THE FIRST MILLING COMPANY

(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS

For the year ended 31 December 2023

with

INDEPENDENT AUDITORS’ REPORT

THE FIRST MILLING COMPANY
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS
For the year ended 31 December 2023

Contents **Page**

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

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
مركز زهران للأعمال
شارع الأمير سلطان
ص.ب 55078
جـده 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of The First Milling Company

Opinion

We have audited the financial statements of **The First Milling Company ("the Company"),** which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) Accounting Standards 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).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the 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 financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR40,000,000 (previously known as "KPMG Al Fozan & Partners Certified Public Accountants") and a non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (40,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". و هي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarters in Riyadh is 1010425494.

Independent Auditor's Report

To the Shareholders of The First Milling Company (continued)

Revenue recognition

Refer Note 4.10 for the accounting policy relating to revenue recognition and Note 28 for the relevant disclosure.

Key audit matter

During the year ended 31 December 2023, the Company recognized total net revenue of SR 964 million (2022: SR 914 million).

Revenue from sales is recognised at point in time when control over the goods is transferred to the customer on delivery of the goods in accordance with "IFRS 15 - Revenue from contracts with customers".

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 Company's accounting policies for revenue recognition in line with the requirements of IFRS Accounting Standards that are endorsed in Kingdom of Saudi Arabia;
- Evaluated key contractual and returns arrangements by considering relevant documentation and agreements with the customers;
- Assessed the design and implementation, of the Company's controls, including anti-fraud controls, over the recognition of revenue;
- Performed variance analysis by comparing the current year's revenue with the historical trend, and discussed material variances, if any;
- Selected a sample of sales transactions taking place during the year and inspected the supporting documents to ensure they were recognized at the correct amounts;
- Recalculated and inspected discounts and rebates for a sample of customers according to their agreements;
- Inspected a 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 IFRS 15 included in the 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 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 financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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.

Independent Auditor's Report

To the Shareholders of The First Milling Company (continued)

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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")**.

Independent Auditor's Report

To the Shareholders of The First Milling Company (continued)

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

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 financial statements of the current year 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

Ebrahim Oboud Baeshen
License No. 382

Jeddah, 12 March 2024
Corresponding to 2 Ramadan 1445H

THE FIRST MILLING COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2023
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	31 December 2023	31 December 2022
Assets			
Property, plant and equipment	7	**670,765,957**	537,778,519
Right-of-use assets	8	**303,965,688**	319,617,116
Intangible assets	9.1	**5,072,978**	5,018,059
Derivative financial instruments	10	**42,706,671**	58,158,366
Goodwill	11	**1,090,669,302**	1,090,669,302
Non-current assets		**2,113,180,596**	2,011,241,362
Inventories	12.1	**148,348,323**	119,100,330
Trade receivables	13.1	**5,079,540**	6,182,342
Prepayments and other current assets	14	**12,003,623**	66,587,729
Due from related parties	38	**--**	7,912,120
Cash and cash equivalents	15	**192,106,283**	215,326,438
Current assets		**357,537,769**	415,108,959
Total assets		**2,470,718,365**	2,426,350,321
Equity and liabilities			
Equity			
Share capital	16	**555,000,000**	555,000,000
Shareholders' contributions	17	**6,751,214**	4,278,483
Merger reserve	18	**(37,554,503)**	(37,554,503)
Statutory reserve	19	**82,823,399**	60,802,576
Cash flow hedge reserve	10	**32,772,540**	46,749,353
Employees' share based payments reserve	20	**7,313,714**	--
Retained earnings		**245,030,498**	121,685,113
Total equity		**892,136,862**	750,961,022
Liabilities			
Long-term loans	23	**936,386,086**	1,006,401,558
Lease liabilities	22	**315,388,331**	326,656,872
Long-term payable	24	**30,897,915**	--
Employees' defined benefit obligations	25	**6,552,000**	4,892,000
Non-current liabilities		**1,289,224,332**	1,337,950,430
Trade and other payables		**48,925,432**	44,137,592
Accrued expenses and other liabilities	26	**74,238,203**	81,846,360
Current portion of long-term loans	23	**107,722,374**	164,272,151
Current portion lease liabilities	22	**22,701,707**	23,084,338
Current portion of long-term payable	24	**9,651,927**	--
Advances from customers	27	**18,776,505**	17,669,986
Due to related parties	38	**686,140**	261,449
Zakat payable	35.1	**6,654,883**	6,166,993
Current liabilities		**289,357,171**	337,438,869
Total liabilities		**1,578,581,503**	1,675,389,299
Total equity and liabilities		**2,470,718,365**	2,426,350,321

Tariq Mutlaq Abdullah AlMutlaq	Abdullah Abdul-Aziz Abdullah Ababtain	Manwel Adib Bou Hamdan
Chairman	CEO	CFO

The accompanying notes from 1 to 42 form an integral part of these financial statements.

THE FIRST MILLING COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	2023	2022
Revenue from contracts with customers	28	**964,261,133**	913,649,822
Cost of revenue	29	**(551,117,257)**	(515,723,784)
Gross profit		**413,143,876**	397,926,038
Selling and distribution expenses	30	**(47,755,357)**	(39,303,827)
General and administrative expenses	31	**(78,059,958)**	(102,338,998)
Expected credit loss on trade receivables	13.2	**(622,031)**	(675,593)
Gain on disposal of property, plant and equipment		**255,025**	--
Operating profit		**286,961,555**	255,607,620
Finance costs	32	**(93,688,155)**	(36,931,751)
Finance income	33	**32,743,108**	4,757,213
Other income	34	**188,528**	272,404
Profit before zakat		**226,205,036**	223,705,486
Zakat expense	35.1	**(5,996,810)**	(6,224,755)
Profit for the year		**220,208,226**	217,480,731
Other comprehensive (loss) / income			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit liability	25	**1,192,982**	(707,205)
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedge	10	**(13,976,813)**	4,229,356
Other comprehensive (loss) / income for the year		**(12,783,831)**	3,522,151
Total comprehensive income for the year		**207,424,395**	221,002,882
Earnings per share for the year attributable to shareholders of the Company (SR):			
Basic	37.1	**3.97**	24.33
Diluted	37.1	**3.95**	24.33

Tariq Mutlaq Abdullah AlMutlaq	Abdullah Abdul-Aziz Abdullah Ababtain	Manwel Adib Bou Hamdan
Chairman	CEO	CFO

The accompanying notes from 1 to 42 form an integral part of these financial statements.

THE FIRST MILLING COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	Share capital	Shareholders' contributions	Statutory reserve	Employees' share based payments reserve	Retained earnings	Merger reserve	Change in fair value of cash flow hedge	Total
As at 31 December 2022		555,000,000	4,278,483	60,802,576	--	121,685,113	(37,554,503)	46,749,353	750,961,022
Profit for the year		--	--	--	--	220,208,226	--	--	220,208,226
Other comprehensive loss for the year		--	--	--	--	1,192,982	--	(13,976,813)	(12,783,831)
Total comprehensive income for the year		--	--	--	--	221,401,208	--	(13,976,813)	207,424,395
Transfer to statutory reserve	19	--	--	22,020,823	--	(22,020,823)	--	--	--
Dividends distribution	21	--	--	--	--	(76,035,000)	--	--	(76,035,000)
Shareholders' contribution	17	--	2,472,731	--	--	--	--	--	2,472,731
Employees' share based payments plan reserve – charged to statement of profit or loss and other comprehensive income	20	--	--	--	7,313,714	--	--	--	7,313,714
As at 31 December 2023		555,000,000	6,751,214	82,823,399	7,313,714	245,030,498	(37,554,503)	32,772,540	892,136,862
As at 31 December 2021		539,236,780	--	39,054,503	--	86,902,277	--	--	665,193,560
Profit for the year		--	--	--	--	217,480,731	--	--	217,480,731
Other comprehensive income for the year		--	--	--	--	(707,205)	--	4,229,356	3,522,151
Total comprehensive income for the year		--	--	--	--	216,773,526	--	4,229,356	221,002,882
Transfer to statutory reserve	19	--	--	21,748,073	--	(21,748,073)	--	--	--
Transfer to Merger reserve	16	(534,236,780)	--	--	--	--	534,236,780	--	--
Merger Transaction	39	--	--	--	--	19,229,430	(571,791,283)	42,519,997	(510,041,856)
Dividends distribution	21	--	--	--	--	(179,472,047)	--	--	(179,472,047)
Shareholders' contribution	17	--	554,278,483	--	--	--	--	--	554,278,483
Share capital Increase	17	550,000,000	(550,000,000)	--	--	--	--	--	--
As at 31 December 2022		555,000,000	4,278,483	60,802,576	--	121,685,113	(37,554,503)	46,749,353	750,961,022

Tariq Mutlaq Abdullah AlMutlaq
Chairman

Abdullah Abdul-Aziz Abdullah Ababtain
CEO

Manwel Adib Bou Hamdan
CFO

The accompanying notes from 1 to 42 form an integral part of these financial statements.

THE FIRST MILLING COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2023
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	2023	2022
Cash flows from operating activities			
Profit before zakat		**226,205,036**	223,705,486
Adjustments:			
Depreciation of property, plant and equipment	7.3	**31,913,664**	34,738,059
Depreciation of right-of-use assets	8.1	**15,651,428**	16,282,935
Amortisation of intangible assets	9.2	**655,801**	525,546
Finance cost on lease liabilities	32	**11,468,459**	11,784,237
Finance cost on long-term loans	32	**79,452,208**	21,158,814
Finance income for the year	33	**(32,743,108)**	(4,757,213)
Amortisation of loan transaction cost	32	**2,419,488**	3,868,700
Provision for slow moving inventories	12.3	**8,363,596**	7,161,444
Spare parts adjustment		**--**	(469,704)
Finance cost on employees' defined benefit obligations	32	**348,000**	120,000
Provision for employees' defined benefit obligations	25	**3,611,000**	3,814,000
Employees' share based payments plan expense	20	**7,313,714**	--
Expected credit loss on trade receivables	13.2	**622,031**	675,593
(Gain)/loss on disposal of property, plant and equipment		**(255,025)**	2,514,907
		355,026,292	321,122,804
Changes in working capital:			
Inventories		**(37,611,589)**	(5,425,898)
Trade receivables		**480,771**	(4,481,976)
Prepayments and other current assets		**53,891,772**	(41,424,984)
Due from related parties		**10,384,851**	(3,633,637)
Trade and other payables		**4,787,840**	(16,600,838)
Accrued expenses and other liabilities		**(26,884,680)**	37,728,227
Advance from customers		**1,106,519**	(4,825,803)
Due to related parties		**424,691**	261,449
Cash generated from operating activities		**361,606,467**	282,719,344
Employees' defined benefit obligations paid	25	**(1,106,018)**	(447,205)
Finance cost paid		**(70,534,310)**	(48,921,392)
Finance income received		**33,435,442**	3,929,067
Zakat paid	35.1	**(5,508,920)**	(4,801,462)
Net cash from operating activities		**317,892,661**	232,478,352
Cash flows from investing activities			
Additions to property, plant and equipment	7	**(119,143,778)**	(37,070,795)
Additions to intangible assets	9.1	**(710,720)**	(1,210,291)
Proceeds from disposal of property, plant and equipment		**454,474**	1,182,824
Net cash used in investing activities		**(119,400,024)**	(37,098,262)
Cash flows from financing activities			
Dividends paid	21	**(76,035,000)**	(179,472,047)
Capital contribution		**--**	550,000,000
Loan repaid	23	**(128,984,737)**	(577,101,727)
Capital repayment of lease liabilities	22	**(11,286,124)**	(12,506,380)
Payment of long-term liability		**(5,406,931)**	--
Net cash used in financing activities		**(221,712,792)**	(219,080,154)
Net change in cash and cash equivalents during the year		**(23,220,155)**	(23,700,064)
Cash transferred from the merger transaction	39	**--**	81,541,989
Cash and cash equivalents as at the beginning of the year		**215,326,438**	157,484,513
Cash and cash equivalents at the end of the year		**192,106,283**	215,326,438
Significant non-cash transactions:			
Investing activities			
Additions to property, plant and equipment	7	**45,956,773**	--
Financing activities			
Long-term payable	24	**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	Manwel Adib Bou Hamdan CFO

The accompanying notes from 1 to 42 form an integral part of these financial statements.

1. COMPANY INFORMATION

The First Milling Company (the "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's licensed activities include 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 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 Public Investment Fund, 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).

The Company 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.

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 Public Investment Fund 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 has 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 2022 (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 2022 (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.

1. COMPANY INFORMATION (continued)

The Company and the Parent Company have satisfied the required regulatory approvals and the Merger conditions agreed between the two companies in the Merger agreement. The legal formality has been completed and the amended By-Law and commercial registration were issued on 6 November 2022 (corresponding to 12 Rabi Al Thani 1444H).

The members of the Extraordinary General Assembly have 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 registered address of the Company is as follows:

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

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

Branch Location	Date	Commercial Registration No.
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 financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and other standards and pronouncements that are endorsed in the Kingdom of Saudi Arabia issued by the Saudi Organization for Chartered and professional Accountants ("SOCPA") collectively referred to as "IFRS Accounting Standards" as endorsed in the Kingdom of Saudi Arabia.

2.2 Basis of measurement

These 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 instruments which are recognised at fair value through other comprehensive income.

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

2.3 Functional and presentation currency

These 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Company's 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 Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

The Company'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 - Company as lessee

The Company determines the term of the lease as non-cancellable in any periods covered by the option to terminate the lease if the Company is certain of the reasonableness of exercising that option.

The Company has several lease contracts that include termination options. The Company decides through its evaluation of the lease whether it is reasonable to exercise the option to terminate the lease. This means that the Company considers all relevant factors that constitute an economic incentive to exercise the option to terminate the lease. After the lease commencement date, the Company reassesses the lease term if there is an event or change in circumstances within the Company's control that affects the Company'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 Leases - Estimating the incremental borrowing rate

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

3.4 Provision for slow moving and obsolete inventory items

The management makes a provision for slow moving and obsolete inventory items. 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.5 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.

3.6 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 Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

3.7 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 Company and is derived from recent market transactions and a market yields overview.

3.8 Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on going concern basis.

4. MATERIAL ACCOUNTING POLICIES

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

In addition, the Company adopted the Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material' rather than 'significant' accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in certain instances.

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 Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss and other comprehensive income as incurred. The present value of the expected cost for the decommissioning (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:

Categories	Useful lives	Categories	Useful lives
Buildings	shorter of the useful life and lease term	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 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.

4. MATERIAL ACCOUNTING POLICIES (continued)

4.2 Leases

4.2.1 Right-of-use assets

The Company 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 Company 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 Company 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 Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are 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 Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

4.3 Goodwill

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

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

4. MATERIAL ACCOUNTING POLICIES (continued)

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.

4.4.1 Financial Assets

The Company's financial assets comprise of cash and cash equivalents, trade and other receivables, margin against letter of credits and guarantees and due from related parties.

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

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

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 Company 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 receivable and other current financial assets

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

Due from related parties

Amounts due from related parties are measured at amortized cost.

4. MATERIAL ACCOUNTING POLICIES (continued)

4.4 Financial instruments (continued)

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 company 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 Company's financial liabilities include trade payables, certain accrued expenses and other current liabilities, loans, lease liabilities and due to related parties. At 31 December 2023, all the Company's financial liabilities are classified at amortised cost.

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 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 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 instruments and hedge accounting

Derivative financial instruments including interest rate swaps and profit rate cap are measured at fair value and these are designated as cash flow hedge. For the purpose of hedge accounting, these hedging instruments are classified as cash flow hedge.

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

Hedge accounting

The Company 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 Company applies hedge accounting for transactions that meet specific criteria. The Company is applying the hedge accounting as per the requirements of IFRS 9 for its derivatives.

4. MATERIAL ACCOUNTING POLICIES (continued)

4.5 Derivative financial instruments and hedge accounting (continued)

Hedge accounting (continued)

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 Company 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.

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 Company also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the 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 Company 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 Company 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. MATERIAL ACCOUNTING POLICIES (continued)

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. Finished goods are stated at cost or net realizable value, whichever is lower with provision for any obsolete or slow-moving goods. 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.
Wheat	Weighted average of SR 180 per metric ton (Note 1).
Goods of production inputs, goods of production services and others	Weighted average

4.7 Cash and cash equivalents

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

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

4.8 Employees' defined benefit obligations

Defined benefit plans

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

4. MATERIAL ACCOUNTING POLICIES (continued)

4.8 Employees' defined benefit obligations (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 Company recognizes related restructuring costs.

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

The Company 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 cost" in the statement of profit or loss and other comprehensive income.

Share based payment plan

The Company maintains an equity-settled share based payment plan for its key management. The grant-date fair value of such share based payment 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 Company will acquire 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 Company passes to the employees, the unallocated / non-vested shares will be treated as treasury shares.

4.9 Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are 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.

4. MATERIAL ACCOUNTING POLICIES (continued)

4.9 Impairment of non-financial assets (continued)

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

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

4.10 Revenue from contracts with customers

The Company 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 Company expects to be entitled to in exchange for those goods or services.

Under IFRS 15 Revenue from Contracts with Customers, the Company 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 Company has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

4.11 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 statement of profit or loss and other comprehensive income.

4.12 Operating profit

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

4.13 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. MATERIAL ACCOUNTING POLICIES (continued)

4.14 Finance costs

Finance costs comprises of finance cost on loans, amortisation of loan transaction cost, finance cost on lease liabilities, interest cost on employees' defined benefit obligations and financing charges as and when incurred by the Company.

5. NEW STANDARDS, INTERPRETATION AND AMENDMENTS

5.1 New standards, interpretations and amendments adopted

Several amendments and interpretations apply for the first time in 2023, which are effective for annual periods beginning on or after 1 January 2023 which do not have a material effect on these financial statements except for amendments to IAS 1 "Disclosure of Accounting Policies" the effect of which have been reflected in these financial statements.

Standards, amendments, interpretations	***Description***	***Effective from periods beginning on or after the following date***
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	1 January 2023
Amendment to IAS 12-deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	1 January 2023
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	1 January 2023
International tax reform – pillar two model rules – amendments to IAS 12	The amendments introduce a relief from deferred tax accounting for the global minimum top-up tax under Pillar Two, which applies immediately, and new disclosure requirements, which apply from 31 December 2023. No disclosures are required in interim periods ending on or before 31 December 2023.	23 May 2023

5. NEW STANDARDS, INTERPRETATION AND AMENDMENTS (continued)

5.2 New 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 financial statements are disclosed below. The Company intends to adopt these standards, where applicable, when they become effective.

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

Standard / Interpretation	***Description***	***Effective from periods beginning on or after the following date***
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. Note that the IASB has issued a new exposure draft proposing change to this amendment.	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to IFRS 16	Lease liability in a sale and leaseback	1 January 2024
IFRS S1	General requirements for disclosure of sustainability related financial information	1 January 2024
IFRS S2	Climate related disclosures	1 January 2024
Amendments to IAS 21	Lack of exchangeability	1 January 2025
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 standards, interpretations and amendments with effective date of 1 January 2024 and after will not have any material impact on the Company's financial statements, whereas for other above-mentioned standards, interpretations and amendments, the Company is currently assessing the implications on the Company's financial statements on adoption.

6. SEGMENT INFORMATION

The Company 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 Company managed them separately.

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 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 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)**
Employee benefits	**(28,741,903)**	**(21,796,624)**	**(13,407,236)**	**(13,462,396)**	**(77,408,159)**
Depreciation	**(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)**
Financing 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**

For the year ended 31 December 2022	Jeddah	Qassim	Tabuk	Al Ahsa	Total segments
Total revenue	401,186,785	299,317,267	106,474,009	106,671,761	913,649,822
Cost of inventories	(144,464,025)	(137,587,232)	(31,254,872)	(30,937,119)	(344,243,248)
Employee benefits	(29,941,828)	(24,164,250)	(14,848,961)	(15,216,542)	(84,171,581)
Depreciation	(26,198,863)	(5,481,363)	(3,910,087)	(14,601,878)	(50,192,191)
Other expenses	(37,417,218)	(23,136,277)	(9,913,931)	(9,996,119)	(80,463,545)
Financing costs	(7,676,071)	(2,073,682)	(137,380)	(1,852,796)	(11,739,929)
Other income	113,213	39,521	10,298	5,370	168,402
Segment profit	155,601,993	106,913,984	46,419,076	34,072,677	343,007,730

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. SEGMENT INFORMATION (continued)

At 31 December 2022	Jeddah	Qassim	Tabuk	Al Ahsa	Total segments
Total assets	460,043,830	141,712,043	96,914,796	307,088,466	1,005,759,135
Total liabilities	286,525,568	93,298,166	18,342,829	75,166,253	473,332,816
Other disclosures:					
Property, Plant and Equipment with Right-of-use assets	352,535,838	104,243,982	77,657,279	292,032,606	826,469,705
Inventories	55,207,463	39,942,223	12,031,395	11,919,249	119,100,330
Intangible assets	31,968	1,201,870	25,537	5,574	1,264,949

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

Profit before tax

	31 December 2023	31 December 2022
Total profit before tax for reportable segments	**369,489,209**	343,007,730
Unallocated amounts		
Employee benefits expenses	**(57,358,844)**	(49,581,836)
Depreciation	**(2,361,898)**	(1,354,349)
Other expenses	**(33,405,757)**	(47,359,859)
Financing costs	**(82,278,751)**	(25,191,822)
Other income	**--**	104,002
Finance income	**32,743,108**	4,757,213
Expected credit loss on trade receivables	**(622,031)**	(675,593)
	226,205,036	223,705,486

i) Total assets

	31 December 2023	31 December 2022
Total assets for reportable segments	**1,141,876,018**	1,005,759,135
Unallocated amounts	**1,328,842,347**	1,420,591,186
	2,470,718,365	2,426,350,321

ii) Total liabilities

	31 December 2023	31 December 2022
Total liabilities for reportable segments	**503,610,809**	473,332,816
Unallocated amounts	**1,074,970,694**	1,202,056,483
	1,578,581,503	1,675,389,299

All revenue is generated from external customers. Revenue from one customer of the Company's Jeddah and Qassim segments represented approximately SR 185.34 million (2022: SR 156.61 million) which represents 18.08% (2022: 17.14%) of the Company's total revenues.

7. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and equipment	Furniture and fittings	Computer equipment	Motor vehicles	Projects under progress	Total
Cost							
At 31 December 2021	238,238,921	354,220,158	4,701,831	4,516,832	8,071,894	27,254,382	637,004,018
Additions during the year	4,618,373	3,450,097	103,928	412,157	--	28,486,240	37,070,795
Disposals during the year	(2,650,859)	(3,911,822)	(795,420)	(458,486)	(76,000)	--	(7,892,587)
Transfers during the year	12,260,731	11,257,552	--	120,050	--	(23,638,333)	--
Merger transaction (note 38)	128,504,839	(107,386,587)	(1,774,289)	(760,792)	393,005	--	18,976,176
At 31 December 2022	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
Accumulated depreciation							
At 31 December 2021	34,045,231	76,186,498	2,383,351	1,935,853	2,669,747	--	117,220,680
Charge for the year	17,707,240	14,551,763	262,042	594,427	1,622,587	--	34,738,059
Disposals during the year	(479,514)	(2,790,045)	(794,651)	(438,646)	(76,000)	--	(4,578,856)
At 31 December 2022	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
Net book value							
At 31 December 2022	329,699,048	169,681,182	385,308	1,738,127	4,172,565	32,102,289	537,778,519
At 31 December 2023	**323,324,602**	**281,960,289**	**317,046**	**1,455,843**	**6,576,212**	**57,131,965**	**670,765,957**

7.1 The buildings are built on land leased from the GFSA with an annual rental of SR 6,243,008. 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.

7. PROPERTY, PLANT AND EQUIPMENT (continued)

7.2 As at 31 December 2023, projects under progress mainly consists of the following projects:

i) Rehabilitation project of alarm and firefighting systems in Jeddah

ii) Sifter upgrade in Qassim

iii) Renovation works in Jeddah

Capital commitments relating to these projects amount to SR 105.25 million (31 December 2022: SR 90.32 million)

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

	2023	2022
Cost of revenue (Note 29)	**26,643,134**	30,506,217
General and administrative expenses (Note 31)	**3,913,731**	3,355,054
Selling and distribution expenses (Note 30)	**1,356,799**	876,788
	31,913,664	34,738,059

7.4 The following projects have been completed during the year:

i) Premix plant for Jeddah
ii) Pesa Mill Integration in Mill D Jeddah
iii) C Mill in Jeddah
iv) Durum Mill in Jeddah

8. RIGHT-OF-USE ASSETS

The Company 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 Rabee 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 Company is restricted from entering into any sub-lease arrangements.

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

8. RIGHT-OF-USE ASSETS (continued)

	Silos	Lands	Buildings and warehouses	Equipment	Total
Cost					
As at 31 December 2021	262,147,500	110,595,477	17,024,777	1,561,840	391,329,594
Additions during the year	--	--	2,242,538	--	2,242,538
At 31 December 2022	**262,147,500**	**110,595,477**	**19,267,315**	**1,561,840**	**393,572,132**
Additions during the year	**--**	**--**	**--**	**--**	**--**
At 31 December 2023	**262,147,500**	**110,595,477**	**19,267,315**	**1,561,840**	**393,572,132**
Accumulated depreciation					
At 31 December 2021	42,430,771	10,139,283	5,096,281	5,746	57,672,081
Charge for the year	9,434,360	4,815,960	1,455,001	577,614	16,282,935
As at 31 December 2022	**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**
At 31 December 2023	**61,416,283**	**19,309,907**	**7,720,852**	**1,159,402**	**89,606,444**
Net book Value					
At 31 December 2022	210,282,369	95,640,234	12,716,033	978,480	319,617,116
At 31 December 2023	**200,731,217**	**91,285,570**	**11,546,463**	**402,438**	**303,965,688**

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

	2023	2022
Cost of revenue (Note 29)	**15,002,952**	15,819,555
General and administrative expenses (Note 31)	**604,929**	419,779
Selling and distribution expenses (Note 30)	**43,547**	43,601
	15,651,428	16,282,935

9. INTANGIBLE ASSETS

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

	Computer software	Projects under progress	Total
Cost:			
At 31 December 2021	**4,977,473**	**--**	**4,977,473**
Additions during the year	294,718	915,573	1,210,291
Transfers during the year	915,573	(915,573)	--
At 31 December 2022	**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**
Accumulated amortization:			
At 31 December 2021	**644,159**	**--**	**644,159**
Charge for the year	525,546	--	525,546
At 31 December 2022	**1,169,705**	**--**	**1,169,705**
Charge for the year	**655,801**	**--**	**655,801**
At 31 December 2023	**1,825,506**	**--**	**1,825,506**
Net book value			
At 31 December 2022	5,018,059	--	5,018,059
At 31 December 2023	**5,072,978**	**--**	**5,072,978**

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

	2023	2022
Cost of revenue (Note 29)	**117,733**	29,433
General and administrative expenses (Note 31)	**525,504**	493,574
Selling and distribution expenses (Note 30)	**12,564**	2,539
	655,801	525,546

10. DERIVATIVE FINANCIAL INSTRUMENTS

To hedge the variability in interest rate on Term Murabaha facility, the Company entered into a profit rate cap agreement with Gulf International Bank.

The profit rate cap agreement requires the Company to pay floating rate interest payment of SAIBOR until it reaches to 2%, post which the Company will pay only the cap rate of 2% in addition to the pre-determined margin. The maturity date of the agreements is 29 March 2026.

10. DERIVATIVE FINANCIAL INSTRUMENTS (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:

Profit Rate Cap	**31 December 2023**	31 December 2022
Notional amount	**733,005,455**	753,830,267
Positive fair value	**42,706,671**	58,158,366

The hedge has been assessed to be effective and as at 31 December 2023, net un-realised loss of SR 13.98 million (31 December 2022: un-realised gain of SR 4.23 million) has been included in the statement of profit or loss and other comprehensive income.

The amount of SR 32.77 million shown as cash flow hedging reserve in the statement of financial position as at 31 December 2023 is expected to affect the profit or loss in forthcoming years.

At 31 December 2023, the Company held the profit rate cap to hedge exposures to changes in interest rate. 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 2022	25,687,756	37,442,995	63,130,751
31 December 2023	**25,301,757**	**20,115,682**	**45,417,439**

11. 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 has been 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.

11. GOODWILL (continued)

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

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

Goodwill is assessed for impairment at Company level and is not allocated to different business units. The Company has performed its impairment test for goodwill on 31 December 2023.

The recoverable amount of the Company of SR 3,904 million as at 31 December 2023 has been determined based on a value-in-use calculation using cash flow projections from financial budgets reviewed by senior management covering a five-year period. The pre-zakat discount rate applied to cash flow projections is 11.11%. As at 31 December 2023, the value-in-use of the CGUs was higher than the net assets value of the Company, indicating no impairment of goodwill.

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

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

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% variance in growth rate in gross margins will increase or decrease the recoverable amount by SR 130.33 million.

11. 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 Company 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 Company's investors from a market participant's view. The cost of debt is based on the market participant's view based on the Company'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 29.05% (i.e., +17.94%) 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% variance in growth rate in revenue will increase or decrease the recoverable amount by SR 123.33 million.

Growth rates used to extrapolate cash flows beyond the forecast period

Rates are based on the market growth and the projection of the Company for coming years. The Company has assumed a 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 359.53 million and 1% decrease in TVGR will decrease the recoverable amount by SR 288.39 million.

As management does not expect new entrant in market in the coming 10 years, management build the growth plan based on the value creation plan focusing on key enablers to gain market share in retails segment while expanding the base by on-boarding new industrial consumer.

12. INVENTORIES

12.1 Inventories comprise of the following:

	31 December 2023	31 December 2022
Spare parts	**77,091,003**	78,002,513
Raw materials	**59,959,665**	32,598,201
Finished goods	**13,445,109**	23,684,834
Goods in transit	**21,585,823**	141,218
Others	**658,733**	701,978
Less: allowance for slow moving inventories of spare parts and raw materials	**(24,392,010)**	(16,028,414)
	148,348,323	119,100,330

12.2 During the year ended 31 December 2023, the Company has provided for the slow-moving inventories of spare parts and raw materials amounting SR 8.36 million (31 December 2022: SR 7.16 million). The amount is included in the cost of revenue.

12. INVENTORIES (continued)

12.3 Movement on provision for slow moving inventories of spare parts and raw materials during the year is as follows:

	31 December 2023	31 December 2022
At the beginning of the year	**16,028,414**	33,701,417
Provision during the year	**8,363,596**	7,161,444
Written-off during the year	**--**	(24,834,447)
At end of the year	**24,392,010**	16,028,414

12.4 No write-off of inventories has been made during the year ended 31 December 2023. The Company had written off the slow-moving inventories of spare parts and raw materials amounting to SR 21.39 million, finished goods amounting to SR 0.69 million and raw materials including packing materials amounting to SR 2.76 million during the year ended 31 December 2022.

13. TRADE RECEIVABLES

13.1 Trade receivables comprise of the following:

	31 December 2023	31 December 2022
Trade receivables	**6,377,164**	6,857,935
Allowance for expected credit loss on trade receivables	**(1,297,624)**	(675,593)
	5,079,540	6,182,342

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

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

	31 December 2023	31 December 2022
At the beginning of the year	**675,593**	882,428
Provision during the year	**622,031**	675,593
Written-off during the year	**--**	(882,428)
At the end of the year (note 13.3)	**1,297,624**	675,593

13.3 The provision of SR 1.29 includes specific provision of SR 1.00 million for one of its customer that represents 50% of the balance outstanding at the reporting date.

14. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2023	31 December 2022
Advances to contractors	**1,905,431**	8,283,545
Other receivables	**187,205**	2,819
Prepayments (note 14.1)	**4,092,838**	5,139,777
Letters of guarantee and letter of credit (note 36)	**5,632,337**	52,333,442
Accrued interest	**135,812**	828,146
Security deposits	**50,000**	--
	12,003,623	66,587,729

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

15. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash at banks	**192,106,283**	135,326,438
Short-term deposits	**--**	80,000,000
	192,106,283	215,326,438

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.

16. SHARE CAPITAL

The authorized, issued and fully paid-up share capital of the Company as at 31 December 2023 amounted to SR 555,000,000 (31 December 2022: SR 555,000,000) consists of 55,500,000 shares (31 December 2022: 55,500,000 shares) at SR 10 each share.

The Company's Board of Directors has proposed to decrease the share capital on 24 January 2022 (corresponding to 21 Jumada al-Thani 1443H) from SR 539,236,780 to SR 5,000,000 which was approved by the members of the Extraordinary General Assembly on 17 February 2022 (corresponding to 16 Rajab 1443H).

The Company completed the legal procedures of share capital reduction, and the commercial register and the amended by-laws were issued on 15 May 2022 (corresponding to 14 Shawwal 1443H) and 12 May 2022 (corresponding to 11 Shawwal 1443H) respectively.

The Company's Board of Directors has proposed to increase the share capital on 3 October 2022 (corresponding to 7 Rabi Al Awal 1444H) from SR 5,000,000 to SR 555,000,000 which was approved by the members of the Extraordinary General Assembly on 6 October 2022 (corresponding to 10 Rabi Al Awal 1444H) from the additional shareholders' contributions account (note 17).

The Company completed the legal procedures of increase in share capital and the commercial register and the amended by-laws were issued on 6 November 2022 (corresponding to 12 Rabi Al Thani 1444H).

17. SHAREHOLDERS' CONTRIBUTIONS

The amount of SR 6,751,214 (31 December 2022: SR 4,278,483) represents the Company's share of IPO costs that has been collected from the shareholders.

The amount of SR 550,000,000 was the cash contributed by the shareholders through bank transfer on 29 September 2022 (corresponding to 3 Rabi Al Awal 1444H). The amount has been transferred to the share capital after the Company has completed the legal procedures for increase in its share capital on 6 November 2022 (corresponding to 12 Rabi Al Thani 1444H).

18. MERGER RESERVE

On 17 February 2022 (corresponding to 16 Rajab 1443H) the shareholder of the Company through the Extraordinary General Assembly approved to decrease the Company's capital from SR 539,236,780 to SR 5,000,000 by share cancellations and maintain the capital amount reduced of SR 534,236,780 as a reserve to facilitate the merger transaction that was completed on 15 September 2022 (corresponding to 19 Safar 1444H).

The balance of SR 37,554,503 merger reserve on 31 December 2023 and 31 December 2022 shows the difference between the amount of share capital reduced to facilitate the merger transaction and net assets of the Parent Company recognised in the Company. (note 39)

19. STATUTORY RESERVE

In accordance with the By-laws of the Company, the Company transfers 10% of its net income each year as a statutory reserve until such reserve reaches 30% of the share capital. The Management is intending to transfer statutory reserve to the reserves to be maintained as required by the updated By-laws of the Company. (note 41.1)

20. EMPLOYEES' SHARE BASED PAYMENTS RESERVE

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

Nature of plan	Equity based long term bonus plan
Grant date	10 January 2024
Maturity date	31 December 2025
Vesting period	3 years (2023 – 2025)
Method of settlement	Equity-settled transaction
Fair value per share on grant date	SR 75.1

The shareholders of the 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.

20. EMPLOYEES' SHARE BASED PAYMENTS RESERVE (continued)

The grant date has been determined as the date of approval of the scheme from shareholders of the Company. The provision has been recognized in the financial statements of the Company based on the fair value of shares as on the reporting date based on the services provided by the employees for the year ended 31 December 2023.

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

Total amount of expense recognized in the statement of profit or loss and other comprehensive income during the year ended 31 December 2023 in respect of this scheme is SR 7.31 million (2022: NIL) for 292,159 shares granted during the year at a weighted average price of SR 75.1 per share.

21. DIVIDENDS

21.1 On 27 July 2023, the Board of Directors of the Company, as authorised 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.

21.2 On 3 March 2022, the Shareholder of the Company on recommendation of the Company's Board of Directors approved the distribution of the Company's net profit after taxes, Zakat and the statutory reserve for the financial period 1 October 2021 to 31 December 2021 of the fiscal year 2021 of SR 0.56 per share amounting to SR 30,000,000. The dividends were paid on 15 March 2022.

21.3 On 15 March 2022, the Shareholder of the Company on recommendation of the Company's Board of Directors approved the distribution of the interim dividends of SR 0.22 per share amounting to SR 11,932,210. The dividends were paid on 22 March 2022.

21.4 On 12 June 2022, the Board of Directors of the Company as authorised by the revised by-laws of the Company approved the distribution of the Company's net profit after taxes, Zakat and the statutory reserve for the financial period 1 April 2022 to 30 June 2022 of the fiscal year 2022 as interim dividends of SR 85.08 per share amounting to SR 42,539,836. The dividends were paid on 22 June 2022.

21.5 On 21 November 2022, the Board of Directors of the Company as authorised by the revised by-laws of the Company approved the distribution of the Company's net profit after taxes, zakat and the statutory reserve for the fiscal year 2021 as dividends of SR 0.51 per share amounting to SR 28,147,290 and for the financial period 1 January 2022 to 30 June 2022 of the fiscal year 2022 as interim dividends of SR 85.08 per share amounting to SR 66,852,711. The dividends were paid on 14 December 2022 and 15 December 2022.

22. LEASE LIABILITIES

22.1 Movement in lease liabilities during the year is as follows:

	31 December 2023	31 December 2022
At the beginning of the year	**349,741,210**	358,722,055
Additions during the year	**--**	2,242,538
Finance charges on lease liabilities	**11,468,459**	11,784,237
Capital repayment of lease liabilities	**(11,286,124)**	(12,506,380)
Finance cost paid on lease	**(11,833,507)**	(10,501,240)
At the end of the year	**338,090,038**	349,741,210
Current portion	**22,701,707**	23,084,338
Non – Current portion	**315,388,331**	326,656,872
	338,090,038	349,741,210

22.2 Amounts recognised in profit or loss

	2023	2022
Finance cost on lease liabilities	**11,468,459**	11,784,237
Expenses relating to short-term leases and low-value assets	**2,157,552**	1,160,559

22.3 Amounts recognised in statement of cash flows

	2023	2022
Capital repayment of lease liabilities	**11,286,124**	12,506,380
Finance cost paid on lease	**11,833,507**	10,501,240
Payments for short-term leases	**1,181,510**	1,167,771
	24,301,141	24,175,391

23. LONG-TERM LOANS

Long term loans have been transferred as a result of merger transaction.

	31 December 2023	31 December 2022
Term Murabaha facility	**1,059,449,501**	1,188,434,238
Less: unamortised loan transaction cost	**(15,341,041)**	(17,760,529)
	1,044,108,460	1,170,673,709
Current portion	**107,722,374**	164,272,151
Non-current portion	**936,386,086**	1,006,401,558
	1,044,108,460	1,170,673,709

23. LONG-TERM LOANS (continued)

Term Murabaha facility with Alinma Bank amounted to SR 1,371,000,000 of which the Company has utilised SR 1,300,000,000 as of 31 December 2022. This facility is secured by promissory notes, pledge over certain assets and shares of the Company of which the pledge over a certain bank account and all shares of the Company has been 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.

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

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

Movement in loan balance as on 31 December 2022 is as follows:

	Murabaha Equity Bridge Loan	Term Murabaha Facility	Total
At the beginning of the year	--	--	--
Transferred as a result of merger transaction	550,000,000	1,215,535,965	1,765,535,965
Paid during the period	(550,000,000)	(27,101,727)	(577,101,727)
At the end of the year	--	1,188,434,238	1,188,434,238

Maturity analysis - contractual cash flows

	31 December 2023	31 December 2022
Within one year	**209,190,617**	232,857,509
One to five year	**539,830,927**	538,024,887
More than five year	**867,942,362**	964,609,001
	1,616,963,906	1,735,491,397

24. LONG-TERM PAYABLE

	31 December 2023	31 December 2022
Current portion	**9,651,927**	--
Non-current portion	**30,897,915**	--
	40,549,842	--

24. LONG-TERM PAYABLE (continued)

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.

Maturity analysis - contractual undiscounted cash flow

	31 December 2023	31 December 2022
Within one year	**10,813,862**	--
One to five years	**37,848,517**	--
	48,662,379	--

25. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS

	31 December 2023	31 December 2022
Present value of defined benefit obligation	**6,552,000**	4,892,000

ACTUARIAL ASSUMPTIONS

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

	31 December 2023	31 December 2022
Discount rate	**4.80%**	4.20%
Salary increase rate	**2.00%**	5.00%
Mortality Table	**Saudi Life Table**	Saudi Life Table
Employee turnover (withdrawal) rate	**1%-25%**	1%-25%
Expected retirement age	**60 Years**	60 Years

At 31 December 2023, the weighted-average duration of the defined benefit obligation was 4 years (2022: 5 years).

AMOUNT CHARGED TO PROFIT OR LOSS

	2023	2022
Service cost	**3,947,000**	3,814,000
Gain on settlement	**(336,000)**	--
Net interest amount charged on the net defined benefit liability	**348,000**	120,000
The total amount charged to profit or loss	**3,959,000**	3,934,000

25. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS (continued)

AMOUNT CHARGED TO OTHER COMPREHENSIVE INCOME

	2023	2022
(Gain) / loss resulting from the change in financial assumptions	**(1,163,000)**	(47,000)
(Gain) / loss resulting from experience adjustments	**(29,982)**	--
(Gain) / loss resulting from the change in demographic assumptions	**--**	754,205
Actuarial (gain) / loss	**(1,192,982)**	707,205

NET DEFINED BENEFIT OBLIGATION

	31 December 2023	31 December 2022
Net defined benefit obligation at the beginning of the year	**4,892,000**	698,000
Service cost	**3,611,000**	3,814,000
Interest expense	**348,000**	120,000
Paid during the year	**(1,106,018)**	(447,205)
Remeasurement of the net defined benefit liability	**(1,192,982)**	707,205
Present value of the defined benefit obligation at the end of the year	**6,552,000**	4,892,000

The Company expects to pay SR 1,777,000 out of defined benefit plans in 2024.

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

		Increase / (decrease) in present value of the defined benefit obligation	
	Original	%	Amount (SR)
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

25. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS (continued)

The sensitivity of the defined benefit obligation to charges in the weighted principal assumptions 31 December 2022 is:

	Original	Increase / (decrease) in present value of the defined benefit obligation %	Amount (SR)
Discount rate	4,892,000	+ 1%	4,673,000
		- 1%	5,144,000
Salary increase rate	4,892,000	+ 1%	5,139,000
		- 1%	4,673,000
Employee turnover rate	4,892,000	+1%	4,862,000
		- 1%	4,928,000

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

	31 December 2023	31 December 2022
Current portion	**1,735,419**	1,347,250
Between 1 and 2 years	**1,153,307**	831,980
Between 2 and 5 years	**1,871,917**	1,261,923
Beyond 5 years	**1,791,357**	1,450,847
	6,552,000	4,892,000

26. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2023	31 December 2022
Accrued expenses (note 26.1)	**51,253,190**	72,509,866
VAT Payable	**2,767,551**	6,476,795
Other payables	**921,128**	2,859,699
Finance cost payable	**19,276,523**	--
Dividends payable	**19,811**	--
	74,238,203	81,846,360

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

27. ADVANCES FROM CUSTOMERS

The advances from customers primarily relate to the advance consideration received from customers for the sale of goods. The amount of SR 17.66 million included in advances from customers at 31 December 2022 has been recognised as revenue in 2023 (2022: SR 22.49 million). The Company is expecting to recognise this amount as revenue in 2024.

28. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2023	2022
Sale of goods	**964,261,133**	913,649,822

28.1 Disaggregation of revenue

Revenue is disaggregated by type of goods as shown below:

	2023	2022
Type of goods		
Flour	**552,903,730**	507,425,512
Feed	**271,048,847**	273,671,399
Bran	**140,308,556**	132,552,911
	964,261,133	913,649,822

Timing of revenue recognition

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

29. COST OF REVENUE

Cost of revenue comprises the following:

	2023	2022
Raw materials consumed	**371,276,532**	359,739,764
Salaries and other benefits	**66,182,792**	65,413,312
Fuel and power	**22,559,691**	25,379,908
Depreciation of property, plant and equipment (note 7.3)	**26,643,134**	30,506,217
Depreciation of right-of-use assets (note 8.1)	**15,002,952**	15,819,555
Other expenses (note 29.1)	**14,914,892**	13,047,643
Transmission and distribution	**5,747,543**	8,591,475
Provision for slow moving inventories of spare parts and raw materials	**8,363,596**	6,003,237
Maintenance	**6,327,788**	4,361,917
Professional and consulting fees	**1,583,327**	1,442,541
Short-term lease rental (note 8)	**2,157,552**	885,298
Amortization of intangible assets (note 9.2)	**117,733**	29,433
	540,877,532	531,220,300
Finished goods inventory at the beginning of the year	**23,684,834**	8,188,318
Finished goods available for sale during the year	**564,562,366**	539,408,618
Finished goods inventory at the end of the year	**(13,445,109)**	(23,684,834)
	551,117,257	515,723,784

29.1 Other expenses include insurance expense and other operating expenses for the period.

30. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses comprise the following:

	2023	2022
Advertising and marketing	**15,780,173**	13,786,415
Salaries and other benefits	**19,257,195**	13,455,363
Transmission and distribution	**9,802,073**	9,587,749
Other expenses	**1,142,976**	907,501
Depreciation of property, plant and equipment (note 7.3)	**1,356,799**	876,788
Short-term lease rental (note 8)	**--**	275,261
Fuel and power	**187,026**	252,519
Material and supplies	**172,901**	58,116
Professional and consulting fees	**103**	57,975
Depreciation of right-of-use assets (note 8.1)	**43,547**	43,601
Amortization of Intangible assets (note 9.2)	**12,564**	2,539
	47,755,357	39,303,827

31. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise the following:

	2023	2022
Salaries and other benefits	**46,242,016**	52,039,742
Other expenses (note 31.1)	**12,332,943**	23,252,747
Professional and consulting fees	**7,511,688**	13,312,495
Initial public offering (IPO) costs (note 31.2)	**2,472,731**	4,278,483
Depreciation of property, plant and equipment (note 7.3)	**3,913,731**	3,355,054
Board and committees' expenses, rewards and allowances (note 38)	**3,085,000**	2,845,000
Fuel and power	**552,092**	1,088,004
Material and supplies	**490,609**	900,725
Amortization of intangible assets (note 9.2)	**525,504**	493,574
Depreciation of right-of-use assets (note 8.1)	**604,929**	419,779
Maintenance	**328,715**	344,328
Transmission and distribution	**--**	9,067
	78,059,958	102,338,998

31.1 Other expenses include loss on disposal of property, plant and equipment, fines and penalties, transportation, accommodation, insurance and other operating expenses for the period.

31. GENERAL AND ADMINISTRATIVE EXPENSES (continued)

31.2 Initial public offering (IPO) costs are the costs incurred by the Company for listing of existing shares of the Company. These costs are charged to the profit or loss as and when these are incurred. These are fully recoverable from the shareholders provided that these costs are deducted from the offering proceeds as per the undertaking signed and submitted to the CMA by the shareholders on 8 December 2022, corresponding to 14 Jumada Al Awal 1444H (note 1). The Company has been successfully listed on the Saudi Exchange on 22 June 2023 corresponding to 4 Dhul Hijjah 1444H and the IPO costs have been fully recovered from the shareholders accordingly.

32. FINANCE COSTS

Finance costs comprise the following:

	2023	2022
Finance cost on lease liabilities	**11,468,459**	11,784,237
Finance cost on long-term loans	**79,452,208**	21,158,814
Amortisation of loan transaction cost	**2,419,488**	3,868,700
Finance cost on employees' defined benefit obligations	**348,000**	120,000
	93,688,155	36,931,751

33. FINANCE INCOME

	2023	2022
Finance income on cash flow hedge (Profit rate cap)	**26,957,858**	4,064,880
Finance income on bank deposits	**5,785,250**	692,333
	32,743,108	4,757,213

34. OTHER INCOME

	2023	2022
Penalties and fines for suppliers	**--**	272,404
Other	**188,528**	--
	188,528	272,404

35. ZAKAT

35.1 Movement in provision for zakat during the year

	31 December 2023	31 December 2022
At the beginning of the year	**6,166,993**	4,743,700
Charged during the year	**5,996,810**	6,224,755
Paid during the year	**(5,508,920)**	(4,801,462)
At end of the year	**6,654,883**	6,166,993

35. ZAKAT (continued)

35.2 Zakat Status

The Company has filed Zakat return with Zakat, Tax and Customs Authority ("ZATCA") for the year ended 31 December 2022 and has obtained the required certificate. Following the ZATCA's assessments, the Company has resubmitted the Zakat return for the year ended 31 December 2022 with an additional liability of SR 680,691, which covers the entire fiscal year 2022. The resubmitted Zakat return for the year ended 31 December 2022 is still under review with ZATCA.

36. CAPITAL COMMITMENTS AND CONTINGENCIES

36.1 Contingencies

a) The 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 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 2024.

c) On 23 March 2023 (corresponding to 1 Ramadan 1444H) GFSA has lodged a claim against the Company before the Committee for the Adjudication of Violations of the Flour Mills Law, alleging that Company did not comply with the terms and regulations stipulated in The Flour Mills Law and implementing regulations, Mill Operating License and Wheat Purchase Agreement that are as follows:

   i) accepting membership requests from the new customers without GFSA's approval - fine amounting to SR 20,000,000 and financial recoveries amounting to SR 33,848,850.59;
   ii) updating key information of customers without submitting a request to GFSA – fine amounting to SR 100,000 and financial recoveries amounting to SR 6,012,915.32; and
   iii) exceeding allocated sale quantities approved by GFSA – fine amounting to SR 1,000,000 and financial recoveries amounting to SR 8,801,333.59

   Based on the advice of the Company's legal counsels, the Company recognized a provision amounting to SR 8.85 million during the year ended 31 December 2022 as the Company expected to be successful in defending the claim and the allegations made had no reasonable legal grounds. Management assessed the balance of the claims as a contingent liability as at 31 December 2022.

   The Company submitted a reply against this claim to the GFSA on 16 April 2023 (corresponding to 25 Ramadan 1444H).

   On 25 September 2023 (corresponding to 10 Rai Al-Awal 1445H) the Company received response from GFSA with a revised claim amounting to SR 6.30 million. The Company and GFSA both had the right to appeal the decision to the administrative court within 60 days from the date of notification of the decision, in accordance with the provisions of paragraph three of article twenty-seven of the Flour Mills Law.

   As neither party involved in the lawsuit has appealed the decision within the allowed timeframe, the Company paid an amount of SR 6.30 million on 11 December 2023 corresponding to 27 Jumada Al-Awal 1445H to the GFSA and reversed the excess provision of SR 2.55 million accordingly.

36. CAPITAL COMMITMENTS AND CONTINGENCIES (continued)

36.2 Commitments

The following Letter of credits (LCs) are outstanding as at 31 December 2023:

a) LC import sight negotiation amounting to SR 56,810,044.34 (CHF 12,750,543) (31 December 2022: SR 51,841,157.73 (CHF 12,750,543)) with an outstanding amount of SR 51,227,706.06 (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 9,787,500 (USD 2,610,000) (31 December 2022: SR 18,709,706.25 (USD 4,989,255)) with an outstanding amount of SR 906,647.44 (USD: 241,772.65) in favour of Al Ghurair Resources International LLC for purchase of yellow corn. The LC will remain valid till 30 January 2024.

c) Outward LC import sight amounting to SR 18,535,687.50 (USD 4,942,850) (31 December 2022: NIL) with an outstanding amount of SR 3,707,129.66 (USD: 988,567.91) in favour of Moderne Semolerie Italiane SPA for purchase of durum wheat. The LC will remain valid till 30 January 2024.

d) Outward LC import sight amounting to SR 2,605,612.04 (CHF 584,808) (31 December 2022: NIL) in favour of Buhler AG and Scherler AG for upgrade of Mill A and Mill B. The LC will remain valid till 08 Aug 2024.

e) Outward LC import sight amounting to SR 6,395,250 (USD 1,705,400) (31 December 2022: NIL) with an outstanding amount of SR 639,525 (USD: 170,540) in favour of Al Ghurair Resources International LLC for purchase of Soybean. The LC will remain valid till 01 Mar 2024.

f) Outward LC import sight amounting to SR 52,983,237.66 (CHF 11,891,648) (31 December 2022: NIL) in favour of Buhler AG for upgrade of Mill A and Mill B. The LC will remain valid till 30 Dec 2025.

g) Outward LC import sight amounting to SR 15,765,000 (USD 4,204,000) (31 December 2022: NIL) with an outstanding amount of SR 8,179,796.25 (USD: 2,181,279) in favour of Al Ghurair Resources International LLC for purchase of Soybean. The LC will remain valid till 30 May 2024.

h) Outward LC import sight amounting to SR 8,250,000 (USD 2,200,000) (31 December 2022: NIL) in favour of Al Ghurair Resources International LLC for purchase of yellow corn. The LC will remain valid till 28 Mar 2024.

i) Outward LC import sight amounting to SR 1,379,250 (USD 367,800) (31 December 2022: NIL) with an outstanding amount of SR 1,517,175 (USD: 404,580) in favour of Al Ghurair Resources International LLC for purchase of Soybean. The LC will remain valid till 28 Jan 2024.

37. EARNINGS PER SHARE

37.1 Basic and diluted earnings per share

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

	2023	2022
Profit for the year	**220,208,226**	217,480,731
Weighted average number of ordinary shares for basic and diluted EPS	**55,500,000**	8,939,726
Earnings per share - basic	**3.97**	24.33

The calculation of diluted earnings per share has been based on the earnings attributable to shareholder 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.

	2023	2022
Profit for the year	**220,208,226**	217,480,731
Weighted average number of ordinary shares for basic and diluted EPS	**55,792,159**	8,939,726
Earnings per share - diluted	**3.95**	24.33

The Company’s Board of Directors proposed to decrease the share capital on 24 January 2022 (corresponding to 21 Jumada al-Thani 1443H) from SR 539,236,780 to SR 5,000,000 which was approved by the members of the Extraordinary General Assembly on 17 February 2022 (corresponding to 16 Rajab 1443H). The per share calculations for both basic and diluted EPS for the year ended 31 December 2022 reflects the retrospective adjustment for this decrease in share capital.

38. RELATED PARTY TRANSACTIONS AND BALANCES

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

38. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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 Company) refers to the board of directors, chief executive officer and other executives of the Company.

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.

Compensation of key management personnel of the Company for the year ended 31 December:

	2023	2022
Short-term employee benefits	**12,223,337**	12,962,152
Post-employment benefits	**642,311**	522,386
Share-based payments	**3,375,923**	--
Total compensation paid to key management personnel	**16,241,571**	13,484,538

Short term employee benefits include SR 3.08 million (31 December 2022: SR 2.84 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:

38. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

OTHER RELATED PARTY TRANSACTIONS (continued)

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:

Name	Relationship	Nature of transactions	Amount of transactions 2023	Amount of transactions 2022	Closing balance 2023	Closing balance 2022
Due from related parties						
Al Mutlaq Group Industrial Investment Company	Shareholder	IPO costs	**9,720,459**	2,769,242	--	2,769,242
Abdullah Abunayyan Trading Company	Shareholder	IPO costs	**8,331,822**	2,373,636	--	2,373,636
Al Safi Advanced Investments	Shareholder	IPO costs	**6,943,185**	1,978,030	--	1,978,030
Essa Al Ghurair Investments	Shareholder	Quality and operational consulting	**440,042**	981,243		
		IPO costs	**2,777,274**	791,212	**--**	791,212
					--	7,912,120
Due to related parties						
Al Mutlaq Group Industrial Investment Company	Shareholder	Expenses incurred on behalf of the Company	**--**	50,000	**--**	50,000
Ehata Financial Company	Affiliate	Financial advisory	**163,300**	299,000	**9,200**	17,250
Al Mutlaq Real Estate Investments	Affiliate	Project implementation consultancy	**2,078,278**	537,858	**676,940**	194,199
					686,140	261,449
Due to related parties – included in advance from customers						
Al Safi Danone Company	Affiliate	Sales of bran	**3,303,825**	3,134,429	**273,239**	364,687
					273,239	364,687

39. MERGER TRANSACTION

Effective 15 September 2022 (corresponding to 19 Safar 1444H), the Company completed a statutory merger with its Parent Company which resulted in the Company being the surviving entity. By virtue of this merger, all of the Parent Company's assets and liabilities have been transferred to the Company.

The Company has not applied IFRS 3 "Business Combinations" as the merger has not resulted in any change to the economic substance of the reporting group and has been affected between companies under common control.

39. MERGER TRANSACTION (continued)

The Merger of the Company with the Parent Company (its 100% shareholder) has been accounted for as a capital reorganization, a "hive down", whereby all the assets and liabilities of the Company and the Parent Company have been combined using their pre-merger carrying value as stated in the Parent Company's consolidated financial statements. The merger has been reflected in the Company's financial statements prospectively from the date of the merger onwards. All the equity components of the Parent Company were recorded as part of the Company's equity except for share capital and statutory reserve.

The net adjustment of transferring the Parent Company's assets, liabilities and equity balances has been recorded in the Company's equity as a merger reserve which is as follows:

	SR
Share capital of the Parent Company	**5,000,000**
Statutory reserve of the Parent Company	**1,500,000**
	6,500,000
Share capital of the Company	**(5,000,000)**
Statutory reserve of the Company	**(39,054,503)**
	(44,054,503)
Merger reserve	**(37,554,503)**

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

	SR
Goodwill	**1,090,669,302**
Cash and cash equivalents	**81,541,989**
Derivative financial instruments	**55,905,238**
Property, plant and equipment	**18,976,176**
Inventories	**4,548,065**
Prepayments and other current assets	**1,747,310**
Long term loans	**(1,685,019,806)**
Current portion of long-term loans	**(58,886,931)**
Cash flow hedge reserve	**(42,519,997)**
Accrued expenses and other liabilities	**(19,523,199)**
Retained earnings	**(19,229,430)**
Net assets of the Parent Company	**(571,791,283)**
Share capital reduced	**534,236,780**
Merger reserve	**(37,554,503)**

40. FINANCIAL INSTRUMENTS

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

	31 December 2023	31 December 2022
Financial assets at amortised cost:		
Bank balances and short-term deposits	**192,106,283**	215,326,438
Trade receivables	**5,079,540**	6,182,342
Other current financial assets	**373,017**	828,146
Due from related parties	**--**	7,912,120
	197,558,840	230,249,046

	31 December 2023	31 December 2022
Financial assets at fair value – hedging instruments:		
Derivative financial instruments	**42,706,671**	58,158,366

Set out below is an overview of financial liabilities held by the Company:

	31 December 2023	31 December 2022
Financial liabilities at amortised cost:		
Trade and other payables	**48,925,432**	44,137,592
Accrued expenses and other liabilities	**20,217,462**	2,859,699
Long-term loans	**1,059,449,501**	1,188,434,238
Lease liabilities	**338,090,038**	349,741,210
Long-term payable	**40,549,842**	--
Due to related parties	**686,140**	261,449
	1,507,918,415	1,585,434,188

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 Company's financial assets consist of bank balances and short-term deposits, trade receivables, amount due from related parties and other current assets. Its financial liabilities consist of trade and other payables, 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, amounts due from related parties, other current assets, trade and other payables, certain accrued expense and other 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.

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

	31 December 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Derivative Financial Instruments	**--**	**42,706,671**	**--**	**42,706,671**

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative Financial Instruments	--	58,158,366	--	58,158,366

Derivative financial instruments 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 2023 and 2022. 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 Company's financial instruments is to raise finances for the Company's operations.

The Company'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 Company's Finance Department under strict policies and guidelines approved by the Board of Directors. The Company's Finance Department actively monitors market conditions minimising the volatility of the funding costs of the Company.

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

40. 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 Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer which the Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Owing to nature of the Company's business, significant portion of revenue is collected in cash due to which the Company is not significantly exposed to credit risks.

The Company is exposed to credit risk on its bank balances and short-term deposits, trade receivables, other current financial assets and due from related parties as follows:

	31 December 2023	31 December 2022
Financial assets at amortised cost		
Bank balances and short-term deposits	**192,106,283**	215,326,438
Trade receivables	**5,079,540**	6,182,342
Other current financial assets	**373,017**	828,146
Due from related parties	**--**	7,912,120
	197,558,840	230,249,046

The carrying amount of financial assets represent the maximum credit exposure. Credit risk on amounts due from related parties and balances with banks is limited as:

- Amounts due from related parties are inter-balances of an operating nature.
- Cash balances are held with banks with sound credit ratings as below:

	Rating				
Banks	**Short-term**	**Long-term**	**Rating agency**	**31 December 2023**	31 December 2022
Gulf International Bank	P-2	A-3	Moody’s	**8,112,507**	27,680,671
Banque Saudi Fransi	P-1	A-2	Moody’s	**183,457,581**	10,492,973
Alinma Bank	P-1	A-2	Moody’s	**536,195**	177,152,794
				192,106,283	215,326,438

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).

Expected credit losses:

The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings (long-term) of the respective counterparties.

40. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Trade receivables

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

The Company limits its exposure to credit risk from trade receivables by establishing and maintaining a cash-based mode of conducting business. As the advance of customer is received before any supply of goods, the Company'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 Company has identified GDP of Kingdom of Saudi Arabia (the country in which it renders the services) to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Company assessed the concentration of risk with respect to trade receivables and concluded it to be low. The Company has recognized allowance for expected credit losses against their trade receivables amounting to SR 622,031 (31 December 2022: SR 675,593). The Company has written off its receivables during the period amounting to SR 882,428 (31 December 2022: NIL).

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2023. The table below does not include gross carrying amount of SR 2.00 million outstanding from one of the customers of the Company falls within the bucket of 181 – 360 days past due for which a specific provision of SR 1.00 million (50%) has been recorded as on the reporting date.

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

40. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2022.

Trade Receivables	Loss rate	Gross carrying amount	Loss allowance	Credit-impaired
Current (not past due)	0.05%	1,437,540	658	No
0 – 30 days past due	1.80%	1,012,031	18,243	No
31 – 90 days past due	8.19%	2,331,007	190,992	No
91 – 180 days past due	12.12%	1,457,819	176,729	No
181 – 360 days past due	46.64%	619,539	288,971	Yes
More than 360 days past due	100%	882,428	882,428	Yes

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations as they fall due. The Company seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and service maturing debts. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have 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 Company'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 Company'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.

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

40. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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
	1,507,918,415	312,767,846	666,856,015	1,222,314,909	2,201,938,770

31 December 2022

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	44,137,592	44,137,592	--	--	44,137,592
Accrued expenses and other current liabilities	2,859,699	2,859,699	--	--	2,859,699
Long-term loans	1,188,434,238	232,857,509	538,024,887	964,609,001	1,735,491,397
Lease liabilities	349,741,210	23,119,633	90,047,925	376,435,526	489,603,084
Amounts due to related parties	261,449	261,449	--	--	261,449
	1,585,434,188	303,235,882	628,072,812	1,341,044,527	2,272,353,221

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 Company'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.

40. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

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

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 Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

The Company manages its interest rate risk by entering into hedging contracts for its floating rate long-term loans. The Company hedges long term interest rate sensitivities through hedge strategies, including use of derivative financial instruments and regularly monitors market special commission rates. The Company 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) profit / OCI by the amounts shown below. This analysis assumes that all other variables remain constant.

31 December 2023	**Impact on net profit / OCI**	
	100 bps increase	**100 bps decrease**
Floating rate financial liabilities	10,441,085	(10,441,085)
Financial derivatives	(12,374,515)	12,517,447
Net sensitivity	(1,933,430)	2,076,362

31 December 2022	Impact on net profit / OCI	
	100 bps increase	100 bps decrease
Floating rate financial liabilities	11,706,737	(11,706,737)
Financial derivatives	(17,643,512)	18,075,893
Net sensitivity	(5,936,775)	6,369,156

40. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

IBOR Reforms

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates, the ultimate parent company has established a project to manage the transition for any of its contracts that could be affected. The project is being led by senior representatives from functions across the ultimate parent company including the lenders facing teams, legal, finance etc. The parent company is confident that it has the capability to process the transitions to risk free rates ("RFR") for those interest rate benchmarks such as USD LIBOR that will cease to be available after 30 June 2023. IBOR reform exposes the Company to various risks, which the project is managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with lenders due to the amendments required to existing contracts necessary to effect IBOR reform.
- Financial risk to the Company that markets are disrupted due to IBOR reform giving rise to financial losses.
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable.
- Accounting risk if the Company's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to RFR.

The tables below show the Company's exposure to significant IBORs subject to reform that have yet to transition to RFRs as at the current period-end:

	Floating rate financial liabilities	Derivatives notional
31 December 2023	**1,059,449,501**	**733,005,455**
31 December 2022	1,188,434,238	753,830,267

Uncertainties and potential accounting risks associated with the IBOR reforms on the Company's financial statements are explained below.

a) Effective interest rate method and liability derecognition

IBOR reform Phase 2 requires, as a practical expedient that changes to the basis for determining contractual cash flows that are necessary as a direct consequence of IBOR reform are treated as a change to a floating rate of interest provided that the transition from IBOR to an RFR takes place on a basis that is 'economically equivalent'. To qualify as 'economically equivalent', the terms of the financial instrument must be the same before and after transition except for the changes required by IBOR reform.

40. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

For changes that are not required by IBOR reform, the Company will apply judgement to determine whether they result in the financial instrument being derecognised. Therefore, as financial instruments transition from IBOR to RFRs, the Company will apply judgment to assess whether the transition has taken place on an economically equivalent basis. In making this assessment, the Company will consider the extent of any changes to the contractual cash flows as a result of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors. Examples of changes that are economically equivalent include changing the reference interest rate from an IBOR to an RFR, changing the reset period for days between coupons to align with the RFR, adding a fallback to automatically transition to an RFR when the IBOR ceases, and adding a fixed credit adjustment spread based on that calculated by ISDA or which is implicit in market forward rates for the RFR.

The Company will derecognise financial liabilities in case of substantial modification of their terms and conditions. In the context of IBOR reform, many financial instruments will be amended in the future as they transition from IBORs to RFRs. In addition to the interest rate of a financial instrument changing, there may be other changes made to the terms of the financial instrument at the time of transition. For financial instruments measured at amortised cost, the Company will first apply the practical expedient as described above, to reflect the change in the referenced interest rate from an IBOR to an RFR. Second, for any changes not covered by the practical expedient, the Company will apply judgement to assess whether the changes are substantial and if they are, the financial instrument is derecognised and a new financial instrument is recognised. If the changes are not substantial, the Company will adjust the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised EIR.

b) Hedge Accounting

The Company applies the temporary reliefs provided by the IBOR reform Phase 1 amendments, which enable its hedge accounting to continue during the period of uncertainty, before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. For the purpose of determining whether a forecast transaction is highly probable, the reliefs require it to be assumed that the IBOR on which the hedged cash flows are based is not altered as a result of IBOR reform. The reliefs end when the Company judges that the uncertainty arising from IBOR reform is no longer present for the hedging relationships referenced to IBORs. This applies when the hedged item has already transitioned from IBOR to an RFR and also to exposures that will transition via fallback to an RFR when certain LIBORs cease on 1 January 2022.

The IBOR reform Phase 2 amendments provide temporary reliefs to enable the Company’s hedge accounting to continue upon the replacement of an IBOR with an RFR.

Capital Risk Management

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

40. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. The Company monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Company includes within net debt, 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 2022 and 31 December 2022 is as follows:

	31 December 2023	31 December 2022
Loans and borrowings	**1,044,108,460**	1,170,673,709
Lease liabilities	**338,090,038**	349,741,210
Long-term payable	**40,549,842**	--
Employees' defined benefit obligations	**6,552,000**	4,892,000
Zakat payable	**6,654,883**	6,166,993
Less: Cash and cash equivalents	**(192,106,283)**	(215,326,438)
Net debt	**1,243,848,940**	1,316,147,474
Share capital	**555,000,000**	555,000,000
Shareholders' contributions	**6,751,214**	4,278,483
Statutory reserve	**82,823,399**	60,802,576
Retained earnings	**245,030,498**	121,685,113
Equity	**889,605,111**	741,766,172
Capital and net debt	**2,133,454,051**	2,057,913,646
Gearing ratio	**58.30%**	63.96%

41. SUBSEQUENT EVENTS

41.1 In accordance with the amended By-laws of the Company that have been approved by the members of General Assembly on 10 January 2024 (corresponding to 28 Jumada Al-Thani 1445H), the Company when determining the share of dividends in net profits, is required to set aside a reserve not exceeding 10% of the profits. The ordinary General Assembly may, upon the proposal of the Board of Directors, decide to allocate this reserve in a manner that benefits the Company or shareholders according to the Implementing Rules of the Companies Regulations for Listed Joint-Stock Companies.

41.2 No matter other than as disclosed in note 20 and note 41.1 has occurred up to and including the date of the approval of these financial statements by the Board of Directors which could materially affect these financial statements and the related disclosures for the year ended 31 December 2023.

42. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issuance by the Company's Board of Directors on 10 March 2024, corresponding to 29 Sha'ban 1445H.

Tariq Mutlaq Abdullah AlMutlaq Chairman	Abdullah Abdul-Aziz Abdullah Ababtain CEO	Manwel Adib Bou Hamdan CFO