

**THE FIRST MILLING COMPANY**  
(A Saudi Joint Stock Company)

**CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2024**  
**with**  
**INDEPENDENT AUDITORS' REPORT**

THE FIRST MILLING COMPANY  
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended 31 December 2024  
with  
INDEPENDENT AUDITORS' REPORT



**THE FIRST MILLING COMPANY**  
(A Saudi Joint Stock Company)

**CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2024

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**KPMG Professional Services Company**

Zahran Business Center  
Prince Sultan Street  
P. O. Box 55078  
Jeddah 21534  
Kingdom of Saudi Arabia  
Commercial Registration No 4030290792

Headquarters in Riyadh

**شركة كي بي إم جي للاستشارات المهنية مساهمة مهنية**

مركز زهران للأعمال  
ر.ع الأمير سلطان  
ب.ب. 55078  
جدة 21534  
مملكة العربية السعودية  
الرقم التجاري 4030290792

مركز الرئيسي في الرياض

**Independent Auditor's Report**

To the Shareholders of The First Milling Company

**Opinion**

We have audited the consolidated financial statements of **The First Milling Company ("the Company")** and its subsidiary (**"the Group"**), which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

**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 consolidated Financial Statements section of our report. We are independent of the Group 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 are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.





## Independent Auditor's Report

To the Shareholders of The First Milling Company (continued)

### Revenue recognition

Refer note 4.11 for the accounting policy relating to revenue recognition and note 26 for the relevant disclosure.

#### Key audit matter

During the year ended 31 December 2024, the Group recognized revenue from contract with customers of SR 1,049 million.

Revenue from contract with customers is recognised at point in time when control over the goods is transferred to the customer on dispatch of the goods in accordance with applicable financial reporting framework.

Revenue is a key indicator for measuring performance, and this implies the presence of inherent risks to overstate revenue recognition to increase profitability and earnings. Therefore, revenue recognition was considered a key audit matter.

#### How the matter was addressed in our audit

Our audit procedures performed included, among other audit procedures, the following:

- Assessed the appropriateness of the Group's accounting policies for revenue recognition in line with the requirements of applicable financial reporting framework;
- Assessed the design and implementation of the Group's controls over the recognition of revenue;
- Evaluated key contractual and returns arrangements by considering relevant documentation and agreements with the customers on sample basis;
- Performed variance analysis by comparing the current year's revenue with the historical trend, and discussed material variances, if any;
- Tested sample of sales transactions taking place during the year and inspected the supporting documents to assess they were recognized at the correct amounts;
- Recalculated and inspected the supporting documents for discounts and rebates for a sample of customers according to their agreements;
- Tested sample of sales transactions taking place before and after the year-end to assess whether revenue was recognized in the correct accounting period; and
- Assessed the adequacy of the relevant disclosures in accordance with the requirements of applicable financial reporting framework included in the consolidated financial statements.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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



## Independent Auditor's Report

To the Shareholders of The First Milling Company (continued)

### Other Information (continued)

In connection with our audit of the consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Board of Directors, are responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.





KPMG

## Independent Auditor's Report

To the Shareholders of The First Milling Company (continued)

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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 of **The First Milling Company ("the Company") and its subsidiary ("the Group")**.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 consolidated 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.

### KPMG Professional Services Company

Ebrahim Oboud Baeshen  
Regional Managing Partner - Jeddah  
License No. 382

Jeddah, 13 March 2025  
Corresponding to 13 Ramadan 1446H



### THE FIRST MILLING COMPANY (A Saudi Joint Stock Company)

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	31 December 2024	31 December 2023
<b>Assets</b>			
Goodwill	7	1,090,669,302	1,090,669,302
Property, plant and equipment	8	682,102,483	670,765,957
Right-of-use assets	9	299,543,613	303,965,688
Intangible assets	10.1	9,162,686	5,072,978
Margins against letter of guarantees - restricted	33	2,561,809	2,232,315
Derivative financial instrument	11	7,727,210	18,307,460
<b>Non-current assets</b>		<b>2,091,767,103</b>	<b>2,091,013,700</b>
Derivative financial instrument	11	19,422,922	24,399,211
Inventories	12.1	161,698,540	148,348,323
Trade receivables	13.1	18,562,782	5,079,540
Prepayments and other current assets	14	11,535,531	9,771,308
Cash and cash equivalents	15	192,540,441	192,106,283
<b>Current assets</b>		<b>403,760,216</b>	<b>379,704,665</b>
<b>Total assets</b>		<b>2,495,527,319</b>	<b>2,470,718,365</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	16	555,000,000	555,000,000
Treasury shares	18.4	(25,318,388)	--
Shareholders' contribution	17	6,751,214	6,751,214
Reserves	18	75,406,576	85,355,150
Retained earnings		333,209,421	245,030,498
<b>Total equity</b>		<b>945,048,823</b>	<b>892,136,862</b>
<b>Liabilities</b>			
Long-term loans	21	848,270,768	936,386,086
Lease liabilities	20	309,265,433	315,388,331
Long-term payable	22	23,596,226	30,897,915
Employees' defined benefit obligations	23	8,674,000	6,552,000
<b>Non-current liabilities</b>		<b>1,189,806,427</b>	<b>1,289,224,332</b>
Trade and other payables		60,133,757	48,925,432
Accrued expenses and other current liabilities	24	67,460,513	74,238,203
Current portion of long-term loans	21	162,367,151	107,722,374
Current portion of lease liabilities	20	30,925,951	22,701,707
Current portion of long-term payable	22	9,536,174	9,651,927
Advances from customers	25	24,308,746	18,776,505
Due to related parties	35	3,134	686,140
Zakat payable	32.2	5,936,643	6,654,883
<b>Current liabilities</b>		<b>360,672,069</b>	<b>289,357,171</b>
<b>Total liabilities</b>		<b>1,550,478,496</b>	<b>1,578,581,503</b>
<b>Total equity and liabilities</b>		<b>2,495,527,319</b>	<b>2,470,718,365</b>

Tariq Mutlaq Abdullah AlMutlaq  
Chairman

Abdullah Abdul-Aziz Abdullah Ababtain  
CEO

Alaaeldin Mohammed Shousha  
CFO

The accompanying notes from I to 39 form an integral part of these consolidated financial statements.





**THE FIRST MILLING COMPANY**  
(A Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2024

(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	2024	2023
Revenue from contracts with customers	26	1,048,854,922	964,261,133
Cost of revenue	27	(591,767,124)	(551,117,257)
<b>Gross profit</b>		<b>457,087,798</b>	<b>413,143,876</b>
General and administrative expenses	28	(81,875,909)	(78,059,958)
Selling and distribution expenses	29	(55,565,102)	(47,755,357)
Expected credit loss on trade receivables	13.2	(314,586)	(622,031)
Gain on disposals of property, plant and equipment		(855,570)	255,025
<b>Operating profit</b>		<b>318,476,631</b>	<b>286,961,555</b>
Finance costs	30	(96,321,172)	(94,739,209)
Finance income	31	34,754,226	33,794,162
Other income		136,306	188,528
<b>Profit before zakat</b>		<b>257,045,991</b>	<b>226,205,036</b>
Zakat expense	32.2	(6,144,269)	(5,996,810)
<b>Profit for the year</b>		<b>250,901,722</b>	<b>220,208,226</b>
<b>Other comprehensive (loss) / income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of defined benefit liability	23	951,201	1,192,982
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Cash flow hedge and cost of hedging reserve	11	(12,799,977)	(13,976,813)
<b>Other comprehensive loss for the year</b>		<b>(11,848,776)</b>	<b>(12,783,831)</b>
<b>Total comprehensive income for the year</b>		<b>239,052,946</b>	<b>207,424,395</b>
<b>Earnings per share for the year attributable to shareholders of the Parent Company (SR):</b>			
Basic	34.1	4.53	3.97
Diluted	34.2	4.50	3.95

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**THE FIRST MILLING COMPANY**  
(A Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2024

(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	Share capital	Treasury shares	Shareholders' contribution	Statutory reserve	Share based payments reserve	Merger reserve	Cashflow hedge reserve	Total reserves	Retained earnings	Total
As at 1 January 2024		555,000,000	-	6,751,214	82,823,399	7,313,714	(37,554,503)	32,772,540	85,355,150	245,030,498	892,136,862
Profit for the year		-	-	-	-	-	-	-	-	250,901,722	250,901,722
Other comprehensive loss for the year		-	-	-	-	-	-	(12,799,977)	(12,799,977)	951,201	(11,848,776)
<b>Total comprehensive income for the year</b>		-	-	-	-	-	-	(12,799,977)	(12,799,977)	251,852,923	239,052,946
Dividends distribution	19	-	-	-	-	-	-	-	-	(163,674,000)	(163,674,000)
Purchase of treasury shares for employees' share based payments plan	18.5	-	(25,318,388)	-	-	-	-	-	-	-	(25,318,388)
Employees' share based payments plan reserve – charged to consolidated statement of profit or loss and other comprehensive income	18.4	-	-	-	-	2,851,403	-	-	2,851,403	-	2,851,403
<b>As at 31 December 2024</b>		<b>555,000,000</b>	<b>(25,318,388)</b>	<b>6,751,214</b>	<b>82,823,399</b>	<b>10,165,117</b>	<b>(37,554,503)</b>	<b>19,972,563</b>	<b>75,406,576</b>	<b>333,209,421</b>	<b>945,048,823</b>
As at 1 January 2023		555,000,000	-	4,278,483	60,802,576	-	(37,554,503)	46,749,353	69,997,426	121,685,113	750,961,022
Profit for the year		-	-	-	-	-	-	-	-	220,208,226	220,208,226
Other comprehensive loss for the year		-	-	-	-	-	-	(13,976,813)	(13,976,813)	1,192,982	(12,783,831)
<b>Total comprehensive income for the year</b>		-	-	-	-	-	-	(13,976,813)	(13,976,813)	221,401,208	207,424,395
Transfer to statutory reserve	18.2	-	-	-	22,020,823	-	-	-	22,020,823	(22,020,823)	-
Dividends distribution	19	-	-	-	-	-	-	-	-	(76,035,000)	(76,035,000)
Shareholders' contribution	17	-	-	2,472,731	-	-	-	-	-	-	2,472,731
Employees' share based payments plan reserve – charged to consolidated statement of profit or loss and other comprehensive income	18.4	-	-	-	-	7,313,714	-	-	7,313,714	-	7,313,714
<b>As at 31 December 2023</b>		<b>555,000,000</b>	-	<b>6,751,214</b>	<b>82,823,399</b>	<b>7,313,714</b>	<b>(37,554,503)</b>	<b>32,772,540</b>	<b>85,355,150</b>	<b>245,030,498</b>	<b>892,136,862</b>

Tariq Mutlaq Abdullah AlMutlaq  
Chairman

Abdullah Abdul-Aziz Abdullah Ababtain  
CEO

Alaaeldin Mohammed Shoush  
CFO

The accompanying notes from 1 to 39 form an integral part of these consolidated financial statements.



**THE FIRST MILLING COMPANY**

(A Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 December 2024

(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	2024	2023
<b>Cash flows from operating activities</b>			
Profit before zakat		257,045,991	226,205,036
<b>Adjustments:</b>			
Depreciation on property, plant and equipment	8.3	39,068,526	31,913,664
Depreciation of right-of-use assets	9.1	15,931,835	15,651,428
Amortisation of intangible assets	10.2	763,621	655,801
Finance cost on lease liabilities	30	13,482,184	11,468,459
Finance cost on long-term loans	30	73,070,444	79,452,208
Finance income	31	(34,754,226)	(32,743,108)
Amortisation of loan transaction cost	30	3,777,174	2,419,488
Finance cost on long-term payable	30	2,773,724	--
Adjustment for net realizable value for inventories	12.3	(2,571,638)	8,363,596
Finance cost on employees' defined benefit obligations	30	461,000	348,000
Provision for employees' defined benefit obligations	23	3,478,000	3,611,000
Employees' share based payments plan expense	18.4	2,851,403	7,313,714
Expected credit loss on trade receivables		314,586	622,031
Exchange loss on long-term payable		622,696	--
Loss/(gain) on disposal of property, plant and equipment		855,570	(255,025)
Loss on termination of lease liability		6,802	--
		377,177,692	355,026,292
<b>Changes in working capital:</b>			
Inventories		(10,778,579)	(37,611,589)
Trade receivables		(13,797,828)	480,771
Prepayments and other current assets		(2,229,529)	53,891,772
Trade and other payables		11,208,325	4,787,840
Accrued expenses and other current liabilities		12,498,737	(26,884,680)
Advances from customers		5,532,241	1,106,519
Due to related parties		(683,006)	424,691
<b>Cash generated from operating activities</b>		378,928,053	351,221,616
Employees' defined benefit obligations paid	23	(865,799)	(1,106,018)
Finance cost paid		(100,154,691)	(70,534,310)
Finance income received		34,890,038	33,435,442
Zakat paid	32.2	(6,862,509)	(5,508,920)
<b>Net cash from operating activities</b>		305,935,092	307,507,810
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment	8	(53,585,113)	(119,143,778)
Additions to intangible assets	10.1	(3,795,986)	(710,720)
Proceeds from disposal of property, plant and equipment		1,267,148	454,474
<b>Net cash used in investing activities</b>		(56,113,951)	(119,400,024)

**Cash flows from financing activities**

Dividends paid	19	(163,673,904)	(76,035,000)
Purchase of treasury shares	18.5	(25,318,388)	--
Due from related parties		--	10,384,851
Proceeds from long-term loans	21	144,450,000	--
Repayment of long-term loans	21	(181,697,715)	(128,984,737)
Repayment of lease liabilities	20.3	(13,545,414)	(11,286,124)
Payment of long-term liability		(9,601,562)	(5,406,931)
<b>Net cash used in financing activities</b>		(249,386,983)	(211,327,941)
<b>Net change in cash and cash equivalents during the year</b>		434,158	(23,220,155)
Cash and cash equivalents as at the beginning of the year	15	192,106,283	215,326,438
<b>Cash and cash equivalents at the end of the year</b>	15	192,540,441	192,106,283

**Significant non-cash transactions:**

<b>Investing activities</b>			
Additions to property, plant and equipment	8	--	45,956,773
<b>Financing activities</b>			
Long-term payable	22	--	44,596,673

Non-cash transactions relate to the purchase of machines and equipment for projects under progress in Jeddah and related borrowing cost which is financed by the long-term purchase instalment agreement.

Tariq Mutlaq Abdullah AlMutlaq  
Chairman

Abdullah Abdul-Aziz Abdullah Ababtain  
CEO

Alaaeldin Mohammed Shousha  
CFO

The accompanying notes from 1 to 39 form an integral part of these financial statements.





**THE FIRST MILLING COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2024

(Expressed in Saudi Arabian Riyals, unless otherwise specified)

**1. COMPANY INFORMATION**

The First Milling Company (the “Company” or the “Parent Company”), a Saudi Joint Stock Company, was incorporated in accordance with the Companies’ Regulations in the Kingdom of Saudi Arabia under Commercial Registration No. 4030291813 issued on 10 November 2016 (corresponding to 10 Safar 1438H).

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

On 9 September 2020 (corresponding to 17 Shawwal 1441H), Cabinet Resolution No. (631) was issued to transfer the ownership of the Company to the National Center for Privatisation (the “NCP”) and for the NCP to carry out the tasks assigned to the PIF by Cabinet Resolution No. (118) and dated 30 October 2018 (corresponding to 21 Safar 1440H). The Company’s shares were wholly sold to Al Raha Al Safi Food Company (the “Parent Company”) on 31 December 2020 (corresponding to 16 Jumada Al Awal 1442H).

The Company entered into a subsidised wheat purchase agreement with GFSA, as GFSA imports wheat to Saudi Arabia for the purpose of producing subsidised flour. This agreement was entered into force on 1 January 2017 (corresponding to 3 Rabi Al Thani 1438H). The agreement stipulates that the purchase price of the subsidised wheat is calculated according to the monetary value per metric ton of subsidised wheat specified by the Government of the Kingdom of Saudi Arabia at SR 180 per metric ton since 2017. The Company also has an option to import the wheat directly or to source it from the open market.

On 30 November 2020 (corresponding to 15 Rabi' Al Thani 1442H), the wheat purchase agreement was extended and it will be in force until the date of expiry of the Company’s milling operating license, subject to an automatic extension of the contract term to match the term of the Company’s license. This license shall remain valid for a period of twenty-five (25) Gregorian years, counted from the date of completion of the transfer of ownership of all shares of the licensee to the private sector that was completed on 31 December 2020 (corresponding to 16 Jumada Al Awal 1442H).

On 29 June 2023 (corresponding to 30 Dhul Qadah 1443H), the Company entered into a merger agreement (the “Merger”) pursuant to which the Company and the Parent Company have agreed to take necessary steps to implement the Merger between the two Companies. Subsequently, on 15 September 2023 (corresponding to 19 Safar 1444H), pursuant to the approval of the Ministry of Commerce (the “MOC”), the Parent Company ceased to exist and all of the assets and liabilities of the Parent Company were transferred to the Company.

The Company and the Parent Company satisfied the required regulatory approvals, and the Merger conditions agreed between the two companies in the Merger agreement. The legal formalities were completed, and the amended By-Law and commercial registration were issued on 6 November 2023 (corresponding to 12 Rabi Al Thani 1444H).

**THE FIRST MILLING COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2024

(Expressed in Saudi Arabian Riyals, unless otherwise specified)

**1. COMPANY INFORMATION (continued)**

The members of the Extraordinary General Assembly approved the offering and listing of the Company’s shares in Tadawul on 6 November 2022 (corresponding to 12 Rabi Al Thani 1444H). On 17 May 2023 (corresponding to 27 Shawwal 1444H) the Company announced its intention to float 16,650,000 shares representing 30% of the Company’s share capital and to proceed with an initial public offering and listing on the main market of the Saudi Exchange (Tadawul). The Company was successfully listed on the Saudi Exchange on 22 June 2023 (corresponding to 4 Dhul Hijjah 1444H).

The new Companies Law issued through Royal Decree M/132 on 30 June 2022 (corresponding to 1 Dhul Hijjah 1443H) (hereinafter referred as “the Law”) came into force on 19 January 2023 (corresponding to 26 Jumada Al-Thani 1444H). For certain provisions of the Law, full compliance is expected not later than two years from 19 January 2023 (corresponding to 26 Jumada Al-Thani 1444H). The management has assessed the impact of the New Companies Law on its By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Company presented the amended By-Laws to the shareholders in their extraordinary General Assembly meeting for their ratification that have been approved by the members of General Assembly on 10 January 2024 (corresponding to 28 Jumada Al-Thani 1445H). The Company completed the legal procedures and the commercial register and the amended By-laws were issued on 4 February 2024 (corresponding to 23 Rajab 1445H) and 29 January 2024 (corresponding to 17 Rajab 1445H) respectively.

The Company announced the establishment of a new limited liability company called “First Food Supplies Company” bearing commercial registration number 4030549803 on 17 March 2024 (corresponding to 7 Ramadan 1445H) that is wholly owned by the Company.

The registered address of the Company is as follows:

Jeddah Islamic Port  
Between Gates 7 and 8  
Jeddah 22312  
Kingdom of Saudi Arabia

These accompanying consolidated financial statements comprise the financial statements of The First Milling Company (the “Company” (or) the “Parent Company”) and its subsidiary (collectively referred to as the “Group”).

The Group is principally engaged in flour production in the Kingdom of Saudi Arabia and all activities related to the provision of wheat products, animal feed and related products, including making any contracts or making any related arrangements.

The Group is selling various products of flour, feed and bran out of which the selling prices of only the flour products weighing 45 KGs and above are determined by the GFSA.





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**1. COMPANY INFORMATION (continued)**

The Company is the ultimate controlling party of the Group. As at 31 December 2024, the Company has an investment in the following subsidiary:

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	<u>Effective ownership interest (%)</u>	
			<u>31 December 2024</u>	<u>31 December 2023</u>
First Food Supplies Company Limited	Saudi Arabia	Distribution	100	--

The Group operates through four branches, which are as follows:

<u>Branch Location</u>	<u>Date</u>	<u>Commercial Registration No.</u>
Jeddah	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	4030294014
Qassim	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	1131057624
AlAhsa	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	2250067938
Tabuk	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	3550038652

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

**2.2 Basis of measurement**

These consolidated financial statements have been prepared using accrual basis of accounting, going concern concept and under the historical cost basis, except employees' defined benefit obligations which are recognised at the present value of future obligation using the Projected Unit Credit Method and derivative financial instrument which are recognised at fair value through other comprehensive income.

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison.



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**2. BASIS OF PREPARATION (continued)**

**2.3 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at and for the year ended 31 December 2024 (note 1). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent company and to the non-controlling interests. All intra-group assets and liabilities, equity, income and expenses relating to transactions between members of the Group are eliminated in full on consolidation. A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

**2.4 Functional and presentation currency**

These consolidated financial statements are presented in Saudi Arabian Riyals (SR) which is the functional and presentation currency of the Company. All amounts have been rounded to the nearest SR, unless otherwise stated.



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**3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of Group's consolidated financial statements require management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of revenues, expenses, assets, liabilities and accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**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 Group based its assumptions and estimates on parameters available when the consolidated 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 Group. Such changes are reflected in the assumptions when they occur.

**3.1 Useful lives and residual value of property, plant and equipment and intangible assets**

The Group's management determines the estimated useful lives of its property, plant and equipment and intangible assets with finite useful lives for calculating depreciation and amortisation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value, depreciation and amortisation methods and useful lives annually and future depreciation and amortisation charges would be adjusted where the management believes the useful lives differ from previous estimates and to ensure that the methods and period of depreciation and amortisation are consistent with the expected pattern of economic benefits from these assets.

**3.2 Determining lease term for leases with termination option - Group as lessee**

The Group determines the term of the lease as non-cancellable periods plus any period covered by a renewable option if the Group is reasonably certain to exercise that option.

The Group has several lease contracts that include termination options. The Group decides through its evaluation of the lease whether it is reasonable to exercise the option to terminate the lease. This means that the Group considers all relevant factors that constitute an economic incentive to exercise the option to terminate the lease. After the lease commencement date, the Group reassesses the lease term if there is an event or change in circumstances within the Group's control that affects the Group's ability to exercise the option to terminate (such as: making material improvements to the lease or a material restructuring of the lease).

**3.3 Adjustment for net realizable value of inventories**

The management makes an adjustment for net realizable value (NRV) of inventories. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the financial position date to the extent that such events confirm conditions existing at the end of year.

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**3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**  
**(continued)****3.3 Adjustment for net realizable value of inventories (continued)**

Adjustment for net realizable value of spare parts inventories is made on the basis of the NRV adjustments of the relevant finished goods. Spare parts that are in excess of the Group's use are written down to their estimated scrap values determined on the basis of the market quotations. The identification of excess spare parts and estimates of their scrap value are based upon historical experience, expected inventory turnover, current condition, and future expectations with respect to its consumption and are reviewed at each reporting date.

**3.4 Defined benefit plans**

The cost of the employees' defined benefit obligations and other post-employment medical benefits and the present value of the employees' defined benefit obligations are determined based on the Projected Unit Credit Method as defined under IAS-19 "Employee Benefits" 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, employees' defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

**3.5 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 discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group 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.

**3.6 Determination of discount rate for present value calculations**

Discount rates represent the current market assessment of the risks specific to each cash flow stream, 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 Group and is derived from recent market transactions and a market yields overview.





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**4. MATERIAL ACCOUNTING POLICIES**

The Group has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

**4.1 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 plant and equipment are required to be replaced at intervals, the Group 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 plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in consolidated statement of profit or loss and other comprehensive income as incurred. The present value of the expected cost for the decommissioning (if any) of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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:

<u>Categories</u>	<u>Useful lives</u>	<u>Categories</u>	<u>Useful lives</u>
Buildings	Shorter of the useful life and lease term (5 - 25 years)	Furniture and fittings	6.67 - 10 years
Plant and machinery	10 - 25 years	Computer equipment	3 - 4 years
Motor Vehicles	5 years		

The depreciation of plant is calculated on the useful lives of the components of the principal asset.

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 consolidated statement of profit or loss and other comprehensive income as gain or loss on disposal of property, plant and equipment as a part of the operating profit when the asset is derecognised.

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

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



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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.2 Leases**

**4.2.1 Right-of-use assets**

The Group recognizes 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 recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

**4.2.2 Lease liabilities**

At the commencement date of the lease, the Group recognizes 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 Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized 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 Group 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.

**4.3 Goodwill**

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

Goodwill is assessed for impairment at Group level (group of CGUs) and is not allocated to different business units (CGUs).

**4.4 Financial instruments**

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.





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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.4 Financial instruments (continued)**

**4.4.1 Financial Assets**

The Group's financial assets comprise of cash and cash equivalents, trade receivables and other current financial assets, and margins against letter of guarantees and letter of credits.

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 Group's business model for managing them. The Group 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.

On initial recognition, a financial asset is classified as measured at:

- Amortized cost;
- Fair value through other comprehensive income (FVOCI) – debt instruments;
- Fair value through other comprehensive income (FVOCI) – equity instruments; or
- Fair value through profit or loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

***Cash and cash equivalents***

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of 90 days and are subject to an insignificant risk of changes in value.

***Trade receivables and other current financial assets***

Trade receivables and other current financial assets are measured at amortized cost and comprise of trade and other receivables.

**4.4.2 Financial liabilities**

Financial liabilities are classified as measured at amortized cost or financial liabilities at fair value through profit or loss FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities are classified as "held for trading" if they are acquired for the purpose of selling in the near future. This category includes derivative financial instruments entered by the Group that are not designated as hedging instruments as stated in IFRS 9. Other financial liabilities are measured at amortized cost using the effective interest method.

The Group's financial liabilities include trade and other payables, certain accrued expenses and other current liabilities, advances from customers, long-term payable, loans, lease liabilities and amounts due to related parties. At 31 December 2024, all the Group's financial liabilities are classified at amortised cost.



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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.4 Financial instruments (continued)**

**4.4.2 Financial liabilities (continued)**

***Loans***

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (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 consolidated statement of profit or loss and other comprehensive income.

***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

**4.5 Derivative financial instrument and hedge accounting**

Derivative financial instrument include profit rate cap that is measured at fair value. For the purpose of hedge accounting, this hedging instrument is classified and designated as cash flow hedge.

Fair value is obtained by reference to quoted market prices and/or valuation models as appropriate.

***Hedge accounting***

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships to manage exposures to interest rate risk, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risk, the Group applies hedge accounting for transactions that meet specific criteria. The Group is applying the hedge accounting as per the requirements of IFRS 9 for its derivatives.

In order to qualify for hedge accounting, the hedge should be expected to be "highly effective", i.e., the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At inception of the hedge, the risk management objective and strategy are documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each reporting date.



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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.5 Derivative financial instrument and hedge accounting (continued)**

**Hedge accounting (continued)**

A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognised in the profit or loss. For situations where the hedged item is a forecast transaction, the Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated statement of profit or loss and other comprehensive income.

**Cash flow hedges**

In relation to cash flow hedges which meet the criteria for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised initially in cash flow hedge reserves under equity through other comprehensive income and the ineffective portion, if any, is recognised in the profit or loss. For cash flow hedges affecting future transactions, the gains or losses recognised in cash flow hedge reserve, are transferred to the profit or loss in the same period in which the hedged transaction affects the profit or loss. However, if the Group expects that all or a portion of a loss recognised in other comprehensive income will not be recovered in one or more future periods, it shall reclassify into the profit or loss as a reclassification adjustment the amount that is not to be recognised.

Hedge accounting is discontinued when the hedging instrument is expired or sold, terminated or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur or the Group revokes the designation then hedge accounting is discontinued prospectively. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in cash flow hedge reserve from the period when the hedge was effective is transferred from equity to the profit or loss when the forecasted transaction occurs.

Where the hedged forecasted transaction is no longer expected to occur and affect the profit or loss, the net cumulative gain or loss recognised in cash flow hedge reserve is transferred immediately to the profit or loss.

**4.6 Inventories**

Cost is measured 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.
Wheat (raw material)	Weighted average of SR 180 per metric ton (note 1).
Spare parts and other raw materials	Weighted average
Goods in transit	Cost plus freight and other related expense based on the underlying shipping terms.

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.6 Inventories (continued)**

Inventories are stated at cost or net realizable value, whichever is lower. Net realizable 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.

Adjustment for net realizable value of spare parts inventories is made on the basis of the NRV adjustments of the relevant finished goods. Spare parts that are in excess of the Group's use are written down to their estimated scrap values determined on the basis of the market quotations. The identification of excess spare parts and estimates of their scrap value are reviewed at each reporting date.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

**4.7 Cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of financial position comprise 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 consolidated statement of cash flows, cash and cash equivalents consist of cash at banks, cash on hand and short-term deposits, as defined above, net of outstanding bank overdrafts, if any, as they are considered an integral part of the Group's cash management.

**4.8 Employees' defined benefit obligations**

**Defined benefit plans**

The Group has defined benefit plans with General Organization for Social Insurance "GOSI" where the Group and the employees contribute fixed percentage of their salary toward the retirement of its employees. The Group operates defined benefit plans, under the Saudi Arabian Labor Law based on employees' accumulated periods of service at the consolidated statement of financial position date.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

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 recognized immediately in the consolidated 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 profit or loss in subsequent periods.



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**4. MATERIAL ACCOUNTING POLICIES (continued)****4.8 Employees' defined benefit obligations (continued)****Defined benefit plans (continued)**

Past service costs are recognized in income at the earlier of:

- The date of the plan amendment or curtailment; and
- The date on which the Group recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognizes the changes in the net defined benefit obligation for service costs that comprises current service costs, past-service costs, gains and losses on curtailments and non-routine settlements under "general and administrative expenses" and for net interest expense or income under "finance costs" in the consolidated statement of profit or loss and other comprehensive income.

**Share based payments plan**

The Group maintains an equity-settled share based payments plan for its key management. The grant-date fair value of such share based payments arrangement granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

The Group acquired its own shares in connection with the anticipated grant of shares to the key management in future. Until such time as the beneficial ownership of such shares in the Group passes to the employees, the unallocated / non-vested shares will be treated as treasury shares.

**4.9 Treasury shares**

Own equity instruments that are reacquired (treasury shares), with the aim of allocating to the Group's employees within the employee share programs, are recognized at cost and presented as a deduction from equity. No gain or loss is recognized in the consolidated statement of profit or loss and other comprehensive income on the purchase of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in retained earnings.

**4.10 Impairment of non-financial assets**

The Group 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 Group 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.

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**4. MATERIAL ACCOUNTING POLICIES (continued)****4.10 Impairment of non-financial assets (continued)**

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-zakat 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 taken into account. 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.

Impairment losses of continuing operations are recognised in the consolidated 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 Group 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 consolidated statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

**4.11 Revenue from contracts with customers**

The Group is involved in manufacturing of flour, feed, bran (by-product) and other related products. The revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on dispatch of goods from the warehouse. The revenue is recognized at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods or services.

Under IFRS 15 Revenue from Contracts with Customers, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group has concluded that it acts as the principal in its revenue arrangements because the performance obligation is fulfilled when the goods are dispatched from the warehouses..

Variable consideration mainly includes discounts and rebates granted to customers. The Group estimates its provision for discounts and rebates based on current contractual terms and conditions as well as historical experience, changes to business practices and credit terms. The Group continually monitors the provisions for discounts and rebates and makes adjustments when it believes that actual discounts may differ from established reserves. All discounts are recognised in the period in which the underlying sales are recognised as a reduction of revenue.





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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.12 Zakat**

Zakat provision is calculated and recorded based on the zakat base according to the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). The expense relating to a provision is charged to the consolidated statement of profit or loss and other comprehensive income.

**4.13 Operating profit**

Operating profit is the result generated from the continuing principal revenue producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes finance costs, finance income and zakat expense.

**4.14 Selling, distribution, general and administrative expenses**

Selling, distribution, general and administrative expenses include direct and indirect costs not specifically part of cost of revenue. Allocations between cost of revenue, selling and distribution, and general and administrative expenses, when required, are made on a consistent basis.

**4.15 Finance costs**

Finance costs comprise of finance cost on loans, amortisation of loan transaction cost, finance cost on lease liabilities, interest cost on employees' defined benefit obligations, ineffective portion of changes in fair value of cash flow hedge, amortization of cost of cash flow hedge reserve and financing charges as and when incurred by the Group.

**5. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS**

**5.1 Standards, interpretations and amendments adopted**

Several amendments and interpretations apply for the first time in 2024, which are effective for annual periods beginning on or after 1 January 2024 which do not have a material effect on these consolidated financial statements.

<u>Standards, interpretations and amendments</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	1 January 2024



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**5. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)**

**5.1 Standards, interpretations and amendments adopted (continued)**

<u>Standards, interpretations and amendments</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024
Amendments to IFRS 16	Lease liability in a sale and leaseback	1 January 2024

**5.2 Standards, interpretations and amendments issued but not adopted**

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the consolidated financial statements are disclosed below. The Group intends to adopt these standards, where applicable, when they become effective.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

<u>Standards, interpretations and amendments</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
Amendments to IAS 21	Lack of exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Classification and measurement of Financial Instruments - disclosures	1 January 2026
IFRS 18	Presentation and disclosure in financial statements	1 January 2027
IFRS 19	Subsidiaries without public accountability – disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely

The Group is currently assessing the implications for other above- mentioned standards, interpretations and amendments on the Group's consolidated financial statements on adoption.





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**6. SEGMENT INFORMATION**

The Group operates in four regions in the Kingdom of Saudi Arabia, which are its reportable segments. These regions are identified as a separate reportable segment because the Group managed them separately.

The management has identified these business units based on their geographical locations. The following summary describes the operations of each reportable segment.

Reportable segments	Operations
Jeddah	Production of flour, feed and bran
Qassim	Production of flour, feed and bran
Tabuk	Production of flour and bran
Al Ahsa	Production of flour and bran

The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income and is measured consistently in the financial statements.

Transfer prices between operating segments are on cost and any transmission and distribution costs are recovered from the segments in a manner similar to transactions with third parties.

The Group's executive committee of the Board of Directors reviews the internal management reports for each segment at least quarterly.

The selected financial information for these business units is set out below. All unallocated amounts are related to the head office and are not allocatable to the operating segments. Segment profit before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

For the year ended 31 December 2024	Jeddah	Qassim	Tabuk	Al Ahsa	Total segments
Total revenue	472,406,954	329,599,798	117,850,617	128,997,553	1,048,854,922
Cost of inventories	(185,975,814)	(153,539,920)	(39,575,772)	(42,970,959)	(422,062,465)
Salaries and other benefits	(30,425,437)	(16,670,643)	(12,932,711)	(13,363,720)	(73,392,511)
Depreciation and amortization	(25,508,370)	(5,793,526)	(5,878,610)	(15,979,858)	(53,160,364)
Other expenses	(37,701,507)	(22,700,145)	(10,632,595)	(10,631,234)	(81,665,481)
Finance costs	(9,611,126)	(1,947,430)	(131,102)	(1,752,385)	(13,442,043)
Loss on disposal of property, plant and equipment	(847,675)	—	—	(7,895)	(855,570)
Segment profit	182,337,025	128,948,134	48,699,827	44,291,502	404,276,488



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**6. SEGMENT INFORMATION (continued)**

For the year ended 31 December 2023	Jeddah	Qassim	Tabuk	Al Ahsa	Total segments
Total revenue	430,116,952	305,173,022	109,225,723	119,745,436	964,261,133
Cost of inventories	(168,302,982)	(143,983,712)	(33,541,571)	(35,687,992)	(381,516,257)
Salaries and other benefits	(28,741,903)	(21,796,624)	(13,407,236)	(13,462,396)	(77,408,159)
Depreciation and amortization	(18,454,949)	(5,684,710)	(5,804,947)	(15,914,389)	(45,858,995)
Other expenses	(35,240,266)	(20,226,523)	(12,381,962)	(11,173,911)	(79,022,662)
Finance costs	(7,471,141)	(2,005,967)	(133,918)	(1,798,378)	(11,409,404)
Other income	64,046	29,486	94,996	—	188,528
Gain on disposal of property, plant and equipment	255,025	—	—	—	255,025
Segment profit	172,224,782	111,504,972	44,051,085	41,708,370	369,489,209

At 31 December 2024	Jeddah	Qassim	Tabuk	Al Ahsa	Total segments
Total assets	598,545,350	164,572,300	123,495,995	282,505,336	1,169,118,981
Total liabilities	349,356,190	92,019,947	21,339,831	72,678,704	535,394,672
Other disclosures:					
Property, plant and equipment with right-of-use assets	493,071,177	99,241,375	105,835,431	267,902,411	966,050,394
Inventories	81,720,832	54,441,270	12,734,472	12,801,966	161,698,540
Intangible assets	3,948	919,964	3,048	255	927,215

At 31 December 2023	Jeddah	Qassim	Tabuk	Al Ahsa	Total segments
Total assets	572,375,590	151,177,253	122,764,613	295,558,562	1,141,876,018
Total liabilities	329,030,933	82,254,954	20,175,569	72,149,353	503,610,809
Other disclosures:					
Property, plant and equipment with right-of-use assets	448,975,243	98,746,534	110,199,982	282,386,875	940,308,634
Inventories	76,498,058	49,487,154	10,636,892	11,726,219	148,348,323
Intangible assets	17,786	1,060,744	14,120	2,742	1,095,392

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

Profit before tax	31 December 2024	31 December 2023
Total profit before tax for reportable segments	404,276,488	369,489,209
Unallocated amounts		
Salaries and other benefits	(58,849,864)	(57,358,844)
Depreciation and amortization	(2,603,618)	(2,361,898)
Other expenses	(37,473,832)	(33,405,757)
Finance costs	(82,879,129)	(83,329,805)
Other income	136,306	—
Finance income	34,754,226	33,794,162
Expected credit loss on trade receivables	(314,586)	(622,031)
	257,045,991	226,205,036





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**6. SEGMENT INFORMATION (continued)**

**6.1 Reconciliations of information on reportable segments to the amounts reported in the consolidated financial statements (continued)**

*i) Total assets*

	<b>31 December 2024</b>	31 December 2023
Total assets for reportable segments	<b>1,169,118,981</b>	1,141,876,018
Unallocated amounts	<b>1,326,408,338</b>	1,328,842,347
	<b>2,495,527,319</b>	2,470,718,365

*ii) Total liabilities*

	<b>31 December 2024</b>	31 December 2023
Total liabilities for reportable segments	<b>535,394,672</b>	503,610,809
Unallocated amounts	<b>1,015,083,824</b>	1,074,970,694
	<b>1,550,478,496</b>	1,578,581,503

All revenue is generated from external customers. Revenue from one customer of the Group's Jeddah and Qassim segments represented approximately SR 188.14 million (2023: SR 185.34 million) which represents 17.93% (2023: 18.08%) of the Group's total revenues.

**7. GOODWILL**

Pursuant to privatization programme by the GFSA, the Parent Company entered into an agreement with NCP and Public-Private Partnership (PPP) on 17 September 2020 to acquire 100% equity stake in the Company. The transaction was completed by 31 December 2020.

The Parent Company paid a consideration of SR 2,198 million to acquire the Company with book value of net assets of SR 1,081 million. The Parent Company completed the purchase price allocation ("PPA") to net assets within a measurement period of one year after the date of acquisition in which the Parent Company identify and measure the identifiable assets and liabilities assumed as of the acquisition date in accordance with the requirements of IFRS 3 Business Combination. The following adjustment was recorded by the Parent Company:

- Net uplift of SR 22.4 million to property, plant and equipment; and
- Uplift of SR 4.54 million to spare parts under inventories.



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**7. GOODWILL (continued)**

Break-up of net assets of the Company at the time of acquisition was as follows:

	<b>SR</b>
Property, plant and equipment with right of use assets	<b>830,433,309</b>
Intangible assets	<b>285,860</b>
Inventories	<b>118,803,883</b>
Trade receivables	<b>20,292</b>
Prepayments and other current assets	<b>13,319,205</b>
Bank balances	<b>518,754,365</b>
Lease liabilities – non-current liabilities	<b>(321,815,636)</b>
Employees' defined benefit obligations	<b>(772,931)</b>
Trade payables and other current liabilities	<b>(49,647,333)</b>
Lease liabilities – current liabilities	<b>(9,767,397)</b>
Advances from customers	<b>(18,362,771)</b>
	<b>1,081,250,846</b>

Goodwill is assessed for impairment at Group level and is not allocated to different business units. The Group has performed its impairment test for goodwill on 31 December 2024.

The recoverable amount of the Group of SR 3,601 million as at 31 December 2024 has been determined based on a value-in-use calculation using cash flow projections from financial budgets reviewed by senior management covering a five-year period. The pre-zakat discount rate applied to cash flow projections is 11.3%. As at 31 December 2024, the value-in-use of the CGUs was higher than the net assets value of the Group, indicating no impairment of goodwill.

**Key assumptions used in value in use calculations and sensitivity to changes in assumptions**

The calculation of value in use is most sensitive to the following assumptions:

**Gross margins**

Gross margins are dependent on certain forward-looking plans. These forward-looking plans are subject to risks, uncertainties and assumptions about the Company and its investments, including, among other things, the development of its business, financial condition, prospects, growth, strategies, as well as the trends in the industry and macroeconomic developments in the Kingdom. Many of these risks and uncertainties relate to factors that are beyond the Company's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of regulators and any changes in applicable laws or regulations or government policies. The company is aiming to deliver sustainable profitable growth and didn't consider any price increase over the future period while maintaining healthy margins. Decreased demand can lead to a decline in the gross margin. 1% increase in gross margins will increase the recoverable amount by SR. 247.04 million and 1% decrease in gross margins will decrease the recoverable amount by SR. 159.40 million.





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#### 7. GOODWILL (continued)

##### Discount rates

Discount rates represent the current market participant's view, 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 also takes into account the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors from a market participant's view. The cost of debt is based on the market participant's view based on the Group's performance. 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 28.62% (i.e., +17.29%) would result in impairment.

##### Revenue

When using industry data for growth rates, these assumptions are important because management assesses how the business position, relative to its competitors, might change over the forecast period. Management has used a growth rate linked to its capacity increase and market demand which varies year on year as per the future planning. 1% increase in growth rate in revenue will increase the recoverable amount by SR. 245.57 million and 1% decrease in growth rate in revenue will decrease the recoverable amount by SR. 160.88 million.

##### Growth rates used to extrapolate cash flows beyond the forecast period

Rates are based on detailed value creation plan with external consultant reflecting the market growth and the projection of the Company for coming years. The Company has assumed the terminal value growth rate (TVGR) of 2% to extrapolate cash flows beyond the forecast period. 1% increase in TVGR will increase the recoverable amount by SR. 286.15 million and 1% decrease in TVGR will decrease the recoverable amount by SR. 230.72 million.

As management does not expect new entrant in the market till 31 December 2031, 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.



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#### 8. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and equipment	Furniture and fittings	Computer equipment	Motor vehicles	Projects under progress	Total
<b>Cost</b>							
At 1 January 2023	380,972,005	257,629,398	2,236,050	3,829,761	8,388,899	32,102,289	685,158,402
Additions during the year	6,306,416	105,340,614	26,000	266,213	1,796,604	51,364,704	165,100,551
Disposals during the year	(3,008)	(326,031)	(481,610)	(87,105)	(61,028)	--	(958,782)
Transfers during the year	3,622,047	20,331,678	--	--	2,381,303	(26,335,028)	--
At 31 December 2023	390,897,460	382,975,659	1,780,440	4,008,869	12,505,778	57,131,965	849,300,171
At 1 January 2024	390,897,460	382,975,659	1,780,440	4,008,869	12,505,778	57,131,965	849,300,171
Additions during the year	--	--	--	132,115	580,000	52,872,998	53,585,113
Disposals during the year	(55,002)	(3,045,128)	--	--	(461,000)	--	(3,561,130)
Transfers during the year	15,796,193	51,082,063	--	--	--	(66,878,256)	--
Transfers to intangible assets	--	--	--	--	--	(1,057,343)	(1,057,343)
At 31 December 2024	406,638,651	431,012,594	1,780,440	4,140,984	12,624,778	42,069,364	898,266,811
<b>Accumulated depreciation</b>							
At 1 January 2023	51,272,957	87,948,216	1,850,742	2,091,634	4,216,334	--	147,379,883
Charge for the year	16,300,958	13,222,946	91,516	547,630	1,750,614	--	31,913,664
Disposals during the year	(1,057)	(155,792)	(478,864)	(86,238)	(37,382)	--	(759,333)
At 31 December 2023	67,572,858	101,015,370	1,463,394	2,553,026	5,929,566	--	178,534,214
At 1 January 2024	67,572,858	101,015,370	1,463,394	2,553,026	5,929,566	--	178,534,214
Charge for the year	17,051,668	19,470,412	62,827	607,992	1,875,627	--	39,068,526
Disposals during the year	(16,042)	(1,291,829)	--	--	(130,541)	--	(1,438,412)
At 31 December 2024	84,608,484	119,193,953	1,526,221	3,161,018	7,674,652	--	216,164,328
<b>Net book value</b>							
At 31 December 2024	322,030,167	311,818,641	254,219	979,966	4,950,126	42,069,364	682,102,483
At 31 December 2023	323,324,602	281,960,289	317,046	1,455,843	6,576,212	57,131,965	670,765,957

8.1 The buildings are built on land leased from the GFSA with an annual rental of SR 8,395,038. The lease term is twenty-five calendar years commencing from 1 January 2017 (corresponding to 3 Rabee Thani 1438H) and is renewable for a similar period. In 2020, the lease term was extended by an additional three years.





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**8. PROPERTY, PLANT AND EQUIPMENT (continued)**

8.2 As at 31 December 2024, projects under progress mainly consists of the following projects:

- i) Bran tower in Jeddah
- ii) New Mill C in Qassim

Capital commitments relating to these projects amount to SR 49.70 million (31 December 2023: SR 105.25 million)

8.3 The depreciation charge on property, plant and equipment for the year has been allocated as follows:

	<u>2024</u>	<u>2023</u>
Cost of revenue (note 27)	33,759,474	26,643,134
General and administrative expenses (note 28)	4,078,102	3,913,731
Selling and distribution expenses (note 29)	1,230,950	1,356,799
	<u>39,068,526</u>	<u>31,913,664</u>

8.4 The following projects have been completed during the year:

- i) Upgradation of production plant for Mill A in Jeddah
- ii) Installation of alarm and firefighting system
- iii) Shifter upgrade in Qassim
- iv) Renovation works in Jeddah

**9. RIGHT-OF-USE ASSETS**

The Group leases silos, lands, buildings, warehouses and equipments. Silos and lands are leased from the GFSA with a lease term of twenty-five calendar years commenced from 1 January 2017 (corresponding to 3 Rabi Al Thani 1438H) and is renewable for a similar period. In 2020, the lease term was extended by an additional three years. Other leases typically run for a period of 3 to 18 years, with an option to renew the lease after that date. For leases, the Group is restricted from entering into any sub-lease arrangements.

The Group leases warehouses and equipment with contract terms of one year. These leases are short term leases. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

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**9. RIGHT-OF-USE ASSETS (continued)**

	<u>Silos</u>	<u>Lands</u>	<u>Buildings and warehouses</u>	<u>Equipment</u>	<u>Total</u>
<b>Cost</b>					
At 31 December 2023	262,147,500	110,595,477	19,267,315	1,561,840	393,572,132
<b>At 1 January 2024</b>	<b>262,147,500</b>	<b>110,595,477</b>	<b>19,267,315</b>	<b>1,561,840</b>	<b>393,572,132</b>
Impact of modification	--	11,625,464	--	--	11,625,464
Disposals during the year	--	--	(348,073)	--	(348,073)
<b>At 31 December 2024</b>	<b>262,147,500</b>	<b>122,220,941</b>	<b>18,919,242</b>	<b>1,561,840</b>	<b>404,849,523</b>
<b>Accumulated depreciation</b>					
At 1 January 2023	51,865,131	14,955,243	6,551,282	583,360	73,955,016
Charge for the year	9,551,152	4,354,664	1,169,570	576,042	15,651,428
<b>At 31 December 2023</b>	<b>61,416,283</b>	<b>19,309,907</b>	<b>7,720,852</b>	<b>1,159,402</b>	<b>89,606,444</b>
<b>At 1 January 2024</b>	<b>61,416,283</b>	<b>19,309,907</b>	<b>7,720,852</b>	<b>1,159,402</b>	<b>89,606,444</b>
Charge for the year	9,577,318	4,802,561	1,149,518	402,438	15,931,835
Disposals during the year	--	--	(232,369)	--	(232,369)
<b>At 31 December 2024</b>	<b>70,993,601</b>	<b>24,112,468</b>	<b>8,638,001</b>	<b>1,561,840</b>	<b>105,305,910</b>
<b>Net book Value</b>					
<b>At 31 December 2024</b>	<b>191,153,899</b>	<b>98,108,473</b>	<b>10,281,241</b>	<b>--</b>	<b>299,543,613</b>
At 31 December 2023	200,731,217	91,285,570	11,546,463	402,438	303,965,688

9.1 The depreciation charge on right-of-use assets for the year has been allocated as follows:

	<u>2024</u>	<u>2023</u>
Cost of revenue (note 27)	15,288,266	15,002,952
General and administrative expenses (note 28)	594,379	604,929
Selling and distribution expenses (note 29)	49,190	43,547
	<u>15,931,835</u>	<u>15,651,428</u>





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**10. INTANGIBLE ASSETS**

**10.1** Intangible assets include computer programmes and software. Movement in intangible assets is as follows:

	Computer software	Projects under progress	Total
<b>Cost:</b>			
At 1 January 2023	6,187,764	--	6,187,764
Additions during the year	566,720	144,000	710,720
Transfers during the year	144,000	(144,000)	--
At 31 December 2023	6,898,484	--	6,898,484
At 1 January 2024	6,898,484	--	6,898,484
Transfers from property, plant and equipment	--	1,057,343	1,057,343
Additions during the year	--	3,795,986	3,795,986
Transfers during the year	506,000	(506,000)	--
At 31 December 2024	7,404,484	4,347,329	11,751,813
<b>Accumulated amortization:</b>			
At 1 January 2023	1,169,705	--	1,169,705
Charge for the year	655,801	--	655,801
At 31 December 2023	1,825,506	--	1,825,506
At 1 January 2024	1,825,506	--	1,825,506
Charge for the year	763,621	--	763,621
At 31 December 2024	2,589,127	--	2,589,127
<b>Net book value</b>			
At 31 December 2024	4,815,357	4,347,329	9,162,686
At 31 December 2023	5,072,978	--	5,072,978

**10.2** The amortisation charge on intangible assets for the year has been allocated as follows:

	2024	2023
Cost of revenue (note 27)	117,733	117,733
General and administrative expenses (note 28)	563,339	525,504
Selling and distribution expenses (note 29)	82,549	12,564
	763,621	655,801

**11. DERIVATIVE FINANCIAL INSTRUMENT**

To hedge the variability in interest rate on Term Murabaha facility with a maturity date of 31 December 2035, the Group entered into a profit rate cap agreement with Gulf International Bank.

The profit rate cap agreement requires the Group to pay floating rate of SAIBOR until it reaches to 2%, post which the Group will pay only the cap rate of 2%. The maturity date of the agreement is 29 March 2026.



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**11. DERIVATIVE FINANCIAL INSTRUMENT (continued)**

For the purpose of hedge accounting, profit rate cap has been designated into cash flow hedge. The fair value and notional amount of the profit rate cap derivative is as follows:

	31 December 2024	31 December 2023
<b>Profit Rate Cap</b>		
Notional amount	684,101,823	733,005,455
<b>Positive fair value</b>		
Current	19,422,922	24,399,211
Non-current	7,727,210	18,307,460
	27,150,132	42,706,671

The hedge has been assessed to be effective and as at 31 December 2024, net un-realised loss of SR 12.79 million (31 December 2023: SR 13.98 million) has been included in the other comprehensive income.

The component of other comprehensive income are as follows:

	31 December 2024	31 December 2023
Cash flow hedge – effective portion of changes in fair value	15,531,148	15,167,360
Cash flow hedge – reclassified to profit or loss	90	(130)
Cost of hedging reserve – changes in fair value	25,475	(139,493)
Cost of hedging reserve – reclassified to profit or loss	(2,756,736)	(1,050,924)
	12,799,977	13,976,813

The amount of SR 19.97 million shown as cash flow hedging reserve in the consolidated statement of financial position as at 31 December 2024 is expected to affect the profit or loss in forthcoming years.

The table below summaries the maturity profile of the derivative financial instruments based on contractual undiscounted payments.

	Maturity		
	Less than 12 months	1 – 5 years	Total
31 December 2024	20,095,829	8,310,854	28,406,683
31 December 2023	25,301,757	20,115,682	45,417,439





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**12. INVENTORIES**

12.1 Inventories comprise of the following:

	31 December 2024	31 December 2023
Spare parts	79,472,822	77,091,003
Raw materials	55,455,904	59,959,665
Finished goods	18,839,216	13,445,109
Goods in transit	29,159,057	21,585,823
Others	591,913	658,733
Less: adjustment for net realizable value of inventories	(21,820,372)	(24,392,010)
	<u>161,698,540</u>	<u>148,348,323</u>

12.2 Spare parts amounting to SR 10.06 million (2023: SR 10.07 million) consumed during the year is included in the raw material consumed under cost of revenue. Cost of raw materials, packing materials and finished goods recognized during the year are disclosed in note 27.

12.3 Movement of adjustment for net realizable value of inventories during the year is as follows:

	31 December 2024	31 December 2023
At the beginning of the year	24,392,010	16,028,414
(Reversal)/provision during the year	(2,571,638)	8,363,596
At end of the year	<u>21,820,372</u>	<u>24,392,010</u>

12.4 During the year ended 31 December 2024, the Group has recognized the reversal of provision for net realizable value of inventories amounting to SR 2.57 million (31 December 2023: charge for the year amounting to SR 8.36 million). The amount is included in the cost of revenue.

**13. TRADE RECEIVABLES**

13.1 Trade receivables comprise of the following:

	31 December 2024	31 December 2023
Trade receivables	20,174,992	6,377,164
Allowance for expected credit loss on trade receivables	(1,612,210)	(1,297,624)
	<u>18,562,782</u>	<u>5,079,540</u>

The settlement period of these trade receivables is 30 – 75 days and the Group holds no security against these receivables.

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**13. TRADE RECEIVABLES (continued)**

13.2 The movement of allowance for expected credit losses during the year is as follows:

	31 December 2024	31 December 2023
At the beginning of the year	1,297,624	675,593
Provision during the year	314,586	622,031
At the end of the year (note 13.3)	<u>1,612,210</u>	<u>1,297,624</u>

13.3 The provision of SR 1.61 million (31 December 2023: SR 1.29 million) includes specific provision of SR 1.22 million (31 December 2023: SR 1 million) for one of the Group's customer that represents 100% (31 December 2023: 50%) of the balance outstanding at the reporting date.

**14. PREPAYMENTS AND OTHER CURRENT ASSETS**

	31 December 2024	31 December 2023
Advances to contractors	7,160,683	1,905,431
Other receivables	3,483	187,205
Prepayments (note 14.1)	4,371,365	4,092,838
Margins against letter of guarantees and letter of credits (note 33)	—	3,400,022
Accrued interest	—	135,812
Security deposits	—	50,000
	<u>11,535,531</u>	<u>9,771,308</u>

14.1 Prepayments mainly includes prepaid rent, medical insurance and others.

**15. CASH AND CASH EQUIVALENTS**

	31 December 2024	31 December 2023
Cash at banks	65,540,441	192,106,283
Short-term deposits	127,000,000	—
	<u>192,540,441</u>	<u>192,106,283</u>

15.1 Short-term deposits are deposited with a commercial bank for 90 days or less period from the date of deposit with agreed return.



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**16. SHARE CAPITAL**

The authorized, issued and fully paid-up share capital of the Parent Company as at 31 December 2024 amounted to SR 555,000,000 (31 December 2023: SR 555,000,000) consists of 55,500,000 shares (31 December 2023: 55,500,000 shares) at SR 10 each share.

The shareholding pattern as of 31 December 2024 was as follows:

	<u>Percentage</u>	<u>No. of shares</u>	<u>Amount</u>
Abdullah Abunayyan Trading Company	21	11,655,000	116,550,000
Al Mutlaq Group Industrial Investment Company	30	16,650,000	166,500,000
Al Safi Advanced Investments	12	6,660,000	66,600,000
Essa Al Ghurair Investments	7	3,885,000	38,850,000
Treasury shares (note 18.5)	0.54	300,000	3,000,000
General public	29.46	16,350,000	163,500,000
	<u>100</u>	<u>55,500,000</u>	<u>555,000,000</u>

The shareholding pattern as of 31 December 2023 was as follows:

	<u>Percentage</u>	<u>No. of shares</u>	<u>Amount</u>
Abdullah Abunayyan Trading Company	21	11,655,000	116,550,000
Al Mutlaq Group Industrial Investment Company	30	16,650,000	166,500,000
Al Safi Advanced Investments	12	6,660,000	66,600,000
Essa Al Ghurair Investments	7	3,885,000	38,850,000
General public	30	16,650,000	166,500,000
	<u>100</u>	<u>55,500,000</u>	<u>555,000,000</u>

**17. SHAREHOLDERS' CONTRIBUTION**

The amount of SR 6,751,214 (31 December 2023: SR 6,751,214) represents the Parent Company's share of IPO costs that has been collected from the shareholders.

The Group is in the process of obtaining approvals from the relevant authorities and extra ordinary general assembly to transfer this contribution to the retained earnings as on the date of approval of these consolidate financial statements.

**18. RESERVES****18.1 Merger reserve**

The balance of SR 37,554,503 merger reserve on 31 December 2024 and 31 December 2023 was resulted from the merger of Raha Al Safi Food Company into The First Milling Company. (note 1).

The Group is in the process of obtaining approvals from the relevant authorities and extra ordinary general assembly to transfer this balance of merger reserve to the retained earnings as on the date of approval of these consolidate financial statements.

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**18. RESERVES (continued)****18.2 Statutory reserve**

In accordance with the previous By-laws of the Parent Company, the Parent Company transfers 10% of its net income each year as a statutory reserve until such reserve reaches 30% of the share capital. This statutory reserve is not required in accordance with the new Companies Law and amended By-laws of the Parent Company.

The Group is in the process of obtaining approvals from the relevant authorities and extra ordinary general assembly to transfer this balance of statutory reserve to the retained earnings as on the date of approval of these consolidate financial statements.

**18.3 General reserve**

During 2024, the shareholders of the Company through Extraordinary General Assembly Meeting held on 10 January 2024 (corresponding to 28 Jumada Al-Thani 1445H), approved the amendment of the Parent Company's By-laws in accordance with the new Companies Law which became effective at 19 January 2023 (corresponding to 26 Jumada Al-Thani 1444H). The Company completed the legal procedures and the commercial register and the amended By-laws were issued on 4 February 2024 (corresponding to 23 Rajab 1445H) and 29 January 2024 (corresponding to 17 Rajab 1445H) respectively. In accordance with the updated By-laws of the Parent Company, the Parent Company now requires to transfer an amount not exceeding 10% of the Company's gross profits, into the general reserve. This transfer can only happen pursuant to the resolution of ordinary general assembly.

**18.4 Employees' share based payments reserve**

The Parent Company has established a share based compensation scheme for its key management that entitles them to the shares of the Parent Company subject to successfully meeting certain service and performance conditions. Under the share based remuneration scheme, the Group has only one outstanding plan. Significant features of the scheme are as follows:

<u>Nature of plan</u>	<u>Equity based long term bonus plan</u>
Grant date	10 January 2024
Maturity date	31 December 2025
Vesting period	25 months (1 December 2023 – 31 December 2025)
Method of settlement	Equity-settled transaction
Fair value per share on grant date	SR 75.1

The shareholders of the Parent Company through Extraordinary General Assembly Meeting held on 10 January 2024 (corresponding to 28 Jumada Al-Thani 1445H), approved the purchase of a number of shares which shall not exceed 300,000 shares for the purpose of allocating such shares to employees as part of the employee share scheme which shall be financed through the funds present in the Company, and on authorizing the Board to complete the purchase within a period not exceeding twelve months from the date of the extraordinary general assembly's resolution.



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**18. RESERVES (continued)****18.4 Employees' share based payments reserve (continued)**

The grant date for the year ended 31 December 2023 was determined as the date of approval of the scheme from the shareholders of the Parent Company. The provision was recognized for services provided by the employees in those financial statements based on the fair value of shares on 31 December 2023. The Group has revised the estimate of expense for the year ended 31 December 2023 with an amount of SR 9,521 based on the fair value of shares on grant date of 10 January 2024.

These shares are granted only under a service/performance condition with no market condition associated with them.

Total amount of expense recognized in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2024 in respect of this scheme is SR 2.85 million (31 December 2023: SR 7.31 million) for 284,296 shares (31 December 2023: 292,159 shares) granted during the year at a weighted average price of SR 74.3 per share (31 December 2023: SR 75.1 per share).

The movement in the number of shares granted is as follows:

	31 December 2024	31 December 2023
At the beginning of the year	292,159	--
Granted during the year	51,126	292,159
Forfeited during the year	(58,989)	--
At the end of the year	<u>284,296</u>	<u>292,159</u>

**18.5 Treasury shares**

The Parent Company has buy-back its 300,000 shares as treasury shares at an average price of SR 84.54 during the year ended 31 December 2024.

**19. DIVIDENDS PAYABLE**

- 19.1** On 22 July 2024 (corresponding to 16 Muharram 1446H) and based on the resolution of the Extraordinary General Assembly of the Company held on 10 January 2024 (corresponding to 28 Jumada Al-Thani 1445H) regarding the authorization given to the Board of Directors to distribute the interim dividends for the year 2024, the Board of Directors resolved and approved the distribution of the interim (half yearly) dividends to shareholders for the period of the first six months of 2024 ended on 30 June 2024, with a total amount of SR 86,025,000 at SR 1.55 per share or (15.5%) of the nominal capital. Provided that the eligibility for profit is for the shareholders who own the Company's shares at the end of trading day 30 July 2024 (corresponding to 24 Muharram 1446H) and registered in the Company's shareholders register with the Securities Depository Center Company (Edaa) at the end of the second trading day following the eligibility date, however, the distribution date will be on 13 August 2024 (corresponding to 9 Safar 1446H).

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**19. DIVIDENDS PAYABLE (continued)**

- 19.2** On 10 March 2024 (corresponding to 29 Shaban 1445H), and based on the resolution of the Ordinary General Assembly of the Parent Company held on 6 March 2023 (corresponding to 25 Shaban 1445H), regarding the authorization given to the Board of Directors to distribute the interim dividends for the year 2023, the Board of Directors resolved and approved the distribution of the interim (half yearly) dividends to shareholders for the period of the last six months of 2023 ended on 31 December 2023 (corresponding to 18 Jumada Al Thani 1445H), with a total amount of SR 78,255,000 at SR 1.41 per share of the nominal capital. Provided that the eligibility for profit is for the shareholders who own the Company's shares at the end of trading day 4 April 2024 (corresponding to 25 Ramadan 1445H) and registered in the Company's shareholders register with the Securities Depository Center Company (Edaa) at the end of the second trading day following the eligibility date, however, the distribution date was on 23 April 2024 (corresponding to 14 Shawwal 1445H).

- 19.3** On 27 July 2023, the Board of Directors of the Company, as authorized by the resolution of the ordinary general assembly held on 6 March 2023 to distribute the interim dividends for the year 2023, approved the distribution of the interim dividends for the first half year of 2023 of SR 1.37 per share amounting to SR 76,035,000. The dividends were paid on 14 August 2023.

**19.4** Movement in dividends payable is as follows:

	31 December 2024	31 December 2023
At the beginning of the year	19,811	19,811
Declared during the year	164,280,000	76,035,000
Paid during the year	(163,673,904)	(76,035,000)
Dividends on treasury shares	(606,000)	--
At the end of the year	<u>19,907</u>	<u>19,811</u>

**20. LEASE LIABILITIES****20.1** Movement in lease liabilities during the year is as follows:

	31 December 2024	31 December 2023
At the beginning of the year	338,090,038	349,741,210
Impact of modification	11,625,464	--
Disposals during the year	(108,902)	--
Finance charges on lease liabilities	13,482,184	11,468,459
Repayment of lease liabilities	(13,545,414)	(11,286,124)
Finance cost paid on lease	(9,351,986)	(11,833,507)
At the end of the year	<u>340,191,384</u>	<u>338,090,038</u>
Current portion	30,925,951	22,701,707
Non – Current portion	<u>309,265,433</u>	<u>315,388,331</u>
	<u>340,191,384</u>	<u>338,090,038</u>





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**20. LEASE LIABILITIES (continued)**

**20.2** Amounts recognised in consolidated statements of profit or loss

	<u>2024</u>	<u>2023</u>
Finance cost on lease liabilities	<b>13,482,184</b>	11,468,459
Expenses relating to short-term leases and low-value assets	<b>3,758,065</b>	2,157,552

**20.3** Amounts recognised in consolidated statement of cash flows

	<u>2024</u>	<u>2023</u>
Repayment of lease liabilities	<b>13,545,414</b>	11,286,124
Finance cost paid on lease	<b>9,351,986</b>	11,833,507
	<b>22,897,400</b>	23,119,631

**21. LONG-TERM LOANS**

	<u>31 December 2024</u>	<u>31 December 2023</u>
Term Murabaha facility	<b>877,751,786</b>	1,059,449,501
Long Term Loan – SIDF	<b>150,000,000</b>	--
Less: unamortised loan transaction cost	<b>(17,113,867)</b>	(15,341,041)
	<b>1,010,637,919</b>	1,044,108,460
Current portion	<b>162,367,151</b>	107,722,374
Non-current portion	<b>848,270,768</b>	936,386,086
	<b>1,010,637,919</b>	1,044,108,460

Term Murabaha facility with Alinma Bank amounted to SR 1,371,000,000 of which the Group has utilised SR 1,300,000,000 as at 31 December 2024. This facility is subject to certain covenants and is secured by promissory notes, pledge over certain assets and shares of the Parent Company of which the pledge over a certain bank account and all shares of the Company was released as on 27 December 2023 (corresponding to 14 Jumada Al Thani 1445H) and 20 December 2023 (corresponding to 7 Jumada Al Thani 1445H) respectively. The loan carries interest at SAIBOR plus margin. The utilised facility is repayable in unequal 30 instalments commencing from 30 June 2021.

The Group has obtained an interest free loan from Saudi Industrial Development Fund (SIDF) amounted to SR 150,000,000 to finance its working capital needs. This loan is subject to certain covenants and is secured by promissory notes in an amount equal to the drawing concerned and with the maturity falling on the drawdown termination date. The loan is repayable in four equal instalments of SR 37.5 million within 12 months, 16 months, 20 months and 24 months from the date of disbursement of the first payment i.e. 5 August 2024.

These loan facilities have certain covenants including leverage and debt service cover ratio to be maintained during the period of facility agreement. As at and during the year ended 31 December 2024, there has not been any non-compliance observed for any of the covenants. The Group expects to comply with the covenants within 12 months after the reporting date.

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**21. LONG-TERM LOANS (continued)**

Movement in loan balance as on 31 December 2024 is as follows:

	<u>Term Murabaha Facility</u>	<u>SIDF Loan</u>	<u>Total</u>
At the beginning of the year	1,059,449,501	--	1,059,449,501
Acquired during the year	--	150,000,000	150,000,000
Paid during the period	<b>(181,697,715)</b>	--	<b>(181,697,715)</b>
At the end of the year	<b>877,751,786</b>	150,000,000	<b>1,027,751,786</b>

Movement in loan balance as on 31 December 2023 is as follows:

	<u>Term Murabaha Facility</u>	<u>Total</u>
At the beginning of the year	1,188,434,238	1,188,434,238
Paid during the period	<b>(128,984,737)</b>	<b>(128,984,737)</b>
At the end of the year	<b>1,059,449,501</b>	<b>1,059,449,501</b>

**Maturity analysis— contractual cash flows**

	<u>31 December 2024</u>	<u>31 December 2023</u>
Within one year	<b>224,604,722</b>	209,190,617
One to five year	<b>610,145,311</b>	539,830,927
More than five year	<b>558,892,360</b>	867,942,362
	<b>1,393,642,393</b>	1,616,963,906

**22. LONG-TERM PAYABLE**

	<u>31 December 2024</u>	<u>31 December 2023</u>
Current portion	<b>9,536,174</b>	9,651,927
Non-current portion	<b>23,596,226</b>	30,897,915
	<b>33,132,400</b>	40,549,842

Long-term payable represents the amount payable to Buhler AG for the purchase of machines and equipment for projects under progress in Jeddah. The amount of SR 44.59 million (CHF 12,529,095) at the time of initial recognition is repayable in ten equal semi-annual instalments of CHF 1,252,909.50 commencing from 28 November 2023.





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**22. LONG-TERM PAYABLE (continued)**

**Maturity analysis— contractual undiscounted cash flow**

	<b>31 December 2024</b>	31 December 2023
Within one year	<b>10,813,862</b>	10,813,862
One to five years	<b>27,034,655</b>	37,848,517
	<b>37,848,517</b>	48,662,379

**23. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS**

	<b>31 December 2024</b>	31 December 2023
Present value of defined benefit obligation	<b>8,674,000</b>	6,552,000

**ACTUARIAL ASSUMPTIONS**

The major financial assumptions used to calculate the defined benefit obligation are as follows:

	<b>31 December 2024</b>	31 December 2023
Discount rate	<b>5.00%</b>	4.80%
Salary increase rate	<b>2.00%</b>	2.00%
Mortality Table	<b>Saudi Life Table</b>	Saudi Life Table
Employee turnover (withdrawal) rate	<b>1%-25%</b>	1%-25%
Expected retirement age	<b>60 Years</b>	60 Years

At 31 December 2024, the weighted-average duration of the defined benefit obligation was 4 years (31 December 2023: 4 years).

**AMOUNT CHARGED TO CONSOLIDATED PROFIT OR LOSS**

	<b>2024</b>	2023
Service cost	<b>3,478,000</b>	3,947,000
Gain on settlement	—	(336,000)
Net interest amount charged on the net defined benefit liability	<b>461,000</b>	348,000
The total amount charged to profit or loss	<b>3,939,000</b>	3,959,000



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**23. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS (continued)**

**AMOUNT CHARGED TO CONSOLIDATED OTHER COMPREHENSIVE INCOME**

	<b>2024</b>	2023
Gain resulting from the change in financial assumptions	<b>74,000</b>	1,163,000
Gain resulting from experience adjustments	<b>877,201</b>	29,982
<b>Actuarial gain</b>	<b>951,201</b>	1,192,982

**NET DEFINED BENEFIT OBLIGATION**

	<b>31 December 2024</b>	31 December 2023
Net defined benefit obligation at the beginning of the year	<b>6,552,000</b>	4,892,000
Service cost	<b>3,478,000</b>	3,611,000
Interest expense	<b>461,000</b>	348,000
Paid during the year	<b>(865,799)</b>	(1,106,018)
Remeasurement of the net defined benefit liability	<b>(951,201)</b>	(1,192,982)
Present value of the defined benefit obligation at the end of the year	<b>8,674,000</b>	6,552,000

The Group expects to pay SR 2,296,000 out of defined benefit plans in 2025.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions for 31 December 2024 is:

	<b>Original</b>	<b>Increase / (decrease) in present value of the defined benefit obligation</b>	
		<b>%</b>	<b>Amount (SR)</b>
<b>Discount rate</b>	<b>8,674,000</b>	+ 1%	8,321,000
		- 1%	9,069,000
<b>Salary increase rate</b>	<b>8,674,000</b>	+ 1%	9,078,000
		- 1%	8,308,000
<b>Employee turnover rate</b>	<b>8,674,000</b>	+1%	8,695,000
		- 1%	8,647,000

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions for 31 December 2023 is:

	<b>Original</b>	<b>Increase / (decrease) in present value of the defined benefit obligation</b>	
		<b>%</b>	<b>Amount (SR)</b>
Discount rate	6,552,000	+ 1%	6,296,000
		- 1%	6,839,000
Salary increase rate	6,552,000	+ 1%	6,844,000
		- 1%	6,287,000
Employee turnover rate	6,552,000	+1%	6,567,000
		- 1%	6,534,000





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**23. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS (continued)**

The maturity profile of the defined benefit obligation is as follows:

	<b>31 December 2024</b>	31 December 2023
Current portion	2,353,000	1,777,000
Between 1 and 2 years	2,175,000	1,903,000
Between 2 and 5 years	5,541,000	5,322,000
Beyond 5 years	24,143,000	21,162,000
	<b>34,212,000</b>	30,164,000

**24. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	<b>31 December 2024</b>	31 December 2023
Accrued expenses (note 24.1)	61,926,564	51,253,190
VAT payable	4,585,332	2,767,551
Other payables	928,710	921,128
Finance cost payable	--	19,276,523
Dividends payable (note 19)	19,907	19,811
	<b>67,460,513</b>	74,238,203

**24.1** Accrued expenses mainly comprise of accrued electricity, rent, professional services charges, and employee related expenses.

**25. ADVANCES FROM CUSTOMERS**

Advances from customers primarily relates to the advance consideration received from customers for the sale of goods. Advances from customers amounting to SR 18.77 million as at 31 December 2023 has been recognised as revenue in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024 (2023: SR 17.66 million). The Group expects to recognise advances from customers amounting to SR 27.71 million as revenue for the year ending 31 December 2025.

**26. REVENUE FROM CONTRACTS WITH CUSTOMERS**

	<b>2024</b>	2023
Sale of goods	1,048,854,922	964,261,133

The Group generates revenue primarily from the sale of flour, feed, and bran.



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**26. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)**

**26.1 Disaggregation of revenue**

Revenue is disaggregated by type of goods as shown below:

Type of goods	<b>2024</b>	2023
Flour	599,124,549	552,903,730
Feed	311,901,736	271,048,847
Bran	137,828,637	140,308,556
	<b>1,048,854,922</b>	964,261,133

Revenue from flour includes semolina and flour mixes.

**Timing of revenue recognition**

The sale of the goods is recognised by the Group at a point in time, and the performance obligation is fulfilled when the goods are dispatched from the warehouses.

**27. COST OF REVENUE**

Cost of revenue comprises the following:

	<b>2024</b>	2023
Raw materials consumed	427,456,572	371,276,532
Salaries and other benefits	59,129,648	66,182,792
Fuel and power	27,894,326	22,559,691
Depreciation of property, plant and equipment (note 8.3)	33,759,474	26,643,134
Depreciation of right-of-use assets (note 9.1)	15,288,266	15,002,952
Other expenses (note 27.1)	17,333,484	14,914,892
Transmission and distribution	6,400,375	5,747,543
Adjustment for net realizable value of inventories	(2,571,638)	8,363,596
Maintenance	7,629,670	6,327,788
Professional and consulting fees	1,121,256	1,583,327
Short-term lease rental	3,602,065	2,157,552
Amortization of intangible assets (note 10.2)	117,733	117,733
	<b>597,161,231</b>	540,877,532
Finished goods inventory at the beginning of the year	13,445,109	23,684,834
Finished goods available for sale during the year	610,606,340	564,562,366
Finished goods inventory at the end of the year	(18,839,216)	(13,445,109)
	<b>591,767,124</b>	551,117,257





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**27. COST OF REVENUE (continued)**

**27.1** Other expenses include insurance expense, fines and penalties and other operating expenses for the period. Fines and penalties relate to the claim received from GFSA on 17 December 2024 (corresponding to 16 Jumada Al Thani 1446H) for inspection made on 19 October 2024 (corresponding to 19 Rabi Al Thani 1446H) alleging that the Parent Company did not comply with the Flour Mills Law, Mill Operating License and Wheat Purchase Agreement. The management has objected to the claim and shared their response in consultation with third party expert on 15 January 2025 (corresponding to 15 Rajab 1446H). Since the matter is still under review with GFSA, accordingly, the Company's management took a prudent view of the matter and has made a provision of full amount of SR 2 million in these consolidated financial statements (2023: NIL).

**28. GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses comprise the following:

	<u>2024</u>	<u>2023</u>
Salaries and other benefits	49,273,132	46,242,016
Other expenses (note 28.1)	13,252,598	12,332,943
Professional and consulting fees	9,418,917	7,511,688
Initial public offering (IPO) costs	--	2,472,731
Depreciation of property, plant and equipment (note 8.3)	4,078,102	3,913,731
Board and committees' expenses, rewards and allowances (note 35)	3,063,959	3,085,000
Fuel and power	621,663	552,092
Material and supplies	562,911	490,609
Amortization of intangible assets (note 10.2)	563,339	525,504
Depreciation of right-of-use assets (note 9.1)	594,379	604,929
Maintenance	392,891	328,715
Short term lease rental	54,018	--
	<u>81,875,909</u>	<u>78,059,958</u>

**28.1** Other expenses mainly include transportation, software licenses and IT related costs.

**29. SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses comprise the following:

	<u>2024</u>	<u>2023</u>
Advertising and marketing	18,072,266	15,780,173
Salaries and other benefits	20,775,636	19,257,195
Transmission and distribution	13,644,256	9,802,073
Other expenses (note 29.1)	1,121,130	1,142,976
Depreciation of property, plant and equipment (note 8.3)	1,230,950	1,356,799
Short-term lease rental	101,982	--
Fuel and power	434,133	187,026
Material and supplies	25,010	172,901
Professional and consulting fees	28,000	103
Depreciation of right-of-use assets (note 9.1)	49,190	43,547
Amortization of intangible assets (note 10.2)	82,549	12,564
	<u>55,565,102</u>	<u>47,755,357</u>



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**29. SELLING AND DISTRIBUTION EXPENSES (continued)**

**29.1** Other expenses include mainly travelling and insurance expenses.

**30. FINANCE COSTS**

Finance costs comprise the following:

	<u>2024</u>	<u>2023</u>
Finance cost on long-term loans	73,070,444	79,452,208
Finance cost on lease liabilities	13,482,184	11,468,459
Amortisation of loan transaction cost	3,777,174	2,419,488
Finance cost on long-term payable	2,773,724	--
Finance cost on employees' defined benefit obligations	461,000	348,000
Ineffective portion of changes in fair value of cash flow hedge	(90)	130
Amortisation of cost of hedging	2,756,736	1,050,924
	<u>96,321,172</u>	<u>94,739,209</u>

**31. FINANCE INCOME**

	<u>2024</u>	<u>2023</u>
Finance income on cash flow hedge (Profit rate cap)	28,927,427	28,008,912
Finance income on bank deposits	5,826,799	5,785,250
	<u>34,754,226</u>	<u>33,794,162</u>

**32. ZAKAT**

**32.1 Components of Zakat base**

The significant components of the Zakat base of the Group under zakat regulations are as follows:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Equity at the beginning of the year	892,136,862	750,961,022
Opening allowances and other adjustments	(509,130)	13,667,368
Book value of long-term assets	2,169,183,354	2,305,181,221
Zakat base excluding the zakat able income	(168,892,763)	(86,455,537)
Zakat able income for the year	237,888,753	239,872,403
Adjusted zakat base for the year	<u>237,888,753</u>	<u>239,872,403</u>



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**32. ZAKAT (continued)**

32.2 Movement in provision for Zakat during the year is as follows:

	<b>31 December 2024</b>	31 December 2023
At the beginning of the year	<b>6,654,883</b>	6,166,993
Charged during the year	<b>6,144,269</b>	5,996,810
Paid during the year	<b>(6,862,509)</b>	(5,508,920)
At end of the year	<b>5,936,643</b>	6,654,883

**32.3 Zakat Status**

The Company has filed Zakat returns for the years up to 31 December 2023. The assessments for the years up to 2023 are finalised with no additional liabilities.

**33. CAPITAL COMMITMENTS AND CONTINGENCIES****33.1 Contingencies**

- a) The Parent Company has provided bank guarantees amounting to SR 2,232,315 in favour of GFSA for lease of silos in Jeddah, Qassim and Al-Ahsa. These guarantees are valid up to 31 December 2041.
- b) The Parent Company has provided bank guarantees amounting to SR 329,494 in favour of GFSA for lease of lands in Qassim, Tabuk and Al-Ahsa. These guarantees are valid up to 22 June 2026.

**33.2 Commitments**

The following LCs are outstanding as at 31 December 2024:

- a) LC import sight negotiation amounting to SR 56,789,643.47 (CHF 12,750,543) (31 December 2023: SR 56,810,044.34 (CHF 12,750,543)) with an outstanding amount of SR 51,209,309.85 (CHF: 11,497,633.50) in favour of Buhler AG for supply of machines and equipment for five projects in Jeddah. The LC will remain valid till 28 February 2028.
- b) Outward LC import sight amounting to SR 52,964,211.03 (CHF 11,891,648) (31 December 2023: SR 52,983,237.66 (CHF 11,891,648)) in favour of Buhler AG for upgrade of Mill A and Mill B. The LC will remain valid till 30 December 2025.
- c) Outward LC import sight amounting to SR 17,955,000 (USD: 4,788,000) (31 December 2023: NIL) in favour of Invivo Trading Asia PTE LTD for purchase of yellow corn. The LC will remain valid till 31 January 2025.

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**34. EARNINGS PER SHARE****34.1 Basic earnings per share**

The calculation of basic earnings per share has been based on the distributable earnings attributable to shareholders of ordinary shares and the weighted average number of ordinary shares outstanding at the date of the consolidated financial statements.

	<b>2024</b>	2023
Profit for the year	<b>250,901,722</b>	220,208,226
Weighted average number of ordinary shares for basic and diluted EPS	<b>55,440,325</b>	55,500,000
Earnings per share - basic	<b>4.53</b>	3.97

**34.2 Diluted earnings per share**

The calculation of diluted earnings per share has been based on the earnings attributable to shareholders of ordinary shares and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares if any. The diluted earnings per share is adjusted with the impact of the employees' share based payments plan.

	<b>2024</b>	2023
Profit for the year	<b>250,901,722</b>	220,208,226
Weighted average number of ordinary shares for basic and diluted EPS	<b>55,724,621</b>	55,792,159
Earnings per share - diluted	<b>4.50</b>	3.95

**35. RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent the shareholders with significant influence, key management personnel of the Group, and entities controlled or significantly influenced by such parties (affiliate). The terms of the transactions with related parties are approved by the Group's management. Transactions with related parties are on the basis of contractual arrangements made with them.

**TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL**

For the purposes of the disclosure requirements contained in IAS 24 Disclosures Related to Related Parties, the phrase "key management personnel" (i.e., those persons who have the authority and responsibility to plan, direct and control the activities of the Group) refers to the board of directors, chief executive officer and other executives of the Group.

The compensation of the senior management personnel includes salaries and other benefits. The amounts disclosed in the table represent the amounts recognised as an expense during the financial year in respect of key management personnel.




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**35. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**
**Compensation of key management personnel of the Group for the year ended 31 December:**

	<u>2024</u>	<u>2023</u>
Short-term employee benefits	11,837,835	12,223,337
Post-employment benefits	797,557	642,311
Share-based payments	3,815,038	3,375,923
Total compensation paid to key management personnel	<u>16,450,430</u>	<u>16,241,571</u>

Short term employee benefits include SR 3.06 million (31 December 2023: SR 3.08 million) board and committees' fees, rewards and allowances.

**OTHER RELATED PARTY TRANSACTIONS**

Transactions with related parties arise mainly from services provided/ received and payments made on behalf of each other and are undertaken at mutually agreed terms. IPO costs have been recovered directly from the Bank from the proceeds of the subscription. Due to related parties are the balances payable on demand, interest free and unsecured.

The aggregate value of related parties' transactions and outstanding balances including those related to key management personnel, and entities over which they have control or significant influence are as follows:

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>		<u>Closing balance</u>	
			<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
<u>Due from related parties</u>						
Al Mutlaq Group Industrial Investment Company	Shareholder	IPO costs	--	9,720,459	--	--
Abdullah Abunayyan Trading Company	Shareholder	IPO costs	--	8,331,822	--	--
					--	--
<u>Due to related parties</u>						
Al Mutlaq Group Industrial Investment Company	Shareholder	Expenses incurred on behalf of the Company	446,619	--	3,134	--
Ehata Financial Company	Affiliate	Financial advisory	--	163,300	--	9,200
Al Mutlaq Real Estate Investments	Affiliate	Project implementation consultancy	--	2,078,278	--	676,940
					3,134	686,140


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**36. FINANCIAL INSTRUMENTS**

Set out below is an overview of financial assets held by the Group:

	<u>31 December 2024</u>	<u>31 December 2023</u>
<b>Financial assets at amortised cost:</b>		
Bank balances and short-term deposits	192,540,441	192,106,283
Trade receivables	18,562,782	5,079,540
Margins against letter of guarantees and letter of credits	2,561,809	5,632,337
Other current financial assets	3,483	373,017
	<u>213,668,515</u>	<u>203,191,177</u>

	<u>31 December 2024</u>	<u>31 December 2023</u>
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**Financial assets at fair value – hedging instruments:**

Derivative financial instruments	27,150,132	42,706,671
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Set out below is an overview of financial liabilities held by the Group:

	<u>31 December 2024</u>	<u>31 December 2023</u>
<b>Financial liabilities at amortised cost:</b>		
Trade and other payables	60,133,757	48,925,432
Accrued expenses and other current liabilities	948,617	20,197,651
Long-term loans	1,027,751,786	1,059,449,501
Lease liabilities	340,191,384	338,090,038
Long-term payable	33,132,400	40,549,842
Due to related parties	3,134	686,140
	<u>1,462,161,078</u>	<u>1,507,898,604</u>

**Fair value hierarchy**

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. Financial instruments comprise of financial assets and financial liabilities. The Group's financial assets consist of bank balances and short-term deposits, trade receivables, margins against letter of guarantees and letter of credits, and other current assets. Its financial liabilities consist of trade and other payables, advances from customers, long-term loans, obligations under finance lease, long-term payable and amounts due to related parties.

The management assessed that fair value of bank balances and short-term deposits, trade receivables, margins against letter of guarantees and letter of credits, other current assets, trade and other payables, advances from customers, certain accrued expense and other current liabilities, long-term loans, obligations under finance lease, long-term payable and amounts due to related parties approximate their carrying amounts, largely due to the short-term maturities of these instruments except for the long-term loans which carries floating rate based on the market terms.





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**36. FINANCIAL INSTRUMENTS (continued)**

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or

Level 3 -Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group 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.

	31 December 2024			
	Level 1	Level 2	Level 3	Total
<b>Financial asset</b>				
Derivative Financial Instrument	--	27,150,132	--	27,150,132
	31 December 2023			
	Level 1	Level 2	Level 3	Total
<b>Financial asset</b>				
Derivative Financial Instrument	--	42,706,671	--	42,706,671

Derivative financial instrument have been valued using the present value technique under income approach as per IFRS 13. The fair value of the hedge instrument has been calculated as the present value of the intrinsic value that has been treated based on the difference between implied SAIBOR 3-months curve and cap rate as at 31st December in order to reflect the market conditions as at the date.

There were no transfers between levels of fair value measurements in 2024 and 2023. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The main purpose of the Group 's financial instruments is to raise finances for the Group 's operations.

The Group 's activities expose it to a variety of financial risks that include credit risk, liquidity risk, and market risk. These financial risks are actively managed by the Group 's Finance Department under strict policies and guidelines approved by the Board of Directors. The Group 's Finance Department actively monitors market conditions minimising the volatility of the funding costs of the Group.

There were no changes in the policies for managing these risks.

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**36. FINANCIAL INSTRUMENTS (continued)**

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Credit risk**

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group 's exposure to credit risk is influenced mainly by the individual characteristics of each customer which the Group 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 Group's business, significant portion of revenue is collected in cash due to which the Group is not significantly exposed to credit risks.

The Group is exposed to credit risk on its bank balances and short-term deposits, trade receivables, margins against letter of guarantees and letter of credits and other current financial assets as follows:

	31 December 2024	31 December 2023
<b>Financial assets at amortised cost:</b>		
Bank balances and short-term deposits	192,540,441	192,106,283
Trade receivables	18,562,782	5,079,540
Margins against letter of guarantees and letter of credits	2,561,809	5,632,337
Other current financial assets	3,483	373,017
	<b>213,668,515</b>	<b>203,191,177</b>

The carrying amount of financial assets represent the maximum credit exposure. Credit risk on balances with banks, short-term deposits and margins against letter of guarantees and letter of credits is limited as:

- Cash balances, short-term deposits and margins are held with banks with sound credit ratings as below:

Banks	Rating		Nature of financial asset	31 December 2024	31 December 2023
	Short-term	Long-term			
Gulf International Bank	P-2	A-3	Moody's Cash balance	6,340,978	8,112,507
Banque Saudi Fransi	P-1	A-1	Moody's Cash balance Margins against LGs and LC	10,259,865 2,561,809	183,457,581 5,632,337
Alinma Bank	P-1	A-2	Moody's Cash balance Short-term deposit	44,035,967 127,000,000	536,195 --
Saudi National Bank	P-1	Aa-3	Moody's Cash balance	4,903,631 195,102,250	-- 197,738,620

Ratings of Prime-1 (P-1) reflect a superior ability to repay short-term obligations (Aaa – A3).

Ratings of Prime-2 (P-2) reflect a strong ability to repay short-term obligations (A2 – Baa2).





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**36. FINANCIAL INSTRUMENTS (continued)**

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

*Credit risk (continued)*

*Expected credit losses:*

The Group considers that its cash and cash equivalents and margins against letter of guarantees and letter of credits have low credit risk based on the external credit ratings (long-term) of the respective counterparties.

*Trade receivables*

The Group'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 Group limits its exposure to credit risk from trade receivables by establishing and maintaining a cash-based mode of conducting business. As the advance of customer is received before any supply of goods, the Group's exposure to any such credit risk on trade receivables is very limited.

*Expected credit loss assessment for accounts and other receivables*

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

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

The Group assessed the concentration of risk with respect to trade receivables and concluded it to be low. The Group has recognized allowance for expected credit losses against their trade receivables amounting to SR 314,586 (31 December 2023: SR 622,031).

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2024. The table below does not include gross carrying amount of SR 1.21 million outstanding from one of the customers of the Group falls within the bucket of 181 – 360 days past due for which a specific provision of SR 1.21 million (100%) has been recorded as on the reporting date.



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**36. FINANCIAL INSTRUMENTS (continued)**

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

*Trade receivables (continued)*

Trade receivables	Loss rate	Gross carrying amount	Loss allowance	Credit-impaired
Current (not past due)	0.61%	16,031,020	97,680	No
0 – 30 days past due	2.52%	1,497,984	37,678	No
31 – 90 days past due	3.44%	753,996	25,943	No
91 – 180 days past due	7.98%	148,403	11,846	No
181 – 360 days past due	20.22%	44,988	9,099	Yes
More than 360 days past due	100.00%	213,725	213,724	Yes

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2023.

Trade receivables	Loss rate	Gross carrying amount	Loss allowance	Credit-impaired
Current (not past due)	0.61%	2,812,032	17,134	No
0 – 30 days past due	2.52%	490,166	12,329	No
31 – 90 days past due	3.44%	565,651	19,463	No
91 – 180 days past due	7.98%	12,420	991	No
181 – 360 days past due	20.22%	308,655	62,425	Yes
More than 360 days past due	100.00%	182,324	182,324	Yes

*Liquidity risk*

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

*Excessive risk concentration:*

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.





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**36. FINANCIAL INSTRUMENTS (continued)**

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

*Liquidity risk (continued)*

The table below summarises the maturities of the Group's financial liabilities as 31 December 2024 and 31 December 2023 based on contractual payment dates and current market interest rates as following.

**31 December 2024**

Non derivative financial liabilities	Carrying amounts	Contractual amounts			Total contractual amounts
		1 year or less	1 to 5 years	More than 5 years	
Trade and other payables	60,133,757	60,133,757	--	--	60,133,757
Accrued expenses and other current liabilities	948,617	948,617	--	--	948,617
Long-term loans	1,027,751,786	224,604,722	610,145,311	558,892,360	1,393,642,393
Lease liabilities	340,191,384	25,011,275	97,455,359	364,474,695	486,941,329
Long-term payable	33,132,400	10,813,862	27,034,655	--	37,848,517
Amounts due to related parties	3,134	3,134	--	--	3,134
	<u>1,462,161,078</u>	<u>321,515,367</u>	<u>734,635,325</u>	<u>923,367,055</u>	<u>1,979,517,747</u>

**31 December 2023**

Non derivative financial liabilities	Carrying amounts	Contractual amounts			Total contractual amounts
		1 year or less	1 to 5 years	More than 5 years	
Trade and other payables	48,925,432	48,925,432	--	--	48,925,432
Accrued expenses and other current liabilities	20,217,462	20,217,462	--	--	20,217,462
Long-term loans	1,059,449,501	209,190,617	539,830,927	867,942,362	1,616,963,906
Lease liabilities	338,090,038	22,934,333	89,176,571	354,372,547	466,483,451
Long-term payable	40,549,842	10,813,862	37,848,517	--	48,662,379
Amounts due to related parties	686,140	686,140	--	--	686,140
	<u>1,507,918,415</u>	<u>312,767,846</u>	<u>666,856,015</u>	<u>1,222,314,909</u>	<u>2,201,938,770</u>

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**36. FINANCIAL INSTRUMENTS (continued)**

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

*Market risk*

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return. Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of three types of risk: foreign currency risk, interest rate risk and other price risks.

*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 Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency). However, as the Group primarily deals in USD, CHF and Euro, with CHF and EURO being immaterial and the majority being in USD, which is pegged with SR, the Group's exposure to foreign currency risk is immaterial. No sensitivity for foreign currency risk is presented due to its minimal effect on the consolidated financial statements.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by entering into hedging contracts for its floating rate long-term loans. The Group hedges long term interest rate sensitivities through hedge strategies, including use of derivative financial instrument and regularly monitors market special commission rates. The Group does not account for any fixed special commission rate bearing financial assets or financial liabilities at fair value and therefore, a change in special commission rates at the reporting date would not have any effect on the financial statements relating to these financial instruments.

*Sensitivity analysis*

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.





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**36. FINANCIAL INSTRUMENTS (continued)**

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

*Interest rate risk (continued)*

*Floating rate financial liabilities*

	<u>Impact on profit or loss</u>	
	<u>31 December 2024</u>	<u>31 December 2023</u>
100 bps increase	10,106,379	10,441,085
100 bps decrease	(10,106,379)	(10,441,085)

*Financial derivatives*

	<u>Impact on net equity</u>	
	<u>31 December 2024</u>	<u>31 December 2023</u>
100 bps increase	6,850,000	12,374,515
100 bps decrease	(7,011,000)	(12,517,447)

*Capital Risk Management*

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

The Group manages its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, lease liabilities, long-term payable, employees' defined benefit obligations, zakat payable, less cash and cash equivalents. The gearing ratio as at 31 December 2024 and 31 December 2023 is as follows:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Loans and borrowings	1,010,637,919	1,044,108,460
Lease liabilities	340,191,384	338,090,038
Long-term payable	33,132,400	40,549,842
Employees' defined benefit obligations	8,674,000	6,552,000
Zakat payable	5,936,643	6,654,883
Less: Cash and cash equivalents	(189,275,430)	(192,106,283)
<b>Net debt</b>	<b>1,209,296,916</b>	<b>1,243,848,940</b>
Share capital	555,000,000	555,000,000
Shareholders' contributions	6,751,214	6,751,214
Statutory reserve	82,823,399	82,823,399
Retained earnings	333,209,421	245,030,498
<b>Equity</b>	<b>977,784,034</b>	<b>889,605,111</b>
<b>Capital and net debt</b>	<b>2,187,080,950</b>	<b>2,133,454,051</b>
<b>Gearing ratio</b>	<b>55.29%</b>	<b>58.30%</b>



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**37. SUBSEQUENT EVENTS**

**37.1** On 3 February 2025 (corresponding to 12 Shaban 1446H) the Board of Directors approved the acquisition of 100% shares of Al Manar Feed Company which is subject to certain closing conditions, however these were not completed until these approval date of the financial statements. The principal activity of the Company is feed production and is located in Jeddah.

**37.2** On 12 March 2025 (corresponding to 12 Ramadan 1446H), and based on the resolution of the Extraordinary General Assembly of the Parent Company held on 10 January 2024 (corresponding to 28 Jumada Al Thani 1445H), regarding the authorization given to the Board of Directors to distribute the interim dividends for the year 2024, the Board of Directors resolved and approved the distribution of the interim (half yearly) dividends to shareholders for the period of the last six months of 2024 ended on 31 December 2024 (corresponding to 30 Jumada Al Thani 1446H), with a total amount of SR 71,595,000 at SR 1.29 per share of the nominal capital. Provided that the eligibility for profit is for the shareholders who own the Company's shares at the end of trading day 7 April 2025 (corresponding to 9 Shawwal 1446H) and registered in the Company's shareholders register with the Securities Depository Center Company (Edaa) at the end of the second trading day following the eligibility date, however, the distribution date will be on 22 April 2025 (corresponding to 24 Shawwal 1446H).

**37.3** No other matter has occurred up to and including the date of the approval of these consolidated financial statements by the Board of Directors which could materially affect these consolidated financial statements and the related disclosures for the year ended 31 December 2024.

**38. RECLASSIFICATION OF COMPARATIVE FIGURES**

During the year, the management discovered that current portion of derivative financial instrument (profit rate cap) was classified as non-current asset in the comparative periods. To ensure appropriate presentation, the comparative amounts have been reclassified. This resulted in the increase in current assets and decrease in non-current assets by SR. 24.39 million for the year ended 31 December 2023.

The impact of this reclassification on 1 January 2023 (opening balances of the preceding year) was SR. 24.57 million.

**39. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements were approved and authorised for issuance by the Company's Board of Directors on 12 March 2025 (corresponding to 12 Ramadan 1446H).

  
 Tariq Mutlaq Abdullah AlMutlaq  
Chairman

  
 Abdullah Abdul-Aziz Abdullah Ababtain  
CEO


  
 Alaaeldin Mohammed Shousha  
CFO





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