Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2023

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ARABIAN MILLS FOR FOOD PRODUCTS COMPANY
(FORMERLY: THE SECOND MILLING COMPANY)
(A SAUDI CLOSED JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of Arabian Mills for Food Products Company (formerly: The Second Milling Company) (A Saudi Closed Joint Stock Company) (the "Company"), which comprise the statement of financial position as of 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis of Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ARABIAN MILLS FOR FOOD PRODUCTS COMPANY
(FORMERLY: THE SECOND MILLING COMPANY)
(A SAUDI CLOSED JOINT STOCK COMPANY) (continued)

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

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ARABIAN MILLS FOR FOOD PRODUCTS COMPANY
(FORMERLY: THE SECOND MILLING COMPANY)
(A SAUDI CLOSED JOINT STOCK COMPANY) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued):
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

for Ernst & Young Professional Services

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سجل تجاري ١٠١٠٣٨٣٨٢١
CR. 1010383821
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Hesham A. Alatiqi
Certified Public Accountant
License No. (523)

Riyadh: 16 Shawwal 1445H
(25 April 2024)

Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	31 December 2023 SR	31 December 2022 SR (restated note 32)	1 January 2022 SR (restated note 32)
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	6	**891,998,966**	902,420,758	751,018,567
Right-of-use assets	7	**258,940,787**	272,740,329	281,457,376
Intangible assets	8	**64,974,887**	68,269,768	9,223,146
Goodwill	9	**822,434,373**	822,434,373	-
TOTAL NON – CURRENT ASSETS		**2,038,349,013**	2,065,865,228	1,041,699,089
CURRENT ASSETS				
Inventories	10	**98,811,642**	119,789,717	142,329,459
Prepayments and other current assets	11	**15,085,039**	20,230,827	25,918,227
Amounts due from related parties	27	**5,326,600**	-	-
Accounts receivables	12	**6,340,418**	-	-
Cash and cash equivalents	13	**127,797,523**	573,850,801	327,160,287
TOTAL CURRENT ASSETS		**253,361,222**	713,871,345	495,407,973
TOTAL ASSETS		**2,291,710,235**	2,779,736,573	1,537,107,062
EQUITY AND LIABILITIES				
EQUITY				
Share capital	14	**513,150,060**	513,150,060	513,150,060
Statutory reserve	14	**50,849,137**	50,849,137	25,322,200
Merger deficit reserve	15	**-**	(658,833,406)	-
Retained earnings		**258,967,246**	713,789,029	620,361,146
TOTAL EQUITY		**822,966,443**	618,954,820	1,158,833,406
LIABILITIES				
NON-CURRENT LIABILITIES				
Non-current portion of lease liabilities	7	**270,539,457**	282,873,885	288,067,919
Long-term loans	16	**1,049,146,501**	1,475,542,820	-
Employees' defined benefit liabilities	17	**3,297,164**	800,464	300,727
TOTAL NON-CURRENT LIABILITIES		**1,322,983,122**	1,759,217,169	288,368,646
CURRENT LIABILITIES				
Accounts payables	18	**49,925,900**	55,703,699	40,039,558
Accrued expenses and other current liabilities	19	**19,630,782**	21,151,655	16,743,472
Short-term loans	16	**-**	272,406,173	-
Current portion of lease liabilities	7	**15,403,229**	15,286,502	15,286,502
Current portion of long-term loans		**27,500,000**	-	-
Interest payable on loans	16	**12,035,587**	16,215,681	-
Advances from customers	20	**16,143,078**	9,285,722	16,332,575
Zakat and income tax provision	21	**5,122,094**	11,515,152	1,502,903
TOTAL CURRENT LIABILITIES		**145,760,670**	401,564,584	89,905,010
TOTAL LIABILITIES		**1,468,743,792**	2,160,781,753	378,273,656
TOTAL EQUITY AND LIABILITIES		**2,291,710,235**	2,779,736,573	1,537,107,062

The attached notes 1 to 34 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Notes	*31 December 2023 SR*	*31 December 2022 SR*
Revenue	22	**862,081,974**	902,807,545
Direct costs	23	**(446,573,893)**	(490,185,935)
GROSS PROFIT		**415,508,081**	412,621,610
EXPENSES			
Selling and distribution	24	**(30,808,624)**	(18,289,434)
General and administration	25	**(78,429,802)**	(105,244,996)
TOTAL EXPENSES		**(109,238,426)**	(123,534,430)
OPERATING PROFIT		**306,269,655**	289,087,180
Finance costs	26	**(121,710,870)**	(20,709,319)
Finance income	13	**17,005,000**	91,664
Other income		**3,884,454**	5,272,345
PROFIT BEFORE ZAKAT AND INCOME TAX		**205,448,239**	273,741,870
Zakat	21	**(5,169,127)**	(15,134,737)
Income tax	21	**-**	(3,337,767)
PROFIT FOR THE YEAR		**200,279,112**	255,269,366
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**200,279,112**	255,269,366
Earnings per share (EPS)			
Basic and diluted earnings per share for the year	28	**3.90**	4.97

The attached notes 1 to 34 form an integral part of these financial statements.

Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share Capital	*Statutory reserve*	*Merger deficit reserve*	*Retained earnings*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*
Balance at 1 January 2022, as previously reported	513,150,060	25,322,200	-	636,898,624	1,175,370,884
Adjustment on correction of error (note 32)	-	-	-	(16,537,478)	(16,537,478)
Balance at 1 January 2022 (restated)	513,150,060	25,322,200	-	620,361,146	1,158,833,406
Profit for the year	-	-		255,269,366	255,269,366
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	255,269,366	255,269,366
Transfer to statutory reverse	-	25,526,937	-	(25,526,937)	-
Merger transaction (note 15)	-	-	(658,833,406)	(136,314,546)	(795,147,952)
Balance at 31 December 2022 (restated)	513,150,060	50,849,137	(658,833,406)	713,789,029	618,954,820
Balance at 1 January 2023	**513,150,060**	**50,849,137**	**(658,833,406)**	**713,789,029**	**618,954,820**
Profit for the year	-	-	-	200,279,112	**200,279,112**
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	200,279,112	**200,279,112**
Settlement of merger reserve	-	-	658,833,406	(658,833,406)	-
Income tax reimbursed by shareholders (note 27)	-	-	-	3,732,511	**3,732,511**
Balance at 31 December 2023	**513,150,060**	**50,849,137**	**-**	**258,967,246**	**822,966,443**

The attached notes 1 to 34 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 SR	2022 SR
OPERATING ACTIVITIES			
Profit before zakat and income tax		**205,448,239**	273,741,870
Adjustments to reconcile profit before zakat and income tax to net cash flows:			
Depreciation on property, plant and equipment	6	**55,977,113**	50,574,060
Depreciation of right-of-use assets	7	**13,799,542**	8,717,047
Loss on disposal of property, plant and equipment		**-**	292,414
Amortisation of intangible assets	8	**3,080,693**	2,515,306
Write-off of intangible assets		**214,188**	-
Interest cost on lease liabilities	26	**3,185,528**	10,092,468
Interest cost on long-term loan	26	**116,781,115**	10,616,851
Amortisation of transaction costs on loans	26	**1,744,227**	-
Finance income		**(17,005,000)**	(91,664)
Reversal of provision for slow moving inventories	10	**(13,220,391)**	-
Provision for employees' defined benefit liabilities	17	**2,774,291**	499,737
		372,779,545	356,958,089
Changes in operating assets and liabilities:			
Inventories		**8,362,733**	22,539,742
Prepayments and other current assets		**5,145,788**	5,409,969
Amounts due from a related party		**(1,594,089)**	(53,856,780)
Accounts receivables		**(6,340,418)**	-
Accounts payables		**(5,777,799)**	25,120,200
Accrued expenses and other current liabilities		**(1,520,873)**	4,408,183
Advances from customers		**6,857,356**	(7,046,853)
Net cash from operations		**377,912,243**	353,532,550
Zakat and income tax paid	21	**(11,562,185)**	(8,460,255)
Employees' defined benefit liabilities paid		**(277,591)**	-
Net cash flows from operating activities		**366,072,467**	345,072,295
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	**(19,719,588)**	(72,013,915)
Purchase of intangible assets	8	**-**	(880,893)
Finance income received		**17,005,000**	369,095
Net cash used in investing activities		**(2,714,588)**	(72,525,713)
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	7	**(12,217,701)**	(5,194,034)
Finance costs paid for loans and lease liability		**(124,146,737)**	(20,709,319)
Repayment of short term and long-term loans		**(673,046,719)**	-
Net cash used in financing activities		**(809,411,157)**	(25,903,353)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(446,053,278)**	246,643,229
Cash and cash equivalents at the beginning of the year		**573,850,801**	327,160,287
Cash and cash equivalents transferred from merger transaction	15	**-**	47,285
Cash and cash equivalents at the end of the year		**127,797,523**	573,850,801

Non-cash transactions: For the year ended 31 December 2023, there has been reclassification between property, plant and equipment and inventories amounting SR 25,835,733. For the year ended 31 December 2022, assets and liabilities related to the former Parent Company merged with the Company during the year have excluded from the above cashflows, amounting SR 663.18 million, as they do not involve movement of cash. Please refer to note 15 for further details.

The attached notes 1 to 34 form an integral part of these financial statements.

1 CORPORATE INFORMATION

Arabian Mills for Food Products Company (formerly: The Second Milling Company) (the "Company") is a Saudi Closed Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010465464 dated 10 Safar 1438H (corresponding to 10 November 2016).

The national address of the Company is Building no. 5252, Jabal Abu Zawalah Street, Al Manakh District, PO Box 6868, Riyadh 14313, Kingdom of Saudi Arabia.

On 6 Jumada Al-Ula 1445H (corresponding to 20 November 2023), the shareholders of the Company resolved to change the name of the Company to Arabian Mills for Food Products Company. Legal formalities have been completed in this regard.

The Company's licensed activities include Packing and grinding wheat, packing and grinding grits, semolina, and bulgur, manufacture of concentrated feed for animals, manufacture of livestock feed, wholesale of bakery products, trade of specialty and healthy foods, land transportation of goods, storage in ports and customs or free zones, and integrated office administrative services activities.

The Company was formed by the Public Investment Fund (the "Former Owner") pursuant to the resolution of the Council of Ministers no. (35) of 27 Muharram 1437H (corresponding to 9 November 2015) approving the adoption of the necessary actions to establish four Joint Stock Flour Milling Companies according to the proposed geographical distribution. The Public Investment Fund, in coordination with the General Food Security Authority ("GFSA") (formerly Saudi Grains Organization ("SAGO")), completed so in accordance with Royal Decree no. 62 dated 4 Shawwal 1435H (corresponding to 31 July 2014).

On 17 Shawwal 1441H (corresponding to 9 June 2020), a Cabinet decision was issued to transfer the ownership of the Company to the National Center for Privatization and the National Center for Privatization shall carry out the tasks assigned to the Public Investment Fund by Cabinet Resolution no. (118) dated Safar 21 1440H (corresponding to 30 October 2018).

On 25 Rabi Al-Thani 1443H (corresponding to 30 November 2021), the Company' share capital of 51,315,006 shares of SR 10 per share, were wholly sold to Food Security Holding Company (the "former Parent Company") for the purchase price specified in the share sale and purchase agreement on the same date.

The Company has entered into a subsidised wheat purchase agreement with the General Food Security Authority ("GFSA") (formerly Saudi Grains Organizations ("SAGO")) as GFSA imports wheat to Kingdom of Saudi Arabia for the purpose of producing subsidised flour. This Agreement entered into force on 3 Rabi Al-Thani 1438H (corresponding to 1 January 2017) and shall be terminated when the Former Owner sells its shares in the Company. The agreement stipulates that the subsidised wheat subsidy price is calculated according to the monetary value per metric ton of subsidised wheat currently specified by the Government of the Kingdom of Saudi Arabia at SR 180 per metric ton. On 15 Rabi Al-Thani 1442H (corresponding to 30 November 2020), the agreement regulating the purchase and sale of subsidised and non-subsidised wheat has been renewed by GFSA, and this agreement is valid until the expiry date of the license of the main purchaser (the "Company").

On 8 Safar 1444H (corresponding to 4 September 2022), the Company entered into a merger agreement (the "Merger") pursuant to which the Company and the former Parent Company have agreed to take necessary steps to implement the Merger between the two Companies in accordance with the applicable regulations and with articles from 191 to 193 of the Companies Law. Subsequently, on 6 Jumada Al-Ula 1444H (corresponding to 30 November 2022), pursuant to the approval of the Ministry of Commerce (the "MOC"), the former Parent Company ceased to exist and all of the assets and liabilities of the former Parent Company were transferred to the Company.

The Company and the former Parent Company have satisfied the required regulatory approvals and the Merger conditions agreed between the two companies in the Merger agreement. The legal formality has been completed and the former Parent Company's commercial registration were canceled and closed for the purpose of the merger on 24 Jumada Al-Ula 1444H (corresponding to 18 December 2022).

1 CORPORATE INFORMATION (continued)

The Company operates through its Head Office in Riyadh and three branches in the many cities in the Kingdom of Saudi Arabia listed as follows:

Branch Name	Date	Commercial Registration Number
Head Office (Riyadh)	10 Safar 1438H (corresponding to 10 November 2016)	1010465464
Riyadh	27 Jumada Al-Akhirah 1438H (corresponding to 26 March 2017)	1010469375
Jazzan	27 Jumada Al-Akhirah 1438H (corresponding to 26 March 2017)	5900036083
Hail	27 Jumada Al- Akhirah 1438H (corresponding to 26 March 2017)	3350044599

2 BASIS OF PREPARATION

Statement of compliance
These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Basis of measurement
These financial statements are prepared under the historical cost convention, using the accrual basis of accounting except for employees' defined benefit liabilities which is recognised at the present value of future obligations using the projected unit credit method. These financial statements are presented in Saudi Riyals ("SR") which is the functional and presentation currency of the Company and rounded to the nearest Saudi Riyals (except when otherwise indicated).

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

These financial statements have been prepared using the economic approach for the legal merger between Food Security Holding Company (the "Former Parent Company") and Arabian Mills for Food Products Company (subsidiary or the Company) that takes the form of a downstream merger being the former parent company is merged with its subsidiary and subsidiary is the surviving entity.

Under the economic approach, the legal merger between the parent and subsidiary is considered to have no substance. The amounts recognised after the legal merger are the amounts that were previously in the consolidated financial statements, including goodwill and intangible assets recognised upon acquisition of that subsidiary. The consolidated financial statements after the legal merger also reflect any amounts in the consolidated financial statements (pre-merger) related to subsidiaries, associates, and joint ventures held by the surviving subsidiary. If the surviving subsidiary prepares separate financial statements after the legal merger, the subsidiary recognises the amounts that were previously recognised in the consolidated financial statements of the former parent company, as a contribution from the parent in equity.

3 MATERIAL ACCOUNTING POLICY INFORMATION

Current versus non-current classification
The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period; Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

The Company classifies all other assets as non-current.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Current versus non-current classification (continued)
A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period; Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

When inputs used to measure the fair value of an asset or liability are classified at different levels in the fair value hierarchy, the fair value measurement is classified as a whole at the same level in the fair value hierarchy of the lowest input level that is significant for the overall measurement.

For assets and liabilities that are frequently recognised in the statement of financial position, the Company determines whether the transfer has been made between the hierarchy of fair value levels by recalibrating the classification (based on significant lower-level inputs to measure the fair value as a whole) at the end of each financial period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Computer software
Computer software licenses are capitalised on the basis of the costs incurred when specific software was purchased and configured for use. Amortisation is charged to the statement of profit or loss on a straight-line basis over the useful life of 15 years.

Brand
The Company has been marketing its products under the existing brand name at the date of the acquisition for flour and animal feed. These brands were existing before acquisition of the Company by the former Parent Company and contributed significantly to the overall revenue. Post-acquisition, the Company identified brand name as material intangible asset and have considered Relief from Royalty method (“RFR”) as an appropriate method to value the brand. Amortisation is charged to the statement of profit or loss on a straight-line basis over the useful life of 25 years.

Property, plant and equipment
Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss and other comprehensive income as incurred. The present value of the expected cost for the decommissioning of an asset after its use (if any) is included in the cost of the respective asset if the recognition criteria for a provision are met, which is not applicable for the Company.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Property, plant and equipment (continued)
Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the assets for the calculation of depreciation are as follows:

Categories	**Useful lives**	**Categories**	**Useful lives**
Buildings	25 years	Furniture and fittings	6.67 - 10 years
Plant and machinery	10 - 25 years	Motor Vehicles	5 years
Computer equipment	3 years	Capital spares	15 years

Depreciation of plant is calculated on the useful lives of the components of the principal asset. Certain inventories meeting the definition of property, plant and equipments are also depreciation on the useful lives of particular component.

The Company reviews the estimated residual values and expected useful lives of assets at least annually.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Projects under construction are not depreciated and are stated at cost less accumulated impairment losses, if any, and are classified under "Capital work in progress". These assets are transferred to property, plant and equipment as and when assets are available for intended use.

Leases
The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised assets are depreciated on a straight-line basis over the shorter of estimated useful life and lease term. Right-of-use assets are subject to impairment. If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the year on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption to low-value assets which are items that do not meet the Company's capitalisation threshold and are insignificant for the statement of financial position for the Company as a whole. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over lease term.

Goodwill
Goodwill represents the difference between the cost of businesses acquired and the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill arising on acquisitions is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments – initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. The Company does not have trade receivables as the consideration is received in cash at the time the sale is made.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Out of above, only below is applicable to the Company:

Financial assets at amortised cost (debt instruments) are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes bank balances, accounts receivables, amounts due from related parties and other receivables.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; OR
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset or the maximum amount of consideration that the Company could be required to repay.

Impairment
The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For accounts receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss provision based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accounts payables, short-term loans, long-term loans and lease liabilities.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at amortised cost (loans and borrowings) is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting a financial asset and a financial liability
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise of cash at banks, Cash on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consists of cash and short-term deposits, as defined above, net of outstanding bank overdrafts, if any, as they are considered an integral part of the Company's cash management.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Inventories
Cost is determined as follows:

Finished goods	Direct cost of raw materials as well as overheads, the latter of which is allocated based on the normal level of activity. Finished goods are stated at cost or net realisable value, whichever is lower with provision for any obsolete or slow-moving goods. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Costs are assigned to individual items of inventory on the basis of weighted average method.
Wheat (Raw material)	Weighted average which is SR 180 / metric ton (Note 1)
Other raw materials	Weighted average
Spare parts	Costs are assigned to individual items of inventory on the basis of weighted average method. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced by its cost; the impairment loss is recognised immediately in statement of profit or loss.
Goods in-transit	Inventories are stated at cost plus freight and other related expense.

Impairment of non-financial assets
The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment of non-financial assets (continued)
Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Employees' benefits

Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare, child education allowance, furniture allowance that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position under accrued and other expenses.

Employees' defined contribution plan
The Company has defined plans with General Organization for Social Insurance "GOSI" where the Company and the employees contribute fixed percentage of their salary toward the retirement of its employees. The contribution paid during the year amounts to SR 2.36 million (2022: SR 3.55 million).

Employees' defined benefit liabilities
The Company operates a non-funded employee end-of-service benefit plan, which is classified as defined benefit obligation under IAS 19 'Employee Benefits'. A defined benefit plan is a plan which is not a defined contribution plan. The liability recognised in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets at that date. The defined benefit liabilities is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit liabilities is determined by discounting estimated future cash outflows using market yields at the end of the reporting period of high quality corporate bonds that have terms to maturity approximating to the estimated term of the post-employment benefit obligations.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the year end in which they occur. Re-measurements are not reclassified to income in subsequent periods.

Past service costs are recognised in statement of profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Company recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit liabilities under 'direct costs', 'general and administration expenses' and 'selling and distribution expenses' in the statement of profit or loss (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements;
- Net interest expense or income

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue from contracts with customers

The Company is involved in manufacturing of flour, feed and bran (by-product). The revenue is recognised when control of the goods are transferred to the customer, which is the time when these are dispatched from the warehouse of the Company or the goods are delivered to the customer, as the case may be. The revenue is recognised at an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods or services. Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on dispatch or delivery of the goods. Revenue from loading service of goods to the customers is recorded under “Other income”.

The Company has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Majority of the customer sales are on cash or advance basis. The normal credit term is 30 to 60 days upon delivery.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price, the Company considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the customer (if any).

Variable consideration

The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The contracts with customers do not contain any provisions which may result in variable consideration.

Rights of return

The Company uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics. The Company then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the goods that are expected to be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from the customer.

Significant financing component

Generally, the Company receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. Since all revenue is generated on cash basis, there is no financing component with amounts receivable from customers.

Non-cash consideration

Generally, there is no non-cash consideration against the sale of goods.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment.

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue from contracts with customers (continued)

Contract balances (continued)

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Assets and liabilities arising from rights of return

Right of return assets
A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Company updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

Refund liabilities
A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Company's refund liabilities arise from customers' right of return and volume rebates. The liability is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Zakat and taxes

Zakat
Zakat is calculated in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. The zakat provision is estimated and charged to the statement of profit or loss. Any differences in estimates are recorded when the final assessment is approved, at which point the provision is settled.

Income tax
Non-GCC shareholders are subject to income taxes. The current income tax provision is calculated in accordance with the income tax regulations issued or effective at the end of the financial period in Kingdom of Saudi Arabia. Management periodically evaluates the positions taken in tax returns regarding cases in which the applicable tax regulations are subject to interpretation. It makes a provision, where appropriate, based on amounts expected to be paid to the tax authorities. As of reporting date, there is no non-GCC shareholder of the Company and hence no income tax has been recorded during the year.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Zakat and taxes (continued)

Withholding tax
The Company withhold taxes on transactions with non-resident parties in accordance with ZATCA regulations, which is not recognised as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

Value added tax ("VAT")
Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and

- When receivables and payables are stated with the amount of value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Foreign currencies
Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

New and amended standards and interpretations
The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Company’s disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company’s financial statements.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

New and amended standards and interpretations (continued)

IFRS 17 Insurance Contracts
IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Company’s financial statements.

Definition of Accounting Estimates - Amendments to IAS 8
The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Company’s financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Company’s financial statements.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12
The amendments to IAS 12 have been introduced in response to the OECD’s BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity’s exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023. The amendments had no impact on the Company’s financial statements as the Company is not in scope of the Pillar Two model rules.

New and amended IFRSs as endorsed in KSA in issue but not yet effective and not early adopted
The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed. The amendments are not expected to have a material impact on the Company’s financial statements.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

New and amended IFRSs as endorsed in KSA in issue but not yet effective and not early adopted (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but it is required to be disclosed. The amendments are not expected to have a material impact on the Company's financial statements.

Climate-related matters
The Company considers climate-related matters in estimates and assumptions, where appropriate. This assessment includes a wide range of possible impacts on the Company due to both physical and transition risks. Even though the Company believes its business model and products will still be viable, climate-related matters increase the uncertainty in estimates and assumptions underpinning several items in the financial statements. Even though climate-related risks might not currently have a significant impact on measurement, the Company is closely monitoring relevant changes and developments.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Company did not include the renewal period as part of the lease term for leases of silos and land as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Determining lease term for leases with termination option — Company as lessee

The Company has entered into lease agreements for land in relation to construct its offices and warehouses and to conduct its operations. The Company has evaluated based on the terms and conditions of the arrangements that the significant risks and rewards of ownership of these assets are retained by the lessor hence have been accounted for as operating leases. In making such assessment, management considered that the following key factors are applicable to its lease's arrangements:

- Lease agreements do not transfer the assets' ownership to the lessor at the end of the lease.
- The Company has no option to purchase the asset.
- The lease term is not for the major part of the economic life of the asset.
- At the inception of the lease, the present value of the minimum lease payments is not amounting to substantially all the fair value of the leased asset.

Estimated useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation on a straight-line basis over their estimated useful lives. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the useful lives and residual value of the assets at each annual reporting period and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Provision for expected credit losses ("ECL") of trade receivables and amounts due from related parties
The Company uses a provision matrix to calculate ECLs for trade receivables and amounts due from related parties. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Leases - Estimating the incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Provisions
By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgment in estimating the expected cash outflows for severance payments and site closures or other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

Zakat
Zakat has been computed based on the management's understanding and interpretation of the zakat regulations enforced in the Kingdom of Saudi Arabia. Zakat, Tax and Customs Authority ("ZATCA") continues to issue circulars to clarify certain zakat tax regulations which are usually enforced on all open years. Zakat provision as computed by the management could be different from zakat liability as assessed by the ZATCA for years for which assessments have not yet been raised by the ZATCA.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their market value. For individually significant amounts this estimation is performed on an individual basis.

Employees' defined benefit plans
The cost of the employees' defined benefit liabilities and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

5 SEGMENT INFORMATION

The operations of the Company are mainly in the Kingdom of Saudi Arabia in three branches: Riyadh, Hail and Jazzan. For management reporting purpose, the Company is organized into these business units which are identified as reportable segments. No operating segments have been aggregated to form the above reportable operating segments.

Chief Executive Officer ("CEO") is the Chief Operating Decision Maker ("CODM") who 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 in the financial statements. Also, the Company's financing (including finance costs related to loans and finance income) and zakat are managed on a head office level and are not allocated to operating segments. All reportable segments have similar type of products. There are no inter-segment transfers during the year (2022: same).

The selected financial information for these segments is as follows:

For the year ended 31 December 2023	*Riyadh SR*	*Jazzan SR*	*Hail SR*	*Head office SR*	*Total segments SR*
Revenue	570,963,870	142,552,523	148,565,581	-	**862,081,974**
Materials consumed	(204,103,468)	(52,665,380)	(54,551,962)	-	**(311,320,810)**
Employees' costs	(27,748,648)	(15,581,412)	(17,726,589)	(24,233,294)	**(85,289,943)**
Depreciation and amortisation	(30,661,907)	(23,342,330)	(15,385,156)	(3,467,955)	**(72,857,348)**
Board and committees' expenses, rewards, and allowances	-	-	-	(4,509,037)	**(4,509,037)**
Finance costs	(1,065,467)	(1,116,113)	(1,003,948)	(118,525,342)	**(121,710,870)**
Finance income	-	-	-	17,005,000	**17,005,000**
Other expenses	(16,213,897)	(10,706,372)	(19,600,846)	(35,314,066)	**(81,835,181)**
Other income	1,966,993	353,865	1,129,318	434,278	**3,884,454**
Segment profit (loss) before zakat and income tax	**293,137,476**	**39,494,781**	**41,426,398**	**(168,610,416)**	**205,448,239**

5 SEGMENT INFORMATION (continued)

For the year ended 31 December 2022	*Riyadh SR*	*Jazzan SR*	*Hail SR*	*Head office SR*	*Total segments SR*
Revenue	575,831,975	147,402,775	179,572,795	-	902,807,545
Materials consumed	(200,461,619)	(47,588,478)	(89,011,727)	-	(337,061,824)
Employee benefits expenses	(27,793,040)	(17,979,338)	(22,542,945)	(25,310,124)	(93,625,447)
Depreciation and amortisation	(24,647,577)	(21,260,635)	(12,848,458)	(3,049,743)	(61,806,413)
Board and committees' expenses, rewards, and allowances	-	-	-	-	-
Finance costs	(3,462,240)	(3,613,128)	(3,008,899)	(10,625,052)	(20,709,319)
Finance income	-	-	-	91,664	91,664
Other expenses	(26,502,615)	(15,375,373)	(19,079,811)	(60,268,882)	(121,226,681)
Other income	2,521,136	1,123,045	1,532,175	95,989	5,272,345
Segment profit (loss) before zakat and income tax	295,486,020	42,708,868	34,613,130	(99,066,148)	273,741,870

As of 31 December 2023	*Riyadh SR*	*Jazzan SR*	*Hail SR*	*Head office SR*	*Total segments SR*
Total assets	**560,103,724**	**478,640,042**	**298,443,794**	**954,522,675**	**2,291,710,235**
Total liabilities	**136,476,384**	**118,459,758**	**108,575,690**	**1,105,231,960**	**1,468,743,792**
Other disclosures:					
Property, plant and equipment	379,005,999	339,962,312	171,399,742	1,630,913	**891,998,966**
Capital expenditure	6,007,892	7,917,707	4,821,064	972,925	**19,719,588**
Right of use assets	88,587,815	91,782,607	78,570,365	-	**258,940,787**
Goodwill	-	-	-	822,434,373	**822,434,373**
Inventories	49,626,998	23,970,556	25,140,867	73,221	**98,811,642**

As of 31 December 2022 (restated)	*Riyadh SR*	*Jazzan SR*	*Hail SR*	*Head office SR*	*Total segments SR*
Total assets	546,591,146	492,897,940	278,167,433	1,462,080,054	2,779,736,573
Total liabilities	150,167,537	130,892,152	110,624,987	1,769,097,077	2,160,781,753
Other disclosures:					
Property, plant and equipment	387,253,096	346,952,563	166,955,663	1,259,436	902,420,758
Capital expenditure	64,381,915	1,946,214	4,902,517	783,269	72,013,915
Right of use assets	93,046,987	97,650,436	82,042,906	-	272,740,329
Goodwill	-	-	-	822,434,373	822,434,373
Inventories	53,353,569	27,510,283	38,925,865	-	119,789,717

As of 1 January 2022 (restated)	*Riyadh SR*	*Jazzan SR*	*Hail SR*	*Head office SR*	*Total segments SR*
Total assets	430,571,654	502,924,563	263,772,565	339,838,280	1,537,107,062
Total liabilities	142,355,564	121,765,262	109,301,403	4,851,427	378,273,656
Other disclosures:					
Property, plant and equipment	238,268,210	367,479,707	148,358,773	1,263,459	755,370,149
Right of use assets	96,022,106	100,729,102	84,706,168	-	281,457,376
Inventories	84,119,761	30,367,074	27,842,624	-	142,329,459

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings	*Plant and equipment*	*Capital spares*	*Furniture and fittings*	*Computer equipment*	*Motor vehicles*	*Capital work in progress*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Cost								
At 1 January 2022	266,072,340	580,058,313	-	9,177,427	2,890,725	8,123,430	62,227,432	**928,549,667**
Additions during the year	5,038,973	40,830,866	-	608,986	622,764	1,015,948	23,896,378	**72,013,915**
Disposal during the year	-	-	-	-	-	(144,400)	-	**(144,400)**
Written-off during the year	-	-	-	-	-	-	(174,500)	**(174,500)**
Merger transaction (note 15)	73,741,522	53,879,310	-	(333,559)	442,507	2,524,970	-	**130,254,750**
Transfers	3,177,531	49,150,281	-	144,000	-	-	(52,471,812)	**-**
At 31 December 2022	348,030,366	723,918,770	-	9,596,854	3,955,996	11,519,948	33,477,498	**1,130,499,432**
Addition during the year	544,369	5,001,160	849,519	1,075,965	693,548	1,445,001	10,110,026	**19,719,588**
Reclassified from inventories	-	-	28,047,118	-	-	-	-	**28,047,118**
Transfers	20,996,415	15,915,288	-	344,275	-	-	(37,255,978)	-
At 31 December 2023	**369,571,150**	**744,835,218**	**28,896,637**	**11,017,094**	**4,649,544**	**12,964,949**	**6,331,546**	**1,178,266,138**
Accumulated depreciation								
At 1 January 2022, as previously reported	33,181,527	120,493,705	-	2,762,254	1,974,616	2,581,520	-	**160,993,622**
Restatement (note 32)	16,537,478	-	-	-	-	-	-	**16,537,478**
At 1 January 2022 (restated)	49,719,005	120,493,705	-	2,762,254	1,974,616	2,581,520	**-**	**177,531,100**
Charge for the year	11,961,575	33,965,934	-	1,090,989	1,197,008	2,358,554	-	**50,574,060**
Disposals during the year	-	-	-	-	-	(26,486)	-	**(26,486)**
At 31 December 2022 (restated)	61,680,580	154,459,639	-	3,853,243	3,171,624	4,913,588	-	**228,078,674**
Charge for the year	13,395,163	37,253,857	1,509,598	893,540	407,549	2,517,406	-	**55,977,113**
Reclassified from inventories	-	-	2,211,385	-	-	-	-	**2,211,385**
At 31 December 2023	**75,075,743**	**191,713,496**	**3,720,983**	**4,746,783**	**3,579,173**	**7,430,994**	**-**	**286,267,172**
Net book value								
At 31 December 2023	**294,495,407**	**553,121,722**	**25,175,654**	**6,270,311**	**1,070,371**	**5,533,955**	**6,331,546**	**891,998,966**
At 31 December 2022	286,349,786	569,459,131	-	5,743,611	784,372	6,606,360	33,477,498	902,420,758
At 1 January 2022 (restated)	216,353,335	459,564,608	-	6,415,173	916,109	5,541,910	62,227,432	751,018,567

6 PROPERTY, PLANT AND EQUIPMENT (continued)

(*) Buildings are built on land leased from the General Food Security Authority ("GFSA") (formerly Saudi Grains Organization) with an annual rental value of SR 3,017,456 (which is increasing at the rate of 5% after every 3 years). The initial term of the land lease is 25 calendar years commencing from 3 Rabi Al-Thani 1438H (corresponding to 1 January 2017), which was adjusted in 2021 to match with the duration of flour milling license (i.e. 30 November 2046). The lease is renewable automatically subject to renewal of Company's milling license.

(**) Capital work in progress as of 31 December 2023 mainly consists of the following projects:

- Project of completion of safety works in Hail.
- Construction of spare parts warehouse in Jizan.
- Establishing parking for forklifts and charging station in Jizan.

The expected completion date of this is by end of 2024 and the related capital commitments amounts to SR 0.4 million (2022: SR 5.07 million).

(***) Depreciation charge for the year has been allocated as follows:

	2023	*2022*
	SR	*SR*
Direct costs (note 23)	**55,478,969**	48,367,792
General and administration expenses (note 25)	**207,037**	1,934,494
Selling and marketing expenses (note 24)	**291,107**	271,774
	55,977,113	50,574,060

Currently, there is no temporary idle asset (2022: none). Assets with cost amounting SR 2.22 million have been fully depreciated as of the year-end (2022: SR 2 million).

Disposals of property, plant and equipment
In 2022, the Company has disposed-off motor vehicles with a total net carrying amount of SR 117,914 for a cash consideration of SR 119,380. The net gains on these disposals were recognised as part of other income in the statement of profit or loss. Further, the Company has written off capital work-in-progress, which pertains to advance payment to supplier for a discontinued work.

7 RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Company entered into a lease agreement with the General Food Security Authority ("GFSA") (formerly Saudi Grains Organization ("SAGO")) for the rental of silos for the purpose of storing wheat, flour, and feed. The term of the lease is 25 calendar years commencing from 3 Rabi Al-Thani 1438H (corresponding to 1 January 2017), which was adjusted in December 2021 to match with the duration of flour milling license upto 30 November 2046 and is renewable automatically subject to renewal of Company's milling license. The estimated useful lives of leased assets for amortising right of use assets purposes are 25 years.

The Company has entered into land leases for business units. The initial term of the land lease is 25 calendar years commencing from 3 Rabi Al-Thani 1438H (corresponding to 1 January 2017), which was adjusted in 2021 to match with the duration of flour milling license (i.e. 30 November 2046). These leases do not transfer ownership of the assets to the lessor at the end of the lease. The estimated useful lives of right-of-use assets are 25 years from December 2021 and ending on 30 November 2046.

The legal ownership of the right of use assets are retained with the lessor. Generally, the Company is restricted from assigning and subleasing the leased assets.

The Company also has certain leases of motor vehicles with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

7 RIGHT OF USE ASSETS AND LEASE LIABILITIES (continued)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Silos *SR*	**Lands** *SR*	**Total** *SR*
Cost			
At 1 January 2022	168,958,420	45,050,345	214,008,765
Lease reassessment (note 32)	83,016,591	24,099,836	107,116,427
At 1 January 2022 (restated)	251,975,011	69,150,181	321,125,192
Additions in year 2022 and 2023	-	-	-
At 31 December 2023	**251,975,011**	**69,150,181**	**321,125,192**
Accumulated depreciation			
At 1 January 2022	(33,791,684)	(5,876,132)	(39,667,816)
Charge for the year	(6,758,336)	(1,958,711)	(8,717,047)
At 31 December 2022	(40,550,020)	(7,834,843)	(48,384,863)
Charge for the year	(10,696,329)	(3,103,213)	(13,799,542)
At 31 December 2023	**(51,246,349)**	**(10,938,056)**	**(62,184,405)**
Net book Value			
At 31 December 2023	**200,728,662**	**58,212,125**	**258,940,787**
At 31 December 2022 (restated)	211,424,991	61,315,338	272,740,329
At 1 January 2022 (restated)	218,183,327	63,274,049	281,457,376

Depreciation charge for the year was fully charged to direct costs (note 23).

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2023 *SR*	*2022* *SR* *(restated, note 32)*
At the beginning of the year	**298,160,387**	303,354,421
Accretion of interest	**3,185,528**	10,092,468
Payments during the year	**(15,403,229)**	(15,286,502)
At the end of the year	**285,942,686**	298,160,387

Bifurcated into:	*31 December 2023* *SR*	*31 December 2022* *SR* *(restated)*	*1 January 2022* *SR* *(restated)*
Current	**15,403,229**	15,286,502	15,286,502
Non-current	**270,539,457**	282,873,885	288,067,919
	285,942,686	298,160,387	303,354,421

Following are the amounts recognised in statement of profit or loss:

	2023 *SR*	*2022* *SR*
Depreciation expense of right-of-use assets	**13,799,542**	8,717,047
Interest expense on lease liabilities	**3,185,528**	10,092,468
Expense relating to short-term leases (included in direct costs)	**418,910**	405,930
	17,403,980	19,215,445

7 RIGHT OF USE ASSETS AND LEASE LIABILITIES (continued)

	31 December 2023 SR	31 December 2022 SR (restated)	1 January 2022 SR (restated)
Future minimum lease payments	**365,582,740**	380,985,969	396,273,325
Less: unamortised finance charges	**(79,640,054)**	(82,825,582)	(92,918,904)
Present value of minimum lease payments	**285,942,686**	298,160,387	303,354,421
Less: current portion of lease payments	**(15,403,229)**	(15,286,502)	(15,286,502)
Non-current portion of lease payments	**270,539,457**	282,873,885	288,067,919

8 INTANGIBLE ASSETS

	Software SR	Software under development SR	Brand SR	Total SR
Cost				
At 1 January 2022	587,100	8,920,893	-	9,507,993
Additions during the year	-	880,893	-	880,893
Merger transaction (note 15)	-	-	60,681,035	60,681,035
At 31 December 2022	587,100	9,801,786	60,681,035	71,069,921
Write-off	(587,100)	-	-	(587,100)
Transfer	9,801,786	(9,801,786)	-	-
At 31 December 2023	**9,801,786**	**-**	**60,681,035**	**70,482,821**
Accumulated amortisation				
At 1 January 2022	284,847	-	-	284,847
Charge for the year	88,065	-	2,427,241	2,515,306
At 31 December 2022	**372,912**	-	**2,427,241**	2,800,153
Charge for the year	653,452	-	2,427,241	3,080,693
Write-off	(372,912)	-	-	(372,912)
At 31 December 2023	**653,452**	**-**	**4,854,482**	**5,507,934**
Net book value				
At 31 December 2023	**9,148,334**	**-**	**55,826,553**	**64,974,887**
At 31 December 2022	214,188	9,801,786	58,253,794	68,269,768
At 1 January 2022	302,253	8,920,893	-	9,223,146

Amortisation charge has been allocated as below:

	2023 SR	2022 SR
Selling and marketing expenses (note 24)	**2,427,241**	2,427,241
General and administration expenses (note 25)	**653,452**	88,065
	3,080,693	2,515,306

Software under development relates to SAP ERP, which went live at the beginning of year 2023. At the reporting date, remaining useful life of brand and software is 23 years and 14 years respectively.

9 GOODWILL

Pursuant to privatization program by the General Food Security Authority ("GFSA") (formerly: Saudi Arabian Grain Organization), the former Parent Company entered into an agreement with National Centre for Privatization & PPP on 30 November 2021 to acquire 100% equity stake in the Company.

The former Parent Company paid a consideration of SR 2.15 billion to acquire the Company with book value of net assets of SR 1,140.55 million. The former Parent Company completed the purchase price allocation ("PPA") to net assets within a measurement period of one year after the date of acquisition in which the former Parent Company identify and measure the identifiable assets and liabilities assumed as of the acquisition date in accordance with the requirements of IFRS 3 Business Combination. Following adjustment has been recorded by the former Parent Company:

	SR
Fair value of consideration paid	**2,153,922,719**
Book value of net assets of the subsidiary (refer below)	**(1,140,552,561)**
Net uplift in property, plant and equipment (note 6)	**(130,254,750)**
Recognition of intangible asset (note 8)	**(60,681,035)**
GOODWILL	**822,434,373**

Break-up of net assets of the Company at the time of acquisition by the former Parent Company (i.e. 30 November 2021) was as follows:

	SR
Property, plant and equipment and right of use assets	**924,895,382**
Intangible assets	**9,230,582**
Inventories	**140,075,850**
Prepayments and other current assets	**27,485,934**
Bank balances	**299,586,415**
Lease liabilities	**(195,373,997)**
Trade payables and other current liabilities	**(36,247,704)**
Amounts due to related parties	**(15,502,365)**
Advances from customers	**(13,597,536)**
	1,140,552,561

Goodwill is assessed for impairment at Company level. The Company has performed its impairment test for goodwill on 31 December 2023. The recoverable amount of all the CGUs is ranging from SR 1,938.8 million to SR 2,279.6 million as at 31 December 2023 (2022: SR 1,782 million) has been determined based on a value-in-use calculation using cash flow projections from financial budgets reviewed by senior management covering a five-year period. The post-zakat discount rate applied to cash flow projections is between 11.5% to 12.5%. As at 31 December 2023, the value-in-use of the CGUs was higher than the net assets value of the Company, indicating no impairment of goodwill.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions
The calculation of value in use is most sensitive to the following assumptions:

Earning before interest, tax and depreciation (EBITDA)
EBITDA based on average values achieved in the three years preceding the beginning of the budget period. EBITDA of the CGU were 36.1% (2022: 39.5%). These have been kept consistent over the budget period. Demand is consistent for the food product. Decreased demand can lead to a decline in the gross margin. A decrease in the gross margin by 13.4% would result in impairment.

9 GOODWILL (continued)

Key assumptions used in value in use calculations and sensitivity to changes in assumptions (continued)

Market share assumption
When using industry data for growth rates, these assumptions are important because management assesses how the unit's position, relative to its competitors, might change over the forecast period. Management expects the Company's share in retail market to move up in the coming years.

Discount rates
Discount rates represent the current market assessment of the risks specific to its CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and is derived from its weighted average cost of capital ("WACC"). WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on the interest-bearing borrowings the Company is obliged to service. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-zakat discount rate.

A rise in the pre-tax discount rate to 18% (i.e., +6%) would result in impairment.

Growth rates estimates
Rates are based on detailed value creation plan with external consultant reflecting the market growth and the projection of the subsidiary for coming years. As management does not expect new competing entrant in market in the coming 10 years, management build the growth plan based on the value creation plan focusing on key enablers to gain market share in retails segment while expanding the base by on-boarding new industrial consumer.

Terminal value is estimated at SR 3,420 million to SR 3,800 million is terminal growth rate is 2.5%.

Climate-related matters
While the Company does not believe its operations are currently significantly exposed to physical risk, the value-in-use may be impacted in several different ways by transition risk, such as climate-related legislation, climate-related regulations and changes in demand for the Company's products. The Company has concluded that no single climate-related assumption is a key assumption for the 2023 test of goodwill.

Sensitivity analysis

Assumptions used	**Fluctuation to cause impairment**
Earning before interest, tax and depreciation	-13.4%
Discount rate	+6%

10 INVENTORIES

	31 December 2023 SR	*31 December 2022 SR*	*1 January 2022 SR*
Spare parts	**73,150,421**	94,428,494	95,329,739
Raw materials	**29,128,750**	38,973,689	37,760,561
Finished goods *	**8,180,488**	9,163,114	4,374,157
Other inventories	**1,344,155**	1,100,818	1,590,205
Goods in transit	**-**	4,547,550	31,698,745
Less: allowance for slow moving inventory	**(12,992,172)**	(28,423,948)	(28,423,948)
	98,811,642	119,789,717	142,329,459

* *The cost of finished goods includes direct costs and indirect costs, indirect costs are allocated based on the quantities produced.*

10 INVENTORIES (continued)

Movement in allowance for slow moving inventories

	31 December 2023 SR	*31 December 2022 SR*
At the beginning of the year	**28,423,948**	28,423,948
Reclassified to property, plant and equipment	**(2,211,385)**	-
Reversal for the year	**(13,220,391)**	-
At the end of the year	**12,992,172**	28,423,948

11 PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2023 SR	*31 December 2022 SR*	*1 January 2022 SR*
Advances to suppliers	**3,400,735**	1,309,729	35,360
Margin on letters of credit	**3,260,441**	6,649,071	20,059,476
Prepayments	**2,339,366**	1,486,484	1,974,336
Margin on letters of guarantee	**2,187,976**	2,187,976	2,187,976
Other receivables	**3,896,521**	108,352	1,220,907
VAT receivable	**-**	8,489,215	440,172
	15,085,039	20,230,827	25,918,227

12 ACCOUNTS RECEIVABLES

Accounts receivables are non-interest bearing and are generally on terms of 30 to 60 days. Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. For certain customers, It is the practice of the Company to obtain promissory note over receivables. Refer to note 30 on credit risk of accounts receivable, which explains how the Company manages and measures credit quality of accounts receivables that they are neither past due nor impaired.

13 CASH AND CASH EQUIVALENTS

	31 December 2023 SR	*31 December 2022 SR*	*1 January 2022 SR*
Cash at banks	**127,797,523**	573,850,801	277,160,287
Short-term deposits *	**-**	-	50,000,000
	127,797,523	573,850,801	327,160,287

(*) Short-term deposits are deposited into a commercial bank for varying periods of between one day and three months, depending on the immediate cash requirements of the Company and earns interest at floating rate based on effective interest rate of 5.66%.

14 SHARE CAPITAL AND RESERVES

The Company's authorised, issued and paid-up share capital is divided into 51,315,006 shares of SR 10 each (31 December 2022: 51,315,006 shares), held as follows:

	2023 SR	*2022 SR*	*2023 Percentage*	*2022 Percentage*
Abdulaziz Alajlan Sons Co. for Commercial and Real Estate Investment	**257,232,540**	230,917,527	**50.13%**	45%
Sulaiman Abdulaziz Alrajhi International Company	**179,602,520**	179,602,521	**35%**	35%
National Agriculture Development Company (NADEC)	**76,315,000**	51,315,006	**14.87%**	10%
Olam International Limited	**-**	51,315,006	**-**	10%
	513,150,060	513,150,060	**100.00%**	100.00%

On 27 Jumada Al-Ula 1444H (corresponding to 21 December 2022), Olam International Limited transferred its 10% shareholding to Abdulaziz Al-Ajlan Sons for Commercial and Real Estate Investment and National Agriculture Development Company (NADEC). Legal formalities have been completed in this regard by the Company.

Statutory reserve
On 21 Rabi Al-Thani 1445H (corresponding to 5 November 2023), the Company's General Assembly approved amending the Company's bylaws to comply with the new Companies' Law, issued on 1 Duh Al-Hijjah 1443H (corresponding to 30 June 2022) ("the law"), to remove the article of the bylaws related to Company's statutory reserve. Based on this amendment, the Company is currently studying and reviewing the balance of statutory reserve, and it will be raised to the Company's General Assembly with the recommendations.

15 MERGER TRANSACTION

Effective 6 Jumada Al-Ula 1444H (corresponding to 30 November 2022), the Company completed a statutory merger with its former Parent Company which resulted in the Company being the surviving entity. By virtue of this merger, all of the former Parent Company's assets and liabilities have been transferred to the Company. The Company has not applied IFRS 3 "Business Combinations" as the merger has not resulted in any change to the economic substance of the reporting group and has been affected between companies under common control.

The Merger of the Company with the former Parent Company (its 100% shareholder) has been accounted for as a capital reorganisation, whereby all the assets and liabilities of the Company and the former Parent Company have been combined using their pre-merger carrying value as stated in the former Parent Company's consolidated financial statements. The merger has been reflected in the Company's financial statements prospectively from the date of the merger onwards. The accumulated losses of the former Parent Company were recorded as part of the Company's equity.

The net adjustment of transferring the former Parent Company's assets, liabilities and equity balances has been recorded in the Company's equity as a merger deficit reserve.

15 MERGER TRANSACTION (continued)

Break-up of net assets as stated in the former Parent Company's financial statements that were transferred to the Company at the time of merger (30 November 2022) were as follows:

	SR
Property, plant and equipment	**130,254,750**
Intangible assets	**60,681,035**
Goodwill	**822,434,373**
Bank balances	**47,285**
Loans	**(1,748,244,714)**
Trade payables and other current liabilities	**(6,463,901)**
Amounts due to related parties	**(53,856,780)**
Accumulates losses*	**136,314,546**
Net assets of the former Parent Company (restated)	**(658,833,406)**

*** Movement in accumulated losses of former Parent Company**

Accumulated losses as of 1 January 2022	81,613,438
Finance cost from 1 January 2022 till date of merger	53,825,736
Other expenses	875,372
Accumulated losses as of date of merger	**136,314,546**

On 21 Rabi Al-Thani 1445H (corresponding to 5 November 2023), shareholders of the Company have resolved to adjust merger deficit reserve with retained earnings.

16 LONG-TERM AND SHORT-TERM LOANS

On 28 November 2021, the former Parent Company signed a Murabaha facility agreement with Saudi Alawwal Bank (formerly known as Saudi British Bank "SABB") to acquire the shares in the Company as following:

- An amount of SR 1,500 million long-term Murabaha loan with maturity period of 18 years as of date of loan agreement, with a grace period of 24 months, repayable in 32 semi-annual installments ending on 31 December 2039, with a return rate based on SAIBOR and a bank margin. During the current year, the Company made an early payment of SR 400 million, which was not scheduled as per repayment schedule.

- An amount of SR 273 million against short-term Murabaha facilities for 12 months. The loan has been repaid during the current year.

31 December 2023

	Short-term loan			*Long-term loan*	***Total loans***
	Cash bridge Loan Facility 1	*Cash bridge Loan Facility 2*	*Total*	*Acquisition Loan Facility*	
Maturity date	29 October 2023	29 October 2023		31 December 2039	
Principle loan payable	-	-	-	1,100,000,000	**1,100,000,000**
Interest loan payable	-	-	-	12,035,587	**12,035,587**
Unamortised finance costs	-	-	-	(23,353,499)	**(23,353,499)**
Total	-	-	-	1,088,682,088	**1,088,682,088**

16 LONG-TERM AND SHORT-TERM LOANS (continued)

31 December 2022

	Short-term loan			*Long-term loan*	***Total loans***
	Cash bridge Loan Facility 1	*Cash bridge Loan Facility 2*	*Total*	*Acquisition Loan Facility*	
Maturity date	29 October 2023	29 October 2023		31 December 2039	
Principle loan payable	257,124,000	15,922,719	273,046,719	1,500,000,000	1,773,046,719
Interest loan payable	1,530,580	328,187	1,858,767	14,356,914	16,215,681
Unamortised finance costs	(581,846)	(58,700)	(640,546)	(24,457,180)	(25,097,726)
Total	258,072,734	16,192,206	274,264,940	1,489,899,734	1,764,164,674

Above amounts are presented in the statement of financial position as below:

	31 December 2023 SR	*31 December 2022 SR*
Non-current portion of long-term loans	**1,049,146,501**	1,475,542,820
Current portion of long-term loans	**27,500,000**	-
Short-term loans	**-**	272,406,173
Interest payable on loans	**12,035,587**	16,215,681
	1,088,682,088	1,764,164,674

During the current year, transaction cost of SR 1,744,227 has been amortised and released to statement of profit or loss. Effective interest rate on the loan is 6.97% during the year.

Both long-term and short-term loan facilities involves several guarantees, including promissory notes, pledge over the Company's bank account including dividend receipt account, share pledge over the shares in the Company held by the shareholders including assignment of dividends and assignment of any shareholder loan from the shareholders to the Company, assignment / pledge of Company's rights under compensation and claims agreement, pledge over project accounts of the Company and pledge over insurance proceeds of the Company. Following the merger with the former Parent Company, both the loans are novated in the name of the Company.

17 EMPLOYEES’ DEFINED BENEFIT LIABILITIES

The Company has defined benefit plan (unfunded), which is a final salary plan in Kingdom of Saudi Arabia and require to recognise the provision for employees' end-of-service benefits for the amounts payable at the statement of financial position date in accordance with the employees' contracts of employment applicable to employees' accumulated periods of service. In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its defined benefit liabilities in respect of employees' end-of-service benefits payable under relevant local regulations and contractual arrangements in the current year. Such calculation was not performed in the prior year as the impact was not significant.

Upto the time of acquisition of the Company by its former parent company in November 2021, all the employees of the Company were seconded from General Food Security Authority (“GFSA”) (formerly Saudi Grains Organization (“SAGO”)) and GFSA used to charge the cost of end of service benefits payable to seconded employees of the Company in accordance with the agreement made in that regard.

Main actuarial assumptions used to calculate the defined unfunded benefit liabilities are as follows:

	31 December 2023
Financial assumptions	
Discount rate	**5.30%**
Salary increase rate	**2.50%**
Demographic assumptions	
Attrition rate	**5% to 17%**
Mortality rate	**AMC00 / AFC00 Mortality Table**

Movement in employees’ defined benefit liabilities were as follows:

	31 December 2023 SR	*31 December 2022 SR*
At the beginning of the year	**800,464**	300,727
Current service cost / charge for the year	**2,774,291**	499,737
Interest expense	**-**	-
Amount recognised in statement of profit or loss	**2,774,291**	499,737
Re-measurements		
Loss from change in financial assumptions	**-**	-
Actuarial loss	**-**	-
Amount recognised in other comprehensive income	**-**	-
Benefits paid during the year	**(277,591)**	**-**
At the end of the year	**3,297,164**	800,464

Sensitivity analysis
The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. The same method has been applied for the sensitivity analysis as when calculating the recognised defined benefit liability.

17 EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

Sensitivity analysis (continued)

	31 December 2023 Liability SR
Salary growth rate	
1% increase	**(496,836)**
1% decrease	**442,164**
Discount rate	
1% increase	**427,164**
1% decrease	**(486,836)**

Following payments are expected against the defined benefit liability in future years:

	31 December 2023 SR
Within the next 12 months (next annual reporting period)	**43,000**
Between 2 and 5 years	**291,000**
After 5 years	**7,173,000**
	7,507,000

The average duration of the defined benefit plan obligation at the end of the reporting period is 15 years.

18 ACCOUNTS PAYABLES

Trade accounts payables are non-interest bearing and are normally settled on 60-day terms.

19 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	31 December 2023 SR	*31 December 2022 SR*	*1 January 2022 SR*
Accrued employees' costs	**13,287,436**	11,560,894	15,778,388
Accrued Board of Directors' rewards	**3,324,250**	-	-
Accrued rebates	**2,999,577**	-	-
Accrued fines	**-**	5,992,961	-
Other accruals	**19,519**	3,597,800	965,084
	19,630,782	21,151,655	16,743,472

20 ADVANCES FROM CUSTOMERS

These amounts represent short-term advances received from various customers against delivering goods in future period. The outstanding balances of these accounts increased in 2023 and 2022 due to the continuous increase in the Company's customer base. Out of the balance of advances outstanding as at 31 December 2022, SR 8,750,528 has been fully converted to revenue during the current year.

21 ZAKAT AND INCOME TAX

Zakat and income tax charged for the year consists of the following:

	31 December 2023 SR	*31 December 2022 SR*
Zakat expense	**5,169,127**	15,134,737
Current year expense	**5,169,127**	7,779,382
Charge in respect of prior year assessment	**-**	7,355,355
Income tax expense	**-**	3,337,767
	5,169,127	18,472,504

Zakat

The Company is subject to zakat on its zakat base calculated in accordance with zakat regulations enforced in the Kingdom of Saudi Arabia.

The zakat provision for the current year has been calculated according to the following basis:

	31 December 2023 SR	*31 December 2022 SR*
Additions to zakat base	**2,023,506,885**	2,467,135,140
Deductions from zakat base	**(2,108,649,891)**	(2,728,829,044)
	(85,143,006)	(261,693,904)
Zakat base	**(85,143,006)**	(261,693,904)
Zakatable income for Saudi shareholders	**207,998,266**	247,070,225
Zakat charge related to 100% (2022: 90%) Saudi shareholding	**5,169,127**	7,779,382

The difference between the financial and the zakatable results mainly relates to adjustments for certain costs / claims based on the relevant fiscal regulation.

Income tax

Upto year ended 31 December 2022, the Company was subject to income tax at the rate of 20% of taxable income calculated in accordance with tax regulations enforced in the Kingdom of Saudi Arabia. Since there is no non-GCC shareholder in year 2023, no income tax has been charged. Current year income tax represents the prior year adjustment only.

	2022 SR
Accounting profit for the year	273,741,870
Adjustments for:	
Depreciation of property, plant and equipment	50,574,060
Loss on disposal of property, plant and equipment	292,414
Provision for employees' defined benefit liabilities	499,737
Depreciation of property, plant and equipment as per ZATCA rates	(158,219,751)
Taxable profit for the year	166,888,330
Non-Saudi shareholding	10%
Tax rate	20%
Income tax charge	3,337,767

21 ZAKAT AND INCOME TAX (continued)

Movement in zakat and income tax provision during the year were as follows:

	2023 SR	*2022* SR
At the beginning of the year	**11,515,152**	1,502,903
Provision for the year	**5,169,127**	18,472,504
Paid during the year	**(11,562,185)**	(8,460,255)
At the end of the year	**5,122,094**	11,515,152

Deferred tax

Deferred tax is recognised for all taxable temporary differences and all deductible temporary differences, carry forward of unused tax credits and unused tax losses only to the extent that it is probable that taxable profit will be available against which these assets can be utilised. Since there is no non-GCC shareholder in year 2023, no deferred income tax has been recorded.

Status of zakat and income tax assessment

The Company was subject to zakat and income tax from 1 December 2021 as previously its share capital was from public funds in accordance with the decision of the Zakat, Tax and Customs Authority ("ZATCA"). The Company has submitted its zakat and income tax return for the period from 1 December 2021 to 31 December 2021 and for the year ended 31 December 2022, however assessment has not been raised by ZATCA.

22 REVENUE

	2023 *SR*	*2022* *SR*
Flour	**521,552,331**	491,003,690
Bran	**220,610,511**	212,518,852
Feed	**133,233,865**	200,344,292
	875,396,707	903,866,834
Discounts and promotion	**(13,314,733)**	(1,059,289)
	862,081,974	902,807,545

The Company sells its goods based on sale orders from customers, majority of which is secured by the advance receipts of value of goods.

Disaggregation of revenue

	2023 *SR*	*2022* *SR*
Type of sector		
Corporate sector	**791,675,534**	866,383,865
Individual sector	**70,335,640**	36,404,534
Government sector	**70,800**	19,146
	862,081,974	902,807,545
Duration of contracts		
Less than one year	**862,081,974**	902,807,545

The sale of goods by the Company is recognised at a point in time basis. The performance obligation is satisfied at time of dispatch of goods from the warehouse.

23 DIRECT COSTS

	31 December 2023 SR	31 December 2022 SR
Raw material consumed	**310,338,184**	341,850,781
Depreciation of property, plant and equipment (note 6)	**55,478,969**	48,367,792
Employees' costs	**38,779,336**	45,307,481
Fuel and Power	**20,312,436**	22,371,509
Depreciation of right-of-use assets (note 7)	**13,799,542**	8,717,047
Maintenance	**9,751,787**	21,420,966
Insurance	**2,149,004**	3,192,017
Short-term leases	**350,000**	351,067
Other expenses	**7,852,400**	3,396,232
Reversal of provision for slow-moving inventories	**(13,220,391)**	-
	445,591,267	494,974,892
Finished goods at the beginning of the year	**9,163,114**	4,374,157
Total production cost intended for sale during the year	**454,754,381**	499,349,049
Finished goods at the end of the year (note 10)	**(8,180,488)**	(9,163,114)
	446,573,893	490,185,935

24 SELLING AND DISTRIBUTION EXPENSES

	31 December 2023 SR	31 December 2022 SR
Shipping and transportation expenses	**13,712,065**	5,360,299
Employees' costs	**8,277,628**	6,719,617
Marketing	**3,192,465**	612,256
Amortisation of intangible assets (note 8)	**2,427,241**	2,427,241
Insurance	**513,395**	279,780
Repair and maintenance	**404,451**	1,314,149
Depreciation of property, plant and equipment (note 6)	**291,107**	271,774
Fuel and Power	**204,559**	56,875
Short-term leases	**54,863**	54,863
Other expenses	**1,730,850**	1,192,580
	30,808,624	18,289,434

25 GENERAL AND ADMINISTRATION EXPENSES

	31 December 2023 SR	31 December 2022 SR
Employees' costs	**38,232,979**	42,164,374
Contract cancellation charges with a related party	**10,000,000**	-
Professional and consulting fees	**8,719,740**	47,089,972
Board and committees' expenses, rewards, and allowances	**4,509,037**	-
Materials and supplies	**3,278,620**	2,639,922
Maintenance	**2,097,952**	3,432,630
Insurance	**1,758,548**	1,749,461
Fuel and power	**1,257,894**	294,953
Amortisation of intangible assets (note 8)	**653,452**	88,065
Depreciation of property, plant and equipment (note 6)	**207,037**	1,934,494
Short-term leases	**14,047**	-
Other expenses	**7,700,496**	5,851,125
	78,429,802	105,244,996

26 FINANCE COSTS

	31 December 2023 SR	*31 December 2022 SR*
Interest on loans	**116,781,115**	10,616,851
Interest on lease liabilities	**3,185,528**	10,092,468
Amortisation of transaction costs on loans	**1,744,227**	-
	121,710,870	20,709,319

27 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders and key management personnel of the Company, and entities controlled or significantly influenced by such parties.

Name of related party	**Nature of relationship**
Abdulaziz Alajlan Sons Co. for Commercial and Real Estate Investment	Shareholder
Sulaiman Abdulaziz Alrajhi International Company	Shareholder
National Agriculture Development Company (NADEC)	Shareholder

Following table shows the total amount of transactions that were made with the related parties during the year ended 31 December 2023 and 31 December 2022.

	Nature of transaction	**Amount of transaction (SR)** *2023*	*2022*
Olam International Limited *(Former shareholder)*	Operational services	**-**	38,950,310
National Agriculture Development Company (NADEC) *(Shareholder)*	Revenue	**22,775,765**	20,188,234
	Contract cancellation charges	**10,000,000**	-
Abdulaziz Alajlan Sons Co. for Commercial and Real Estate Investment *(Shareholder)*	Reimbursement of income tax***	**3,732,511**	-

*** In 2022, income tax was charged to the Company for the non-Saudi shareholder, Olam International Limited. As the non-Saudi shareholder transferred its shareholding in the Company to Saudi shareholders, the Saudi shareholder agreed to reimburse the Company with amount of income tax paid in 2022.

Balances outstanding with the related parties is presented below:

Amounts due from related parties (under current assets)	*2023* ***SR***	*2022* *SR*
Abdulaziz Alajlan Sons Co. for Commercial and Real Estate Investment	**3,520,603**	-
National Agriculture Development Company	**1,805,997**	-
	5,326,600	-

Compensation of key management personnel of the Company

The compensation of the Company's key management personnel includes salaries and other benefits. Amounts disclosed in the table are the amounts recognised as an expense during the reporting year related to key management personnel.

27 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Transactions with key management personnel

	2023	*2022*
	SR	*SR*
Board and committees’ expenses, rewards and allowances	**4,509,037**	**-**
Compensation of key management personnel of the Company (*)	**8,817,536**	5,838,398
Total compensation to key management personnel	**13,326,573**	5,838,398

(*) Compensation of key management personnel of the Company		
Short-term employee benefits	**13,009,823**	5,694,237
Termination benefits	**316,750**	144,161

Terms and conditions of transactions with related parties

Terms and policies of related parties transactions are approved by the Company's management. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. During the year, no provision for expected credit loss has been recorded against amounts due from related parties (2022: none). This assessment is undertaken each period by examining the financial position of the related party and the market in which the related party operates.

28 EARNINGS PER SHARE

Basic earnings per share (“EPS”) is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year.

Following table reflects the income and share data used in the basic and diluted EPS computations:

	31 December 2023	*31 December 2022*
	SR	*SR*
Profit for the year	**200,279,112**	255,269,366
Weighted average number of ordinary shares for basic EPS	**51,315,006**	51,315,006
Earnings per share – basic and diluted	**3.90**	4.97

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of the financial statements.

29 CONTINGENT LIABLILTIES

As of 31 December 2023, the Company had contingent liabilities arose during its normal business cycle and related to letters of credit and letters of guarantee of SR 3,850,509 (2022: SR 8,301,438).

30 FINACIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to market risk, credit risk and liquidity risk. The Company's management oversees the management of these risks. The Company's senior management is supported by shareholders that advises on financial risks and the appropriate financial risk governance framework for the Company. The board committee provides assurance to the Company's management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

30 FINACIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer which the Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Owing to nature of the Company's business, significant portion of revenue is collected in cash due to which the Company is not significantly exposed to credit risks.

Cash and cash equivalents

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and all such investments are subject to approval of shareholders. Management continuously monitors the limits of investments with different financial institutions to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

	Rating		*Rating*	*31 December*	*31 December*
Banks	***Short term***	***Long term***	***Agency***	*2023*	*2022*
				SR	*SR*
Saudi Alawwal Bank	**P-1**	**A-1**	Moody`s	**105,279,764**	300,500,000
Banque Saudi Fransi	**P-1**	**A1**	Moody`s	**22,517,759**	273,350,801
				127,797,523	573,850,801

Trade receivables, amounts due from related parties and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The Company limits its exposure to credit risk from trade receivables by establishing and maintaining a cash-based mode of conducting business. As the advance of customer is received before any supply of goods, the Company is not exposed to any such credit risk on trade receivables.

Expected credit loss assessment for accounts receivables, amounts due from related parties and other receivables:

As per IFRS 9, the simplified approach is used to measure expected credit losses which uses a lifetime expected loss allowance for all financial assets measured at amortised cost and contract assets.

The expected loss rates are based on the payment profiles of receivables over a suitable period and corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified GDP of Kingdom of Saudi Arabia (the country in which it renders the services) to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The loss allowance as of 31 December 2023 and 31 December 2022 was not material and hence no adjustment of the same has been made in these financial statements.

		Past due but not impaired				
	< 30 days	*31 – 60 days*	*61 – 90 days*	*91 – 120 days*	*>120 days*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*
Year ended 31 December 2023						
Gross amount	1,977,306	891,323	183,738	123,899	3,164,152	**6,340,418**

30 FINACIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include accounts receivable and contract assets.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Company is subject to commission rate risk on its short-term deposits and long-term and short-term loans. The Company manages its exposure to commission rate risk by continuously monitoring movements in interest rates. An increase in 1% of floating interest rate would reduce profit by SR 11 million (2022: SR 17.83 million.)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency). However, as the Company primarily deals in USD and Euro (immaterial), with the majority being in USD, which is pegged with SR, the Company's exposure to foreign currency risk is immaterial. No sensitivity for foreign currency risk is presented due to its minimal effect on the financial statements.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations as they fall due. The Company seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and service maturing debts. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have enough liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation

The table below summarises the maturities of the Company's financial liabilities as of 31 December 2023 and 31 December 2022 based on undiscounted contractual payment dates and current market interest rates as following:

31 December 2023

	Upto 12 months	***1 to 5 years***	***More than 5 years***	***Total***
	SR	***SR***	***SR***	***SR***
Accounts payables and accruals	**69,556,682**	**-**	**-**	**69,556,682**
Long-term and short-term loan	**113,667,171**	**426,781,646**	**1,486,101,737**	**2,026,550,554**
Lease liabilities	**15,403,229**	**61,977,914**	**288,201,597**	**365,582,740**
	198,627,082	**488,759,560**	**1,774,303,334**	**2,461,689,976**

31 December 2022 (restated)

	Upto 12 months	*1 to 5 years*	*More than 5 years*	*Total*
	SR	*SR*	*SR*	*SR*
Accounts payables and accruals	76,855,354	-	-	76,855,354
Long-term and short-term loans	384,626,468	562,636,356	2,144,621,044	3,091,883,868
Lease liabilities	15,403,229	61,856,248	303,726,492	380,985,969
	476,885,051	624,492,604	2,448,347,536	3,549,725,191

30 FINACIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital Management

For the purpose of the Company's capital management, capital includes issued share capital and all other equity reserves. The primary objective of the Company's capital management is to maximise the shareholders' value.

The Company manages its capital structure and adjusts considering changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt accounts payables, accrued expenses and other current liabilities, amounts due to related parties and lease liabilities, less cash at banks.

There were no changes in the objectives, policies, and procedures for capital management during the years ended December 31, 2023 and December 31, 2022.

	2023 SR	2022 SR
Interest bearing loans and borrowings	**1,088,682,088**	1,764,164,674
Lease liabilities	**285,942,686**	298,160,387
Accounts payables	**49,925,900**	55,703,699
Accrued expenses and other liabilities	**19,630,782**	21,151,655
Less: Cash and cash equivalents	**(127,797,523)**	(573,850,801)
Net Debt	**1,316,383,933**	1,565,329,614
Share capital	**513,150,060**	513,150,060
Retained earnings and other reserves	**309,816,383**	105,804,760
Total Capital	**822,966,443**	618,954,820
Capital and net debt	**2,139,350,376**	2,184,284,434
Gearing ratio	**62%**	72%

In order to achieve this overall objective, the Company's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call-off loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current and prior year.

31 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial asset consists of cash and cash equivalents, accounts receivables, amounts due from related parties and other receivables. Its financial liabilities consist of accounts payables, amounts due to related parties, long-term and short-term loans and lease liabilities.

Management believes that the fair value of the financial instruments of the Company at the reporting date approximate their carrying value.

32 RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

During the year, the Company restated certain amounts and balances included in the prior periods financial statements to reflect appropriate accounting treatment and classification. The details of each of such restatements have been summarised below:

Restatement - 1
During the year ended 31 December 2023, management of the Company has identified that they have not reassessed the value of lease liabilities after obtaining flour milling license in 2021. Management has done the reassessment during the year and as a result, the right-of-use assets and lease liabilities were understated. The error has been corrected by restating each of the affected financial statement line items for the prior period opening balance.

Restatement - 2
During the year ended 31 December 2023, management discovered that in prior periods, the useful life of the buildings that are built on leased land were erroneously based on the economic life of the buildings instead of the lease term. Consequently, the carrying value of buildings were overstated and the related accumulated depreciation was understated.

The above-mentioned errors have been corrected by restating each of the affected financial statement line items for the prior periods. Following tables summarises the impacts on the Company's financial statements:

At 1 January 2022

	Previously stated (SR)	***Restatement (SR)***	***Restated (SR)***
STATEMENT OF FINANCIAL POSITION			
Right-of-use assets	174,340,949	107,116,427	281,457,376
Lease liabilities	196,237,994	107,116,427	303,354,421
Property, plant and equipment	767,556,045	16,537,478	751,018,567
Retained earnings	636,898,624	16,537,478	620,361,146

At 31 December 2022

	Previously stated (SR)	***Restatement (SR)***	***Restated (SR)***
STATEMENT OF FINANCIAL POSITION			
Right-of-use assets	165,623,902	107,116,427	272,740,329
Lease liabilities	191,043,960	107,116,427	298,160,387
Retained earnings	730,326,507	16,537,478	713,789,029
Merger deficit reserve	675,370,884	16,537,478	658,833,406

Statement of profit or loss and other comprehensive income
Management has not recorded the impact on statement of profit or loss and other comprehensive income in year ended 31 December 2022 as the impact was not material, rather it was recorded in year ended 31 December 2023.

Statement of cashflows
There is no impact on statement of cashflows for restatement related to above points.

33 EVENTS AFTER THE REPORTING DATE

No significant subsequent event since the year ended 31 December 2023 that would have a material impact on the financial position of the Company as reflected in these financial statements.

34 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorised for issuance by the Company's Board of Directors on 21 Ramadan 1445H (corresponding to 31 March 2024).