The Fourth Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2023

The Fourth Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
31 December 2023

Building a better working world

Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF THE FOURTH MILLING COMPANY (OWNED BY ONE PERSON)
(A SAUDI CLOSED JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of The Fourth Milling Company (Owned by One Person) – 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 for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with 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 SHAREHOLDER OF THE FOURTH MILLING COMPANY (OWNED BY ONE PERSON)
(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 the 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.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF THE FOURTH MILLING COMPANY (OWNED BY ONE PERSON) (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

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

Riyadh: 23 Ramadan 1445H
(2 April 2024)

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

STATEMENT OF FINANCIAL POSITION

As of 31 December 2023

	Notes	***31 December 2023 SR***	*31 December 2022 SR (Restated note 29)*	*1 January 2022 SR (Restated note 29)*
ASSETS				
NON–CURRENT ASSETS				
Property, plant and equipment	6	**531,967,099**	545,595,598	556,333,554
Right-of-use assets	7	**362,491,047**	385,512,508	399,150,975
Intangible assets	8	**56,720,504**	55,870,767	5,558,575
TOTAL NON-CURRENT ASSETS		**951,178,650**	986,978,873	961,043,104
CURRENT ASSETS				
Inventories	9	**55,968,172**	80,324,114	95,967,450
Prepayments and other current assets	10	**15,574,892**	10,652,232	8,409,941
Amounts due from related parties	23	**22,766,936**	969,296	-
Accounts receivables	11	**5,210,534**	2,786,082	-
Cash and cash equivalents	12	**106,343,470**	164,661,627	67,256,012
TOTAL CURRENT ASSETS		**205,864,004**	259,393,351	171,633,403
TOTAL ASSETS		**1,157,042,654**	1,246,372,224	1,132,676,507
EQUITY AND LIABILITIES				
EQUITY				
Share capital	13	**473,903,170**	473,903,170	473,903,170
Proposed increase in share capital	13	**66,096,830**	-	-
Statutory reserve	13	**-**	26,079,424	9,611,152
Actuarial reserve		**(425,315)**	(238,078)	-
Retained earnings		**143,438,669**	238,985,770	153,744,614
TOTAL EQUITY		**683,013,354**	738,730,286	637,258,936
LIABILITIES				
NON-CURRENT LIABILITIES				
Non-current portion of lease liabilities	7	**379,268,327**	398,108,189	405,946,866
Employees’ defined benefit liabilities	14	**3,919,993**	1,418,025	1,074,780
Deferred tax liabilities, net	18	**5,805,761**	-	-
TOTAL NON-CURRENT LIABILITITES		**388,994,081**	399,526,214	407,021,646
CURRENT LIABILITIES				
Accounts payables	15	**22,402,300**	28,304,111	46,901,768
Accrued expenses and other liabilities	16	**26,728,013**	31,227,783	13,362,356
Amounts due to related parties	23	**1,490,643**	2,574,702	190,052
Current portion of lease liabilities	7	**22,986,091**	22,766,573	22,233,169
Advances from customers	17	**10,508,589**	9,396,093	5,502,829
Zakat and income tax provision	18	**919,583**	13,846,462	205,751
TOTAL CURRENT LIABILITIES		**85,035,219**	108,115,724	88,395,925
TOTAL LIABILITIES		**474,029,300**	507,641,938	495,417,571
TOTAL EQUITY AND LIABILITIES		**1,157,042,654**	1,246,372,224	1,132,676,507

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 (Restated note 29)*
Revenue	19	**565,636,888**	578,319,339
Direct costs	20	**(306,187,624)**	(318,204,654)
GROSS PROFIT		**259,449,264**	260,114,685
EXPENSES			
Selling and distribution	21	**(52,494,166)**	(32,023,454)
General and administration	22	**(43,123,896)**	(38,534,142)
TOTAL EXPENSES		**(95,618,062)**	(70,557,596)
OPERATING PROFIT		**163,831,202**	189,557,089
Finance costs	7	**(7,882,296)**	(14,927,896)
Finance income	12	**5,530,145**	340,126
Other expense		**(4,079,205)**	-
Other income		**283,992**	1,918,571
PROFIT BEFORE ZAKAT AND INCOME TAX		**157,683,838**	176,887,890
Zakat	18	**(2,745,766)**	(2,991,120)
Deferred income tax	18	**(5,805,761)**	-
Income tax	18	**(6,315,324)**	(10,855,342)
PROFIT FOR THE YEAR		**142,816,987**	163,041,428
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that will not be reclassified to profit and loss in subsequent periods			
Remeasurement loss on employees' defined benefit liabilities	14	**(187,237)**	(238,078)
		(187,237)	(238,078)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**142,629,750**	162,803,350
EARNINGS PER SHARE			
Basic earnings per share	25	**3.01**	3.44
Diluted earnings per share	25	**2.65**	3.44

The attached notes 1 to 31 form an integral part of these financial statements.

The Fourth Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023

	Share capital	*Proposed increase in share capital*	*Statutory reserve*	*Actuarial reserve*	*Retained earnings*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*
At 1 January 2023	473,903,170	-	26,079,424	(238,078)	238,985,770	**738,730,286**
Profit for the year	-	-	-	-	142,816,987	**142,816,987**
Other comprehensive loss	-	-	-	(187,237)	-	**(187,237)**
Total comprehensive income	-		-	(187,237)	142,816,987	**142,629,750**
Proposed increase in share capital	-	66,096,830	(26,079,424)	-	(40,017,406)	-
Dividends paid (note 24)	-	-	-	-	(198,346,682)	**(198,346,682)**
At 31 December 2023	**473,903,170**	**66,096,830**	-	**(425,315)**	**143,438,669**	**683,013,354**

	Share capital	*Proposed increase in share capital*	*Statutory reserve*	*Actuarial reserve*	*Retained earnings*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*
At 1 January 2022	473,903,170	-	9,611,152	-	168,281,942	651,796,264
Adjustment on correction of error (note 29)	-	-	-	-	(14,537,328)	(14,537,328)
At 1 January 2022 (restated)	473,903,170	-	9,611,152	-	153,744,614	637,258,936
Profit for the year (restated)	-	-	-	-	163,041,428	163,041,428
Other comprehensive loss	-	-	-	(238,078)	-	(238,078)
Total comprehensive income (restated)	-		-	(238,078)	163,041,428	162,803,350
Transfer to statutory reserve	-	-	16,468,272	-	(16,468,272)	-
Dividends paid (note 24)	-	-	-	-	(61,332,000)	(61,332,000)
At 31 December 2022 (restated)	473,903,170	-	26,079,424	(238,078)	238,985,770	738,730,286

The attached notes 1 to 31 form an integral part of these financial statements.

STATEMENT OF CASHFLOWS
For the year ended 31 December 2023

	Notes	***31 December 2023 SR***	*31 December 2022 SR*
OPERATING ACTIVITIES			
Profit for the year before zakat and income tax		**157,683,838**	176,887,890
Adjustments to reconcile profit before zakat and income tax to net cash flows:			
Depreciation of property, plant and equipment	6	**35,491,830**	33,969,176
Depreciation of right-of-use assets	7	**19,285,394**	13,638,467
Amortisation of intangible assets	8	**33,509**	40,448
Finance cost on lease liabilities	7	**7,882,296**	14,927,896
Finance income	12	**(5,530,145)**	(340,126)
Loss on disposal of property, plant and equipment		**-**	17,744
Provision of expected credit losses of accounts receivables	11	**715,965**	168,402
Provision for employees defined benefit obligations	14	**2,477,101**	284,500
		218,039,788	239,594,397
Changes in operating assets and liabilities:			
Inventories		**11,760,398**	15,643,336
Prepayments and other current assets		**(5,122,141)**	(1,902,165)
Amounts due from related parties		**(21,797,640)**	(969,296)
Accounts receivables		**(3,140,417)**	(2,954,484)
Accounts payables		**(5,901,811)**	(20,064,219)
Accrued expenses and other liabilities		**(4,499,770)**	19,331,989
Amounts due to related parties		**(1,084,059)**	2,384,650
Advances from customers		**1,112,496**	3,893,264
Cash from operations		**189,366,844**	254,957,472
Zakat and income tax paid		**(21,987,969)**	(205,751)
Employees' defined benefit liabilities paid	14	**(162,370)**	(179,333)
Net cash flows from operating activities		**167,216,505**	254,572,388
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(9,267,787)**	(23,683,746)
Purchase of intangible assets		**(883,246)**	(50,352,640)
Finance income received		**5,729,626**	-
Proceeds from disposal of property, plant and equipment		**-**	434,782
Net cash flows used in investing activities		**(4,421,407)**	(73,601,604)
FINANCING ACTIVITIES			
Payments of principal portion of lease liabilities		**(14,884,277)**	(7,305,273)
Finance costs paid on lease liabilities		**(7,882,296)**	(14,927,896)
Dividends paid		**(198,346,682)**	(61,332,000)
Net cash flows used in financing activities		**(221,113,255)**	(83,565,169)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(58,318,157)**	97,405,615
Cash and cash equivalents at the beginning of the year		**164,661,627**	67,256,012
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**106,343,470**	164,661,627
Significant non-cash transactions			
Classification of capital spares from inventories to property, plant and equipment, net book value		**12,595,444**	-

The attached notes 1 to 31 form an integral part of these financial statements.

1 CORPORATE INFORMATION

The Fourth Milling Company is a Saudi Closed Joint Stock Company (the "Company'') owned by One Person, and registered in Dammam, Kingdom of Saudi Arabia under commercial registration numbered 2050110856 dated 10 Safar 1438H (corresponding to 10 November 2016).

The national address of the Company is Building no. 7210, King Abdulaziz Road, King Abdulaziz Sea Port District, Dammam 32211, Kingdom of Saudi Arabia.

The Company's licensed activities include packing and milling of wheat, maize, Barley and rice, production of flour from rice, manufacture of flour and dough for bakeries, manufacture of concentrated fooder for animal, manufacture of cattle fodder, preparation, milling and pressing of animal feed, animal food and feed stores, storage in warehouse of grain silos, flour and agricultural products, storage of goods in foreign trade zones, wholesale of bakery products and trade of special and healthy food.

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 July 2020) the resolution of the Council of Ministers No. 631 states to transfer the ownership to Specialized Committee, and for the Specialized Committee to handle the task that was handled to Public Investment Fund as stated in The Council of Ministers' resolution no. (118) dated 21 Safar 1440H (corresponding to 30 October 2018).

On 25 Rabi Al-Thani 1443H (corresponding to 30 November 2021), the Company's share capital of 47,390,317 shares, the value of each share is 10 SR, were wholly sold to Gulf Flour Milling Industrial Company ("the Shareholder") 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 Saudi Arabia for the purpose of producing subsidised flour. This Agreement shall enter 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").

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

City	*Date*	*Commercial Registration Number*
Head Office (Dammam)	10 Safar 1438H (corresponding to 10 November 2016)	2050110856
Dammam	30 Jumada Al-Ula 1438H (corresponding to 27 February 2017)	2050111821
Madinah	30 Jumada Al-Ula 1438H (corresponding to 27 February 2017)	4650082090
Kharj	30 Jumada Al-Ula 1438H (corresponding to 27 February 2017)	1011024354

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.

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.

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, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account 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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Fair value measurement (continued)
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 which can be accessed by the company at the date of measurement, and are considered primary inputs
- Level 2 - inputs other than quoted prices included in Level 1 that are observable either directly or indirectly
- Level 3 - unobservable inputs that are considered with the lowest priority.

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 recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting 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.

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 tested for impairment annually either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

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 and other comprehensive income.

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 6 to 10 years.

Trademark
Trademark by name of FOOM brand was acquired and assessed as having indefinite useful life. It is stated at cost less accumulated impairment, if any.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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.

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	6.67 years	Capital spares	20 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. In particular, the Company considers the impact of health, safety and environmental legislation in its assessment of expected useful lives and estimated residual values. .

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.

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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

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.

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.

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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Initial recognition and measurement (continued)
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.

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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

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.

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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

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.

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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment of non-financial assets (continued)
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.

The Company assesses whether climate risks, including physical risks and transition risks could have a significant impact. If so, these risks are included in the cash-flow forecasts in assessing value-in-use amounts.

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 4.47 million (2022: SR 4.37 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.

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. 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.

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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Zakat and taxes (continued)

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.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the Company relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business, such as increased cost of production as a result of measures to reduce carbon emission.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Zakat and taxes (continued)

Deferred tax (continued)
Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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.

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.

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.

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.

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.

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.

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.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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.

Provision for expected credit losses of trade receivables and amounts due from related parties
The Company uses a provision matrix to calculate ECLs for trade receivables. 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.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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

Valuation 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: Dammam, Madinah and Kharj. For management reporting purpose, the Company is organised 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 finance income) and zakat and income tax 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 branches are as follows.

For the year ended 31 December 2023	***Dammam***	***Madinah***	***Kharj***	***Head office***	***Total***
	SR	***SR***	***SR***	***SR***	***SR***
Revenue	**250,747,173**	**178,875,813**	**136,013,902**	**-**	**565,636,888**
Raw materials consumed	**(90,329,945)**	**(50,633,887)**	**(52,118,238)**	**-**	**(193,082,070)**
Employees' costs	**(17,853,178)**	**(18,964,727)**	**(13,689,970)**	**(26,219,365)**	**(76,727,240)**
Depreciation and amortisation	**(16,503,522)**	**(23,879,678)**	**(13,736,234)**	**(691,299)**	**(54,810,733)**
Finance costs	**(4,947,726)**	**(2,384,072)**	**(263,053)**	**(287,445)**	**(7,882,296)**
Finance income	**-**	**-**	**-**	**5,530,145**	**5,530,145**
Other expenses	**(24,505,384)**	**(26,474,489)**	**(13,210,534)**	**(16,790,449)**	**(80,980,856)**
Segment profit (loss) before zakat and income tax	**96,607,418**	**56,538,960**	**42,995,873**	**(38,458,413)**	**157,683,838**

For the year ended 31 December 2022 (restated)	*Dammam*	*Madinah*	*Kharj*	*Head office*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*
Revenue	243,902,955	176,939,230	157,477,154	-	578,319,339
Raw materials consumed	(92,491,047)	(33,889,055)	(68,934,115)	-	(195,314,217)
Employees' costs	(20,530,813)	(28,825,987)	(16,417,859)	(22,672,664)	(88,447,323)
Depreciation and amortisation	(14,126,106)	(19,867,315)	(13,143,551)	(511,119)	(47,648,091)
Finance costs	(7,228,073)	(6,979,465)	(720,358)	-	(14,927,896)
Finance income	-	-	-	340,126	340,126
Other expenses	(18,077,241)	(17,061,996)	(11,811,963)	(8,482,848)	(55,434,048)
Segment profit (loss) before zakat and income tax	91,449,675	70,315,412	46,449,308	(31,326,505)	176,887,890

As of 31 December, 2023	***Dammam***	***Madinah***	***Kharj***	***Head office***	***Total***
	SR	***SR***	***SR***	***SR***	***SR***
Total assets	**296,757,258**	**438,702,805**	**245,304,337**	**176,278,254**	**1,157,042,654**
Total liabilities	**(198,247,795)**	**(219,261,478)**	**(32,692,001)**	**(23,828,026)**	**(474,029,300)**
<u>Other disclosures:</u>					
Property, plant and equipment	**95,838,585**	**223,075,064**	**210,737,995**	**2,315,455**	**531,967,099**
Capital expenditures	**5,246,798**	**1,725,129**	**1,801,606**	**494,254**	**9,267,787**
Right-of-use assets	**158,115,982**	**180,955,211**	**18,932,093**	**4,487,761**	**362,491,047**
Intangible assets	**-**	**-**	**-**	**56,720,504**	**56,720,504**
Inventories	**29,687,578**	**18,999,851**	**7,268,411**	**12,332**	**55,968,172**

5 SEGMENT INFORMATION (continued)

As of 31 December, 2022 (restated)	*Dammam*	*Madinah*	*Kharj*	*Head office*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*
Total assets	313,361,301	468,193,640	256,987,107	207,830,176	1,246,372,224
Total liabilities	(212,746,672)	(233,017,655)	(33,997,852)	(27,879,759)	(507,641,938)
Other disclosures:					
Property, plant and equipment	91,501,463	231,121,025	220,628,582	2,344,528	545,595,598
Capital expenditures	16,975,380	2,665,063	3,572,224	471,079	23,683,746
Right-of-use assets	174,988,664	190,584,975	19,938,869	-	385,512,508
Intangible assets	-	-	-	55,870,767	55,870,767
Inventories	34,558,715	35,303,907	10,449,160	12,332	80,324,114

As of 1 January, 2022 (restated)	*Dammam*	*Madinah*	*Kharj*	*Head office*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*
Total assets	318,060,704	475,845,092	263,603,591	75,167,120	1,132,676,507
Total liabilities	(210,987,846)	(252,864,990)	(30,831,260)	(733,475)	(495,417,571)
Other disclosures:					
Property, plant and equipment	82,212,218	242,300,243	229,476,704	2,344,389	556,333,554
Right-of-use assets	181,880,891	196,691,719	20,578,365	-	399,150,975
Intangible assets	-	-	-	5,558,575	5,558,575
Inventories	49,380,803	33,104,495	10,749,681	2,732,471	95,967,450

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings (*) SR	*Plant and machinery SR*	*Furniture and fittings SR*	*Computer equipment SR*	*Motor vehicles SR*	*Capital work in progress (**) SR*	*Total SR*
Cost							
At 1 January 2022	233,188,766	450,107,588	3,694,147	5,069,490	2,587,561	12,769,783	**707,417,335**
Additions during the year	2,565,291	9,734,238	307,982	439,280	-	10,636,955	**23,683,746**
Disposals during the year	-	(945,422)	(3,265)	-	-	-	**(948,687)**
Transfers	6,151,095	6,338,225	**-**	1,409,337		(13,898,657)	**-**
At 31 December 2022	241,905,152	465,234,629	3,998,864	6,918,107	2,587,561	9,508,081	**730,152,394**
Additions during the year	137,897	4,722,577	267,459	277,839	-	3,862,015	**9,267,787**
Transferred from inventories (note 9)	-	15,880,144	-	-	-	-	**15,880,144**
Transfers	365,450	5,462,280	52,114	-	-	(5,879,844)	**-**
At 31 December 2023	**242,408,499**	**491,299,630**	**4,318,437**	**7,195,946**	**2,587,561**	**7,490,252**	**755,300,325**
Accumulated depreciation							
At 1 January 2022	22,162,443	109,896,444	1,940,750	1,583,098	963,718	-	**136,546,453**
Restatement (note 29)	14,537,328	-	-	-	-	-	**14,537,328**
At 1 January 2022 (restated)	36,699,771	109,896,444	1,940,750	1,583,098	963,718	-	**151,083,781**
Charge for the year (***)	8,956,269	23,376,322	285,764	862,270	488,551	-	**33,969,176**
Disposals during the year	-	(492,900)	(3,261)	-	-	-	**(496,161)**
At 31 December 2022 (restated)	45,656,040	132,779,866	2,223,253	2,445,368	1,452,269	-	**184,556,796**
Charge for the year (***)	9,106,034	24,687,354	304,189	905,702	488,551	-	**35,491,830**
Transferred from inventories (note 9)	-	3,284,600	-	-	-	-	**3,284,600**
At 31 December 2023	**54,762,074**	**160,751,820**	**2,527,442**	**3,351,070**	**1,940,820**	**-**	**223,333,226**
Net book value							
At 31 December 2023	**187,646,425**	**330,547,810**	**1,790,995**	**3,844,876**	**646,741**	**7,490,252**	**531,967,099**
At 31 December 2022 (restated)	196,249,112	332,454,763	1,775,611	4,472,739	1,135,292	9,508,081	545,595,598
At 1 January 2022 (restated)	196,488,995	340,211,144	1,753,397	3,486,392	1,623,843	12,769,783	556,333,554

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 12.7 million. 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 (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 consist of:

- Project of implementing security and safety works in Dammam Branch, which is expected to be completed by June 2024;
- Supply and installation of control systems and cameras project, which has been completed in March 2024;
- Supply and installation of temperature and humidity sensitivity projects in Madinah Branch, which is expected to be completed by June 2024; and
- Flour silo coating project in Kharj Branch, which has been completed in March 2024.

The capital commitments relating to this amount is SR 3,099,220 (2022: SR 6,961,233).

(***) Depreciation expenses for the year were allocated as follows:

	31 December 2023 SR	*31 December 2022 SR (Restated, note 29)*
Direct costs (note 20)	**30,521,749**	29,142,208
Selling and distribution expenses (note 21)	**3,420,112**	3,335,268
General and administration expenses (note 22)	**1,549,969**	1,491,700
	35,491,830	33,969,176

Currently, there is no temporary idle asset (2022: none). Assets with cost amounting SR 164.87 million have been fully depreciated as of the year-end (2022: SR 164.87 million).

Disposals of property, plant and equipment
In 2022, the Company sold equipment with a total net carrying amount of SR 452,526 for a cash consideration of SR 434,783. The net loss on the disposals were recognised as part of other operating income in the statement of profit or loss.

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 and ending on 30 November 2046.

The Company's obligations under its leases are secured by the lessor's title to the leased assets. 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	136,670,711	194,600,821	**331,271,532**
Lease reassessment (note 29)	67,085,572	44,691,906	**111,777,478**
At 1 January 2022 and 31 December 2022 (restated)	203,756,283	239,292,727	**443,049,010**
Lease modification	-	(3,736,067)	**(3,736,067)**
At 31 December 2023	**203,756,283**	**235,556,660**	**439,312,943**
Accumulated depreciation			
At 1 January 2022	27,334,145	16,563,890	**43,898,035**
Charge for the year	5,466,829	8,171,638	**13,638,467**
At 31 December 2022	32,800,974	24,735,528	**57,536,502**
Charge for the year	8,646,942	10,638,452	**19,285,394**
At 31 December 2023	**41,447,916**	**35,373,980**	**76,821,896**
Net book Value			
At 31 December 2023	**162,308,367**	**200,182,680**	**362,491,047**
At 31 December 2022 (restated)	170,955,309	214,557,199	385,512,508
At 1 January 2022 (restated)	176,422,138	222,728,837	399,150,975

Depreciation expenses for the year were allocated as follows:

	31 December 2023 SR	*31 December 2022 SR (Restated, note 29)*
Direct costs (note 20)	**16,705,796**	11,865,466
Selling and distribution expenses (note 21)	**1,902,756**	1,363,847
General and administration expenses (note 22)	**676,842**	409,154
	19,285,394	13,638,467

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

	31 December 2023 SR	*31 December 2022 SR (Restated, note 29)*
At the beginning of the year	**420,874,762**	428,180,035
Lease modification	**(3,736,067)**	-
Accretion of interest	**7,882,296**	14,927,896
Payments during the year	**(22,766,573)**	(22,233,169)
At the end of the year	**402,254,418**	420,874,762

Bifurcated into:	***31 December 2023 SR***	*31 December 2022 SR (Restated, note 29)*	*1 January 2022 SR Restated, note 29)*
Current	**22,986,091**	22,766,573	22,233,169
Non-current	**379,268,327**	398,108,189	405,946,866
	402,254,418	420,874,762	428,180,035

7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

	31 December 2023 ***SR***	*31 December 2022* *SR* *(Restated, note 29)*	*1 January 2022* *SR* *(Restated, note 29)*
Future minimum lease payments	**541,860,356**	568,362,996	590,596,165
Less: unamortised finance charges	**(139,605,938)**	(147,488,234)	(162,416,130)
Present value of minimum lease payments	**402,254,418**	420,874,762	428,180,035
Less: current portion of lease payments	**(22,986,091)**	(22,766,573)	(22,233,169)
Non-current portion of lease payments	**379,268,327**	398,108,189	405,946,866

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

	31 December 2023 ***SR***	*31 December 2022* *SR*
Depreciation expense of right-of-use assets	**19,285,394**	13,638,467
Interest expense on lease liabilities	**7,882,296**	14,927,896
Expense relating to short-term leases (included in direct costs)	**721,283**	653,637
	27,888,973	29,220,000

8 INTANGIBLE ASSETS

	Software *SR*	*Software under implementation* *SR*	*Trademark* *SR*	*Total* *SR*
Cost				
At 1 January 2022	384,013	5,447,866	-	5,831,879
Additions during the year	4,500	245,640	50,102,500	50,352,640
At 31 December 2022	388,513	5,693,506	50,102,500	56,184,519
Additions during the year	16,375	866,871	-	883,246
At 31 December 2023	**404,888**	**6,560,377**	**50,102,500**	**57,067,765**
Accumulated amortisation				
At 1 January 2022	273,304	-	-	273,304
Charge for the year	40,448	-	-	40,448
At 31 December 2022	313,752	-	-	313,752
Charge for the year	33,509	-	-	33,509
At 31 December 2023	**347,261**	**-**	**-**	**347,261**
Net book value				
At 31 December 2023	**57,627**	**6,560,377**	**50,102,500**	**56,720,504**
At 31 December 2022	74,761	5,693,506	50,102,500	55,870,767
At 1 January 2022	110,709	5,447,866	-	5,558,575

Computer software
Amortisation is charged to general and administration expenses. Remaining useful life of the computer software is around 1 year.

Software under implementation
It relates to SAP ERP, which is set to go live in April 2024.

8 INTANGIBLE ASSETS (continued)

Trademark
The Company has acquired the brand name ("FOOM") from the General Food Security Authority ("GFSA") (formerly Saudi Grains Organization ("SAGO") in March 2022. After the acquisition, the Company is selling the products under the brand name across the Kingdom with the exclusive rights. The acquired trademark has been designated as indefinite useful life and is stated at cost less accumulated impairment, if any.

The Company has performed its impairment test for intangible asset with indefinite useful life on 31 December 2023. The recoverable amount of all the CGUs of SR 66 million as at 31 December 2023 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 weighted average cost of capital ("WACC") applied to cash flow projections is 11.7%. 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 trademark.

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:

Relief from Royalty Method
The Company applied "Relief from Royalty Method" for the impairment calculation. This method is based on the concept that an owner of an intangible asset does not have to rent one and is therefore relieved from paying royalty. Under this method, the license agreements for comparable assets are analysed. The benchmark royalty rate is then calculated. The net revenue expected by the management is then multiplied with the benchmark rate and estimated value for royalty stream is calculated which is further discounted with the discount rate to arrive at the present value of the intangible asset. Benchmark royalty rate of 1.9% is used in the calculation. A decrease in the royalty rate by 0.55% would result in impairment.

Revenues
Revenue based on average values achieved in the three years preceding the beginning of the budget period. 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 revenues by 28.7% would result in impairment.

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 to 40% vs current 33% market share.

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 15.6% (i.e., +3.9%) 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 growth rate of 2% has been applied for period after 5 years.

8 INTANGIBLE ASSETS (continued)

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

Climate-related matters
The Company constantly monitors climate-related risks, including physical risks and transition risks, when measuring the recoverable amount. 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 trademark impairment.

Sensitivity analysis

Assumptions used	**Fluctuation to cause impairment**
Revenue	-28.7%
Discount rate	+3.9%
Royalty rate	-0.55%

9 INVENTORIES

	31 December 2023 SR	*31 December 2022 SR*	*1 January 2022 SR*
Spare parts and others	**36,789,364**	71,893,139	80,968,489
Raw materials	**28,150,915**	22,001,355	24,579,360
Finished goods	**7,636,514**	6,175,233	7,356,486
Other inventories	**5,210**	152,818	2,961,546
Less: allowance for slow moving inventory	**(12,753,021)**	(19,898,431)	(19,898,431)
Less: allowance for scrap items	**(3,860,810)**	-	-
	55,968,172	80,324,114	95,967,450

Movement in allowance for slow moving inventories

	31 December 2023 SR	*31 December 2022 SR*
At the beginning of the year	**19,898,431**	19,898,431
Reclassified as allowance for scrap	**(3,860,810)**	
Transferred to property, plant and equipment (note 6)	**(3,284,600)**	-
At the end of the year	**12,753,021**	19,898,431

10 PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2023 SR	*31 December 2022 SR*	*1 January 2022 SR*
Advance to suppliers	**10,199,235**	3,675,840	-
Margin against letter of guarantees	**2,625,640**	2,941,373	2,571,414
Prepaid expenses	**2,499,415**	2,034,646	1,823,685
Accrued income on Islamic short-term murabaha deposits	**140,645**	340,126	-
Staff loans and advances	**54,085**	21,020	7,114
Other receivables	**55,872**	-	-
Margin against letter of credits	**-**	1,639,227	4,007,728
	15,574,892	10,652,232	8,409,941

11 ACCOUNTS RECEIVABLES

	31 December 2023 SR	*31 December 2022 SR*	*1 January 2022 SR*
Accounts receivables	**6,094,901**	2,954,484	-
Less: provision for expected credit losses	**(884,367)**	(168,402)	-
	5,210,534	2,786,082	-

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. It is not the practice of the Company to obtain collateral over receivables and the vast majority are, therefore, unsecured. Refer to note 27 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.

There are 5 customers which represent more than 67% (2022: 87%) of the total gross accounts receivables.

Movement in provision for expected credit losses is presented below:

	31 December 2023 SR	*31 December 2022 SR*
At the beginning of the year	**168,402**	-
Charge for the year	**715,965**	168,402
At the end of the year	**884,367**	168,402

12 CASH AND CASH EQUIVALENTS

	31 December 2023 SR	*31 December 2022 SR*	*1 January 2022 SR*
Islamic short-term murabaha deposits*	**82,967,570**	80,000,000	-
Cash at bank	**23,287,854**	84,617,343	67,256,012
Cash in hand	**88,046**	44,284	-
	106,343,470	164,661,627	67,256,012

**Islamic short-term murahaba deposits are deposited with banks 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 daily bank deposit rate. Effective interest rate is 5.38%.*

13 SHARE CAPITAL

The Company's authorised, issued and paid-up share capital is divided into 47,390,317 shares of SR 10 each (31 December 2022: 47,390,317 shares of SR 10 each), owned by Gulf Flour Milling Industrial Company ("the Shareholder").

The ultimate shareholding of the Company is disclosed below:

Ultimate shareholder	***Number of Shares***	***Share Value***	***Total***
Abdullah Alothaim Markets Company	50,000	1,000	50,000,000
United Feed Manufacturing Company	50,000	1,000	50,000,000
Allana International Limited Company	50,000	1,000	50,000,000
	150,000	1,000	150,000,000

During the year, the shareholder of the Company passed a resolution of the extraordinary General Assembly of the Company at their meeting held on 14 Jumada Al-Akhirah 1445H (corresponding to 27 December 2023) on the increase in the Company's share capital from SR 473,903,170 to SR 540,000,000 through the transfer of SR 40,017,406 from the account of "retained earnings" and SR 26,079,424 from the account of "statutory reserve" respectively. Legal formalities in this regard have been completed subsequent to the year-end on 27 Jumada Al-Akhirah 1445H (corresponding to 9 January 2024).

Statutory reserve

On 14 Jumada Al-Akhirah 1445H (corresponding to 27 December 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 increase the share capital through transfer from statutory reserve and retained earnings. Legal formalities were completed in this regard after the reporting date.

14 EMPLOYEES' DEFINED BENEFITS 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.

Upto the time of acquisition of the Company by its Former Owner 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	*31 December 2022*
Financial assumptions		
Discount rate	**4.75%**	4.20%
Salary increase rate	**4.00%**	4.20%
Demographic assumptions		
Withdrawal rate	**15%**	15%
Mortality rate	**0.08% to 1.05%**	0.08% to 1.05%

14 EMPLOYEES' DEFINED BENEFITS LIABILITIES (continued)

Movement in employees' defined benefit liabilities were as follows:

	31 December 2023 SR	*31 December 2022 SR*
At the beginning of the year	**1,418,025**	1,074,780
Current service cost	**2,417,544**	252,257
Interest expense	**59,557**	32,243
Amount recognised in statement of profit or loss	**2,477,101**	284,500
Re-measurements		
Loss from change in financial assumptions	**(198,313)**	-
Actuarial loss	**385,550**	238,078
Amount recognised in other comprehensive income	**187,237**	238,078
Benefits paid during the year	**(162,370)**	(179,333)
At the end of the year	**3,919,993**	1,418,025

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. Sensitivity of the defined benefit obligation to charges in the weighted principal assumptions is presented below:

	Change	**Present value of the defined benefit liabilities (SR)**	
		31 December 2023	*31 December 2022*
Discount rate	+1%	**3,669,414**	1,320,268
	-1%	**4,201,676**	1,528,790
Salary increase rate	+1%	**4,161,518**	1,513,148
	-1%	**3,700,411**	1,332,163
Mortality rate	+10%	**3,919,684**	1,417,884
	-10%	**3,920,303**	1,418,162
Withdrawal rate	+10%	**3,835,632**	1,378,974
	-10%	**4,011,284**	1,460,979

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

	31 December 2023 SR	*31 December 2022 SR*
Within the next 12 months (next annual reporting period)	**519,046**	148,740
Between 2 and 5 years	**1,583,247**	549,848
After 5 years	**3,538,876**	1,304,113

The average duration of the defined benefit plan obligation at the end of the reporting period is 7.5 years (2022: 7.5 years).

15 ACCOUNTS PAYABLES

Trade accounts payables are non-interest bearing and are normally settled on 30 to 60-day terms.

16 ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2023 SR	*31 December 2022 SR*	*1 January 2022 SR*
Accrued employees' costs	**9,664,067**	25,413,032	10,718,826
Accrued rent	**5,130,308**	2,221,210	-
Accrual for professional fees	**4,987,500**	-	-
Value added tax ("VAT") payable	**3,116,943**	1,016,906	1,752,732
Accrued utilities expense	**1,072,592**	687,271	-
Accrual for General Organization for Social Insurance ("GOSI")	**99,847**	462,622	-
Other accruals	**2,656,756**	1,426,742	890,800
	26,728,013	31,227,783	13,362,356

17 ADVANCE FROM CUSTOMERS

It represents short-term advances received from customers to deliver 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 8,499,729 has been fully converted to revenue during the year (2022: SR 4,519,253).

18 ZAKAT AND INCOME TAX

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

	31 December 2023 SR	*31 December 2022 SR*
Current income tax	**6,315,324**	10,855,342
Deferred income tax	**5,805,761**	-
Zakat	**2,745,766**	2,991,120
	14,866,851	13,846,462

Zakat

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

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	**966,211,191**	926,048,308
Deductions from zakat base	**(983,836,328)**	(963,511,233)
Zakat base	**(17,625,137)**	(37,462,925)
Zakat base on Saudi shareholders' shares at 66.67%	**(11,750,679)**	(24,976,532)
Zakatable income for the year for Saudi shareholders' shares at 66.67%	**109,830,625**	119,644,809
Zakat expense	**2,745,766**	2,991,120

18 ZAKAT AND INCOME TAX (continued)

Zakat (continued)
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
The Company is subject to income tax at the rate of 20% of taxable income related to non-Saudi shareholder calculated in accordance with income tax regulations enforced in the Kingdom of Saudi Arabia.

	31 December 2023 SR	*31 December 2022 SR*
Accounting profit for the year	**157,683,838**	178,767,261
Depreciation of property, plant and equipment	**35,491,832**	32,089,805
Provision for expected credit losses	**715,965**	168,402
Provision for scrap items	**3,860,810**	-
Loss on disposal of property, plant and equipment	**-**	17,744
Provision for employees' defined benefit liabilities	**2,477,101**	522,579
Depreciation of property, plant and equipment as per ZATCA rates	**(98,182,414)**	(48,540,037)
Employees' defined benefit liabilities paid	**(162,370)**	(179,333)
Reversal of provision for slow-moving items	**(7,145,408)**	-
	94,739,354	162,846,421
Taxable profit for non-Saudi shareholders' shares at 33.33%	**31,576,627**	54,276,712
Income tax expense @ 20%	**6,315,324**	10,855,342

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

	Zakat SR	*Income tax SR*	***Total SR***
At 1 January 2022	83,051	122,700	**205,751**
Charge for the year	2,991,120	10,855,342	**13,846,462**
Payments during the year	(83,051)	(122,700)	**(205,751)**
At 31 December 2022	2,991,120	10,855,342	**13,846,462**
Charge for the year	2,745,766	6,315,324	**9,061,090**
Payments during the year	(2,991,120)	(18,996,849)	**(21,987,969)**
At 31 December 2023	**2,745,766**	**(1,826,183)**	**919,583**

Deferred tax
Deferred taxes are 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. Following represents the approximate tax effect of cumulative temporary differences between financial net income and taxable income, which has been recognised as a deferred income tax liabilities as of reporting date:

	31 December 2023 SR	*31 December 2022 SR*
Property, plant and equipment	**7,233,498**	-
Provision for employees' defined benefit liabilities	**(261,307)**	-
Provision for expected credit losses	**(58,952)**	-
Provision for slow-moving and scrap inventories	**(1,107,478)**	-
	5,805,761	-

18 ZAKAT AND INCOME TAX (continued)

Deferred tax (continued)
Movement in deferred tax liabilities during the year is presented below:

	31 December 2023 SR	*31 December 2022 SR*
At the beginning of the year	**-**	-
Charge for the year recorded in profit or loss	**5,805,761**	-
At the end of the year	**5,805,761**	-

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 a 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.

19 REVENUE

	31 December 2023 SR	*31 December 2022 SR*
Flour	**370,763,830**	358,576,791
Bran	**161,428,341**	159,358,850
Feed	**49,342,716**	66,753,944
	581,534,887	584,689,585
Less: Discount and promotions	**(15,897,999)**	(6,370,246)
	565,636,888	578,319,339

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

Disaggregation of revenue

	31 December 2023 SR	*31 December 2022 SR*
Type of sector		
Corporate sector	**515,640,938**	509,860,408
Individual sector	**28,563,225**	56,273,418
Hypermarkets	**21,432,725**	12,185,513
	565,636,888	578,319,339
Duration of contracts		
Less than one year	**565,636,888**	578,319,339

20 DIRECT COSTS

	31 December 2023 SR	*31 December 2022 SR (Restated, note 29)*
Raw material consumed	**193,082,070**	195,314,217
Employees' costs	**42,815,219**	54,155,084
Depreciation of property, plant and equipment (note 6)	**30,521,749**	29,142,208
Depreciation of right-of-use assets (note 7)	**16,705,796**	11,865,466
Fuel and Power	**14,512,302**	14,981,341
Insurance	**3,192,082**	3,880,729
Maintenance	**2,682,690**	3,926,517
Subscriptions	**2,333,082**	1,147,330
Rent	**675,324**	595,168
Transportation	**59,355**	887,919
Other direct costs	**1,069,236**	1,127,422
	307,648,905	317,023,401
Finished goods at the beginning of the year	**6,175,233**	7,356,486
Total production cost prepared for sale during the year	**313,824,138**	324,379,887
Finished goods at the end of the year (note 9)	**(7,636,514)**	(6,175,233)
	306,187,624	318,204,654

21 SELLING AND DISTRIBUTION EXPENSES

	31 December 2023 SR	*31 December 2022 SR (Restated, note 29)*
Transportation and shipping charges	**20,775,522**	14,359,278
Marketing and advertising costs	**9,047,237**	2,150,564
Employees' costs	**8,870,451**	7,827,662
Sales commission to hypermarkets	**4,892,252**	-
Depreciation of property, plant and equipment (note 6)	**3,420,112**	3,335,268
Depreciation of right-of-use assets (note 7)	**1,902,756**	1,363,847
Fuel and Power	**1,657,979**	1,632,478
Expected credit losses of accounts receivables (note 11)	**715,965**	168,402
Insurance	**425,390**	444,511
Rent	**45,959**	58,469
Other expenses	**740,543**	682,975
	52,494,166	32,023,454

22 GENERAL AND ADMINISTRATION EXPENSES

	31 December 2023 SR	*31 December 2022 SR (Restated, note 29)*
Employees' costs	**25,041,570**	26,464,577
Professional and consultation services	**9,998,969**	3,535,536
Depreciation of property, plant and equipment (note 6)	**1,549,969**	1,491,700
Maintenance	**1,336,783**	986,098
Insurance	**1,030,472**	1,059,636
Communication	**836,329**	712,094
Depreciation of right-of-use assets (note 7)	**676,842**	409,154
Fuel and Power	**566,377**	707,822
Amortisation of intangible assets (note 8)	**33,509**	40,448
Other expenses	**2,053,076**	3,127,077
	43,123,896	38,534,142

23 RELATED PARTY TRANSACTIONS AND BALANCES

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

Name of related party	**Nature of relationship**
Gulf Flour Milling Industrial Company	Shareholder
Abdullah Alothaim Markets Company	Ultimate shareholder
United Feed Manufacturing Company	Ultimate shareholder
Allana International Limited Company	Ultimate shareholder
Riyadh Industries Company	Affiliate
Pure food corporations	Affiliate

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.

Related parties	***Nature of transactions***	***Amounts of transactions***	
		2023	*2022*
		SR	*SR*
Zod Factory for Pastries and Bakeries - a branch of Abdullah Al-Othaim Markets Company *(An affiliate)*	Sales Collection	**800,739** **1,047,240**	901,603 583,571
Gulf flour Milling Industrial Company *(Shareholder)*	Sale of spare parts at cost	**21,190,702**	-
Riyadh Industries Company *(An affiliate)*	Sales Collection	**560,017** **586,921**	570,202 495,791
Pure food corporations *(An affiliate)*	Sales Collection	**4,183,650** **4,012,008**	- -
Abdullah Al-Othaim Markets Company *(Ultimate shareholder)*	Sales Collection	**14,233,039** **13,524,338**	7,064,444 6,487,591
United Feed Manufacturing Company *(Ultimate shareholder)*	Sales Collection	**50,150,694** **49,066,635**	39,245,267 41,629,917

Balances outstanding with the related parties is presented below:

Amounts due from related parties (under current assets)	***31 December 2023 SR***	*31 December 2022 SR*	*1 January 2022 SR*
Gulf Flour Milling Industrial Company	**21,190,702**	-	-
Abdullah Al-Othaim Markets Company	**1,285,554**	576,853	-
Pure Food Cooperation	**171,642**	-	-
Zod Factory for Pastries and Bakeries, a branch of Abdullah Al-Othaim Markets Company	**71,531**	318,032	-
Riyadh Industries Company	**47,507**	74,411	-
	22,766,936	969,296	-

23 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	31 December 2023	*31 December 2022*	*1 January 2022*
Amounts due to a related party (under current liabilities)	***SR***	*SR*	*SR*
United Feed Manufacturing Company	**1,490,643**	2,574,702	190,052
	1,490,643	2,574,702	190,052

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.

Transactions with key management personnel

	2023	*2022*
	SR	*SR*
Board and committees' expenses, rewards and allowances	**1,775,017**	545,000
Compensation of key management personnel of the Company (*)	**5,461,059**	5,960,250
Total compensation paid to key management personnel	**7,236,076**	6,505,250

(*) Compensation of key management personnel of the Company		
Short-term employee benefits	**5,313,966**	5,860,131
Termination benefits	**147,093**	100,119

The amounts disclosed in the table are the amounts recognised as an expense during the reporting year related to key management personnel.

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.

24 DIVIDENDS

In its meeting held on 11 Jumada Al-Ula 1445H (corresponding to 5 December 2022), the Ordinary General Assembly of the Company has authorised the Board of Directors to distribute interim dividends on a quarterly or semi-annual basis for the fiscal year 2023.

On 24 Rajab 1444H (corresponding to 15 February 2023), the Board of Directors resolved to distribute interim cash dividends of SR 2.11 per share amounting to SR 100 million for the first quarter of 2023.

On 6 Safar 1445H (corresponding to 22 August 2023), the Board of Directors resolved to distribute interim cash dividends of SR 1.06 per share amounting to SR 50 million for the second quarter of 2023.

On 8 Jumada Al-Ula 1445H (corresponding to 22 November 2023), the Board of Directors resolved to distribute interim cash dividends of SR 1.02 per share amounting to SR 48,346,682 for the year 2023.

Dividends for the current year have been fully paid during the current year (2022: same).

25 EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the year. Following table reflects the profit and share data used in the basic and diluted EPS computations:

	31 December 2023 SR	*31 December 2022 SR (Restated, note 29)*
Profit for the year	**142,816,987**	163,041,428
Weighted average number of ordinary shares for basic EPS	**47,390,317**	47,390,317
Weighted average number of ordinary shares for diluted EPS	**54,000,000**	47,390,317
Earnings per share – basic	**3.01**	3.44
Earnings per share –diluted	**2.65**	3.44

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, except for those disclosed in note 13.

26 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 limited to SR 2.6 million (2022: SR 4.6 million).

27 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.

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	*Long term*	*Short term*	*Agency*	***2023***	*2022*
				SR	*SR*
Riyad Bank	**A-1**	**P-1**	Moody`s	**92,024,939**	119,454,466
Banque Saudi Fransi	**A-1**	**P-1**	Moody's	**13,730,485**	44,662,877
Saudi Alawwal Bank	**A-1**	**P-1**	Moody`s	**500,000**	500,000
				106,255,424	164,617,343

27 FINACIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Trade 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.

31 December 2023	***ECL rate %***	***Gross carrying amount SR***	***Expected credit loss SR***
0-30 days	**-**	**4,603,746**	**-**
31-60 days	**35.38%**	**194,842**	**68,935**
61-90 days	**47.17%**	**511,787**	**241,410**
91-120 days	**56.36%**	**301,234**	**169,775**
Above 120 days	**83.64%**	**483,292**	**404,247**
TOTAL		**6,094,901**	**884,367**

31 December 2022	***ECL rate %***	***Gross carrying amount SR***	***Expected credit loss SR***
0-30 days	1.24%	1,691,208	20,915
31-60 days	19.10%	185,739	35,476
61-90 days	10.40%	560,331	58,246
91-120 days	10.40%	517,206	53,765
TOTAL		2,954,484	168,402

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 not subject to commission rate risk – there are no interest-bearing liabilities. The Company has investments in Islamic short-term murabaha deposits which are at floating rate however the impact is not material.

27 FINACIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

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

	Less than 3 months SR	*3 to 12 Months SR*	*1 to 5 years SR*	*More than 5 years SR*	*Total SR*
Accounts payables	22,402,300	-	-	-	**22,402,300**
Accrued expenses and other liabilities	26,728,013	-	-	-	**26,728,013**
Amount due to related parties	1,490,643	-	-	-	**1,490,643**
Lease liabilities	-	22,986,091	93,169,793	425,704,472	**541,860,356**
	50,620,956	**22,986,091**	**93,169,793**	**425,704,472**	**592,481,312**

31 December 2022 (restated)

	Less than 3 months SR	*3 to 12 Months SR*	*1 to 5 years SR*	*More than 5 years SR*	*Total SR*
Accounts payables and accruals	28,304,111	-	-	-	28,304,111
Accrued expenses and other liabilities	31,227,783	-	-	-	31,227,783
Amount due to related parties	2,574,702	-	-	-	2,574,702
Lease liabilities	-	22,766,573	89,010,583	449,113,706	568,362,996
	62,106,596	22,766,573	89,010,583	449,113,706	630,469,592

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 shareholder 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.

27 FINACIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital Management (continued)

	31 December 2023 SR	*31 December 2022 SR*
Accounts payables	**22,402,300**	28,304,111
Accrued expenses and other liabilities	**26,728,013**	31,227,783
Amounts due to related parties	**1,490,643**	2,574,702
Lease liabilities	**402,254,418**	420,874,762
Less: cash and cash equivalents	**(106,343,470)**	(164,661,627)
Net debt	**346,531,904**	318,319,731
Shareholders' equity	**683,013,354**	738,730,286
Total capital and debt	**1,029,545,258**	1,057,050,017
Gearing ratio	**34%**	30%

28 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 and lease liabilities.

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

29 RESTATEMENT OF PRIOR PERIOD 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 the useful life of the buildings that are built on leased land in prior periods 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 summaries the impacts on the Company's financial statements:

29 RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS (continued)

At 1 January 2022

	Previously stated (SR)	***Restatement (SR)***	***Restated (SR)***
STATEMENT OF FINANCIAL POSITION			
Right-of-use assets	287,373,497	111,777,478	399,150,975
Lease liabilities	316,402,557	111,777,478	428,180,035
Property, plant and equipment	570,870,882	(14,537,328)	556,333,554
Retained earnings	168,281,942	(14,537,328)	153,744,614

At 31 December 2022

	Previously stated (SR)	***Restatement (SR)***	***Restated (SR)***
STATEMENT OF FINANCIAL POSITION			
Right-of-use assets	273,735,030	111,777,478	385,512,508
Lease liabilities	309,097,284	111,777,478	420,874,762
Property, plant and equipment	562,012,297	(16,416,699)	545,595,598
Retained earnings	255,402,469	(16,416,699)	238,985,770

	Previously stated (SR)	***Restatement (SR)***	***Restated (SR)***
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
Direct costs	316,569,601	1,635,053	318,204,654
Selling and distribution expenses	31,835,517	187,937	32,023,454
General and administration expenses	38,477,761	56,381	38,534,142
Profit for the year	164,920,799	(1,879,371)	163,041,428
Earnings per share	3.48	(0.04)	3.44

STATEMENT OF CASHFLOWS
There has been no change in the statement of cashflows.

30 EVENTS AFTER THE REPORTING DATE

During the year, the shareholder of the Company passed a resolution of the extraordinary General Assembly of the Company at their meeting held on 14 Jumada Al-Akhirah 1445H (corresponding to 27 December 2023) on the increase in the Company's share capital from SR 473,903,170 to SR 540,000,000 through the transfer of SR 40,017,406 from the account of "retained earnings" and SR 26,079,424 from the account of "statutory reserve" respectively. Legal formalities in this regard have been completed subsequent to the year-end on 27 Jumada Al-Akhirah 1445H (corresponding to 9 January 2024).

Apart from above, 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.

31 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorised for issuance by the Company's Board of Directors on 19 Ramadan 1445H (corresponding to 29 March 2024).