MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2022

MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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 الأميرسلطان
ص. ب. 55078
جـده 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Modern Mills Company

Opinion

We have audited the consolidated financial statements of **Modern Mills Company ("the Company")** and its subsidiary ("the Group")**,** which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Independent Auditor's Report (continued)

To the Shareholders of Modern Mills Company

Revenue recognition

Refer Note 4.11 for the accounting policy relating to revenue recognition and Note 23 for the relevant disclosure.

Key audit matter	How the matter was addressed in our audit
During the year ended 31 December 2022, the Group recognized revenue of SR 978 million (2021: SR 555 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.	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 International Financial Reporting Standards (IFRS) 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 sample of sales transactions taking place during the year and inspected the supporting documents to assess they were recognized at the correct amounts. - Recalculated and inspected discounts and rebates for a sample of customers according to their agreements to assess these are recognized at correct amounts and in the correct accounting period. - Inspected 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 consolidated financial statements.

Emphasis of matter - comparative information

We draw attention to Note [36] to the consolidated financial statements which indicates that the comparative information presented as at and for the years ended 31 December 2021 and 31 December 2020 has been restated. Our opinion is not modified in respect of this matter.

Other matter relating to comparative information

The consolidated financial statements of Modern Mills Company as at and for the years ended 31 December 2021 and 31 December 2020 (from which the statement of financial position as at 1 January 2021 has been driven), excluding the adjustments described in Note [36] to the consolidated financial statements were audited by another auditors who expressed an unmodified opinion on those financial statements on 8 April 2022 and 15 August 2021, respectively.

Independent Auditor's Report (continued)

To the Shareholders of Modern Mills Company

Other matter relating to comparative information (continued)

As part of our audit of the consolidated financial statements as at and for the year ended 31 December 2022, we audited the adjustments described in Note [36] that were applied to restate the comparative information presented as at and for the year ended 31 December 2021 and the statement of financial position as at 1 January 2021. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the year ended 31 December 2021 or 31 December 2020 (not presented herein) or to the statement of financial position as at 1 January 2021, other than with respect to the adjustments described in Note [36] to the consolidated financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note [36] are appropriate and have been properly applied.

Other Information

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report (continued)

To the Shareholders of Modern Mills Company

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **Modern Mills Company ("the Company") and its subsidiary ("the Group")**.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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

كي بي إم جي للإستشارات المهنية
Lic No. 46
C.R. 4030290792
J : 1
KPMG
ترخيص رقم ٤٦
س.ت ٤٠٣٠٢٩٠٧٩٢
KPMG Professional Services

Ebrahim Oboud Baeshen
License No. 382

Jeddah, 11 September 2023
Corresponding to 26 Safar 1445H

MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	**31 December 2022**	31 December 2021 (Restated Note 36)	1 January 2021 (Restated Note 36)
ASSETS				
Property, plant and equipment	7	**694,824,629**	707,409,600	731,771,619
Right-of-use assets	8	**228,142,920**	236,692,201	246,977,053
Intangible assets	9	**2,890,096**	4,254,180	3,484,686
Non-current assets		**925,857,645**	948,355,981	982,233,358
Inventories	10	**92,538,200**	92,737,765	99,523,014
Trade receivables	11	**86,732**	--	--
Prepayments and other current assets	12	**15,574,847**	36,897,594	6,973,581
Cash and cash equivalents	13	**118,160,559**	94,133,966	345,405,953
Current assets		**226,360,338**	223,769,325	451,902,548
Total assets		**1,152,217,983**	1,172,125,306	1,434,135,906
EQUITY AND LIABILITIES				
Equity				
Share capital	14	**81,832,000**	899,666,590	899,666,590
Merger deficit reserve	15	**--**	(817,835,064)	--
Statutory reserve	16	**24,549,600**	13,444,845	5,493,517
Retained earnings		**72,046,224**	2,561,719	221,565,795
Total equity		**178,427,824**	97,838,090	1,126,725,902
Liabilities				
Long term loans	18	**535,976,307**	680,576,505	--
Lease liabilities	19	**237,277,928**	242,971,830	249,911,037
Employees' defined benefit obligations	20	**3,100,620**	782,225	495,802
Non-current liabilities		**776,354,855**	924,330,560	250,406,839
Trade and other payables		**44,707,986**	46,085,035	10,081,420
Accrued expenses and other liabilities	21	**72,108,581**	42,185,956	16,287,272
Current portion of long-term loans	18	**44,588,254**	11,758,229	--
Current portion lease liabilities	19	**14,172,228**	13,683,809	13,683,809
Advances from customers	22	**12,579,045**	8,970,779	6,012,952
Due to related parties	33	**--**	24,895,029	10,937,712
Provision for penalties	37.2	**6,424,900**	--	--
Zakat payable	30	**2,854,310**	2,377,819	--
Current liabilities		**197,435,304**	149,956,656	57,003,165
Total liabilities		**973,790,159**	1,074,287,216	307,410,004
Total equity and liabilities		**1,152,217,983**	1,172,125,306	1,434,135,906

The accompanying notes from 1 to 38 form an
integral part of these consolidated financial statements.

MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	**2022**	2021 (Restated Note 36)
Revenue	23	**978,000,691**	555,011,779
Cost of revenue	24	**(611,993,665)**	(392,552,361)
Gross Profit		**366,007,026**	162,459,418
Selling and distribution expenses	25	**(27,867,615)**	(10,922,222)
General and administrative expenses	26	**(68,626,302)**	(63,036,562)
Expected credit loss on trade receivables	11	**(103,250)**	--
Other income	29	**697,488**	--
Operating profit		**270,107,347**	88,500,634
Finance costs	27	**(35,815,384)**	(6,920,094)
Finance income	28	**1,344,032**	204,864
Other income	29	**--**	105,688
Profit before zakat		**235,635,995**	81,891,092
Zakat expense	30	**(2,626,870)**	(2,377,819)
Profit for the year		**233,009,125**	79,513,273
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit liability	20	**44,310**	--
Other comprehensive income for the year		**44,310**	--
Total comprehensive income for the year		**233,053,435**	79,513,273
Earnings per share for the year attributable to shareholders of the Company (SR):			
Basic	32.1	**28.47**	9.72
Diluted	32.1	**28.47**	9.72

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Share capital	Statutory reserve	Retained earnings	Merger reserve	Total
Balance as at 31 December 2021 – (restated)	**899,666,590**	**13,444,844**	**2,561,720**	**(817,835,064)**	**97,838,090**
Profit for the year	**--**	**--**	**233,009,125**	**--**	**233,009,125**
Other comprehensive income for the year	**--**	**--**	**44,310**	**--**	**44,310**
Total comprehensive income for the year	**--**	**--**	**233,053,435**	**--**	**233,053,435**
Transfer to statutory reserve	**--**	**11,104,755**	**(11,104,755)**	**--**	**--**
Dividends distribution (note 17)	**--**	**--**	**(152,463,711)**	**--**	**(152,463,711)**
Adjustments (note 14)	**10**	**--**	**(464)**	**464**	**10**
Reduction in share capital (note 14)	**(817,834,600)**	**--**	**--**	**817,834,600**	**--**
Balance as at 31 December 2022	**81,832,000**	**24,549,599**	**72,046,225**	**--**	**178,427,824**
Balance as at 1 January 2021, as previously reported	899,666,590	6,643,379	231,914,548	--	1,138,224,517
Impact of restatements (note 36)	--	(1,149,862)	(10,348,753)	--	(11,498,615)
Balance as at 1 January 2021 – (restated)	899,666,590	5,493,517	221,565,795	--	1,126,725,902
Profit for the year (restated)	--	--	79,513,273	--	79,513,273
Other comprehensive income for the year	--	--	--	--	--
Total comprehensive income for the year – (restated)	--	--	79,513,273	--	79,513,273
Transfer to statutory reserve – (restated)	--	7,951,327	(7,951,327)	--	--
Dividends distribution (note 17)	--	--	(442,074,475)	--	(442,074,475)
Merger transaction – (restated) (note 34 & 36)	--	--	151,508,454	(817,835,064)	(666,326,610)
Balance as at 31 December 2021 – (restated)	899,666,590	13,444,844	2,561,720	(817,835,064)	97,838,090

The accompanying notes from 1 to 38 form an
integral part of these consolidated financial statements.

MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	2022	2021 (Restated Note 36)
Cash flows from operating activities			
Profit before zakat		**235,635,995**	81,891,092
Adjustments:			
Depreciation of property, plant and equipment	7.3	**42,651,417**	42,026,158
Depreciation of right-of-use assets	8.1	**10,721,336**	10,284,852
Amortisation of intangible assets	9.1	**168,143**	--
Write off of intangible assets	9.1	**3,988,014**	--
Finance cost on lease liabilities	19.2	**6,640,617**	6,744,600
Finance cost on long term loans	27	**28,582,316**	175,494
Finance income for the year	28	**(1,344,032)**	(204,864)
Amortisation of loan transaction cost	27	**592,451**	--
Provision for slow moving inventories	10.2	**9,755,602**	3,948,595
Provision for employees' defined benefit obligations	20	**2,548,605**	296,049
Expected credit loss on trade receivables	11.2	**103,250**	--
Gain on disposal of property, plant and equipment	29	**(665,314)**	--
		339,378,400	145,161,976
Changes in working capital:			
Inventories		**(9,556,037)**	2,836,654
Trade receivables		**(189,982)**	--
Advances, prepayments and other current assets		**21,322,747**	(28,276,920)
Trade payables		**(1,377,049)**	36,003,615
Accrued expenses and other current liabilities		**36,347,525**	21,762,048
Due to related parties		--	(16,752,854)
Advances from customers		**3,608,266**	2,957,827
Cash generated from operations		**389,533,870**	163,692,346
Paid employees' defined benefit obligations	20	**(185,900)**	(9,626)
Interest paid		**(35,326,917)**	(9,423,659)
Finance income received		**1,344,032**	204,864
Zakat paid	30.2	**(2,150,379)**	--
Net cash from operating activities		**353,214,706**	154,463,925
Cash flows from investing activities			
Additions to property, plant and equipment	7	**(31,740,684)**	(17,664,139)
Additions to intangible assets	9	**(2,231,469)**	(769,494)
Proceeds from sale of property, plant and equipment		**1,778,948**	--
Net cash used in investing activities		**(32,193,205)**	(18,433,633)
Cash flows from financing activities			
Repayment of long term loans	18	**(112,362,624)**	(3,673,677)
Payment of lease liabilities	19.3	**(7,273,554)**	(4,287,528)
Dividends paid	17	**(177,358,740)**	(403,989,023)
Share issued	14	**10**	--
Net cash used in financing activities		**(296,994,908)**	(411,950,228)
Net change in cash and cash equivalents during the year		**24,026,593**	(275,919,936)
Cash transferred from the merger transaction	34	--	24,647,949
Cash and cash equivalents as at the beginning of the year		**94,133,966**	345,405,953
Cash and cash equivalents at the end of the year		**118,160,559**	94,133,966

The accompanying notes from 1 to 38 form an
integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

Modern Mills Company (the "Company" or the Parent Company), a Saudi Closed Joint Stock Company, was incorporated in accordance with the Companies' Regulations in the Kingdom of Saudi Arabia under Commercial Registration No. 5855070277 issued on 10 November 2016 (corresponding to 10 Safar 1438H).

The Company was formed by the Public Investment Fund (the "PIF") pursuant to the resolution of the Council of Ministers No. (35) of 9 November 2015 (corresponding to 27 Muharram 1437H) approving the adoption of the necessary actions to establish four Joint Stock Milling Companies according to the proposed geographical distribution. The 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 June 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 Mada Al Ghurair Limited Company on 31 December 2020 (corresponding to 16 Jumada Al Awal 1442H).

On 1 November 2021 (corresponding to 26 Rabi al Awwal 1443H) merger agreement was signed between shareholders of Mada Al Ghurair Limited (the Ultimate Parent Company) and its wholly owned subsidiary, Modern Mills Company ("Company'') whereby all assets, liabilities, rights and obligations of the ultimate Parent Company were to be transferred to the Company subject to the completion of legal procedures. (notes 14 and 34).

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).

The registered address of the Company is as follows:

Alkhalidiah
Mohammed Altaib Altunisi Street,
Jeddah 2341 - 6228
Kingdom of Saudi Arabia

1. COMPANY INFORMATION (continued)

On 27 April 2022, the Board of Directors of the Company approved and formed an IPO committee to define the consultant's scope of work and recommend timelines/actions required to go for listing. The management is in the process of making arrangements for offering and listing of the Company's shares in Tadawul as on the date of these consolidated financial statements.

These accompanying consolidated financial statements comprise the financial statements of Modern Mills Company (the "Company" (or) the "Parent Company") and its subsidiary (collectively referred to as the "Group"). The Group is principally engaged in flour production in the Kingdom of Saudi Arabia and all activities related to the provision of wheat products, animal feed and related products, including making any contracts or making any related arrangements.

The Company is the ultimate controlling party of the Group. As at 31 December 2022, the Company has investment in the following subsidiary:

Subsidiary name	Country of incorporation	Principal business activity	Effective ownership interest (%)	
			December 31, 2022	December 31, 2021
Operating subsidiary				
Hasad Al-Arabia	Saudi Arabia	Distribution	**100**	--

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

Branch Location	Date	Commercial Registration No.
Khamis Mushait	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	5855070707
Khamis Mushait	8 February 2021 (corresponding to 26 Jumada Al Thani 1442H)	5855070277
Al Jumum	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	4622099376
Al Jawf	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	3400020077

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") 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" as endorsed in Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION (continued)

2.2 Basis of measurement

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

These consolidated financial statements have been prepared using the legal approach for the legal merger between Mada Al Ghurair Company (the ultimate parent company) and Modern Mills Company (the company) that takes the form of a downstream merger being the ultimate parent company is merged with the Company and the Company is the surviving entity (note 34).

Under the legal approach, the consolidated financial statements after the legal merger reflect the legal form of the transaction from the perspective of the subsidiary. The Group is accounting for the merger by following the book value method under the legal approach the consolidated financial statements of the Company would reflect the carrying amounts of the assets on the ultimate parent Company's separate financial statements only from the date on which the merger occurred.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at and for the year ended 31 December 2022 (note 1). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

2. BASIS OF PREPARATION (continued)

2.3 Basis of consolidation (continued)

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

2.4 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

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

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

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

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

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

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

3.3 Leases - Estimating the incremental borrowing rate

The Group 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 Group 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 Group '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 Group estimates the IBR using observable inputs (such as market interest rates) when available.

3.4 Provision for slow moving and obsolete inventory items

The management makes a provision for slow moving and obsolete inventory items. In order to identify the slow moving and obsolete inventory items, the Group performs a review exercise at each reporting date. The Group is considering all inventory which are more than a year old without moving as slow moving inventory. Inventory identified as slow moving and obsolete is provided for as and when identified and disposed off in accordance with Group's policy for disposal of obsolete inventories. All write-offs are approved by the Board of Directors. In addition to that, the Group has a policy of maintaining 25% as provision for the value of their spare parts. 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.

3.5 Allowance for expected credit losses

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

The Group recognises an allowance for expected credit losses (ECLs) for its trade receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

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

3.5 Allowance for expected credit losses (continued)

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

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

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Refer to note 35 for detailed quantitative and qualitative inputs.

3.6 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.

3.7 Impairment of non-financial assets

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

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

3.8 Going concern

The Group'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 Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on going concern basis.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when it is:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

4.2 Fair value measurement

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Fair value measurement (continued)

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

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

The Group uses valuation methods that are appropriate in the circumstances, and for which sufficient data are available to measure fair value, increase the use of observable inputs and reduce the use of unobservable inputs.

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

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

4.3 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in consolidated statement of profit or loss and other comprehensive income as incurred. The present value of the expected cost for the decommissioning (if any) of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Property, plant and equipment (continued)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the assets for the calculation of depreciation are as follows:

Categories	Useful lives	Categories	Useful lives
Buildings	shorter of the useful life and lease term	Furniture and fittings	6.67 - 10 years
Plant and equipment	10 - 25 years	Strategic spare parts	15 years
Motor vehicles	5 years		

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

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

4.4 Leases

4.4.1 Right-of-use assets

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Leases (continued)

4.4.2 Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the year on which the event or condition that triggers the payment occurs.

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

4.4.3 Short-term leases and leases of low-value assets

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

4.5 Intangible assets

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Intangible assets (continued)

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

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

Computer software

Computer software are capitalised on the basis of the costs incurred when specific software was purchased and configured for use. Amortisation is charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the useful life of 6.67 to 10 years.

4.6 Financial instruments - initial recognition and subsequent measurement

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

4.6.1 Financial Assets

Classification, Initial recognition and measurement

The Group’s financial assets comprise of cash and cash equivalents, trade and other receivables.

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Financial instruments - initial recognition and subsequent measurement (continued)

4.6.1 Financial Assets (continued)

Classification, Initial recognition and measurement (continued)

a) Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b) Financial assets at fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment-by-investment basis.

c) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Financial instruments - initial recognition and subsequent measurement (continued)

4.6.1 Financial Assets (continued)

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Subsequent measurement and gains and losses

a) Financial assets at amortized cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand 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.

b) Financial assets at fair value through other comprehensive income (FVOCI)

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

The Group does not have any debt instruments that are measured at FVOCI.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss.

The Group does not have any equity instruments that are measured at FVOCI.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Financial instruments - initial recognition and subsequent measurement (continued)

4.6.1 Financial Assets (continued)

Financial assets: Business model assessment (continued)

c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss and other comprehensive income. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Derecognition

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

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

  a) the Group has transferred substantially all the risks and rewards of the asset; or
  b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Financial instruments - initial recognition and subsequent measurement (continued)

4.6.2 Financial liabilities

Initial recognition and measurement

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

The Group's financial liabilities include trade payables, other payables, loans, lease liabilities and due to related parties. At 31 December 2022, all the Group's financial liabilities are classified at amortised cost.

Subsequent measurement

a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

b) Financial liabilities at amortized cost

Financial liabilities at amortized cost are measured at amortized cost using the effective interest rate method (EIR). Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on de-recognition is also recognized in profit or loss.

Loans

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Financial instruments - initial recognition and subsequent measurement (continued)

4.6.2 Financial liabilities (continued)

Derecognition

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a 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.

4.7 Inventories

Inventories are measured at lower of cost or net realizable value (NRV).

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

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated selling expenses. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Cash and cash equivalents

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

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

4.9 Employees' defined benefit obligations

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

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

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

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

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

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

The Group recognizes the following changes in the net defined benefit obligation in the consolidated statement of profit or loss and other comprehensive income:

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s 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 post-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.

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

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

4.11 Revenue from contracts with customers

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Revenue from contracts with customers (continued)

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15 'Revenue from Contracts with Customers' (IFRS 15). IFRS 15 outlines a single comprehensive five steps model of accounting for revenue arising from contracts with customers. Revenue is recognized when the entity satisfies performance obligation by transferring promised goods or service to a customer. The Group determines whether control of an asset is transferred over time. If such control is not transferred over time, the Group recognizes revenue at a point in time when such control is transferred to the customer i.e., when the title and the associated risks and rewards of the products are passed to the customer.

The following five steps are followed:

Step 1 - Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 - Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 - Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. When determining the transaction price, the Group considers the impact of factors such as variable consideration, existence of significant financing component, non-cash consideration and consideration payable to customer.

Step 4 - Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 - Recognize revenue when (or as) the Group satisfies a performance obligation.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Revenue from contracts with customers (continued)

4.11.1 Variable consideration

The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Rights of return

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

4.11.2 Significant financing component

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

4.12 Provisions General

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

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

4.13 Zakat and taxes

4.13.1 Zakat

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Zakat and taxes (continued)

4.13.2 Withholding tax

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

4.13.3 Value added tax "VAT"

Expenses and assets are recognised net of the amount of value added tax, except:

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

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

4.14 Statutory reserve

In accordance with Saudi Arabian Companies law and Company's by-laws, the Group must transfer 10% of its net income in each year to the statutory reserve. As per the Company's by-laws, the Group may resolve to discontinue such transfers when the reserve equals 30% of the Group’s share capital. This reserve is not available for distribution.

4.15 Foreign currencies

The Group’s consolidated financial statements are presented in Saudi Arabian Riyal, which is also the Group's entities functional currency.

Transactions and balances

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Foreign currencies (continued)

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

4.16 Operating profit

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

4.17 Selling, distribution, general and administrative expenses

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

4.18 Finance costs

Finance costs comprises of finance cost on loans, amortisation of loan transaction cost and finance cost on lease liabilities as and when incurred by the Group.

5. NEW STANDARDS, INTERPRETATION AND AMENDMENTS

5.1 New standards, interpretations and amendments adopted

Several amendments and interpretations apply for the first time in 2022, which are effective for annual periods beginning on or after 1 January 2022 which do not have a material effect on these financial statements.

Standard / Interpretation	*Description*	*Effective from periods beginning on or after the following date*
IAS 37	Onerous contracts – cost of fulfilling a contract (Amendments to IAS 37)	1 January 2022
Annual Improvements	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
IAS 16	Property, plant and equipment: proceeds before intended use (Amendments to IAS 16)	1 January 2022
IFRS 3	Reference to the conceptual framework (Amendments to IFRS 3)	1 January 2022
IFRS 16	Covid-19 related rent concessions (Amendments to IFRS 16)	1 April 2021

5. NEW STANDARDS, INTERPRETATION AND AMENDMENTS (continued)

5.2 New standards, interpretations and amendments issued but not adopted

The Group 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***
IFRS 17	Insurance contracts	1 January 2023
IFRS 17 and IFRS 9	Comparative information (amendments to IFRS 17)	1 January 2023
IAS 8	Definition of accounting estimates	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction`	1 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	1 January 2024
IAS 1	Non-current liabilities with covenants (amendments to IAS 1)	1 January 2024
IFRS 16	Lease liability in a sale and leaseback (amendments to IFRS 16)	1 January 2024
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

The standards, interpretations and amendments with effective date of 1 January 2023 will not have any material impact on the Group's financial statements, whereas for other above-mentioned standards, interpretations and amendments, the Group is currently assessing the implications on the Group's consolidated financial statements on adoption.

6. SEGMENT INFORMATION

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

The management 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.

6. SEGMENT INFORMATION (continued)

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 2022	**Khamis**	**Al Jumum**	**Al Jowf**	**Total**
Total revenue	**585,125,181**	**275,555,429**	**117,320,081**	**978,000,691**
Cost of inventories	**(332,626,731)**	**(82,634,908)**	**(38,799,711)**	**(454,061,350)**
Employee benefits	**(27,986,930)**	**(19,837,672)**	**(16,060,349)**	**(63,884,951)**
Depreciation	**(17,016,848)**	**(27,955,039)**	**(7,349,078)**	**(52,320,965)**
Other expenses	**(35,902,967)**	**(19,682,829)**	**(11,568,695)**	**(67,154,491)**
Finance costs	**(1,830,458)**	**(3,812,007)**	**(914,864)**	**(6,557,329)**
Other income	**659,002**	**(376,041)**	**9,488**	**292,449**
Segment profit	**170,420,249**	**121,256,933**	**42,636,872**	**334,314,054**

For the year ended 31 December 2021 - restated	Khamis	Al Jumum	Al Jowf	Total
Total revenue	319,781,209	185,525,930	49,704,640	555,011,779
Cost of inventories	(191,491,848)	(66,826,971)	(19,271,826)	(277,590,645)
Employee benefits	(32,015,804)	(20,139,683)	(18,743,610)	(70,899,097)
Depreciation	(17,240,777)	(24,944,033)	(9,557,894)	(51,742,704)
Other expenses	(17,550,743)	(10,171,622)	(3,342,453)	(31,064,818)
Finance costs	(1,879,842)	(3,925,210)	(939,546)	(6,744,598)
Other income	29,724	38,005	36,742	104,471
Segment profit	59,631,919	59,556,416	(2,113,947)	117,074,388

At 31 December 2022	**Khamis**	**Al Jumum**	**Al Jowf**	**Total**
Total assets	**341,184,376**	**510,100,920**	**138,751,589**	**990,036,885**
Total liabilities	**101,794,932**	**163,169,510**	**43,686,347**	**308,650,789**
Other disclosures:				
Property, Plant and Equipment with Right-of-use assets	**309,792,843**	**487,323,230**	**113,452,101**	**910,568,174**
Inventories	**24,994,187**	**16,875,096**	**19,396,894**	**61,266,177**

6. SEGMENT INFORMATION (continued)

At 31 December 2021 - restated	Khamis	Al Jumum	Al Jowf	Total
Total assets	252,122,060	299,039,059	38,316,412	589,477,531
Total liabilities	96,916,407	163,148,157	39,806,975	299,871,539
Other disclosures:				
Property, Plant and Equipment with Right-of-use assets	308,547,155	510,955,681	120,464,866	939,967,702
Inventories	49,672,557	20,029,461	22,445,739	92,147,757

At 1 January 2021 - restated	Khamis	Al Jumum	Al Jowf	Total
Total assets	380,048,534	555,358,351	151,042,821	1,086,449,706
Total liabilities	84,063,884	162,622,542	40,527,333	287,213,759
Other disclosures:				
Property, Plant and Equipment with Right-of-use assets	318,231,077	530,949,702	125,774,920	974,955,699
Inventories	57,303,839	19,630,163	22,589,012	99,523,014

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

Profit before tax

	31 December 2022	31 December 2021 (Restated)
Total profit before tax for reportable segments	**334,314,054**	117,074,388
Unallocated amounts		
Employee benefits expenses	**(43,626,804)**	(17,883,403)
Depreciation	**(2,775,691)**	(568,306)
Other expenses	**(24,663,330)**	(16,762,172)
Financing costs	**(29,258,055)**	(175,496)
Other income	**405,039**	1,217
Finance income	**1,344,032**	204,864
Expected credit loss on trade receivables	**(103,250)**	--
	235,635,995	81,891,092

6. SEGMENT INFORMATION (continued)

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

i) Total assets

	31 December 2022	31 December 2021 (Restated)	1 January 2021 (Restated)
Total assets for reportable segments	**990,036,885**	589,477,531	1,086,449,706
Unallocated amounts	**162,181,098**	582,647,775	347,686,200
	1,152,217,983	1,172,125,306	1,434,135,906

ii) Total liabilities

	31 December 2022	31 December 2021 (Restated)	1 January 2021 (Restated)
Total liabilities for reportable segments	**308,650,789**	299,871,539	287,213,759
Unallocated amounts	**665,139,370**	774,415,677	20,196,245
	973,790,159	1,074,287,216	307,410,004

All revenue is generated from external customers. Revenue from one customer of the Company's Khamis segment represented approximately SR. 241.20 million (2021: SR. 104.43 million) which represents 24.21% (2021: 18.60%) of the Company's total revenues.

7. PROPERTY, PLANT AND EQUIPMENT

	Buildings	*Plant and equipment*	*Furniture and fittings*	*Motor vehicles*	*Spare parts*	*Capital work in progress*	*Total*
Cost:							
Balance as at 1 January 2021, as previously reported	388,926,566	470,406,135	13,031,770	4,949,826	--	13,625,192	890,939,489
Impact of restatement (note 36)	--	--	--	--	15,707,474	--	15,707,474
Balance as at 1 January 2021 – (restated)	388,926,566	470,406,135	13,031,770	4,949,826	15,707,474	13,625,192	906,646,963
Additions during the year	12,401	560,062	1,494,707	--	--	15,596,969	17,664,139
Transfers	2,574,065	3,257,475	210,657	--	--	(6,042,197)	--
Reclassification (note 36)	8,131,179	(10,623,410)	(6,382,041)	--	--	--	(8,874,272)
Balance as at 31 December 2021 – (restated)	399,644,211	463,600,262	8,355,093	4,949,826	15,707,474	23,179,964	915,436,830
Balance as at 1 January 2022 – (restated)	**399,644,211**	**463,600,262**	**8,355,093**	**4,949,826**	**15,707,474**	**23,179,964**	**915,436,830**
Additions during the year	**108,035**	**5,567,499**	**2,196,778**	**789,681**	**--**	**23,078,691**	**31,740,684**
Disposals during the year	**--**	**(1,446,058)**	**(117,723)**	**(462,800)**	**--**	**--**	**(2,026,581)**
Transfers to intangible assets	**--**	**(438,591)**	**--**	**--**	**--**	**(321,105)**	**(759,696)**
Transfers	**2,065,778**	**26,104,716**	**--**	**--**	**--**	**(28,170,494)**	**--**
Balance as at 31 December 2022	**401,818,024**	**493,387,828**	**10,434,148**	**5,276,707**	**15,707,474**	**17,767,056**	**944,391,237**

7. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings	*Plant and equipment*	*Furniture and fittings*	*Motor vehicles*	*Spare parts*	*Capital work in progress*	*Total*
Accumulated depreciation:							
Balance as at 1 January 2021 – previously reported	46,588,951	103,417,361	6,197,913	889,778	--	--	157,094,003
Impact of restatements (note 36)	14,782,200	--	--	--	2,999,141	--	17,781,341
Balance as 1 January 2021 - (restated)	61,371,151	103,417,361	6,197,913	889,778	2,999,141	--	174,875,344
Depreciation for the year - previously reported	13,086,057	23,133,735	1,514,804	1,003,715	--	--	38,738,311
Impact of restatement (note 36)	2,321,575	--	--	--	966,272	--	3,287,847
Deprecation during the year - (restated)	15,407,632	23,133,735	1,514,804	1,003,715	966,272	--	42,026,158
Reclassification (note 36)	5,065,409	(11,303,999)	(2,635,682)	--	--	--	(8,874,272)
Balance as at 31 December 2021 - (restated)	81,844,192	115,247,097	5,077,035	1,893,493	3,965,413	--	208,027,230
Balance as at 1 January 2022 – (restated)	**81,844,192**	**115,247,097**	**5,077,035**	**1,893,493**	**3,965,413**	**--**	**208,027,230**
Depreciation for the year	**15,300,785**	**24,085,035**	**1,052,917**	**1,204,346**	**1,008,334**	**--**	**42,651,417**
Disposals during the year	**--**	**(731,373)**	**(82,451)**	**(99,123)**	**--**	**--**	**(912,947)**
Transfers to intangible assets	**--**	**(199,092)**	**--**	**--**	**--**	**--**	**(199,092)**
Balance as at 31 December 2022	**97,144,977**	**138,401,667**	**6,047,501**	**2,998,716**	**4,973,747**	**--**	**249,566,608**
Net book value as at 31 December 2022	**304,673,047**	**354,986,161**	**4,386,647**	**2,277,991**	**10,733,727**	**17,767,056**	**694,824,629**
Net book value as at 31 December 2021 - (restated)	317,800,019	348,353,165	3,278,058	3,056,333	11,742,061	23,179,964	707,409,600
Net book value as at 1 January 2021 – (restated)	327,555,415	366,988,774	6,833,857	4,060,048	12,708,333	13,625,192	731,771,619

7. PROPERTY, PLANT AND EQUIPMENT (continued)

7.1 The buildings are built on land leased from the GFSA with an annual rental of SR 3,173,959. 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 four years.

7.2 As at 31 December 2022, capital work in progress consists of the safety projects that are under progress across all branches and locations of the Company.

Capital commitments relating to these projects amounting to SR 16.52 million (31 December 2021: SR 24.1 million.

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

	Notes	**2022**	2021 (Restated)
Cost of sales	24	**40,057,377**	36,495,750
Selling and distribution expenses	25	**640,975**	1,163,390
General and administrative expenses	26	**1,953,065**	4,367,018
		42,651,417	42,026,158

8. RIGHT-OF-USE ASSETS

The Group leases silos, lands and building for its head office. 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 four years. Leases for head office building is for a period of 5 years, with an option to renew the lease after that date. For leases, the Group is restricted from entering into any sub-lease arrangements.

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

8. RIGHT-OF-USE ASSETS (continued)

	Silos	Lands	Building	Total
Cost				
Balance as at 1 January 2021 – previously reported	144,715,622	52,228,731	--	196,944,353
Impact of restatements (note 36)	60,204,240	17,522,415	--	77,726,655
Balance as at 1 January 2021 – (restated)	204,919,862	69,751,146	--	274,671,008
Balance as at 31 December 2021 – (restated)	**204,919,862**	**69,751,146**	**--**	**274,671,008**
Additions during the year	**--**	**--**	**2,172,055**	**2,172,055**
Balance as at 31 December 2022	**204,919,862**	**69,751,146**	**2,172,055**	**276,843,063**
Accumulated depreciation				
Balance at 1 January 2021	23,155,031	4,538,924	--	27,693,955
Depreciation for the year – reported previously	5,788,758	2,269,463	--	8,058,221
Impact of restatements (note 36)	1,842,138	384,493	--	2,226,631
Depreciation for the year – restated	7,630,896	2,653,956	--	10,284,852
Balance as at 31 December 2021 – restated	30,785,927	7,192,880	--	37,978,807
Depreciation for the year	7,630,896	2,653,956	436,484	10,721,336
Balance as at 31 December 2022	38,416,823	9,846,836	436,484	48,700,143
Net book value as at 31 December 2022	166,503,039	59,904,310	1,735,571	228,142,920
Net book value as at 31 December 2021 – (restated)	174,133,935	62,558,266	--	236,692,201
Net book value as at 1 January 2021 – (restated)	181,764,831	65,212,222	--	246,977,053

8.1 Depreciation on right-of-use assets has been allocated as follows:

	Note	2022	2021 (Restated)
Cost of revenue	24	**10,284,852**	10,284,852
General and administrative expenses	26	**436,484**	--
		10,721,336	10,284,852

9. INTANGIBLE ASSETS

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

	Software	Software under development	Total
Cost			
Balance as at 1 January 2021	--	3,484,686	3,484,686
Additions during the year	--	769,494	769,494
Balance as at 31 December 2021	--	4,254,180	4,254,180
Additions during the year	57,375	2,174,094	2,231,469
Reclassified from property, plant and equipment (note 7)	759,696	--	759,696
Transfer from software under development	2,440,260	(2,440,260)	--
Balance as at 31 December 2022	3,257,331	3,988,014	7,245,345
Accumulated amortization			
Balance as at 31 December 2021	--	--	--
Amortization for the year (note 26)	168,143	--	168,143
Write off of intangible assets	--	3,988,014	3,988,014
Reclassified from property, plant and equipment (note 7)	199,092	--	199,092
Balance as at 31 December 2022	367,235	3,988,014	4,355,249
Carrying amounts			
Net book value as at 31 December 2022	**2,890,096**	**--**	**2,890,096**
Net book value as at 31 December 2021	--	4,254,180	4,254,180
Net book value as at 1 January 2021	--	3,484,686	3,484,686

10. INVENTORIES

10.1 Inventories comprise of the following:

	31 December 2022	31 December 2021 (Restated)	1 January 2021 (Restated)
Spare parts – reported previously	**--**	85,855,266	86,174,575
Impact of restatements (note 36)	**--**	(15,707,474)	(15,707,474)
Spare parts – restated	**61,645,702**	70,147,792	70,467,101
Raw materials	**25,787,731**	24,508,999	26,368,661
Finished goods	**20,775,523**	13,396,652	11,889,012
Goods in transit	**--**	682,764	964,101
Packing material	**7,640,128**	3,806,510	7,898,176
Others - inventory	**1,339,978**	1,800,630	2,693,954
	117,189,062	114,343,347	120,281,005
Less: provision for slow-moving inventories	**(24,650,862)**	(21,605,582)	(20,757,991)
	92,538,200	92,737,765	99,523,014

10. INVENTORIES (continued)

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

	31 December 2022	31 December 2021 (Restated)
At the beginning of the year – previously reported	**25,268,812**	24,267,653
Impact of restatements (note 36)	**(3,663,230)**	(3,509,662)
At the beginning of the year – restated	**21,605,582**	20,757,991
Provision during the year – previously reported	**--**	4,102,163
Impact of restatements (note 36)	**--**	(153,568)
Provision during the year – restated	**--**	3,948,595
Provision during the year	**9,755,602**	--
Written-off during the year	**(6,710,322)**	(3,101,004)
At end of the year	**24,650,862**	21,605,582

10.3 Spare parts amounting to SR 6.55 million has been consumed during the period and is included in the maintenance expenses in the cost of revenue. Cost of raw materials, packing materials and finished goods recognized during the periods is disclosed in note 24.

11. TRADE RECEIVABLES

11.1 Trade receivables comprise of the following:

	31 December 2022	31 December 2021	1 January 2021
Trade receivables	**189,982**	--	--
Allowance for expected credit loss on trade receivables	**(103,250)**	--	--
	86,732	--	--

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

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

	31 December 2022	31 December 2021
At the beginning of the year	**--**	--
Provision during the year	**103,250**	--
Written-off during the year	**--**	--
At end of the year	**103,250**	--

12. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2022	31 December 2021	1 January 2021
Advance to suppliers	**9,536,277**	26,158,418	2,244,636
Prepayments (note 12.1)	**3,066,813**	3,183,305	1,880,428
Advance against letters of guarantee and letters of credit (note 31)	**2,939,024**	4,231,535	2,052,456
VAT receivable	**--**	1,647,092	--
Other receivables	**32,733**	1,677,244	796,061
	15,574,847	36,897,594	6,973,581

12.1 Prepayments mainly includes prepaid rent related to low value and short term leases, medical insurance, employees' allowances, and others.

13. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021	1 January 2021
Cash on hand	**111,665**	--	--
Cash at banks	**118,048,894**	94,133,966	345,405,953
	118,160,559	94,133,966	345,405,953

14. SHARE CAPITAL

The authorized, issued and fully paid-up share capital of the Parent Company as at 31 December 2022 amounted to SR 81,832,000 (31 December 2021: SR 899,666,590) consists of 8,183,200 shares (31 December 2021: 89,966,659 shares) at SR 10 each share.

Due to merger transaction (note 34) the revised shareholding of the Group is as follows:

	Percentage	**No. of shares**	**Amount**
31 December 2021			
Mada International Holding Company	50	44,983,329	449,833,290
Al Ghurair Foods LLC	45	40,484,998	404,849,980
Masafi Company LLC	5	4,498,332	44,983,320
	100	89,966,659	899,666,590

The Company's Board of Directors has proposed to decrease the share capital on 21 July 2022 (corresponding to 22 Dhul Hijjah 1443H) from 899,666,590 to SR 81,832,000, through offsetting the merger deficit reserve of SR 817,835,064 against the share capital which was approved by the members of the Extraordinary General Assembly on 20 October 2022 (corresponding to 24 Rabi Al Awwal 1444H). The merger deficit reserve was adjusted by an amount of SR 464 against retained earnings and one new share was issued in favor of Mada International Holding Company to remove the effect of share fractions and to maintain the same proportion of ownership of shareholders before and after the capital reduction.

14. SHARE CAPITAL (continued)

The Company completed the legal procedures of share capital reduction, and the commercial register and the amended by-laws were issued on 20 November 2022 (corresponding to 26 Rabi Al Thani 1444H) and 16 November 2022 (corresponding to 22 Rabi Al Thani 1444H) respectively.

	Percentage	No. of shares	Amount
31 December 2022			
Mada International Holding Company	**50**	**4,091,600**	**40,916,000**
Al Ghurair Foods LLC	**45**	**3,682,440**	**36,824,400**
Masafi Company LLC	**5**	**409,160**	**4,091,600**
	100	**8,183,200**	**81,832,000**

The shares of the Company have been pledged in favor of the bank during the loan period.

15. MERGER RESERVE

On 20 October 2022 on recommendation of Board of Directors, the shareholders of the Company through the Extraordinary General Assembly approved to decrease the Company's capital from SR 899,666,590 to SR 81,832,000 by share cancellations to set off the merger deficit amounting to SR 817,835,064 arising out of the merger between Mada Al Ghurair Company (the Ultimate Parent Company) and the Company that was taken place on 27 December 2021.

16. STATUTORY RESERVE

In accordance with the by-laws of the Company and the Regulations for Companies that came into effect on 2 May 2016 (corresponding to 25 Rajab 1437H), the Company is required to set aside 10% of its net income each year as a statutory reserve until such reserve reaches 30% of the share capital. The Company may resolve to discontinue such transfers when the reserve equals 30%.

This minimum required reserve of 30% of share capital is not available for distribution to the shareholders of the Company.

17. DIVIDENDS

17.1 On 14 June 2022, the General Assembly approved the distribution of dividends of SR 2.13 per share amounting to SR 17,463,711. The dividends were paid on 20 June 2022.

17.2 On 21 July 2022, the Board of Directors of the Company as authorized by the revised by-laws of the Company approved the distribution of interim dividends of SR 9.17 per share amounting to SR 75,000,000. The dividends were paid on 10 August 2022.

17.3 On 18 October 2022, the Board of Directors of the Company as authorized by the revised by-laws of the Company approved the distribution of interim dividends of SR 7.33 per share amounting to SR 60,000,000. The dividends were paid on 31 October 2022.

17.4 On 24 April 2023, the Board of Directors of the Company as authorized by the revised by-laws of the Company approved the distribution of interim dividends for the fourth quarter of 2022 of SR 4.28 per share amounting to SR 35,000,000. The dividends were paid on 27 April 2023 and 3 May 2023.

17. DIVIDENDS (continued)

17.5 On 24 April 2023, the Board of Directors of the Company as authorized by the revised by-laws of the Company approved the distribution of interim dividends for the first quarter of 2023 of SR 4.28 per share amounting to SR 35,000,000. The dividends were paid on 27 April 2023 and 3 May 2023.

17.6 On 7 April 2021, the Shareholder of the Company on recommendation of the Company's Board of Directors approved the distribution of interim dividends of SR 1.91 per share amounting to SR 172,074,475. The dividends were paid on 25 May 2021.

17.7 On 18 November 2021, the Shareholder of the Company on recommendation of the Company's Board of Directors approved the distribution of interim dividends of SR 2.58 per share amounting to SR 231,914,548. The dividends were paid on 6 December 2021.

17.8 On 27 December 2021, the Shareholder of the Company on recommendation of the Company's Board of Directors approved the distribution of interim dividends of SR 0.42 per share amounting to SR 38,085,452. The dividends were paid on 2 January 2022.

18. LONG TERM LOANS

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

	31 December 2022	31 December 2021	1 January 2021
Long term loan	**590,043,778**	702,406,402	--
Less: unamortised loan transaction cost	**(9,479,217)**	(10,071,668)	--
	580,564,561	692,334,734	--
Non-current portion	**535,976,307**	680,576,505	--
Current portion	**44,588,254**	11,758,229	--
	580,564,561	692,334,734	--

Long term loan represents Senior Murabaha Facility taken from a commercial bank in two tranches and carries profit rate at SAIBOR plus an applicable margin. The facility is repayable in quarterly instalments commencing from 31 March 2021 till 31 December 2038.

The facilities are secured against the following collaterals:

Shareholders have provided a financial guarantee of SR 100 million against this loan that is restricted based on meeting certain KPIs stated in stabilization support agreement for two consecutive years. The Company has met the KPIs for both periods as at 31 December 2022.

Securities provided against bank borrowings include assignment of insurance policies for insurance of the property all risk and business interruption amounting to SR 1,253 million (2021: SR 840 million).

Pledge of the shares of Company in favor of the bank during the loan period. (note 14)

18. LONG TERM LOANS (continued)

Movement in loan balance is as follows:

	31 December 2022	31 December 2021	1 January 2021
At the beginning of the year	**702,406,402**	--	--
Transferred as a result of merger transaction (note 34)	**--**	706,080,079	--
Obtained during the year	**--**	--	--
Paid during the period	**(112,362,624)**	(3,673,677)	--
At the end of the year	**590,043,778**	702,406,402	--

Maturity analysis - contractual cash flows

	31 December 2022	31 December 2021	1 January 2021
Within one year	**76,013,761**	28,459,943	--
One to five year	**318,515,766**	302,296,428	--
More than five year	**420,058,107**	498,369,583	--
	814,587,634	829,125,954	--

19. LEASE LIABILITIES

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

	31 December 2022	31 December 2021 (Restated)	1 January 2021 (Restated)
At the beginning of the year – previously reported	**181,349,147**	185,868,191	185,868,191
Impact of restatements (note 36)	**75,306,492**	77,726,655	77,726,655
At the beginning of the year – restated	**256,655,639**	263,594,846	263,594,846
Additions during the year	**2,172,055**	--	--
Interest charge for the year – previously reported	**--**	9,164,763	--
Impact of restatements (note 36)	**--**	(2,420,163)	--
Interest charge for the year – restated	**--**	6,744,600	--
Interest charge for the year	**6,640,617**	--	--
Repayments during the year	**(14,018,155)**	(13,683,807)	--
Balance as at 31 December	**251,450,156**	256,655,639	263,594,846
Current	**14,172,228**	13,683,809	13,683,809
Non-current	**237,277,928**	242,971,830	249,911,037
	251,450,156	256,655,639	263,594,846

19. LEASE LIABILITIES (continued)

19.2 Amounts recognised in profit or loss

	31 December 2022	31 December 2021 (Restated)
Finance cost on lease liabilities	**6,640,617**	6,744,600
Expenses relating to short-term leases and low-value asset	**39,703**	39,722

19.3 Amounts recognised in statement of cash flows

	31 December 2022	31 December 2021 (Restated)
Capital repayment for leases	**7,273,554**	4,287,528
Finance cost paid on lease	**6,744,601**	9,396,279
Payments for short-term leases	**470,000**	567,500
	14,488,155	14,251,307

20. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS

	31 December 2022	31 December 2021	1 January 2021
Present value of defined benefit obligation	**3,100,620**	782,225	495,802

No actuarial valuation has been carried out for the years ended 31 December 2021 and 31 December 2020 because management considers that financial impact was not material.

ACTUARIAL ASSUMPTIONS

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

	31 December 2022
Discount rate	**4.20%**
Salary increase rate	**2.50%**
Mortality table	**Mortality table issued by Institute of Actuaries of India for assured lives (IALM 2021-14)**
Employee turnover (withdrawal) rate	**1%-43%**
Expected retirement age	**60 Years**

At 31 December 2022, the weighted-average duration of the defined benefit obligation was 9 years.

20. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS (continued)

AMOUNT CHARGED TO PROFIT OR LOSS

	31 December 2022	31 December 2021
Service cost	**2,519,655**	296,049
Net interest amount charged on the net defined benefit liability	**28,950**	--
The total amount charged to profit or loss	**2,548,605**	296,049

AMOUNT CHARGED TO OTHER COMPREHENSIVE INCOME

	31 December 2022	31 December 2021
(Gain) / loss resulting from the change from experience adjustments	**(44,310)**	--
Actuarial gain	**(44,310)**	--

NET DEFINED BENEFIT OBLIGATION

	31 December 2022	31 December 2021	1 January 2021
Net defined benefit obligation at the beginning of the year	**782,225**	495,802	309,852
Service cost	**2,519,655**	296,049	185,950
Interest expense	**28,950**	--	--
Paid during the year	**(185,900)**	(9,626)	--
Remeasurement of the net defined benefit liability	**(44,310)**	--	--
Present value of the defined benefit obligation at the end of the year	**3,100,620**	782,225	495,802

The Group expects to pay SR 281,228 in contributions to its defined benefit plans in 2023.

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

		Increase / (decrease) in present value of the defined benefit obligation	
	Original	**%**	**Amount (SR)**
Discount rate	**3,100,620**	**+ 1%**	**2,835,055**
		- 1%	**3,391,136**
Salary increase rate	**3,100,620**	**+ 1%**	**3,391,061**
		- 1%	**2,835,020**
Future Mortality	**3,100,620**	**+1 year**	**3,069,997**
		-1 year	**3,130,210**
Withdrawal rate	**3,100,620**	**+10%**	**3,050,925**
		-10%	**3,150,305**

20. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS (continued)

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

	31 December 2022
Current portion	**185,899**
Between 1 and 2 years	**607,286**
Between 2 and 5 years	**1,397,167**
Beyond 5 years	**910,268**
	3,100,620

21. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2022	31 December 2021 (Restated)	1 January 2021
Accrued expenses – reported previously	**--**	5,362,674	2,453,283
Impact of restatements (note 36)	**--**	(150,036)	--
Accrued expenses – restated	**19,270,332**	5,212,638	2,453,283
Employee related accruals	**30,103,261**	19,257,628	12,189,495
Accrued rebates	**12,025,704**	6,450,250	--
Withholding taxes payable	**36,639**	6,749,999	--
VAT payable	**3,917,122**	--	--
Accrued professional fees	**5,849,036**	4,455,680	1,617,244
Other payables	**906,487**	59,761	27,250
	72,108,581	42,185,956	16,287,272

21.1 Accrued expenses mainly comprise of accrued electricity, rent and accrued utility charges.

22. 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. 8.97 million included in advances from customers at 31 December 2021 has been recognised as revenue in 2022 (2021: SR 6.01 million). The Group is expecting to recognise SR 12.57 million as revenue in 2023.

23. REVENUE

	31 December 2022	31 December 2021
Sale of goods	**978,000,691**	555,011,779

23. REVENUE (continued)

23.1 Disaggregation of revenue

Revenue is disaggregated by type of goods, sector and customer as shown below:

	31 December 2022	31 December 2021
Type of goods		
Flour	**402,045,526**	279,156,301
Feed	**399,901,523**	198,355,647
Bran	**176,053,642**	77,499,831
	978,000,691	555,011,779
Type of customer		
Corporate sector	**899,589,181**	315,562,860
Government sector	**--**	148,298,639
Individuals	**78,411,510**	91,150,280
	978,000,691	555,011,779

Timing of revenue recognition

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

24. COST OF REVENUE

Cost of revenue comprises the following:

	Note	**31 December 2022**	31 December 2021 (Restated)
Raw material consumed		**461,440,221**	279,098,285
Salaries and other benefits		**50,580,858**	45,236,307
Depreciation on property, plant and equipment	7.3	**40,057,377**	36,495,750
Depreciation on right-of-use assets	8.1	**10,284,852**	10,284,852
Professional and consulting fees		**2,327,785**	--
Utilities		**19,010,192**	10,469,283
Provision for slow moving inventories	10.2	**9,755,602**	3,948,595
Insurance		**3,848,620**	2,882,691
Maintenance expenses		**13,520,391**	2,322,211
Other expenses	24.1	**8,546,638**	3,322,027
Total goods manufactured during the year		**619,372,536**	394,060,001
Finished goods at the beginning of the year	10.1	**13,396,652**	11,889,012
Finished goods available for sale		**632,769,188**	405,949,013
Finished goods at the end of the year	10.1	**(20,775,523)**	(13,396,652)
Cost of goods sold		**611,993,665**	392,552,361

24.1 Other expenses include mill license fee and other operating expenses for the period.

25. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses comprise the following:

	Note	**31 December 2022**	31 December 2021
Salaries and other benefits		**11,689,931**	3,730,524
Freight and shipment		**2,402,589**	4,185,111
Marketing and promotion		**8,303,563**	230,155
Maintenance		**1,769,566**	--
Depreciation on property, plant and equipment	7.3	**640,975**	1,163,390
Fuel and power		**430,398**	361,010
Professional and consulting fees		**71,071**	--
Insurance		**331,923**	315,878
Others		**2,227,599**	936,154
		27,867,615	10,922,222

26. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise the following:

	Note	**31 December 2022**	31 December 2021 (Restated)
Salaries and other benefits		**44,880,857**	39,455,669
Depreciation on property, plant and equipment	7.3	**1,953,065**	4,367,018
Depreciation on right-of-use assets	8.1	**436,484**	--
Amortization of intangible assets	9.1	**168,143**	--
Professional and consulting fees		**2,523,963**	7,833,932
Subscriptions		**1,723,903**	1,444,937
Utilities		**1,332,807**	1,305,092
Communication		**546,153**	1,042,866
Insurance		**1,161,346**	3,148,704
Maintenance		**38,789**	1,208,532
Board and committees' expenses and allowances		**360,109**	360,000
Fines and penalties	26.1	**6,831,283**	--
Others	26.2	**6,669,400**	2,869,812
		68,626,302	63,036,562

26.1 Fines and penalties include SR 6.42 million in relation to the claim raised by GFSA. (note 37)

26.2 Others also include write off of intangible assets.

27. FINANCE COSTS

Finance costs comprise the following:

	Note	**31 December 2022**	31 December 2021 (Restated)
Finance cost on long-term loans		**28,582,316**	175,494
Finance cost on lease liabilities	19.2	**6,640,617**	6,744,600
Amortization of loan transaction cost		**592,451**	--
		35,815,384	6,920,094

28. FINANCE INCOME

	31 December 2022	31 December 2021
Finance income on bank deposits	**1,344,032**	204,864

Finance income represents interest income on short term deposits having maturity period up to 30 days at an interest rate of 2% per annum approx.

29. OTHER INCOME

	31 December 2022	31 December 2021
Gain on disposal of property, plant and equipment	**665,314**	--
Other income	**32,174**	105,688
	697,488	105,688

Other income has been reclassified as a part of operating profits in the current reporting period.

30. ZAKAT

30.1 Movement in provision for zakat during the year

The Group is subject to zakat during 2021. However, during the prior year the Parent Company was not subject to zakat since its share capital was from public funds on which zakat was not applicable.

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

	31 December 2022	31 December 2021	1 January 2021
Equity at the beginning of the year	**95,276,370**	899,666,590	--
Opening allowances and other adjustments	**856,704,521**	907,993,038	--
Book value of long-term assets	**(987,503,347)**	(1,782,008,001)	--
Zakat base excluding the zakat able income	**(35,522,456)**	25,651,627	--
Zakat able income for the year	**105,074,790**	68,664,031	--
Adjusted zakat base for the year	**105,074,790**	94,315,658	--

30. ZAKAT (continued)

30.2 Movement in provision for zakat during the year is as follows:

	31 December 2022	31 December 2021	1 January 2021
At the beginning of the year	**2,377,819**	--	--
Charged during the year	**2,626,870**	2,377,819	--
Paid during the year	**(2,150,379)**	--	--
At end of the year	**2,854,310**	2,377,819	--

30.3 Zakat Status

The Parent Company got exemption from Zakat, Tax and Customs Authority (ZATCA) from submitting the zakat return for the year ended 31 December 2020. The Parent Company has submitted the zakat declaration for the year ended 31 December 2022 and obtained the unrestricted Zakat certificate which is valid up to 30 April 2024.

31. CAPITAL COMMITMENTS AND CONTINGENCIES

31.1 Contingencies

The Group has provided bank guarantees amounting to SR 1,576,477 in favor of GFSA for lease of silos in Khamis Mushait, Al Jumum and Al Jouf. These guarantees are valid up to 31 December 2023.

The Group has provided bank guarantees amounting to SR 475,979 in favor of GFSA for lease of lands in Khamis Mushait, Al Jumum and Al Jawf. These guarantees are valid up to 31 December 2023.

The Group has provided bank guarantees amounting to SR 500,000 in favor of GFSA for the importation of Barley. These guarantees are valid up to 30 June 2023.

31.2 Commitments

The following Letter of Credits (LCs) are outstanding as at 31 December 2022:

a) LC import amounting to SR 18,030,000 (USD 4,808,000) with an outstanding amount of SR 2,623,523 (USD 699,606.07) (31 December 2021: NIL) in favor of Al Ghurair Resources International LLC for purchase of corn. The LC matures on 28 February 2023.

b) Outward LC import sight amounting to SR 383,850 (USD 102,360) (31 December 2021: NIL) in favor of OCRIM SPA for purchase of infestation destroyer machine. The Company has paid a cash margin against this LC amounting to SR 383,850 (USD 102,360). The LC matures on 28 March 2023.

31. CAPITAL COMMITMENTS AND CONTINGENCIES (continued)

c) Outward LC import sight amounting to SR 1,676,913 (EUR 419,000) with an outstanding amount of SR 1,089,993 (EUR 272,350) (31 December 2021: NIL) in favor of FAWEMA GMBH for purchase of bag packaging machine. The LC matures on 30 May 2023.

d) Outward LC import sight amounting to SR 579,436 (EUR 144,780) (31 December 2021: NIL) in favor of BUHLER AG for purchase of batch scale. The LC matures on 30 April 2023.

e) LC acceptance amounting to SR 17,209,477 (USD 4,589,193.93) (31 December 2021: NIL) in favor of Al Ghurair Resources International LLC for purchase of soya bean. The LC matures on 10 February 2023.

f) LC acceptance amounting to SR 20,484,750 (USD 5,462,600) (31 December 2021: NIL) in favor of Al Ghurair Resources International LLC for purchase of soya bean. The LC matures on 22 Jan 2023.

32. EARNINGS PER SHARE

32.1 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.

	31 December 2022	31 December 2021 (Restated)
Profit for the year	**233,009,125**	79,513,273
Weighted average number of ordinary shares for basic and diluted EPS	**8,183,200**	8,183,200
Earnings per share - basic and diluted	**28.47**	9.72

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.

During the year, there are no transactions that reduce the earnings per share and therefore, the earnings per diluted share are not different from the basic earnings per share.

As disclosed in note 14 of these consolidated financial statements the share capital of the Group has been decreased from SR 899,666,590 to SR 81,832,000. The per share calculations for both basic and diluted EPS reflects the retrospective adjustment for this decrease in share capital.

33. RELATED PARTY TRANSACTIONS AND BALANCES

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

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

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

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

	31 December 2022	31 December 2021
Short term employees benefits	**9,034,488**	2,771,640
Post-employment benefits and medical benefits	**4,497,876**	129,809
Total compensation paid to key management personnel	**13,532,364**	2,901,449

Short term employee benefits include SR 0.36 million (2021: 0.36 million) board and committees' fees.

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.

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:

33. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

OTHER RELATED PARTY TRANSACTIONS (continued)

Name	Relationship	Nature of transactions	Amount of transactions **31 December 2022**	 31 December 2021
Al Ghurair Food Company LLC	Shareholder	Purchases during the year	**63,430,548**	16,633,993
		Dividend paid	**(81,459,848)**	(104,361,547)
		Dividend payable	**--**	(17,138,453)
Mada International Holding Company	Shareholder	Dividend paid	**(87,899,331)**	(115,957,274)
		Dividend payable	**--**	(19,042,726)
Hassad Al-Arabiya	Subsidiary	Paid on behalf of the Subsidiary	**5,762,366**	--
		Investment	**100,000**	--

DUE TO RELATED PARTIES

	Relationship	**31 December 2022**	31 December 2021	1 January 2021
Mada International Holding Company	Shareholder	**--**	11,667,445	--
Al Ghurair Food Company LLC	Shareholder	**--**	11,423,525	--
Masafi Company LLC	Shareholder	**--**	1,804,059	--
General Food Security Authority	Shareholder	**--**	--	10,937,712
		--	24,895,029	10,937,712

DUE TO RELATED PARTIES – included in trade and other payables.

	Relationship	**31 December 2022**	31 December 2021	1 January 2021
Al Ghurair Food Company LLC	Shareholder	**15,396,304**	--	--
		15,396,304	--	--

Amounts due to related parties are payable on demand, are unsecured and interest free.

34. MERGER TRANSACTION

On 1 November 2021 (corresponding to 26 Rabi al awwal 1443H) merger agreement was signed between shareholders of Mada Al Ghurair Limited (the Ultimate Parent Company) and its wholly owned subsidiary, Modern Mills Company (the Company) whereby all assets, liabilities, rights and obligations of the ultimate Parent Company were to be transferred to the Company subject to the completion of legal formalities.

Board of Directors of the ultimate Parent Company and the Company decided in their meeting held on 2 November 2021 (corresponding to 27 Rabi al awwal 1443H) to call for extraordinary general assembly meeting for the approval of the merger. Accordingly, extraordinary general assembly meeting was held on 4 November 2021 (corresponding to 29 Rabi al awwal 1443H) wherein merger agreement was approved. After completion of legal formalities and necessary regulatory approvals, merger was concluded on 27 December 2021 (corresponding to 23 Jumada al ula 1443H).

Assets, liabilities and equity of the ultimate Parent Company have been transferred to the Company and accounted for as a legal merger (combination of entities) under common control and has been carried out at respective book values of the Parent Company at 27 December 2021.

Below are the details of assets, liabilities, equity, income and expenses of the ultimate Parent Company merged with the Company:

	Amounts
Non-current assets	
Investment in the Company	**817,935,064**
Current assets	
Due from a related party	**7,375,281**
Other receivables	**1,647,093**
Cash and bank balances	**24,647,949**
	33,670,323
Total assets	**851,605,387**
Non-current liabilities	
Long-term loan	**682,923,611**
Current liabilities	
Current portion of long-term loan	**12,936,687**
Accrued expenses and other payables	**4,136,636**
Total liabilities	**699,996,934**
Equity	
Share capital	**100,000**
Retained earnings	**151,508,453**
Total equity	**151,608,453**
Total liabilities and equity	**851,605,387**

34. MERGER TRANSACTION (continued)

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 deficit reserve which is as follows:

	Amounts
Investment in the Company	**817,935,064**
Due from a related party	**7,375,281**
Other receivables	**1,647,093**
Cash and bank balances	**24,647,949**
Long-term loan	**(682,923,611)**
Current portion of long-term loan	**(12,936,687)**
Accrued expenses and other payables	**(4,136,636)**
Accumulated profits	**(151,508,453)**
Share capital	**(100,000)**
Merger adjustments:	
Investment in subsidiary	**(817,935,064)**
Share capital of the Parent Company	**100,000**
Merger deficit reserve	**(817,835,064)**

No consideration has been paid and as a result of merger, the investment of the ultimate Parent Company in the Company amounting to SR 817,935,064 has been derecognized through equity resulting in a merger deficit reserve of SR 817,935,064, which has been recognised as a separate line item within equity. The share capital of the ultimate Parent Company amounting to SR 100,000 has also been adjusted against this merger deficit reserve. Total merger deficit reserve amounts to SR 817,835,064 as at the reporting date.

The merger deficit reserve so created has been adjusted against share capital of the Company during the year. (note 14).

35. FINANCIAL INSTRUMENTS

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

	31 December 2022	31 December 2021	1 January 2021
Financial assets at amortised cost:			
Bank balances	**118,048,894**	94,133,966	345,405,953
Trade receivables	**86,732**	--	--
Other receivables	**32,733**	1,677,244	796,061
	118,168,359	95,811,210	346,202,014

35. FINANCIAL INSTRUMENTS (continued)

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

Financial liabilities at amortised cost:	**31 December 2022**	31 December 2021 (Restated)	1 January 2021 (Restated)
Trade and other payables	**44,707,986**	46,085,035	10,081,420
Other payables	**906,487**	59,761	27,250
Long term loans	**580,564,561**	692,334,734	--
Lease liabilities	**251,450,156**	256,655,639	263,594,846
Due to related parties	**--**	24,895,029	10,937,712
	877,629,190	1,020,030,198	284,641,228

Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments comprise of financial assets and financial liabilities. The Group's financial assets consist of bank balances, trade receivables and other current assets. Its financial liabilities consist of trade payables, accrued expenses and other current liabilities, long-term loans, obligations under finance lease and amounts due to related parties.

The management assessed that fair value of bank balances, trade receivables, other current assets, trade payables, accrued expenses and other current liabilities, long-term loans, obligations under finance lease 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.

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

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

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

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

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

There are no financial instruments recognised at fair value and there were no transfers between levels of fair value measurements in 2022 and 2021. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.

35. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

The Group is exposed to credit risk on its financial assets as follows:

	31 December 2022	31 December 2021	1 January 2021
Financial assets at amortised cost			
Bank balances	**118,048,894**	94,133,966	345,405,953
Trade receivables	**86,732**	--	--
Other receivables	**32,733**	1,677,244	796,061
	118,168,359	95,811,210	346,202,014

The carrying amounts of financial assets represent the maximum credit exposure. Credit risk on balances with banks is limited as:

- Cash balances are held with banks with sound credit ratings as below:

	Rating					
Banks	Short-term	Long-term	Rating agency	**31 December 2022**	31 December 2021	1 January 2021
Saudi British Bank	P-1	A-1	Moody's	**499,999**	499,999	499,999
Banque Saudi Fransi	P-1	A-1	Moody's	**10,404,426**	28,245,992	344,905,954
Alinma Bank	P-1	A-1	Moody's	**107,144,469**	65,387,975	--
				118,048,894	94,133,966	345,405,953

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

35. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Expected credit losses:

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

Trade receivables

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

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

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

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

The Group assessed the concentration of risk with respect to trade receivables and concluded it to be low. The Group has recognized allowance for expected credit losses against their trade receivables amounting to SR. 103,250 (31 December 2021: SR. NIL).

The loss allowance as at 31 December 2021 was determined to be not required as the Group had a cash only business, hence no adjustment of the same was made in the consolidated financial statements.

35. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (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)	0.04%	74,644	33	No
0 – 30 days past due	1.78%	--	--	No
31 – 90 days past due	8.12%	--	--	No
91 – 180 days past due	12.02%	--	--	No
181 – 360 days past due	46.44%	22,719	10,550	Yes
More than 360 days past due	100.00%	92,619	92,619	Yes

Liquidity risk

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

Excessive risk concentration:

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

Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Group'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 Group's financial liabilities as 31 December 2022 and 31 December 2021 based on contractual payment dates and current market interest rates as following.

35. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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	**44,707,986**	**44,707,986**	**--**	**--**	**44,707,986**
Other payables	**906,487**	**906,487**	**--**	**--**	**906,487**
Long term loans	**580,564,561**	**76,013,761**	**318,515,766**	**420,058,107**	**814,587,634**
Lease liabilities	**251,450,156**	**14,183,209**	**57,178,139**	**261,772,983**	**333,134,331**
Amounts due to related parties	**--**	**--**	**--**	**--**	**--**
	877,629,190	**135,811,443**	**375,693,905**	**681,831,090**	**1,193,336,438**

31 December 2021 (restated)

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	46,085,035	46,085,035	--	--	46,085,035
Other payables	59,761	59,761	--	--	59,761
Long term loans	692,334,734	28,459,943	302,296,428	498,369,583	829,125,954
Lease liabilities	256,655,639	13,683,809	55,211,329	275,782,123	344,677,261
Amounts due to related parties	24,895,029	24,895,029	--	--	24,895,029
	1,020,030,198	113,183,577	357,507,757	774,151,706	1,244,843,040

1 January 2021 (restated)

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	10,081,420	10,081,420	--	--	10,081,420
Other payables	27,250	27,250	--	--	27,250
Long term loans	--	--	--	--	--
Lease liabilities	263,594,846	13,683,809	55,052,631	289,624,630	358,361,070
Amounts due to related parties	10,937,712	10,937,712	--	--	10,937,712
	284,641,228	34,730,191	55,052,631	289,624,630	379,407,452

35. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

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

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

Foreign currency risk

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

Interest rate risk

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

Sensitivity analysis

A reasonably possible change of 10% in interest rates at the reporting date would have increased (decreased) profit before Zakat by the amounts shown below. This analysis assumes that all other variables remain constant.

31 December 2022	**Impact on profit before Zakat**	
	10% increase	**10% decrease**
Long term loan (floating rate)	**(2,858,232)**	2,858,232

35. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

31 December 2021	Impact on profit before Zakat	
	10% increase	10% decrease
Long term loan (floating rate)	(17,549)	17,549

1 January 2021	Impact on profit before Zakat	
	10% increase	10% decrease
Long term loan (floating rate)	--	--

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 Group's exposure to significant IBORs subject to reform that have yet to transition to RFRs as at the current period-end:

	31 December 2022	31 December 2021	1 January 2021
Long term loan (floating rate)	**580,564,561**	692,334,734	--

35. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

Uncertainties and potential accounting risks associated with the IBOR reforms on the Group's consolidated 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.

For changes that are not required by IBOR reform, the Group will apply judgement to determine whether they result in the financial instrument being derecognised. Therefore, as financial instruments transition from IBOR to RFRs, the Group will apply judgment to assess whether the transition has taken place on an economically equivalent basis. In making this assessment, the Group 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 Group 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 Group 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 Group 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 Group 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.

Capital Risk Management

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

35. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital Risk Management (continued)

The Group manages its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, lease liabilities, employees' defined benefit obligations, zakat payable, less cash and cash equivalents. The gearing ratio as at 31 December 2022 and 31 December 2021 is as follows:

	31 December 2022	31 December 2021 (Restated)	1 January 2021 (Restated)
Loans and borrowings	**580,564,561**	692,334,734	--
Lease liabilities	**251,450,156**	256,655,639	263,594,846
Employees' defined benefit obligations	**3,100,620**	782,225	495,802
Zakat payable	**2,854,310**	2,377,819	--
Less: Cash and cash equivalents	**(118,160,559)**	(94,133,966)	(345,405,953)
Net debt	**719,809,088**	858,016,451	(81,315,305)
Share capital	**81,832,000**	899,666,590	899,666,590
Statutory reserve	**24,549,600**	13,444,845	5,493,517
Merger reserve	**--**	(817,835,064)	--
Retained earnings	**72,046,224**	2,561,719	221,565,795
Equity	**178,427,824**	97,838,090	1,126,725,902
Capital and net debt	**898,236,912**	955,854,541	1,045,410,597
Gearing ratio	**80.14%**	89.76%	(7.78%)

36. CORRECTION OF ERRORS

During the year 2022, the Group restated certain amounts and balances included in the prior periods consolidated financial statements to reflect appropriate accounting treatment and classification. The details of each of such restatements have been summarised below:

Restatement - 1
During the year ended 31 December 2022, the management discovered that certain spare parts with the useful life of more than one year and meeting the definition of property, plant and equipment as per the requirement of IAS 16, 'Property, Plant and Equipment' were erroneously classified and accounted for as inventory in the prior periods. Consequently, carrying value of property, plant and equipment and the related depreciation were understated and the carrying value of inventories and related provision for slow moving inventory were overstated.

36. CORRECTION OF ERRORS (continued)

Restatement – 2
During the year ended 31 December 2022, the management discovered that the lease modification (increase in lease term and increased lease payment) for lands and silos with GFSA on 30 November 2020 was erroneously not accounted for in accordance with the requirements of IFRS 16, 'Leases'. Consequently, the carrying values of the right of use assets and lease liabilities and related depreciation and finance cost were understated. The management corrected the carrying values of lease liabilities and right-of-use assets and the resulting depreciation and finance costs on lease liabilities by restating each of the affected financial statement line items for the prior periods.

Restatement – 3
During the year ended 31 December 2022, the management discovered that the useful life of the leasehold improvements in prior periods were erroneously based on the economic life of the leasehold improvements instead of the lease term. Consequently, the carrying value of leasehold improvements were overstated and the related accumulated depreciation was understated.

Restatement – 4
On 27 December 2021, a merger took place between the ultimate Parent Company and the Company. The merger was accounted for as a legal merger based on the carrying values in the separate financial statements of the ultimate Parent Company. During the year ended 31 December 2022, the management discovered that the results of operations of the Ultimate Parent Company were recognized in the statement of profit or loss of the Company from 1 January 2021 to 27 December 2021 instead of prospective merger accounting (i.e., from the date of merger transaction). This resulted in overstatement of general and administrative expenses and finance cost and did not conform with the requirements of applicable financial reporting framework.

Restatement – 5
During the year ended 31 December 2022, the management discovered that, as at 31 December 2019, other payable include an amount for which payment was made and erroneously accounted for as a cost of revenue expense instead of reduction in other payable. Consequently, other payable and cost of revenue were overstated as at and for the period ended 31 December 2019.

Restatement – 6
During the year ended 31 December 2022, the management discovered that the carrying value of trade payables as at 31 December 2020, include an amount payable to GOSI and was no longer payable as at 31 December 2020. Consequently, trade payables were overstated as at and for the period ended 31 December 2020.

Restatement – 7
During the year ended 31 December 2022, the management discovered the carrying value of accrued expenses and other liabilities as at 31 December 2021, include a provision for agency fee payable to bank which was erroneously double counted. Consequently, accrued expenses and other liabilities and agency fees expenses were overstated as at and for the period ended 31 December 2021..

Restatement – 8
During the year ended 31 December 2022, the management discovered there was a mathematical error which has occurred in the year 2021 in the disclosure note of property, plant and equipment. Consequently, the cost and the accumulated depreciation of property plant and equipment were overstated because of the mathematical error. There is no impact on the net book value of Property, plant, and equipment as result of this error.

36. CORRECTION OF ERRORS (continued)

Restatement – 9

During the year ended 31 December 2022, the management discovered that finance cost paid for lease in the comparative period was was erroneously classified as cash outflows from financing activities aggregated with lease capital repayment instead of cash outflows from operating activities in the statement of cash flow. Consequently, cash outflows from financing activities was overstated and cash outflows from operating activities was understated.

The errors have been corrected by restating each of the affected financial statement line items for the prior periods. The following tables summaries the impacts on the Group's Consolidated financial statement.

36. CORRECTION OF ERRORS (continued)

		Impact of restatements							
Consolidated statement of financial position:	**As previously reported**	**Restatement - 1**	**Restatement - 2**	**Restatement - 3**	**Restatement - 4**	**Restatement - 5**	**Restatement - 6**	**Restatement - 7**	**Restated**
1 January 2021									
Property, plant and equipment	733,845,486	12,708,333	--	(14,782,200)	--	--	--	--	731,771,619
Right-of-use assets	169,250,398	--	77,726,655	--	--	--	--	--	246,977,053
Others	3,484,686	--	--	--	--	--	--	--	3,484,686
Non-current assets	**906,580,570**	**12,708,333**	**77,726,655**	**(14,782,200)**	**--**	**--**	**--**	**--**	**982,233,358**
Inventories	111,720,826	(12,197,812)	--	--	--	--	--	--	99,523,014
Others	352,379,534	--	--	--	--	--	--	--	352,379,534
Current assets	**464,100,360**	**(12,197,812)**	**--**	**--**	**--**	**--**	**--**	**--**	**451,902,548**
Total assets	**1,370,680,930**	**510,521**	**77,726,655**	**(14,782,200)**	**--**	**--**	**--**	**--**	**1,434,135,906**
Retained earnings	231,914,548	459,469	--	(13,303,980)	--	1,210,098	1,285,660	--	221,565,795
Statutory reserve	6,643,379	51,052	--	(1,478,220)	--	134,455	142,851	--	5,493,517
Others	899,666,590	--	--	--	--	--	--	--	899,666,590
Total equity	**1,138,224,517**	**510,521**	**--**	**(14,782,200)**	**--**	**1,344,553**	**1,428,511**	**--**	**1,126,725,902**
Lease liabilities	181,349,913	--	68,561,124	--	--	--	--	--	249,911,037
Others	495,802	--	--	--	--	--	--	--	495,802
Non-current liabilities	**181,845,715**	**--**	**68,561,124**	**--**	**--**	**--**	**--**	**--**	**250,406,839**
Current portion of lease liabilities	4,518,278	--	9,165,531	--	--	--	--	--	13,683,809
Trade payables	12,854,484	--	--	--	--	(1,344,553)	(1,428,511)	--	10,081,420
Others	33,237,936	--	--	--	--	--	--	--	33,237,936
Current liabilities	**50,610,698**	**--**	**9,165,531**	**--**	**--**	**(1,344,553)**	**(1,428,511)**	**--**	**57,003,165**
Total liabilities	**232,456,413**	**--**	**77,726,655**	**--**	**--**	**(1,344,553)**	**(1,428,511)**	**--**	**307,410,004**
Total equity and liabilities	**1,370,680,930**	**510,521**	**77,726,655**	**(14,782,200)**	**--**	**--**	**--**	**--**	**1,434,135,906**

36. CORRECTION OF ERRORS (continued)

		Impact of restatements							
Consolidated statement of financial position:	**As previously reported**	**Restatement - 1**	**Restatement - 2**	**Restatement - 3**	**Restatement - 4**	**Restatement - 5**	**Restatement - 6**	**Restatement - 7**	**Restated**
31 December 2021									
Property, plant and equipment	712,771,314	11,742,061	--	(17,103,775)	--	--	--	--	707,409,600
Right-of-use assets	161,192,177	--	75,500,024	--	--	--	--	--	236,692,201
Others	4,254,180	--	--	--	--	--	--	--	4,254,180
Non-current assets	**878,217,671**	**11,742,061**	**75,500,024**	**(17,103,775)**	**--**	**--**	**--**	**--**	**948,355,981**
Inventories	104,782,009	(12,044,244)	--	--	--	--	--	--	92,737,765
Others	131,031,560	--	--	--	--	--	--	--	131,031,560
Current assets	**235,813,569**	**(12,044,244)**	**--**	**--**	**--**	**--**	**--**	**--**	**223,769,325**
Total assets	**1,114,031,240**	**(302,183)**	**75,500,024**	**(17,103,775)**	**--**	**--**	**--**	**--**	**1,172,125,306**
Retained earnings	17,463,711	(271,965)	174,179	(15,393,397)	(2,056,602)	1,210,098	1,285,660	150,036	2,561,720
Statutory reserve	12,832,179	(30,218)	19,353	(1,710,378)	2,056,602	134,455	142,851	--	13,444,844
Others	81,831,526	--	--	--	--	--	--	--	81,831,526
Total equity	**112,127,416**	**(302,183)**	**193,532**	**(17,103,775)**	**--**	**1,344,553**	**1,428,511**	**150,036**	**97,838,090**
Lease liabilities	176,587,400	--	66,384,430	--	--	--	--	--	242,971,830
Others	681,358,730	--	--	--	--	--	--	--	681,358,730
Non-current liabilities	**857,946,130**	**--**	**66,384,430**	**--**	**--**	**--**	**--**	**--**	**924,330,560**
Current portion of lease liabilities	4,761,747	--	8,922,062	--	--	--	--	--	13,683,809
Trade payables	48,858,099	--	--	--	--	(1,344,553)	(1,428,511)	--	46,085,035
Accrued expenses and other liabilities	42,335,992	--	--	--	--	--	--	(150,036)	42,185,956
Others	48,001,856	--	--	--	--	--	--	--	48,001,856
Current liabilities	**143,957,694**	**--**	**8,922,062**	**--**	**--**	**(1,344,553)**	**(1,428,511)**	**(150,036)**	**149,956,656**
Total liabilities	**1,001,903,824**	**--**	**75,306,492**	**--**	**--**	**(1,344,553)**	**(1,428,511)**	**(150,036)**	**1,074,287,216**
Total equity and liabilities	**1,114,031,240**	**(302,183)**	**75,500,024**	**(17,103,775)**	**--**	**--**	**--**	**--**	**1,172,125,306**

36. CORRECTION OF ERRORS (continued)

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021:	As previously reported	Impact of restatements Restatement - 1	Restatement - 2	Restatement - 3	Restatement - 4	Restated
Cost of revenue						
Depreciation	41,266,124	966,272	2,226,631	2,321,575	--	46,780,602
Provision for slow moving inventories	4,102,163	(153,568)	--	--	--	3,948,595
Gross profit	**167,820,328**	**(812,704)**	**(2,226,631)**	**(2,321,575)**	**--**	**162,459,418**
General and administrative expenses						
Salaries and other benefits	43,115,141	--	--	--	(3,659,472)	39,455,669
Professional and consulting fees	8,002,433	--	--	--	(168,501)	7,833,932
Insurance	3,192,954	--	--	--	(44,250)	3,148,704
Subscriptions	1,448,141	--	--	--	(3,204)	1,444,937
Other expenses	2,886,230	--	--	--	(16,418)	2,869,812
Operating profit	**89,969,699**	**(812,704)**	**(2,226,631)**	**(2,321,575)**	**3,891,845**	**88,500,634**
Finance costs						
Finance cost on long term loan	16,849,670	--	--	--	(16,674,176)	175,494
Finance cost on lease liabilities	9,164,763	--	(2,420,163)	--	--	6,744,600
Profit before Zakat	**64,265,818**	**(812,704)**	**193,532**	**(2,321,575)**	**20,566,021**	**81,891,092**
Profit for the year	**61,887,999**	**(812,704)**	**193,532**	**(2,321,575)**	**20,566,021**	**79,513,273**
Total comprehensive income for the year	**61,887,999**	**(812,704)**	**193,532**	**(2,321,575)**	**20,566,021**	**79,513,273**
Basic and diluted earnings per share attributable to equity holders of the Parent Company (in Saudi Riyals per share)	**7.56**	**(0.10)**	**0.02**	**(0.28)**	**2.51**	**9.72**

36. CORRECTION OF ERRORS (continued)

Consolidated statement of changes in equity: ***For the year ended 31 December 2021:***	**As previously reported**	**Impact of restatements** Restatement - 1	Restatement - 2	Restatement - 3	Restatement - 4	Restatement - 5	Restatement - 6	Restatement - 7	**Restated**
Retained earnings - as at 1 January 2021	231,914,548	459,469	--	(13,303,980)	--	1,210,098	1,285,660	--	221,565,795
Profit for the year	61,887,999	(812,704)	193,532	(2,321,575)	20,566,021	--	--	--	79,513,273
Total comprehensive income for the year	61,887,999	(812,704)	193,532	(2,321,575)	20,566,021	--	--	--	79,513,273
Retained earnings – as at 31 December 2021	**17,463,711**	**(271,965)**	**174,179**	**(15,393,397)**	**(2,056,602)**	**1,210,098**	**1,285,660**	**150,036**	**2,561,720**
Statutory reserve – as at 1 January 2021	6,643,379	51,052	--	(1,478,220)	--	134,455	142,851	--	5,493,517
Statutory reserve – as at 31 December 2021	**12,832,179**	**(30,218)**	**19,353**	**(1,710,378)**	**2,056,602**	**134,455**	**142,851**	**--**	**13,444,844**
Total equity – as at 1 January 2021	1,138,224,517	510,521	--	(14,782,200)	--	1,344,553	1,428,511	--	1,126,725,902
Total equity – as at 31 December 2021	**112,127,416**	**(302,183)**	**193,532**	**(17,103,775)**	**--**	**1,344,553**	**1,428,511**	**150,036**	**97,838,090**

Consolidated statement of cash flows: ***For the year ended 31 December 2021:***	**As previously reported**	**Impact of restatements** Restatement - 1	Restatement - 2	Restatement - 3	Restatement - 4	Restatement - 9	**Restated**
Cash flows from operating activities:							
Profit for the year before zakat	64,265,818	(812,704)	193,532	(2,321,575)	20,566,021	--	81,891,092
Depreciation	46,796,532	966,272	2,226,631	2,321,575	--	--	52,311,010
Provision for slow moving inventories	4,102,163	(153,568)	--	--	--	--	3,948,595
Finance cost on long term loans	16,849,670	--	--	--	(16,674,176)	--	175,494
Finance cost on lease liabilities	9,164,763	--	(2,420,163)	--	--	--	6,744,600
Finance cost paid	16,771,642	--	--	--	(16,674,176)	9,396,279	9,423,659
Cash flows from financing activities:							
Repayment of lease liabilities	13,683,807	--	--	--	--	(9,396,279)	4,287,528

36. CORRECTION OF ERRORS (continued)

The impact of restatement 8 on property, plant and equipment note is as follows:

Property, plant and equipment (Restatement – 8)

Items	Cost	Accumulated depreciation
Property, plant and equipment	(8,874,272)	8,874,272

37. SUBSEQUENT EVENTS

37.1 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 is in the process of assessing the impact of the New Companies Law and will amend its Articles of Association/By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Company shall present the amended By-Laws to the shareholders in their extraordinary/annual General Assembly meeting for their ratification.

37.2 On 19 March 2023 (corresponding to 27 Shaban 1444H) GFSA has lodged a claim against the Group before the Committee for the Adjudication of Violations of the Flour Milling Law, alleging that Group 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
ii) exceeding allocated sale quantities approved by GFSA – fine amounting to SR 1,000,000 and financial recoveries amounting to SR 43,248,992.58

Based on the advice of the Group's legal advisors, the Group has recognized a provision amounting to SR 6.42 million during the year ended 31 December 2022 as the Group expects to be successful in defending the claim as the allegations made have no reasonable legal grounds. Management have assessed the balance of the claims as a contingent liability.

The Group has submitted a reply against this claim to the GFSA on 30 April 2023 (corresponding to 10 Shawwal 1444H) and still awaiting their response as on the date of these consolidated financial statements.

37.3 No other matter has occurred up to and including the date of the approval of these consolidated financial statements by the Board of Directors which could materially affect these consolidated financial statements and the related disclosures for the year ended 31 December 2022.

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issuance by the Company's Board of Directors on 7 September 2023, corresponding to 22 Safar 1445H.