property, plant and equipment	(23,840,850)	(23,840,850)
- Right of use assets	(46,756,595)	(46,756,595)
Share of losses of equity-accounted investee	(803,191)	(803,191)

26. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to the ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

The diluted earnings per share is same as basic earnings per share as the Group does not have any dilutive instruments in issue.

	<u>For the three months period</u>		<u>For the nine months period</u>	
	<u>30 September 2021 (Unaudited)</u>	<u>30 September 2020 (Unaudited)</u>	<u>30 September 2021 (Unaudited)</u>	<u>30 September 2020 (Unaudited)</u>
Profit for the year attributable to owners of the Company (SR)	25,493,302	40,851,138	87,398,428	33,018,895
Weighted average number of shares	25,500,000	25,500,000	25,500,000	25,500,000
Basic and diluted earnings per share (SR)	1.00	1.60	3.43	1.29
Reconciliation of weighted average number of shares				
Shares outstanding throughout the period	25,200,000	500,000	25,200,000	500,000
Bonus shares issued during and after the reporting period (note 11)	300,000	25,000,000	300,000	25,000,000
Shares outstanding throughout the period	25,500,000	25,500,000	25,500,000	25,500,000

27. SUBSEQUENT EVENTS

No events have occurred subsequent to the reporting date and before the issuance of these consolidated financial statements which requires adjustment to, or disclosure thereto except as disclosed in note 11 to these consolidated financial statements.

28. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved on 18 Jamada I 1443H (corresponding to 22 December 2021).