

The Fourth Milling Company
(A Saudi Joint Stock Company)

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S
REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2024

The Fourth Milling Company
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2024

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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF THE FOURTH MILLING COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Opinion

We have audited the financial statements of The Fourth Milling Company – A Saudi Joint Stock Company (the “Company”), which comprise the statement of financial position as of 31 December 2024, 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 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting 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.

Key Audit Matters

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF THE FOURTH MILLING COMPANY
(A SAUDI JOINT STOCK COMPANY) (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Improper revenue recognition</p> <p>During the year ended 31 December 2024, the Company has recognised revenue amounting to SR 629 million (2023: SR 558 million).</p> <p>The Company recognizes revenue upon satisfaction of performance obligations at a point in time, typically when control of the goods is transferred to the customers. Revenue is measured at the fair value of the consideration received or receivable, taking into account terms of payment and excluding any taxes and duties as applicable.</p> <p>The Company focuses on revenue as a key performance measure, which could create an incentive for revenue to be recognised before control is transferred. Major portion of revenue is generated through cash sales transactions.</p> <p>Based on above factors and materiality of the amounts involved, we have considered revenue recognition as a key audit matter.</p> <p><i>Refer to notes (3) and (20) of the accompanying financial statements for the material accounting policy and other related information related to revenue recognition.</i></p>	<p>Our procedures included, among others, the following:</p> <ul style="list-style-type: none"> ▪ Assessed the appropriateness of the Company' revenue recognition policy; ▪ Inspected, on a sample basis, contracts to validate that revenue (including discounts and rebates) was recognised in accordance with the contractual terms and the Company's revenue recognition policies; ▪ Tested, on a sample basis, revenue transactions that occurred during the year and inspected the supporting documents (including invoice, delivery evidence, approved sales price etc.); ▪ Tested and recalculated, on a sample basis, discounts and rebates according to customer contracts; ▪ Tested, on a sample basis, transactions taking place before and after the reporting period to ensure revenue were recognised in the proper accounting period; ▪ Performed analytical procedures by comparing revenue with prior year and approved budget, identifying trends in revenue during the year and analyzing variances; and ▪ Assessed the adequacy of the relevant disclosures in the Company's financial statements.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF THE FOURTH MILLING COMPANY
(A SAUDI JOINT STOCK COMPANY) (continued)

Other information included in The Company's 2024 Annual Report

Other information consists of the information included in the Company's 2024 annual report, other than the financial statements and our auditor's report thereon. We obtained the Company's 2024 draft annual report, prior to the date of our auditor's report, and we expect to obtain the Company's 2024 final annual report after the date of our auditor's report. Management is responsible for the other information in its annual report.

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

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

If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 IFRS Accounting 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 applicable provisions of the Regulations for Companies 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, i.e. the Audit Committee, are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF THE FOURTH MILLING COMPANY
(A SAUDI 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF THE FOURTH MILLING COMPANY
(A SAUDI 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.

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

for Ernst & Young Professional Services



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




Riyadh: 16 Ramadan 1446H
(16 March 2025)

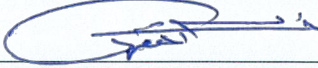
The Fourth Milling Company
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	31 December 2024 SR	31 December 2023 SR
<u>ASSETS</u>			
NON-CURRENT ASSETS			
Property, plant and equipment	6	504,554,482	531,967,099
Right-of-use assets	7	349,801,424	362,491,047
Intangible assets	8	57,668,007	56,720,504
TOTAL NON-CURRENT ASSETS		912,023,913	951,178,650
CURRENT ASSETS			
Inventories	9	56,935,999	55,968,172
Prepayments and other current assets	10	20,384,954	15,574,892
Amounts due from related parties	11	3,048,480	22,766,936
Accounts receivables	12	8,409,070	5,210,534
Short-term Murabaha deposits	13	74,060,069	-
Cash and cash equivalents	13	122,414,701	106,343,470
TOTAL CURRENT ASSETS		285,253,273	205,864,004
TOTAL ASSETS		1,197,277,186	1,157,042,654
<u>EQUITY AND LIABILITIES</u>			
EQUITY			
Share capital	14	540,000,000	473,903,170
Proposed increase in share capital	14	-	66,096,830
Actuarial reserve		(596,990)	(425,315)
Retained earnings		173,970,022	143,438,669
TOTAL EQUITY		713,373,032	683,013,354
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current portion of lease liabilities	7	370,006,806	379,268,327
Deferred tax liabilities	19	8,789,489	5,805,761
Employees' defined benefit liabilities	15	5,621,768	3,919,993
TOTAL NON-CURRENT LIABILITIES		384,418,063	388,994,081
CURRENT LIABILITIES			
Accounts payables	16	33,340,949	22,402,300
Accrued expenses and other liabilities	17	24,736,220	26,728,013
Amounts due to related parties	11	58,008	1,490,643
Current portion of lease liabilities	7	23,724,851	22,986,091
Advances from customers	18	9,858,000	10,508,589
Dividend payable	25	289,015	-
Zakat and income tax provision	19	7,479,048	919,583
TOTAL CURRENT LIABILITIES		99,486,091	85,035,219
TOTAL LIABILITIES		483,904,154	474,029,300
TOTAL EQUITY AND LIABILITIES		1,197,277,186	1,157,042,654


Mr. Rabih Abdul Kader Nahas
(Chief Financial Officer)


Mr. Khalid Abdul Aziz Al Maktary
(Chief Executive Officer)


Mr. Bader Hamed Al Aujan
Chairman Board of Directors

The attached notes 1 to 32 form an integral part of these financial statements.

The Fourth Milling Company
(A Saudi Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

		31 December 2024 SR	31 December 2023 SR
	Notes		
Revenue	20	629,027,399	558,090,113
Direct costs	21	(334,452,999)	(311,923,084)
GROSS PROFIT		294,574,400	246,167,029
EXPENSES			
Selling and distribution	22	(37,244,304)	(36,628,476)
General and administration	23	(58,959,508)	(45,707,351)
TOTAL EXPENSES		(96,203,812)	(82,335,827)
OPERATING PROFIT		198,370,588	163,831,202
Finance costs	7	(11,434,948)	(7,882,296)
Finance income	13	7,276,740	5,530,145
Other expenses, net	24	(8,081,743)	(3,795,213)
PROFIT BEFORE ZAKAT AND INCOME TAX		186,130,637	157,683,838
Zakat	19	(3,445,688)	(2,745,766)
Deferred income tax	19	(2,983,728)	(5,805,761)
Income tax	19	(8,769,868)	(6,315,324)
PROFIT FOR THE YEAR		170,931,353	142,816,987
OTHER COMPREHENSIVE LOSS			
Remeasurement loss on employees' defined benefit liabilities	15	(171,675)	(187,237)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		170,759,678	142,629,750
EARNINGS PER SHARE			
Basic and diluted earnings per share	26	0.32	0.26

Mr. Rabih Abdul Kader Nahas
(Chief Financial Officer)

Mr. Khalid Abdul Aziz Al Maktary
(Chief Executive Officer)

Mr. Bader Hamed Al Aujan
Chairman Board of Directors

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The Fourth Milling Company
(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Share capital SR	Proposed increase in share capital SR	Statutory reserve SR	Actuarial reserve SR	Retained earnings SR	Total SR
At 1 January 2024	473,903,170	66,096,830	-	(425,315)	143,438,669	683,013,354
Profit for the year	-	-	-	-	170,931,353	170,931,353
Other comprehensive loss	-	-	-	(171,675)	-	(171,675)
Total comprehensive (loss) income	-	-	-	(171,675)	170,931,353	170,759,678
Transfer to share capital (note 14)	66,096,830	(66,096,830)	-	-	-	-
Dividends (note 25)	-	-	-	-	(140,400,000)	(140,400,000)
At 31 December 2024	540,000,000	-	-	(596,990)	173,970,022	713,373,032

	Share capital SR	Proposed increase in share capital SR	Statutory reserve SR	Actuarial reserve SR	Retained earnings SR	Total SR
Balance 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 (loss) income	-	-	-	(187,237)	142,816,987	142,629,750
Transferred to proposed share capital (note 14)	-	66,096,830	(26,079,424)	-	(40,017,406)	-
Dividends (note 25)	-	-	-	-	(198,346,682)	(198,346,682)
At 31 December 2023	473,903,170	66,096,830	-	(425,315)	143,438,669	683,013,354



Mr. Rabiha Abdul Kader Nahas
(Chief Financial Officer)



Mr. Khalid Abdul Aziz Al Maktary
(Chief Executive Officer)



Mr. Bader Hamed Al Aujan
Chairman Board of Directors

The attached notes 1 to 32 form an integral part of these financial statements.

The Fourth Milling Company
(A Saudi Joint Stock Company)

STATEMENT OF CASHFLOWS


For the year ended 31 December 2024

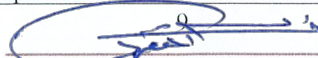
	Notes	31 December 2024 SR	31 December 2023 SR
OPERATING ACTIVITIES			
Profit for the year before zakat and income tax		186,130,637	157,683,838
<i>Adjustments to reconcile profit before zakat and income tax to net cash flows:</i>			
Depreciation of property, plant and equipment	6	36,088,442	35,491,830
Depreciation of right-of-use assets	7	16,456,765	19,285,394
Amortisation of intangible assets	8	630,847	33,509
Finance cost on lease liabilities	7	11,434,948	7,882,296
Finance income		(7,276,740)	(5,530,145)
Loss on disposal of property, plant and equipment	6	374,020	-
Write-off of property, plant and equipment	6	4,402,937	-
(Reversal) provision for expected credit losses	12	(216,543)	715,965
Provision for employees' defined benefit liabilities	15	2,480,083	2,477,101
		<u>250,505,396</u>	<u>218,039,788</u>
<i>Changes in operating assets and liabilities:</i>			
Inventories		(967,827)	11,760,398
Prepayments and other current assets		(4,234,281)	(5,122,141)
Amounts due from related parties		19,718,456	(21,797,640)
Accounts receivables		(2,981,993)	(3,140,417)
Accounts payables		10,938,649	(5,901,811)
Accrued expenses and other liabilities		(1,991,793)	(4,499,770)
Amounts due to related parties		(1,432,635)	(1,084,059)
Advances from customers		(650,589)	1,112,496
Net cash from operations		<u>268,903,383</u>	<u>189,366,844</u>
Zakat and income tax paid	19	(5,656,091)	(21,987,969)
Employees' defined benefit liabilities paid	15	(949,983)	(162,370)
Net cash flows from operating activities		<u>262,297,309</u>	<u>167,216,505</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	(13,985,215)	(9,267,787)
Purchase of intangible assets	8	(1,578,350)	(883,246)
Finance income received	13	6,700,959	5,729,626
Proceeds from disposal of property, plant and equipment	6	532,433	-
Investment in Short-term Murabaha deposits	13	(74,060,069)	-
Net cash flows used in investing activities		<u>(82,390,242)</u>	<u>(4,421,407)</u>
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	7	(12,289,903)	(14,884,277)
Finance costs on lease liabilities paid	7	(11,434,948)	(7,882,296)
Dividends paid	25	(140,110,985)	(198,346,682)
Net cash flows used in financing activities		<u>(163,835,836)</u>	<u>(221,113,255)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>16,071,231</u>	<u>(58,318,157)</u>
Cash and cash equivalents at the beginning of the year		<u>106,343,470</u>	<u>164,661,627</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>122,414,701</u>	<u>106,343,470</u>

Significant non-cash transactions:

Transfer of capital spares from inventories to property, plant and equipment, net of provision	-	12,595,444
Addition of Right-of-use assets and lease liabilities	3,767,142	-

The attached notes 1 to 32 form an integral part of these financial statements.


Mr. Rabih Abdul Kader Nahas
(Chief Financial Officer)


Mr. Khalid Abdul Aziz Al Maktary
(Chief Executive Officer)


Mr. Bader Hamed Al Aujan
Chairman Board of Directors

The Fourth Milling Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

1 CORPORATE INFORMATION

The Fourth Milling Company (the “Company”) is a Saudi Joint Stock Company 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. 6729, King Saud Road, As Safa District, Dammam 34222, Kingdom of Saudi Arabia.

The Company’s licensed activities include the packing and milling of wheat, maize packing and milling, barley milling and packing, packing and milling of flour, meal and bulgur wheat, oats production, rice packing and milling, production of flour from rice, milling and packing of dried leguminous vegetables and edible nuts, manufacture of flour and dough for bakeries, manufacture of breakfast grain foods in flakes, including (cereals, chips etc.), popcorn manufacturing, manufacture of starch from corn, manufacture of starch from potatoes, corn milling, manufacture of domestic bread, manufacture of bread and bread products by automatic bakeries, manufacture of different kind of pies, manufacture of layer cake and all kinds of cakes, manufacture of all kinds of biscuits, manufacture of bread and pastry flakes, manufacture of frozen bakery products, making different kinds of eastern and traditional desserts, manufacture of concentrated fodder for animals, manufacture of cattle fodder, manufacture of second plant products as animal feed, preparation, milling and pressing of animal feed, production of salt lick stones for animal feed, manufacture of non-medicinal feed additives, manufacture of poultry fodder, manufacture of bird fodder, manufacture of pet feeds, freight transport by road, operation of storage facilities for all types of goods except food, loading and unloading of goods, animal food and feed stores, Storage in warehouses of grain silos, flour and agricultural products, public storages with a variety of goods, Storage of goods in foreign trade zones, dry food stores, wholesale of barley, grain wholesale except for barely, wholesale of livestock feed for pharmaceutical feed additives, wholesale of feed and non-medicinal feed additives, wholesale of bakery products, wholesale of food and beverage, retail sale of bakery products and sugar confectionery, retail sale of barley, trade of special and healthy food and combined office administrative service activities.

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

On 17 Shawwal 1441H (corresponding to 9 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 Kingdom of Saudi Arabia for the purpose of producing subsidised flour. This Agreement entered into force on 3 Rabi Al-Thani 1438H (corresponding to 1 January 2017) and 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 Fourth Milling Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

1 CORPORATE INFORMATION (continued)

On 19 Ramadan 1445H (corresponding to 24 March 2024), the General Assembly of Partners decided to go for an Initial Public Offering (“IPO”) on Saudi Stock Exchange (“Tadawul”), which was approved by Capital Market Authority (“CMA”) on 20 Duh Al-Hijjah 1445H (corresponding to 26 June 2024). On 2 Rabi Al-Awwal 1446H (corresponding to 5 September 2024), formal announcement was published in this regard. The allotment of shares to new shareholders was completed and the Company’s ordinary shares began trading on Tadawul on 24 Rabi Al-Thani 1446H (corresponding to 27 October 2024).

The shareholdings pre and post offering are as follows:

	<i>Pre-offering</i>			<i>Post-offering</i>		
	<i>Number of shares</i>	<i>Ownership %</i>	<i>Nominal value (SR)</i>	<i>Number of shares</i>	<i>Ownership %</i>	<i>Nominal value (SR)</i>
Founding shareholders	540,000,000	100%	540,000,000	378,000,000	70%	378,000,000
Public	-	-	-	162,000,000	30%	162,000,000
	540,000,000	100%	540,000,000	540,000,000	100%	540,000,000

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

<i>City</i>	<i>Date</i>	<i>Commercial Registration Number</i>
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 IFRS Accounting Standards 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.

The Fourth Milling Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Current versus non-current classification (continued)

A liability is current when:

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

The Company classifies all other liabilities as non-current.

Fair value measurement

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, 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.

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 Fourth Milling Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Intangible assets (continued)

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 was acquired and assessed as having indefinite useful life. It is stated at cost less accumulated impairment, if any.

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 equipment 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.

The Fourth Milling Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Property, plant and equipment (continued)

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

Leases

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

Company as a lessee

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

Right-of-Use assets

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

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.

The Fourth Milling Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Company’s business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

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

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

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

Subsequent measurement

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

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

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

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

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

The Fourth Milling Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Derecognition

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

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

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

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

Impairment

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

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

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

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

The Fourth Milling Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

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

Derecognition

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

Offsetting a financial asset and a financial liability

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

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 and other comprehensive income.
Goods in-transit	Inventories are stated at cost plus freight and other related expense.

The Fourth Milling Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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.

Impairment of non-financial assets

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

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

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

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

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

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 4.2 million (2023: SR 4.5 million).

The Fourth Milling Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Employees' benefits (continued)

Employees' defined benefit liabilities

The Company operates a non-funded employee end-of-service benefit plan, which is classified as employees' defined benefit liabilities 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 liabilities 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.

Revenue from contracts with customers

The Company is involved in manufacturing of flour, feed and bran (by-product). 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 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.

The Fourth Milling Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue from contracts with customers (continued)

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.

Accounts 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).

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.

The Fourth Milling Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

The amounts necessary to pay the zakat assessed on the share of Saudi shareholders and their equivalents and the tax income assessed on the share of non-Saudi shareholders and their equivalents are calculated in accordance with the regulations applicable in Kingdom of Saudi Arabia. The Company pays these amounts to the competent authorities and deducts the zakat paid from the share of shareholders subject to zakat in the net profits. Income tax paid is also deducted from the share of shareholders subject to income tax in the net profits. It takes into account the adjustment of differences between the burden of zakat and the burden of tax to maintain ownership ratios between the two groups through clearing with profit distributions or any other means.

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.

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.

The Fourth Milling Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Zakat and taxes (continued)

Deferred tax (continued)

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.

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.

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.

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.

The Fourth Milling Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

Events after the reporting period

If the Company receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Company will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Company will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

Earnings per share ("EPS")

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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 2024 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback

The amendments in IFRS 16 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 had no impact on the Company's financial statements.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

The amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures 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 had no impact on the Company's financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

New and amended standards and interpretations (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendments to 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, an entity is required to disclose 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 had no impact on the classification of the Company's liabilities in the financial statements.

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.

Lack of exchangeability – Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information. The amendments are not expected to have a material impact on the Company's financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements ("PFS") and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Company is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

The Fourth Milling Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

New and amended standards and interpretations (continued)

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

As the Company is stand-alone entity, it is not applicable to the Company.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

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

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

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

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

Estimates and assumptions

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

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.

The Fourth Milling Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Provision for expected credit losses of accounts receivables and amounts due from related parties

The Company uses a provision matrix to calculate ECLs for accounts 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 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.

Impairment of non-financial assets

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

Leases - Estimating the incremental borrowing rate

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

Provisions

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

Zakat 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.

The Fourth Milling Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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 liability 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 liabilities and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit liabilities. 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 based on locations, 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. All inter-segment transfers during the year are recorded at cost (2023: same).

The selected financial information for these branches is as follows.

*For the year ended 31 December
2024*

	<i>Dammam</i>	<i>Madinah</i>	<i>Kharj</i>	<i>Head office</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Revenue	253,704,545	200,844,043	174,478,811	-	629,027,399
Materials consumed	(84,705,783)	(51,713,857)	(75,890,988)	-	(212,310,628)
Employees' costs	(19,841,822)	(20,465,622)	(13,864,753)	(33,456,672)	(87,628,869)
Board and committees' expenses, rewards and allowances	-	-	-	(3,340,265)	(3,340,265)
Depreciation and amortisation	(15,603,937)	(23,059,924)	(12,920,029)	(1,592,164)	(53,176,054)
Finance costs	(6,077,510)	(4,493,879)	(473,938)	(389,621)	(11,434,948)
Finance income	-	-	-	7,276,740	7,276,740
Other expenses	(23,610,525)	(23,998,080)	(16,334,840)	(18,660,487)	(82,603,932)
Other income	84,051	583,881	(47,799)	(298,939)	321,194
Segment profit (loss) before zakat and income tax	103,949,019	77,696,562	54,946,464	(50,461,408)	186,130,637

The Fourth Milling Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

5 SEGMENT INFORMATION (continued)

For the year ended 31 December
2023

	Dammam SR	Madinah SR	Kharj SR	Head office SR	Total SR
Revenue	249,081,989	174,281,221	134,726,903	-	558,090,113
Materials consumed	(90,329,945)	(45,333,887)	(57,418,238)	-	(193,082,070)
Employees' costs	(17,853,178)	(18,964,727)	(13,689,970)	(24,444,348)	(74,952,223)
Board and committees' expenses, rewards and allowances	-	-	-	(1,775,017)	(1,775,017)
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	(23,093,148)	(21,858,746)	(11,907,832)	(16,858,347)	(73,718,073)
Other income	252,947	(21,151)	(15,703)	67,899	283,992
Segment profit (loss) before zakat and income tax	96,607,417	61,838,960	37,695,873	(38,458,412)	157,683,838

As of 31 December, 2024	Dammam SR	Madinah SR	Kharj SR	Head office SR	Total SR
Total assets	275,191,243	408,959,699	238,411,386	274,714,858	1,197,277,186
Total liabilities	208,288,529	224,555,488	48,876,138	2,183,999	483,904,154

Other disclosures:

Property, plant and equipment	87,148,335	210,664,929	203,365,263	3,375,955	504,554,482
Additions to property plant and equipment	4,294,444	2,252,700	5,508,237	1,929,834	13,985,215
Right-of-use assets	150,743,130	173,087,594	18,108,959	7,861,741	349,801,424
Intangible assets	-	-	-	57,668,007	57,668,007
Inventories	27,967,743	20,128,913	8,839,343	-	56,935,999

As of 31 December, 2023	Dammam SR	Madinah SR	Kharj SR	Head office SR	Total 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
Additions to property plant and equipment	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

The Fourth Milling Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

6. PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings (a)</i>	<i>Plant and Machinery</i>	<i>Furniture and fittings</i>	<i>Computer equipment</i>	<i>Motor vehicle</i>	<i>Capital work in progress (b)</i>	<i>Total</i>
	<i>SR</i>						
<u>Cost</u>							
At 1 January 2024	242,408,499	491,299,630	4,318,437	7,195,946	2,587,561	7,490,252	755,300,325
Additions during the year	-	4,109,106	48,557	945,178	-	8,882,374	13,985,215
Disposal	(320,250)	(1,740,686)	-	(203)	(17)	-	(2,061,156)
Write-off (b)	-	-	-	-	-	(4,402,937)	(4,402,937)
Transfers	1,329,299	6,089,544	93,000	697,504	-	(8,209,347)	-
At 31 December 2024	243,417,548	499,757,594	4,459,994	8,838,425	2,587,544	3,760,342	762,821,447
<u>Accumulated depreciation</u>							
At 1 January 2024	54,762,074	160,751,820	2,527,442	3,351,070	1,940,820	-	223,333,226
Charge for the year	9,145,095	25,138,703	331,476	999,358	473,810	-	36,088,442
Related to disposals	(21,276)	(1,133,226)	-	(201)	-	-	(1,154,703)
At 31 December 31 2024	63,885,893	184,757,297	2,858,918	4,350,227	2,414,630	-	258,266,965
<u>Net book value</u>							
As at December 31, 2024	179,531,655	315,000,297	1,601,076	4,488,198	172,914	3,760,342	504,554,482

The Fourth Milling Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	<i>Buildings (a)</i>	<i>Plant and Machinery</i>	<i>Furniture and fittings</i>	<i>Computer equipment</i>	<i>Motor vehicle</i>	<i>Capital work in progress (b)</i>	<i>Total</i>
	<i>----- SR -----</i>						
<u><i>Cost</i></u>							
At 1 January 2023	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 (c)	-	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
<u><i>Accumulated depreciation</i></u>							
At 1 January 2023	45,656,040	132,779,866	2,223,253	2,445,368	1,452,269	-	184,556,796
Transferred from inventories (c)	-	3,284,600	-	-	-	-	3,284,600
Charge for the year	9,106,034	24,687,354	304,189	905,702	488,551	-	35,491,830
At 31 December 2023	54,762,074	160,751,820	2,527,442	3,351,070	1,940,820	-	223,333,226
<u><i>Net book value</i></u>							
At 31 December 2023	187,646,425	330,547,810	1,790,995	3,844,876	646,741	7,490,252	531,967,099

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

6. PROPERTY, PLANT AND EQUIPMENT (continued)

- (a) Buildings are built on lands 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.
- (b) Capital work in progress as of 31 December 2024 mainly consist of:
- Project of implementing security and safety works in Dammam Branch, which is expected to be completed by September 2025. Further, during the year, SR 4.4 million related to this project has been written off, as it did not meet requirements of High Commission for Industrial Security (“HCIS”), Kingdom of Saudi Arabia;
 - Flour transfer line diverter valves in Al-Kharj Branch, which is expected to be completed by June 2025; and
 - Improvements in new Head office in Dammam, which is expected to be completed by April 2025.
- The capital commitments relating to the above projects is SR 17.6 million (2023: SR 3.1 million).
- (c) During the year ended 31 December 2023, management has assessed that certain capital spares with a cost of SR 15.9 million and provision for slow-moving inventories of SR 3.28 million have useful life of above 1 year and hence it meets the criteria of capitalisation under property, plant and equipment. Consequently, management has reclassified net amount of SR 12.59 million from inventories to property, plant and equipment.

Depreciation expenses for the year were allocated as follows:

	2024 SR	2023 SR
Direct costs (note 21)	32,452,068	31,915,573
Selling and distribution expenses (note 22)	434,103	426,926
General and administration expenses (note 23)	3,202,271	3,149,331
	<u>36,088,442</u>	<u>35,491,830</u>

During the year, the Company sold machineries, equipment and certain leasehold improvements with a total net carrying amount of SR 906,453 for a cash consideration of SR 532,433. The net loss on the disposals were recognised as part of other operating income in the statement of profit or loss.

There is no temporary idle asset (2023: none). Assets with cost amounting SR 7.8 million have been fully depreciated as of the year-end (2023: SR 8.3 million).

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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

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

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.

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

	Silos SR	Lands SR	Building SR	Total SR
<u>Cost</u>				
At 1 January 2023	203,756,283	235,953,221	3,339,506	443,049,010
Lease modification	-	(5,701,304)	1,965,237	(3,736,067)
At 31 December 2023	203,756,283	230,251,917	5,304,743	439,312,943
Additions during the year	-	-	3,767,142	3,767,142
At 31 December 2024	203,756,283	230,251,917	9,071,885	443,080,085
<u>Accumulated depreciation</u>				
At 1 January 2023	32,800,974	24,154,744	580,784	57,536,502
Charge for the year	8,646,942	10,402,254	236,198	19,285,394
At 31 December 2023	41,447,916	34,556,998	816,982	76,821,896
Charge for the year	7,056,885	9,006,719	393,161	16,456,765
At 31 December 2024	48,504,801	43,563,717	1,210,143	93,278,661
<u>Net book Value</u>				
At 31 December 2024	155,251,482	186,688,200	7,861,742	349,801,424
At 31 December 2023	162,308,367	195,694,919	4,487,761	362,491,047

Depreciation charge for the year has been allocated as follows:

	2024 SR	2023 SR
Direct costs (note 21)	15,554,406	18,227,935
Selling and distribution expenses (note 22)	95,990	112,489
General and administration expenses (note 23)	806,369	944,970
	16,456,765	19,285,394

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

	2024 SR	2023 SR
At the beginning of the year	402,254,418	420,874,762
Accretion of interest	11,434,948	7,882,296
Lease modification	-	(3,736,067)
Addition during the year	3,767,142	-
Payments during the year	(23,724,851)	(22,766,573)
At the end of the year	393,731,657	402,254,418
Bifurcated into:		
Current portion of lease liabilities	23,724,851	22,986,091
Non-current portion of lease liabilities	370,006,806	379,268,327

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

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

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

	2024 SR	2023 SR
Depreciation expense of right-of-use assets	16,456,765	19,285,394
Interest expense on lease liabilities	11,434,948	7,882,296
Expense on short term leases	741,075	721,283
At the end of the year	28,632,788	27,888,973

	2024 SR	2023 SR
Future minimum lease payments	522,789,693	541,860,356
Less: unamortised finance costs	(129,058,036)	(139,605,938)
Present value of minimum lease payments	393,731,657	402,254,418
Less: current portion of lease payments	(23,724,851)	(22,986,091)
Non-current portion of lease payments	370,006,806	379,268,327

8 INTANGIBLE ASSETS

	Software SR	Software under development SR	Trademark SR	Total SR
<u>Cost</u>				
At 1 January 2023	388,513	5,693,506	50,102,500	56,184,519
Additions	16,375	866,871	-	883,246
At 31 December 2023	404,888	6,560,377	50,102,500	57,067,765
Additions	49,600	1,528,750	-	1,578,350
Transfers	8,089,127	(8,089,127)	-	-
At 31 December 2024	8,543,615	-	50,102,500	58,646,115
<u>Accumulated amortisation</u>				
At 1 January 2023	313,752	-	-	313,752
Charge for the year	33,509	-	-	33,509
At 31 December 2023	347,261	-	-	347,261
Charge for the year	630,847	-	-	630,847
At 31 December 2024	978,108	-	-	978,108
<u>Net book value</u>				
At 31 December 2024	7,565,507	-	50,102,500	57,668,007
At 31 December 2023	57,627	6,560,377	50,102,500	56,720,504

Computer software

Amortisation is charged to general and administration expenses. Remaining useful life of the computer software at 31 December 2024 is around 9.25 year.

Software under implementation

SAP ERP was under implementation from 2022, and implementation has been completed in April 2024 and management has commenced the use in operation and hence amortisation is being charged on the new software during the year.

The Fourth Milling Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

8 INTANGIBLE ASSETS (continued)

Trademark

The Company has acquired the trademark 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 trademark 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 2024. The recoverable amount of all the CGUs of SR 86.8 million as at 31 December 2024 (2023: SR 66 million) has been determined based on a value-in-use calculation using cash flow projections from financial budgets reviewed by Board of Directors covering a five-year period. The weighted average cost of capital ("WACC") applied to cash flow projections is 12.06% (2023: 11.7%). As at 31 December 2024, the value-in-use of the CGUs was higher than the net assets value of the Company, indicating no impairment of trademark (2023: same).

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% (2023: 1.9%) is used in the calculation. A decrease in the royalty rate by 0.81% (2023: 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 42.3% (2023: 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 in positive direction.

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 19.18% (i.e., + 7.12%) (2023: 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% (2023: 2%) has been applied for period after 5 years.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

9 INVENTORIES

	2024 SR	2023 SR
Spare parts and others**	30,845,725	36,789,364
Raw materials	30,213,738	28,150,915
Finished goods	8,575,096	7,636,514
Goods in transit	54,461	5,210
Less: Provision for slow moving inventories	(12,753,021)	(12,753,021)
Less: Provision for scrap items	-	(3,860,810)
	<u>56,935,999</u>	<u>55,968,172</u>

Movement in provision for slow moving inventories were as follows:

	2024 SR	2023 SR
At the beginning of the year	12,753,021	16,037,621
Reclassified to property, plant and equipment**	-	(3,284,600)
At the end of the year	<u>12,753,021</u>	<u>12,753,021</u>

** During the year ended 31 December 2023, management has assessed that certain capital spares with a cost of SR 15.9 million and provision for slow-moving inventories of SR 3.28 million have useful life of above 1 year and hence it meets the criteria of capitalisation under property, plant and equipment. Consequently, management has reclassified net amount of SR 12.59 million from inventories to property, plant and equipment (refer note 6).

10 PREPAYMENTS AND OTHER CURRENT ASSETS

	2024 SR	2023 SR
Advance to suppliers	12,325,107	10,199,235
Prepaid expenses	3,809,753	2,499,415
Margin against letter of guarantees	3,447,914	2,625,640
Accrued income on Short-term murabaha deposits	716,426	140,645
Staff loans and advances	85,754	54,085
Other receivables	-	55,872
	<u>20,384,954</u>	<u>15,574,892</u>

The Fourth Milling Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

11 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 Al-Othaim Markets Company	Partner in the shareholder
United Feed Manufacturing Company	Partner in the shareholder
Allana International Limited Company	Partner in the shareholder
United Feed Company Limited	Affiliate
Riyadh Food Industries Company	Affiliate
Pure Food Corporations	Affiliate
Abdulaziz Al-Othaim Markets Company	Affiliate
Zod Factory for Pastries and Bakeries - a branch of Abdullah Al-Othaim Markets Company	Affiliate

Following table shows the total amount of transactions that were made with the related parties during the year ended 31 December 2024 and 31 December 2023.

Related parties	Nature of transactions	Amount of transactions	
		2024	2023
		SR	SR
Zod Factory for Pastries and Bakeries - a branch of Abdullah Al-Othaim Markets Company (<i>an affiliate</i>)	Sales	949,123	800,739
	Collection	935,042	1,047,240
Gulf flour Milling Industrial Company (<i>Shareholder</i>)	Sale of spare parts at cost	-	21,190,702
	IPO costs charged	15,230,229	-
	Collections	36,017,454	-
Riyadh Food Industries Company (<i>an affiliate</i>)	Sales	-	560,017
	Collection	47,507	586,921
Pure Food Corporations (<i>an affiliate</i>)	Sales	4,225,858	4,183,650
	Collection	3,754,517	4,012,008
Abdullah Al-Othaim Markets Company (<i>Partner in the shareholder</i>)	Sales	7,785,695	14,233,039
	Collection	7,154,841	13,524,338
United Feed Manufacturing Company (<i>Partner in the shareholder</i>)	Sales	50,537,146	50,150,694
	Collection	49,046,503	49,066,635
United Feed Company Limited (<i>an affiliate</i>)	Purchases	16,434	-
	Payments	13,627	-
Abdulaziz Al-Othaim Markets Company (<i>an affiliate</i>)	Sales	11,499	-
	Collection	66,700	-

Balances outstanding with the related parties is presented below:

	2024	2023
	SR	SR
Amounts due from related parties		
Abdullah Al-Othaim Markets Company	1,916,408	1,285,554
Pure Food Cooperation	642,983	171,642
Gulf Flour Milling Industrial Company	403,477	21,190,702
Zod Factory for Pastries and Bakeries, a branch of Abdullah Al-Othaim Markets Company	85,612	71,531
Riyadh Food Industries Company	-	47,507
	3,048,480	22,766,936

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

11 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	2024 SR	2023 SR
Amounts due to related parties		
Abdulaziz Abdullah Al-Othaim Markets Company	55,201	-
United Feed Company Limited	2,807	-
United Feed Manufacturing Company	-	1,490,643
	58,008	1,490,643

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.

	2024 SR	2023 SR
Board and committees' expenses, rewards and allowances	3,340,265	1,775,017
Compensation of key management personnel of the Company		
Short-term employee benefits	8,780,897	5,313,966
Termination benefits	367,084	147,093

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.

12 ACCOUNTS RECEIVABLES

	2024 SR	2023 SR
Accounts receivables	9,076,894	6,094,901
Less: provision for expected credit losses	(667,824)	(884,367)
	8,409,070	5,210,534

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 71% (2023: 67%) of the total gross accounts receivables.

Movement in provision for expected credit losses is presented below:

	2024 SR	2023 SR
At the beginning of the year	884,367	168,402
(Reversal) charge for the year	(216,543)	715,965
At the end of the year	667,824	884,367

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

13 CASH AND CASH EQUIVALENTS

	2024 SR	2023 SR
Short-term Murabaha deposits*	108,161,974	82,967,570
Cash at bank	14,179,459	23,287,854
Cash in hand	73,268	88,046
	122,414,701	106,343,470

* Short-term murabaha 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 5.54% (2023: 5.38%).

Short-term Murabaha deposits (exceeding 90 days duration)

Deposits with period exceeding 90 days amounting SR 74,060,069 (2023: nil) are presented separately from cash and cash equivalents in the statement of financial position.

14 SHARE CAPITAL

The Company's authorised, issued and paid-up share capital is divided into 540,000,000 shares of SR 1 each (31 December 2023: 47,390,317 shares of SR 10 each), held as follows:

	2024 Percentage	2023 Percentage	2024 SR	2023 SR
Gulf Flour Milling Industrial Company	70%	100%	378,000,000	473,903,170
Public	30%	-	162,000,000	-
	100%	100%	540,000,000	473,903,170

The shareholding of the majority shareholder, Gulf Flour Milling Industrial Company, is disclosed below:

Partners in the shareholder

Ownership

Abdullah Al-Othaim Markets Company	33.33%
United Feed Manufacturing Company	33.33%
Allana International Limited Company	33.33%
	100%

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 after 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 in this regard have been completed after the year-end on 27 Jumada Al-Akhirah 1445H (corresponding to 9 January 2024).

The Fourth Milling Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

15 EMPLOYEES' DEFINED BENEFIT LIABILITIES

The Company has defined benefit plan (unfunded), which is a final salary plan in Kingdom of Saudi Arabia and require to recognise the provision for employees' end-of-service benefits for the amounts payable at the statement of financial position date in accordance with the employees' contracts of employment applicable to employees' accumulated periods of service. In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its defined benefit liabilities in respect of employees' end-of-service benefits payable under relevant local regulations and contractual arrangements.

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:

	2024 SR	2023 SR
<i>Financial assumptions</i>		
Discount rate	5.50%	4.75%
Salary increase rate	5.00%	4.00%
<i>Demographic assumptions</i>		
Withdrawal rate	15%	15%
Mortality rate	0.08% to 1.05%	0.08% to 1.05%

Movement in employees' defined benefit liabilities were as follows:

	2024 SR	2023 SR
At the beginning of the year	3,919,993	1,418,025
Current service cost	2,293,883	2,417,544
Interest expense	186,200	59,557
Amount recognised in statement of profit or loss	2,480,083	2,477,101
<i>Re-measurements</i>		
Change in financial assumptions	45,213	(198,313)
Experience adjustments	126,462	385,550
Amount recognised in other comprehensive income	171,675	187,237
Benefits paid during the year	(949,983)	(162,370)
At the end of the year	5,621,768	3,919,993

Sensitivity analysis

The sensitivity analyses below have been determined based on a method that extrapolates the impact on the defined benefit liabilities 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 liabilities 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 liabilities to charges in the weighted principal assumptions is presented below:

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

15 EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

Sensitivity analysis (continued)

	2024 SR	2023 SR
Salary growth rate		
1% increase	5,973,504	4,161,518
1% decrease	5,301,557	3,700,411
Discount rate		
1% increase	5,256,353	3,669,414
1% decrease	6,032,133	4,201,676

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

	2024 SR	2023 SR
Within the next 12 months (next annual reporting period)	646,355	519,046
Between 2 and 5 years	2,423,610	1,583,247
After 5 years	5,612,351	3,538,876

The average duration of the defined benefit liabilities at the end of the reporting period is 7 years (2023: 7.5 years).

16 ACCOUNTS PAYABLES

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

17 ACCRUED EXPENSES AND OTHER LIABILITIES

	2024 SR	2023 SR
Accrued employees' costs	11,591,805	9,664,067
Accrual for penalties and fines	4,000,000	-
Accrued Board and committees' expenses, rewards and allowances	2,975,952	-
Accrued utilities expense	1,386,041	1,072,592
Accrued customer rebates	1,209,322	628,425
Accrual for legal cases	339,632	-
Accrual for professional fees	308,000	4,987,500
Value added tax ("VAT") payable	226,129	3,116,943
Accrued marketing and promotion	227,566	295,425
Accrued rent	12,420	5,130,308
Accrual for General Organization for Social Insurance ("GOSI")	-	99,847
Other accruals	2,459,353	1,732,906
	24,736,220	26,728,013

18 ADVANCE FROM CUSTOMERS

Advance from customers primarily relate to advance consideration received from customers to deliver goods in future period. The amount of SR 9.7 million included in advances from customers at 31 December 2023 has been recognised as revenue in 2024 (2023: SR 8.5 million). The Company is expecting to recognise remaining amount as revenue in 2025.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

19 ZAKAT AND INCOME TAX

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

	2024 SR	2023 SR
Current income tax	8,769,868	6,315,324
Deferred income tax	2,983,728	5,805,761
Zakat	3,445,688	2,745,766
	15,199,284	14,866,851

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:

	2024 SR	2023 SR
Additions to zakat base	933,376,862	966,211,191
Zakatable income for the year	186,130,637	164,737,701
Deductions from zakat base	(942,869,653)	(983,836,328)
Zakat base	176,637,846	147,112,564
Zakat base on Saudi shareholders' shares at 75.47% (2023: 66.67%)	133,308,583	109,830,625
Zakat expense	3,445,688	2,745,766

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.

	2024 SR	2023 SR
Accounting profit for the year	186,130,637	157,683,838
Depreciation of property, plant and equipment	36,088,442	35,491,832
Provision for expected credit losses	(216,543)	715,965
Provision for scrap items	-	3,860,810
Provision for employees' defined benefit liabilities	2,480,083	2,477,101
Depreciation of property, plant and equipment as per ZATCA rates	(80,585,459)	(98,182,414)
Employees' defined benefit liabilities paid	(949,983)	(162,370)
Reversal of provision for slow-moving items	(3,860,810)	(7,145,408)
	139,086,367	94,739,354
Taxable profit for non-Saudi shareholders' shares at 31.53% (2023: 33.33%)	43,489,342	31,576,627
Income tax expense @ 20%	8,769,868	6,315,324

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

19 ZAKAT AND INCOME TAX (continued)

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

	<i>Zakat SR</i>	<i>Income tax SR</i>	<i>Total SR</i>
At 1 January 2023	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
Charge for the year	3,445,688	8,769,868	12,215,556
Payments during the year	(2,745,766)	(2,910,325)	(5,656,091)
At 31 December 2024	3,445,688	4,033,360	7,479,048

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:

	<i>2024 SR</i>	<i>2023 SR</i>
Property, plant and equipment	9,990,191	7,233,498
Provision for employees' defined benefit liabilities	(354,472)	(261,307)
Provision for expected credit losses	(42,109)	(58,952)
Provision for slow-moving and scrap inventories	(804,121)	(1,107,478)
	8,789,489	5,805,761

Movement in deferred tax liabilities during the year is presented below:

	<i>2024 SR</i>	<i>2023 SR</i>
At the beginning of the year	5,805,761	-
Charge for the year recorded in profit or loss	2,983,728	5,805,761
At the end of the year	8,789,489	5,805,761

The amounts necessary to pay the zakat assessed on the share of Saudi shareholders and their equivalents and the tax assessed on the share of non-Saudi shareholders and their equivalents are calculated in accordance with the regulations in force in the Kingdom of Saudi Arabia.

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 returns for a period from 1 December 2021 to 31 December 2021 and for the years ended 31 December 2022 and 31 December 2023, however assessments have not been raised by ZATCA.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

20 REVENUE

	2024 SR	2023 SR
Flour	425,987,899	370,763,830
Bran	182,539,977	161,428,341
Feed	53,329,452	49,342,716
	661,857,328	581,534,887
Less: Discounts and promotions	(32,829,929)	(23,444,774)
	<u>629,027,399</u>	<u>558,090,113</u>

The Company's revenues are from sales in the Kingdom of Saudi Arabia. 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.

	2024 SR	2023 SR
Type of sector		
Corporate sector	587,789,740	513,479,913
Hypermarkets	15,561,015	16,046,975
Individual sector	25,676,644	28,563,225
	<u>629,027,399</u>	<u>558,090,113</u>

Duration of contracts

Less than one year	<u>629,027,399</u>	<u>558,090,113</u>
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21 DIRECT COSTS

	2024 SR	2023 SR
Materials consumed	212,310,628	193,082,070
Employees' costs	42,263,142	42,815,219
Depreciation of property, plant and equipment (note 6)	32,452,068	31,915,573
Fuel and Power	17,297,036	14,512,302
Depreciation of right-of-use assets (note 7)	15,554,406	18,227,935
Transportation	5,712,800	2,878,852
Insurance	2,884,243	3,192,082
Maintenance	3,052,538	2,682,690
Subscriptions	1,551,373	2,333,082
Consultancy fee	1,028,511	-
Rent	702,999	675,324
Other direct costs	581,837	1,069,236
	<u>335,391,581</u>	<u>313,384,365</u>
Finished goods at the beginning of the year	7,636,514	6,175,233
	<u>343,028,095</u>	<u>319,559,598</u>
Finished goods at the end of the year	(8,575,096)	(7,636,514)
	<u>334,452,999</u>	<u>311,923,084</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

22 SELLING AND DISTRIBUTION EXPENSES

	2024 SR	2023 SR
Transportation and shipping charges	23,186,206	16,808,110
Employees' costs	7,773,624	8,870,451
Marketing and advertising costs	2,395,940	6,392,714
Sales support services	1,307,590	1,147,915
Fuel and power	505,467	1,657,979
Depreciation of property, plant and equipment (note 6)	434,103	426,926
Insurance	418,252	425,390
Depreciation of right-of-use assets (note 7)	95,990	112,489
Professional and consultancy fees	59,917	-
Rent	38,076	45,959
Other expenses	1,029,139	740,543
	37,244,304	36,628,476

23 GENERAL AND ADMINISTRATION EXPENSES

	2024 SR	2023 SR
Employees' costs	37,592,103	23,266,553
Legal and professional fees	5,655,041	9,998,969
Board and committees' expenses, rewards and allowances	3,340,265	1,775,017
Depreciation of property, plant and equipment (note 6)	3,202,271	3,149,331
Maintenance	1,721,964	1,336,783
Insurance	1,704,177	1,030,472
Fuel and Power	972,841	566,377
Communication	861,816	836,329
Depreciation of right-of-use assets (note 7)	806,369	944,970
Amortisation of intangible assets (note 8)	630,847	33,509
(Reversal) expected credit losses of accounts receivables	(216,543)	715,965
Others	2,688,357	2,053,076
	58,959,508	45,707,351

24 OTHER EXPENSES, NET

	2024 SR	2023 SR
Write-off of capital work in progress	4,402,937	-
Fines and penalties	4,000,000	4,079,205
Loss on disposal of property, plant and equipment	374,020	-
Sale of scrap	(742,914)	(64,523)
Others	47,700	(219,469)
	8,081,743	3,795,213

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

25 DIVIDENDS

In its meeting held on 4 Thul-Qi'dah 1445H (corresponding to 12 May 2024), 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 year ended 31 December 2024

The Board of Directors resolved to distribute following cash dividends:

- SR 0.03 per share amounting to SR 14 million in meeting held on 27 Rajab 1445H (corresponding to 8 February 2024)
- SR 0.12 per share amounting to SR 67 million in a meeting held on 1 Thul-Qi'dah 1445H (corresponding to 9 May 2024)
- SR 0.11 per share amounting to SR 59.4 million in a meeting held on 27 Rabi Al-Akhirah 1446H (corresponding to 30 October 2024)

Out of total dividends of SR 140,400,000, SR 140,110, 985 has been paid to the shareholders during the year and remaining amount is reported as dividend payable in statement of financial position.

For the year ended 31 December 2023

The Board of Directors resolved to distribute following cash dividends:

- SR 2.11 per share amounting to SR 100 million in meeting held on 24 Rajab 1444H (corresponding to 15 February 2023)
- SR 1.06 per share amounting to SR 50 million in meeting held on 6 Safar 1445H (corresponding to 22 August 2023)
- SR 1.02 per share amounting to SR 48,346,682 in meeting held on 8 Jumada Al-Ula 1445H (corresponding to 22 November 2023)

Dividends for the year 2023 was fully paid during the year ended 31 December 2023.

26 EARNINGS PER SHARE

Basic Earnings per share ("EPS") is computed using net profit for the period attributable to Shareholders of the Company based on the weighted average number of shares outstanding for the year. The number of shares for the year ended 31 December 2023 has been adjusted retrospectively to reflect the shares split (note 14). Since the change in the number of shares outstanding during the year ended 31 December 2023 was due to shares split without a corresponding change in resources, the number of shares outstanding for all periods presented was adjusted retrospectively. The diluted earnings per share are the same as the basic earnings per share as the Company does not have any dilutive instruments in issue.

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

	2024 SR	2023 SR
Profit for the year	170,931,353	142,816,987
Weighted average number of ordinary shares	540,000,000	540,000,000
Earnings per share –basic and diluted	0.32	0.26

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.

27 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent liabilities

As of 31 December 2024, the Company had contingent liabilities arose during its normal business cycle, and related to letters of credit and letters of guarantee limited to SR 3.45 million (2023: SR 2.63 million).

Capital commitments

The capital commitments relating to ongoing capital work in progress projects amounts to SR 17,632,890 (2023: SR 3,099,220).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

28 FINANCIAL 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.

<i>Banks</i>	<i>Rating</i>		<i>Rating Agency</i>	<i>31 December</i>	<i>31 December</i>
	<i>Long term</i>	<i>Short term</i>		<i>2024</i>	<i>2023</i>
				<i>SR</i>	<i>SR</i>
Riyad Bank	A-1	P-1	Moody's	117,698,034	92,024,939
Banque Saudi Fransi	A-1	P-1	Moody's	4,270,274	13,730,485
Saudi Alawwal Bank	A-1	P-1	Moody's	373,125	500,000
				122,341,433	106,255,424

Accounts 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 accounts 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 accounts 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Accounts receivables (continued)

	<i>ECL rate %</i>	<i>Gross carrying amount SR</i>	<i>Expected credit loss SR</i>
31 December 2024			
0-30 days	-	5,887,437	-
31-60 days	1.70%	1,930,439	32,759
61-90 days	45.14%	1,102,476	497,619
91-120 days	56.17%	43,564	24,468
Above 120 days	100%	112,978	112,978
TOTAL		9,076,894	667,824

	<i>ECL rate %</i>	<i>Gross carrying amount SR</i>	<i>Expected credit loss SR</i>
31 December 2023			
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

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.

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 Short-term Murabaha deposits which are at floating rate however the impact is not material on the financial statements (2023: none).

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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

31 December 2024	Less than 3 months SR	3 to 12 Months SR	1 to 5 years SR	More than 5 years SR	Total SR
Accounts payables	33,340,949	-	-	-	33,340,949
Accrued expenses and other liabilities	24,736,220	-	-	-	24,736,220
Amount due to related parties	58,008	-	-	-	58,008
Dividend payable	289,015	-	-	-	289,015
Lease liabilities	-	23,724,851	97,167,705	401,897,137	522,789,693
	58,424,192	23,724,851	97,167,705	401,897,137	581,213,885

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

Capital Management

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

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

There were no changes in the objectives, policies, and procedures for capital management during the years ended December 31, 2024 and December 31, 2023.

	2024 SR	2023 SR
Accounts payables	33,340,949	22,402,300
Accrued expenses and other liabilities	24,736,220	26,728,013
Amounts due to related parties	58,008	1,490,643
Lease liabilities	393,731,657	402,254,418
Less: cash and cash equivalents and Short-term Murabaha deposits	(196,474,770)	(106,343,470)
Net debt	255,392,064	346,531,904
Shareholders' equity	713,373,032	683,013,354
Total capital and debt	968,765,096	1,029,545,258
Gearing ratio	26%	34%

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2024

29 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, dividends payable and lease liabilities.

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

30 COMPARATIVE FIGURES

Below financial information in the comparative period has been reclassified to conform with current year presentation, as shown below:

	<i>Previously reported 2023 (SR)</i>	<i>Amount of reclassification (SR)</i>	<i>Reclassified amount 2023 (SR)</i>
Statement of profit or loss and other comprehensive income			
Revenue	565,636,888	(7,546,775)	558,090,113
Direct costs	306,187,624	5,735,460	311,923,084
Selling and distribution expenses	52,494,166	(15,865,690)	36,628,476
General and administration expenses	43,123,896	2,583,455	45,707,351

- Certain expenses are now being allocated on basis of cost centres in the new accounting software compared to percentage allocation in the prior year.
- Certain rebates have been classified as reduction of revenue instead of expenses.

31 EVENTS AFTER THE REPORTING DATE

On 7 Ramadan 1446H (corresponding to 7 March 2025), the Board of Directors resolved to distribute cash dividend of SR 0.11 per share amounting to SR 59.4 million for the second half of the year ended 31 December 2024.

Other than mentioned above, management believes that no significant subsequent event since the year ended 31 December 2024 that would have a material impact on the financial position of the Company as reflected in these financial statements.

32 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorised for issuance by the Company's Board of Directors on 7 Ramadan 1446H (corresponding to 7 March 2025).