MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023
with
INDEPENDENT AUDITOR'S REPORT

MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023

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 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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.

Independent Auditor's Report

To the Shareholders of Modern Mills Company (continued)

Revenue recognition

Refer Note 4.7 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 2023, the Group recognized total net revenue of SR 939 million (2022: SR 978 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 IFRS Accounting Standards that are endorsed in Kingdom of Saudi Arabia; - Evaluated key contractual and returns arrangements by considering relevant documentation and agreements with the customers; - Assessed the design and implementation, of the Company's controls 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 throughout 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. - 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.

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 Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal controls as management determines is necessary to enable the preparation of 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.

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.

Independent Auditor's Report

To the Shareholders of Modern Mills Company (continued)

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit 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

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

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Ebrahim Oboud Baeshen
License No. 382

Jeddah, 31 March 2024
Corresponding to 21 Ramadan 1445H

MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

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

	Notes	**31 December 2023**	31 December 2022
Assets			
Property, plant and equipment	7	**703,884,303**	694,824,629
Right-of-use assets	8	**220,952,131**	228,142,920
Intangible assets	9	**2,633,188**	2,890,096
Non-current assets		**927,469,622**	925,857,645
Inventories	10	**86,371,570**	92,538,200
Trade receivables	11	**948,027**	86,732
Prepayments and other current assets	12	**32,019,824**	15,574,847
Due from related parties	34	**10,299,943**	--
Cash and cash equivalents	13	**112,026,254**	118,160,559
Current assets		**241,665,618**	226,360,338
Total assets		**1,169,135,240**	1,152,217,983
Equity and liabilities			
Equity			
Share capital	14	**81,832,000**	81,832,000
Shareholder' contributions	26	**7,274,198**	--
Statutory reserve	16	**--**	24,549,600
Retained earnings		**158,543,954**	72,046,224
Total equity		**247,650,152**	178,427,824
Liabilities			
Long-term loans	18	**489,666,876**	535,976,307
Lease liabilities	19	**231,763,710**	237,277,928
Employees' defined benefit obligations	20	**5,540,275**	3,100,620
Non-current liabilities		**726,970,861**	776,354,855
Trade and other payables		**40,829,108**	44,707,986
Accrued expenses and other liabilities	21	**62,738,423**	72,108,581
Current portion of long-term loans	18	**54,253,559**	44,588,254
Current portion lease liabilities	19	**15,141,879**	14,172,228
Advances from customers	22	**14,225,339**	12,579,045
Provision for penalties	32	**--**	6,424,900
Zakat payable	31	**7,325,919**	2,854,310
Current liabilities		**194,514,227**	197,435,304
Total liabilities		**921,485,088**	973,790,159
Total equity and liabilities		**1,169,135,240**	1,152,217,983

Dr. Ibrahim AlRajhi
Chairman

Osama Ashi
CEO

Amr Kamel
CFO

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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 2023
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	2023	2022
Revenue from contract with customers	23	**938,620,394**	978,000,691
Cost of revenue	24	**(592,877,599)**	(611,993,665)
Gross Profit		**345,742,795**	366,007,026
Selling and distribution expenses	25	**(28,815,212)**	(27,867,615)
General and administrative expenses	26	**(63,214,707)**	(68,626,302)
Expected credit loss on trade receivables	11	**(194,058)**	(103,250)
Other income	29	**48,390**	697,488
Operating profit		**253,567,208**	270,107,347
Finance costs	27	**(48,248,007)**	(35,815,384)
Finance income	28	**3,987,046**	1,344,032
Profit before zakat		**209,306,247**	235,635,995
Zakat expense	31	**(7,496,149)**	(2,626,870)
Profit for the year		**201,810,098**	233,009,125
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit liability	20	**138,032**	44,310
Other comprehensive income for the year		**138,032**	44,310
Total comprehensive income for the year		**201,948,130**	233,053,435
Earnings per share for the year attributable to shareholders of the Company (SR):			
Basic	33	**2.47**	2.85
Diluted	33	**2.47**	2.85

Dr. Ibrahim AlRajhi	Osama Ashi	Amr Kamel
Chairman	CEO	CFO

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

	Note	Share capital	Shareholders' contributions	Statutory reserve	Retained earnings	Merger reserve	Total
Balance at 01 January 2023		**81,832,000**	**--**	**24,549,600**	**72,046,224**	**--**	**178,427,824**
Profit for the year		**--**	**--**	**--**	**201,810,098**	**--**	**201,810,098**
Other comprehensive income for the year		**--**	**--**	**--**	**138,032**	**--**	**138,032**
Total comprehensive income for the year		**--**	**--**	**--**	**201,948,130**	**--**	**201,948,130**
Transfer to retained earnings	16	**--**	**--**	**(24,549,600)**	**24,549,600**	**--**	**--**
Transactions with owners:							
Dividends distribution	17	**--**	**--**	**--**	**(140,000,000)**	**--**	**(140,000,000)**
Shareholder' contributions	26	**--**	**7,274,198**	**--**	**--**	**--**	**7,274,198**
Balance at 31 December 2023		**81,832,000**	**7,274,198**	**--**	**158,543,954**	**--**	**247,650,152**
Balance at 01 January 2022		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	16	--	--	11,104,756	(11,104,756)	--	--
Transactions with owners:							
Dividends distribution	17	--	--	--	(152,463,711)	--	(152,463,711)
Adjustments		10	--	--	(464)	464	10
Reduction in share capital	35	(817,834,600)	--	--	--	817,834,600	--
Balance at 31 December 2022		81,832,000	--	24,549,600	72,046,224	--	178,427,824

Dr. Ibrahim AlRajhi	Osama Ashi	Amr Kamel
Chairman	CEO	CFO

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

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

	Notes	2023	2022
Cash flows from operating activities			
Profit before zakat		**209,306,247**	235,635,995
Adjustments:			
Depreciation of property, plant and equipment	7.3	**46,807,691**	42,651,417
Depreciation of right-of-use assets	8.1	**11,295,237**	10,721,336
Amortisation of intangible assets	9.1	**397,635**	168,143
Write off of intangible assets	9.1	**--**	3,988,014
Finance cost on lease liabilities	19.2	**6,575,751**	6,640,617
Finance cost on long-term loans	27	**41,079,805**	28,582,316
Finance income for the year	28	**(3,987,046)**	(1,344,032)
Reversal of provision for penalties	32.1	**(2,068,356)**	--
Amortisation of loan transaction cost	27	**592,451**	592,451
Provision for slow moving inventories	10.2	**(3,672,320)**	9,755,602
Provision for employees' defined benefit obligations	20	**2,827,226**	2,548,605
Expected credit loss on trade receivables	11.2	**194,058**	103,250
Gain on disposal of property, plant and equipment	29	**(10,952)**	(665,314)
		309,337,427	339,378,400
Changes in working capital:			
Inventories		**9,838,950**	(9,556,037)
Trade receivables		**(1,055,353)**	(189,982)
Prepayments and other current assets		**(16,444,977)**	21,322,747
Due from related parties		**(3,025,745)**	--
Trade and other payables		**(3,878,878)**	(1,377,049)
Accrued expenses and other liabilities		**(9,370,158)**	36,347,525
Advances from customers		**1,646,294**	3,608,266
Cash generated from operating activities		**287,047,560**	389,533,870
Employees' defined benefit obligations paid	20	**(249,539)**	(185,900)
Finance cost paid		**(47,655,556)**	(35,326,917)
Finance income received		**3,987,046**	1,344,032
Penalty paid	32.1	**(4,356,544)**	--
Zakat paid	31.2	**(3,024,540)**	(2,150,379)
Net cash from operating activities		**235,748,427**	353,214,706
Cash flows from investing activities			
Additions to property, plant and equipment	7	**(55,932,221)**	(31,740,684)
Additions to intangible assets	9	**(140,727)**	(2,231,469)
Proceeds from disposal of property, plant and equipment		**75,808**	1,778,948
Net cash used in investing activities		**(55,997,140)**	(32,193,205)
Cash flows from financing activities			
Repayment of long-term loans	18	**(44,588,254)**	(112,362,624)
Proceeds from long-term loans	18	**7,351,677**	--
Capital repayment of lease liabilities	19.3	**(8,649,015)**	(7,273,554)
Dividends paid	30	**(140,000,000)**	(177,358,740)
Share issued	14	**--**	10
Net cash used in financing activities		**(185,885,592)**	(296,994,908)
Net change in cash and cash equivalents during the year		**(6,134,305)**	24,026,593
Cash and cash equivalents as at the beginning of the year		**118,160,559**	94,133,966
Cash and cash equivalents at the end of the year		**112,026,254**	118,160,559
<u>Non-cash transaction</u>			
IPO cost incurred	26.1	**7,274,198**	--

Dr. Ibrahim AlRajhi	Osama Ashi	Amr Kamel
Chairman	CEO	CFO

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 12 October 2016 (corresponding to 11 Muharram 1438H). On 9 January 2022 (corresponding to 6 Jumada Al-Akhirah 1443H), a branch was opened in with commercial registration No. 4030449122. The Company converted its head office (commercial registration No. 5855070277) into a branch of the Company and converted the branch (commercial registration No. 4030449122) to be the head office of the Company.

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 35).

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).

1. COMPANY INFORMATION (continued)

The registered address of the Company is as follows:

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

The members of the Extraordinary General Assembly have approved the offering and listing of the Company's shares in Tadawul on 4 October 2023 (corresponding to 19 Rabi Al Awal 1445H). On 7 February 2024 (corresponding to 26 Rajab 1445H) the Company has announced its intention to float 24,549,600 shares, representing 30% of the Company's share capital and to proceed with an initial public offering and listing on the Main Market of the Saudi Exchange (Tadawul). The legal formality is under process.

The new Companies Law issued through Royal Decree M/132 on 30 June 2022 (corresponding to 1 Dhul Hijjah 1443H) (hereinafter referred as "the Law") came into force on 19 January 2023 (corresponding to 26 Jumada Al-Thani 1444H). For certain provisions of the Law, full compliance is expected not later than two years from 19 January 2023 (corresponding to 26 Jumada Al-Thani 1444H). The management has assessed the impact of the New Companies Law on its By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Company presented the amended By-Laws to the shareholders in their extraordinary/annual General Assembly meeting for their ratification. The General Assembly meeting dated 4 October 2023 (corresponding to 19 Rabi Al Awal 1445H) approved the amended By-Law. The Company completed the legal procedures, and the commercial register and the amended by-laws were issued on 18 October 2023 (corresponding to 3 Rabi Al-Thani 1445H).

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 2023, the Company has investment in the following subsidiary:

Subsidiary name	Country of incorporation	Principal business activity	Effective ownership interest (%)	
			December 31, 2023	December 31, 2022
Operating subsidiary				
Hasad Al-Arabia	Saudi Arabia	Distribution	**100**	100

1. COMPANY INFORMATION (continued)

The Group operates through three branches and a head office, which are as follows:

Branch Location	Date	Commercial Registration No.
Head office	09 January 2022 (corresponding to 6 Jumada Al-Akhirah 1443H).	4030449122
Khamis Mushait	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	5855070707
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) Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and other standards and pronouncements that are endorsed in the Kingdom of Saudi Arabia issued by the Saudi Organization for Chartered and professional Accountants ("SOCPA") collectively referred to as "IFRS Accounting Standards" as endorsed in the Kingdom of Saudi Arabia.

2.2 Basis of measurement

These 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.

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

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 2023 (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.

2. BASIS OF PREPARATION (continued)

2.3 Basis of consolidation (continued)

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

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

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

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

2.4 Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SR) which is the functional and presentation currency of the 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.

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

Estimates and assumptions

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

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

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

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

The Group determines the term of the lease as non-cancellable 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 and is required to make certain entity-specific estimates.

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

3.4 Provision for slow moving and obsolete inventory items

The management makes a provision for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the financial position date to the extent that such events confirm conditions existing at the end of year.

3.5 Defined benefit plans

The cost of the employees' defined benefit obligations and other post-employment medical benefits and the present value of the employees' defined benefit obligations are determined based on the Projected Unit Credit Method as defined under IAS-19 "Employee Benefits" using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long- term nature, employees' defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

3.6 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. MATERIAL ACCOUNTING POLICIES

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

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

4.1 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment. When significant parts of plant and equipment are required to be replaced at intervals, the 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. MATERIAL ACCOUNTING POLICIES (continued)

4.1 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 as gain or loss on disposal of property, plant and equipment as a part of the operating profit when the asset is derecognised.

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

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

4.2 Leases

4.2.1 Right-of-use assets

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

4. MATERIAL ACCOUNTING POLICIES (continued)

4.2 Leases (continued)

4.2.2 Lease liabilities

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

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

4.3 Financial instruments

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

4.3.1 Financial Assets

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

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICIES (continued)

4.3 Financial instruments (continued)

4.3.1 Financial Assets (continued)

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

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

Due from related parties
Amounts due from related parties are measured at amortized cost.

4.3.2 Financial liabilities

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

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

Loans

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

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

4. MATERIAL ACCOUNTING POLICIES (continued)

4.4 Inventories

Cost is measured as follows:

Finished goods	Direct cost of raw materials as well as overheads, the latter of which is allocated based on the normal level of activity. Finished goods are stated at cost or net realizable value, whichever is lower with provision for any obsolete or slow-moving goods. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.
Wheat	Weighted average of SR 180 per metric ton (Note 1).
Goods of production inputs, goods of production services and others	Weighted average

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.

4.5 Cash and cash equivalents

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

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

4.6 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.

4. MATERIAL ACCOUNTING POLICIES (continued)

4.6 Employees' defined benefit obligations (continued)

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

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

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

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

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

Share based payment plan

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

The Group will acquire its own shares in connection with the anticipated grant of shares to the key management in future.

4.7 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.

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

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

4. MATERIAL ACCOUNTING POLICIES (continued)

4.8 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.

4.9 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.

4.10 Selling, distribution, general and administrative expenses

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

4.11 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.

4.12 Initial Public Offering (IPO) Cost

IPO costs are the cost for the sale of shares and the listing of shares in the financial market. These include but not limited to underwriting fee, sales commission and valuation costs, trading fees, CMA fees, certified public accountant's fees, advertising costs, cost of legal advice and other costs.

Costs for sale of shares to the public if paid by the Company are not recognized in the Group's consolidated income statement as expenses and are accounted for as amounts due from the selling shareholders.

Costs of listing of shares are recognised in the Group's financial statements as an expense in the period when they are incurred. Reimbursement from shareholders for such expenses are treated as a separate transaction and are recognized in equity.

5. NEW STANDARDS, INTERPRETATION AND AMENDMENTS

5.1 New standards, interpretations and amendments adopted

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

5. NEW STANDARDS, INTERPRETATION AND AMENDMENTS (continued)

5.1 New standards, interpretations and amendments adopted (continued)

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

5. NEW STANDARDS, INTERPRETATION AND AMENDMENTS (continued)

5.2 New standards, interpretations and amendments issued but not adopted

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

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

Standard / Interpretation	*Description*	*Effective from periods beginning on or after the following date*
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing change to this amendment.	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to IFRS 16	Lease liability in a sale and leaseback	1 January 2024
IFRS S1	General requirements for disclosure of sustainability related financial information	1 January 2024
IFRS S2	Climate related disclosures	1 January 2024
Amendments to IAS 21	Lack of exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely

The standards, interpretations and amendments with effective date of 1 January 2024 and after will not have any material impact on the Group's consolidated 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 consolidated financial statements.

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

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

For the year ended 31 December 2023	**Khamis Mushait**	**Al Jumum**	**Al Jowf**	**Total**
Total revenue	**598,733,602**	**255,266,728**	**84,620,064**	**938,620,394**
Cost of inventories	**(345,650,200)**	**(78,340,864)**	**(32,125,475)**	**(456,116,539)**
Employee benefits	**(22,597,772)**	**(17,865,597)**	**(12,467,247)**	**(52,930,616)**
Depreciation	**(19,399,396)**	**(29,735,300)**	**(8,180,260)**	**(57,314,956)**
Other expenses	**(15,306,338)**	**(38,837,807)**	**(7,453,898)**	**(61,598,043)**
Financing costs	**(1,844,696)**	**(2,384,010)**	**(1,911,982)**	**(6,140,688)**
Other income	**--**	**22,500**	**25,890**	**48,390**
Segment profit	**193,935,200**	**88,125,650**	**22,507,092**	**304,567,942**

For the year ended 31 December 2022	Khamis Mushait	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)
Financing 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

6. SEGMENT INFORMATION (continued)

At 31 December 2023	**Khamis Mushait**	**Al Jumum**	**Al Jowf**	**Total**
Total assets	**308,929,427**	**531,238,364**	**138,420,163**	**978,587,954**
Total liabilities	**112,095,073**	**187,050,959**	**52,421,558**	**351,567,590**
Other disclosures:				
Property, Plant and Equipment with Right-of-use assets	**296,192,777**	**512,378,946**	**113,281,839**	**921,853,562**
Inventories	**9,650,644**	**20,882,296**	**26,397,563**	**56,930,503**
Intangible assets	**364,852**	**54,663**	**--**	**419,515**

At 31 December 2022	Khamis Mushait	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
Intangible assets	494,751	--	--	494,751

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

Profit before tax

	31 December 2023	31 December 2022
Total profit before tax for reportable segments	**304,567,942**	334,314,054
Unallocated amounts		
Employee benefits expenses	**(30,961,897)**	(43,626,804)
Depreciation	**(1,185,607)**	(2,775,691)
Other expenses	**(24,799,860)**	(24,663,330)
Financing costs	**(42,107,319)**	(29,258,055)
Other income	**--**	405,039
Finance income	**3,987,046**	1,344,032
Expected credit loss on trade receivables	**(194,058)**	(103,250)
	209,306,247	235,635,995

6. SEGMENT INFORMATION (continued)

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

i) Total assets

	31 December 2023	31 December 2022
Total assets for reportable segments	**978,587,954**	990,036,885
Unallocated amounts	**190,547,286**	162,181,098
	1,169,135,240	1,152,217,983

ii) Total liabilities

	31 December 2023	31 December 2022
Total liabilities for reportable segments	**351,567,590**	308,650,789
Unallocated amounts	**569,917,498**	665,139,370
	921,485,088	973,790,159

All revenue is generated from external customers. Revenue from one customer of the Group's Khamis Mushait segment represented approximately SR. 269.09 million (2022: SR. 241.20 million) which represents 27.19% (2022: 24.21%) of the Company's total revenues.

7. PROPERTY, PLANT AND EQUIPMENT

	Buildings	***Plant and equipment***	***Furniture and fittings***	***Motor vehicles***	***Strategic spare parts***	***Capital work in progress***	***Total***
Cost							
Balance at 31 December 2021	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 during the year	2,065,778	26,104,716	--	--	--	(28,170,494)	--
Balance 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
Additions during the year	457,759	11,540,672	876,132	896,833	--	42,160,825	55,932,221
Disposals during the year	--	--	(20,178)	(159,813)	--	--	(179,991)
Reclassifications	--	(11,994)	11,994	--	--	--	--
Transfers during the year	1,565,300	16,451,232	--	1,250,700	--	(19,267,232)	--
Balance at 31 December 2023	403,841,083	521,367,738	11,302,096	7,264,427	15,707,474	40,660,649	1,000,143,467

7. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings	*Plant and equipment*	*Furniture and fittings*	*Motor vehicles*	*Strategic spare parts*	*Capital work in progress*	*Total*
Accumulated depreciation							
Balance at 31 December 2021	81,844,192	115,247,097	5,077,035	1,893,493	3,965,413	--	208,027,230
Charge 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 at 31 December 2022	97,144,977	138,401,667	6,047,501	2,998,716	4,973,747	--	249,566,608
Charge for the year	15,713,327	27,466,823	1,283,645	1,304,493	1,039,403	--	46,807,691
Disposals during the year	--	--	(19,345)	(95,790)	--	--	(115,135)
Reclassification	--	(2,399)	2,399	--	--	--	--
Balance at 31 December 2023	112,858,304	165,866,091	7,314,200	4,207,419	6,013,150	--	296,259,164
Net book value							
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
At 31 December 2023	290,982,779	355,501,647	3,987,896	3,057,008	9,694,324	40,660,649	703,884,303

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 2023, capital work in progress mainly consists of the expansion that is under progress across Al-Jamoum Branch.

Capital commitments relating to these projects amounting to SR 91.5 million (31 December 2022: SR 16.52 million.

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

	Notes	**2023**	2022
Cost of revenue	24	**42,275,006**	40,057,377
Selling and distribution expenses	25	**524,235**	640,975
General and administrative expenses	26	**4,008,450**	1,953,065
		46,807,691	42,651,417

8. RIGHT-OF-USE ASSETS

The Group leases silos, lands, building and warehouse. 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 and warehouse	Total
Cost				
Balance at 31 December 2021	204,919,862	69,751,146	--	274,671,008
Additions during the year	--	--	2,172,055	2,172,055
Balance at 31 December 2022	204,919,862	69,751,146	2,172,055	276,843,063
Additions during the year	**--**	**--**	**4,104,448**	**4,104,448**
Balance at 31 December 2023	**204,919,862**	**69,751,146**	**6,276,503**	**280,947,511**
Accumulated depreciation				
Balance at 31 December 2021	30,785,927	7,192,880	--	37,978,807
Charge for the year	7,630,896	2,653,956	436,484	10,721,336
Balance at 31 December 2022	38,416,823	9,846,836	436,484	48,700,143
Charge for the year	**7,630,895**	**2,653,956**	**1,010,386**	**11,295,237**
Balance at 31 December 2023	**46,047,718**	**12,500,792**	**1,446,870**	**59,995,380**
Net book value				
At 31 December 2022	166,503,039	59,904,310	1,735,571	228,142,920
At 31 December 2023	**158,872,144**	**57,250,354**	**4,829,633**	**220,952,131**

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

	Note	2023	2022
Cost of revenue	24	**10,284,851**	10,284,852
General and administrative expenses	26	**1,010,386**	436,484
		11,295,237	10,721,336

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 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 at 31 December 2022	3,257,331	3,988,014	7,245,345
Additions during the year	**79,465**	**61,262**	**140,727**
Balance at 31 December 2023	**3,336,796**	**4,049,276**	**7,386,072**
Accumulated amortization			
Balance at 31 December 2021	**--**	--	--
Balance at 31 December 2022	367,235	3,988,014	4,355,249
Amortization for the year (note 26)	**397,635**	**--**	**397,635**
Balance at 31 December 2023	**764,870**	**3,988,014**	**4,752,884**
Net book value			
At 31 December 2022	2,890,096	--	2,890,096
At 31 December 2023	**2,571,926**	**61,262**	**2,633,188**

10. INVENTORIES

10.1 Inventories comprise of the following:

	31 December 2023	31 December 2022
Spare parts	**57,718,009**	61,645,702
Raw materials	**19,860,794**	25,787,731
Finished goods	**18,008,309**	20,775,523
Goods in transit	**490,714**	--
Packing material	**6,962,744**	7,640,128
Others	**1,743,316**	1,339,978
	104,783,886	117,189,062
Less: allowance for slow moving inventories of spare parts and raw materials	**(18,412,316)**	(24,650,862)
	86,371,570	92,538,200

10.2 During the year ended 31 December 2023, the Group has reversed a provision for the slow-moving inventories of spare parts and raw materials amounting SR 3.67 million (31 December 2022: SR 9.75 million charge for the year). The amount is included in the cost of revenue.

10. INVENTORIES (continued)

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

	31 December 2023	31 December 2022
At the beginning of the year	**24,650,862**	21,605,582
Provision (reversed) / charged during the year	**(3,672,320)**	9,755,602
Written-off during the year	**(2,566,226)**	(6,710,322)
At the end of the year	**18,412,316**	24,650,862

10.4 Spare parts amounting to SR 6.84 (2022: 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 2023	31 December 2022
Trade receivables	**1,245,335**	189,982
Allowance for expected credit loss on trade receivables	**(297,308)**	(103,250)
	948,027	86,732

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

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

	31 December 2023	31 December 2022
At the beginning of the year	**103,250**	--
Provision during the year	**194,058**	103,250
At the end of the year	**297,308**	103,250

12. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2023	31 December 2022
Advances to suppliers	**26,722,282**	9,536,277
Prepayments (note 12.1)	**2,259,921**	3,066,813
Advance against letters of guarantee and letters of credit (note 32)	**500,001**	2,939,024
VAT receivable	**1,606,404**	--
Other receivables (note 12.2)	**931,216**	32,733
	32,019,824	15,574,847

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

12.2 It includes amount due from one of shareholder amounting to SR 552,211 on account of IPO cost.

13. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash on hand	**152,724**	111,665
Cash at banks	**46,873,530**	118,048,894
Short-term deposits	**65,000,000**	--
	112,026,254	118,160,559

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

14. SHARE CAPITAL

The authorized, issued and fully paid-up share capital of the Parent Company as at 31 December 2023 amounted to SR 81,832,000 (31 December 2022: SR 81,832,000) consists of 81,832,000 shares (31 December 2022: 8,183,200 shares) at SR 1 (2022: SR 10) each share.

The Parent Company's Board of Directors had 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 Awal 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.

The Parent 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. The revised shareholding of the Group as at 31 December 2022 was as follows:

14. SHARE CAPITAL (continued)

31 December 2022	Percentage	No. of shares	Amount
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**

During the current year, the Board of Directors of the Company through a resolution dated 2 October 2023 (corresponding to 17 Rabi Al-Awal 1445H), recommended shareholders to split the nominal value of each of the shares from SR 10 to SR 1 per share while keeping the total share capital unchanged. The shareholders through Extraordinary General Assembly Meeting held on 4 October 2023 (corresponding to 19 Rabi Al-Awal) approved the recommendation and accordingly the number of the total shares of the Company has increased from 8,183,200 shares to 81,832,000 shares without any impact on the effective shareholding interest. The Company completed the legal procedures of share split, and the commercial register and the amended by-laws were issued on 18 October 2023 (corresponding to 3 Rabi Al-Thani 1445H).

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

31 December 2023	Percentage	No. of shares	Amount
Mada International Holding Company	**50**	**40,916,000**	**40,916,000**
Al Ghurair Foods LLC	**45**	**36,824,400**	**36,824,400**
Masafi Company LLC	**5**	**4,091,600**	**4,091,600**
	100	**81,832,000**	**81,832,000**

15. MERGER RESERVE

On 20 October 2022 (corresponding to 24 Rabi Al-Awwal 1444H) 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 (corresponding to 19 Rabi Al-Awwal 1445H).

16. STATUTORY RESERVE

During the current year, the shareholders of the Company through Extraordinary General Assembly Meeting held on 4 October 2023 (corresponding to 19 Rabi Al-Awwal 1445H), approved the amendment of the Company's By-laws in accordance with the new Companies Law which became effective at 19 January 2023 (corresponding to 26 Jumada Al-Thani 1444H). The Extraordinary General Assembly Meeting also approved to transfer the balance of the statutory reserve at 31 December 2022 amounting to SR 24.5 million to retained earnings as it is not required in accordance with the new Companies Law and amended By-laws. The Company completed the legal procedures, the commercial register and the amended By-law were issued on 18 October 2023 (corresponding to 03 Rabi Al-Thani 1445H).

17. DIVIDENDS

17.1 On 24 April 2023 (corresponding to 4 Shawwal 1444H), 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 0.43 per share amounting to SR 35,000,000. The dividends were paid on 27 April 2023 and 3 May 2023.

17.2 On 24 April 2023 (corresponding to 4 Shawwal 1444H), 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 0.43 per share amounting to SR 35,000,000. The dividends were paid on 27 April 2023 and 3 May 2023.

17.3 On 29 October 2023 (corresponding to 14 Rabi Al Thani1445H), 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 third quarter of 2023 of SR 8.55 per share amounting to SR 70,000,000. The dividends were paid on 31 October 2023 and 01 November 2023.

17.4 On 14 June 2022 (corresponding to 15 Dhul Qidah 1443H), 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.

17.5 On 21 July 2022 (corresponding to 22 Dhul Hijjah 1443H), 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.

17.6 On 18 October 2022 (corresponding to 12 Rabi Al-Awwal 1444H), 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.

18. LONG-TERM LOANS

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

	31 December 2023	31 December 2022
Long-term loans	**552,807,201**	590,043,778
Less: unamortised loan transaction cost	**(8,886,766)**	(9,479,217)
	543,920,435	580,564,561
Non-current portion	**489,666,876**	535,976,307
Current portion	**54,253,559**	44,588,254
	543,920,435	580,564,561

18. LONG TERM LOANS (continued)

The movement in loan balance as at 31 December 2023 is as follows:

	Senior Murabaha Facility	Commercial Bank Loan	Total
At the beginning of the year	**590,043,778**	**--**	**590,043,778**
Obtained during the year	**--**	**7,351,677**	**7,351,677**
Paid during the period	**(44,588,254)**	**--**	**(44,588,254)**
At the end of the year	**545,455,524**	**7,351,677**	**552,807,201**

Senior Murabaha Facility represents loan 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.

During current year, the Group has obtained an additional loan facility from a commercial bank which carries profit at the rate of SAIBOR plus an applicable margin to finance Jamoom expansion. The facility is repayable till 31 December 2038.

The facilities are secured against the following collaterals:

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 (2022: SR 840 million).

The movement in total loan balance is as follows:

	31 December 2023	31 December 2022
At the beginning of the year	**590,043,778**	702,406,402
Obtained during the year	**7,351,677**	--
Paid during the period	**(44,588,254)**	(112,362,624)
At the end of the year	**552,807,201**	590,043,778

Maturity analysis - contractual cash flows

	31 December 2023	31 December 2022
Within one year	**95,904,946**	76,013,761
One to five year	**388,400,126**	318,515,766
More than five year	**345,206,602**	420,058,107
	829,511,674	814,587,634

19. LEASE LIABILITIES

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

	2023	2022
At the beginning of the year	**251,450,156**	256,655,639
Additions during the year	**4,104,448**	2,172,055
Finance charges on lease liabilities	**6,575,751**	6,640,617
Capital repayments of lease liabilities	**(8,649,015)**	(7,273,554)
Finance cost paid on lease	**(6,575,751)**	(6,744,601)
Balance at 31 December	**246,905,589**	251,450,156
Current portion	**15,141,879**	14,172,228
Non-current portion	**231,763,710**	237,277,928
	246,905,589	251,450,156

19.2 Amounts recognised in profit or loss

	2023	2022
Finance cost on lease liabilities	**6,575,751**	6,640,617
Expenses relating to short-term leases and low-value asset	**224,054**	39,703

19.3 Amounts recognised in statement of cash flows

	2023	2022
Capital repayment of lease liabilities	**8,649,015**	7,273,554
Finance cost paid on lease	**6,575,751**	6,744,601
Payments for short-term leases	**224,054**	470,000
	15,448,820	14,488,155

20. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS

	31 December 2023	31 December 2022
Present value of defined benefit obligation	**5,540,275**	3,100,620

20. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS (continued)

ACTUARIAL ASSUMPTIONS

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

	31 December 2023	31 December 2022
Discount rate	**5.06%**	4.20%
Salary increase rate	**2.50%**	2.50%
Mortality table	**Mortality table issued by Institute of Actuaries of India for assured lives (IALM 2012-14)**	Mortality table issued by Institute of Actuaries of India for assured lives (IALM 2012-14)
Employee turnover (withdrawal) rate	**1.5% - 43%**	1% - 43%
Expected retirement age	**60 Years**	60 Years

At 31 December 2023, the weighted-average duration of the defined benefit obligation was 8 years (2022: 9 years).

AMOUNT CHARGED TO PROFIT OR LOSS

	2023	2022
Service cost	**2,701,854**	2,519,655
Net interest amount charged on the net defined benefit liability	**125,372**	28,950
The total amount charged to profit or loss	**2,827,226**	2,548,605

AMOUNT CHARGED TO OTHER COMPREHENSIVE INCOME

	2023	2022
Gain resulting from the change from experience adjustments	**138,032**	44,310
Actuarial gain	**138,032**	44,310

20. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS (continued)

NET DEFINED BENEFIT OBLIGATION

	31 December 2023	31 December 2022
Net defined benefit obligation at the beginning of the year	**3,100,620**	782,225
Service cost	**2,701,854**	2,519,655
Interest expense	**125,372**	28,950
Paid during the year	**(249,539)**	(185,900)
Remeasurement of the net defined benefit liability	**(138,032)**	(44,310)
Present value of the defined benefit obligation at the end of the year	**5,540,275**	3,100,620

The Group expects to pay SR 332,055 in contributions to its defined benefit plans in 2024.

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

		Increase / (decrease) in present value of the defined benefit obligation	
	Original	**%**	**Amount (SR)**
Discount rate	**5,540,275**	**+ 1%**	**5,116,414**
		- 1%	**5,999,383**
Salary increase rate	**5,540,275**	**+ 1%**	**5,999,250**
		- 1%	**5,116,351**
Future Mortality	**5,540,275**	**+1 year**	**5,485,556**
		-1 year	**5,593,147**
Withdrawal rate	**5,540,275**	**+10%**	**5,486,811**
		-10%	**5,591,883**

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 2023	31 December 2022
Current portion	**332,055**	185,899
Between 1 and 2 years	**460,101**	607,286
Between 2 and 5 years	**2,314,294**	1,397,167
Beyond 5 years	**6,359,889**	910,268
	9,466,339	3,100,620

Share based payment plan

The shareholders of the Company through Extraordinary General Assembly Meeting held on 19 October 2023 (corresponding to 4 Rabi Al-Thani 1445H), approved the employee shares program with a maximum of 818,320 shares and authorize the Board of Directors to determine the terms of this program, including the allocation price for each share offered to employees if it is for a consideration. The terms are not yet finalised and are under discussion by the Nomination and Remuneration Committee as at the date of approval of these consolidated Financial Statements.

Further, the shareholders of the Company through Extraordinary General Assembly Meeting held on 19 October 2023 (corresponding to 4 Rabi Al-Thani 1445H), approved the purchase of a number of the Company shares, with a maximum of 818,320 shares, with the aim of allocating those to the Company's employees within the employees shares program. The purchase will be financed from the Company's available cash funds, and the Board of Directors is authorized to complete the purchase within a maximum period of twelve months from the date of the extraordinary general assembly's decision.

21. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2023	31 December 2022
Accrued expenses (note 21.1)	**19,599,505**	19,270,332
Employee related accruals	**25,622,786**	30,103,261
Accrued rebates	**12,350,727**	12,025,704
Withholding taxes payable	**1,750,000**	36,639
VAT payable	**--**	3,917,122
Accrued professional fees	**3,319,874**	5,849,036
Other payables	**95,531**	906,487
	62,738,423	72,108,581

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 12.57 million included in advances from customers at 31 December 2022 has been recognised as revenue in 2023 (2022: SR 8.97 million). The Group is expecting to recognise SR 14.22 as revenue in 2024.

23. REVENUE FROM CONTRACT WITH CUSTOMERS

	2023	2022
Sale of goods	**938,620,394**	978,000,691

The group generates revenue primarily from the sale of flour, wheat, and bran.

23.1 Disaggregation of revenue

Revenue is disaggregated by type of customer as shown below:

	2023	2022
Type of customer		
Corporate sector	**834,083,145**	899,589,181
Individuals	**104,537,249**	78,411,510
	938,620,394	978,000,691

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	2023	2022
Raw materials consumed		**453,349,325**	461,440,221
Salaries and other benefits		**39,155,318**	50,580,858
Depreciation of property, plant and equipment	7.3	**42,275,006**	40,057,377
Depreciation of right-of-use assets	8.1	**10,284,851**	10,284,852
Professional and consulting fees		**733,202**	2,327,785
Utilities		**19,306,425**	19,010,192
Provision for slow moving inventories of spare parts and raw materials	10.2	**(3,672,320)**	9,755,602
Insurance		**4,114,798**	3,848,620
Maintenance expenses		**13,665,228**	13,520,391
Other expenses	24.1	**10,898,552**	8,546,638
		590,110,385	619,372,536
Finished goods inventory at the beginning of the year	10.1	**20,775,523**	13,396,652
Finished goods available for sale for the year		**610,885,908**	632,769,188
Finished goods inventory at the end of the year	10.1	**(18,008,309)**	(20,775,523)
Cost of goods sold		**592,877,599**	611,993,665

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

25. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses comprise the following:

	Note	2023	2022
Salaries and other benefits		**9,236,808**	11,689,931
Freight and shipment		**3,588,719**	2,402,589
Marketing and promotion		**8,318,054**	8,303,563
Maintenance expenses		**1,068,365**	1,769,566
Depreciation of property, plant and equipment	7.3	**524,235**	640,975
Fuel and power		**52,479**	430,398
Professional and consulting fees		**1,032,571**	71,071
Insurance		**767,845**	331,923
Other expenses		**4,226,136**	2,227,599
		28,815,212	27,867,615

25.1 Other expenses include mainly travelling expenses and stationary charges.

26. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise the following:

	Note	2023	2022
Salaries and other benefits		**35,500,387**	44,880,857
Depreciation of property, plant and equipment	7.3	**4,008,450**	1,953,065
Depreciation of right-of-use assets	8.1	**1,010,386**	436,484
Amortization of intangible assets	9.1	**397,635**	168,143
Professional and consulting fees		**7,609,786**	2,523,963
Subscriptions		**1,740,707**	1,723,903
Utilities		**939,528**	1,332,807
Initial public offering (IPO) costs	26.1	**7,274,198**	--
Communication		**415,137**	546,153
Insurance		**2,051,530**	1,161,346
Maintenance expenses		**756,360**	38,789
Board and committees' expenses and allowances		**870,063**	360,109
Fines and penalties	26.2	**(1,963,156)**	6,831,283
Other expenses	26.3	**2,603,696**	6,669,400
		63,214,707	68,626,302

26.1 Initial public offering (IPO) costs are the costs incurred by the Company for listing of existing shares of the Company. These costs are charged to the profit or loss as and when these are incurred. These are fully recoverable from the shareholders provided that these costs are deducted from the offering proceeds as per the undertaking signed and submitted to the CMA by the current shareholders.

26.2 Fines and penalties include SR 6.42 million during the year ended 31 December 2022 in relation to the claim raised by GFSA. During the current year, the Group paid an amount of SR 4.4 million on 12 December 2023 (corresponding 28 Jumada Al-Awal 1445H) to the GFSA and reversed the excess provision of SR 2.07 million accordingly.

26.3 Other expenses includes mainly travelling expenses.

27. FINANCE COSTS

Finance costs comprise the following:

	Note	2023	2022
Finance cost on long-term loans		**41,079,805**	28,582,316
Finance cost on lease liabilities	19.2	**6,575,751**	6,640,617
Amortization of loan transaction cost		**592,451**	592,451
		48,248,007	35,815,384

28. FINANCE INCOME

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

	2023	2022
Gain on disposal of property, plant and equipment	**10,952**	665,314
Other income	**37,438**	32,174
	48,390	697,488

30. DIVIDEND PAYABLE

The movement in dividend payable is as follows:

	31 December 2023	31 December 2022
At the beginning of the year	**--**	24,895,029
Declared during the year (note 17)	**140,000,000**	152,463,711
Paid during the year	**(140,000,000)**	(177,358,740)
At end of the year	**--**	--

31. ZAKAT

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

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

	31 December 2023	31 December 2022
Equity at the beginning of the year	**81,832,000**	95,276,370
Opening allowances and other adjustments	**773,442,527**	856,704,521
Book value of long-term assets	**(1,063,426,344)**	(987,503,347)
Zakat base excluding the zakat able income	**(208,151,817)**	(35,522,456)
Zakat able income for the year	**208,632,751**	105,074,790
Adjusted zakat base for the year	**208,632,751**	105,074,790

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

	31 December 2023	31 December 2022
At the beginning of the year	**2,854,310**	2,377,819
Charged during the year	**7,496,149**	2,626,870
Paid during the year	**(3,024,540)**	(2,150,379)
At end of the year	**7,325,919**	2,854,310

31. ZAKAT (continued)

31.3 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 for the said year. ZATCA did not issue the Zakat assessments for the said year till date.

32. CAPITAL COMMITMENTS AND CONTINGENCIES

32.1 Contingencies

a) 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 30 January 2025.

b) 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 30 January 2025.

c) 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 2024.

d) 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

   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).

   Subsequently on 2 October 2023 (corresponding to 17 Rabi Al-Awal 1445H) the Group received response from GFSA with a revised claim amounting to SR 4,356,536. The Group and GFSA both has the right to appeal the decision to the administrative court within 60 days from the date of notification of the decision, in accordance with the provisions of paragraph three of article twenty-seven of The Flour Mills Regulations.

32. CAPITAL COMMITMENTS AND CONTINGENCIES (continued)

32.1 Contingencies (continued)

As neither party involved in the lawsuit has appealed the decision within the allowed timeframe, the Group paid an amount of SR 4.4 million on 12 December 2023 corresponding (28 Jumada Al-Awal 1445H) to the GFSA and reversed the excess provision of SR 2.07 million accordingly.

32.2 Commitments

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

a) Outward LC import amounting to SR 12,600,000 (USD 3,360,000) with an outstanding amount of SR 948,668 (USD 252,978) (31 December 2022: SR 2,623,523) in favor of Al Ghurair Resources International LLC for purchase of soya bean. The LC matures on 15 January 2024.

b) Outward LC import amounting to SR 59,887,500 (USD 15,970,000) with an outstanding amount of SR 31,983,652 (USD 8,528,974) (31 December 2022: NIL) in favor of Ocrim SPA for supply of flour mill machinery including all electrical equipment's. The LC will remain valid till 15 October 2024.

c) Outward LC import amounting to SR 1,135,442 (CHF 268,426) and SR 1,437,113 (CHF 339,743) with an outstanding amount of SR 859,769 (CHF 203,255) (31 December 2022: NIL) and SR 1,437,113 (CHF 339,743) (31 December 2022: NIL) in favor of Buehler AG for supply of plant components including installation and commissioning supervision at site of Jumum and supply of silos aspiration system plant automation components respectively. These LCs will remain valid till 28 March 2024 and 20 October 2024 respectively.

d) Outward LC import outstanding amounting of SR 2,434,363 (EUR 587,840) (31 December 2022: NIL) in favor of Alvan Blanch Development Company for supply of silos measurement devices and hardware's. The LC will remain valid till 28 April 2024.

e) Outward LC import outstanding amounting to SR 1,147,387 (USD 305,970) (31 December 2022: NIL) and SR 1,072,380 (USD 285,968) (31 December 2022: NIL) in favor of Buehler AG for packing line for 10 KG and new flour mixing line. The LCs will remain valid till 15 March 2024 and 30 August 2024.

f) Outward LC import outstanding amounting to SR 745,751 (EUR 180,081) (31 December 2022: NIL) and SR 757,695 (EUR 182,965) (31 December 2022: NIL) in favor of Ocrim SPA for supply of return line with electrical. These LC will remain valid till 15 September 2024.

g) Outward LC import sight amounting to NIL (31 December 2022: SR 383,850) in favor of Ocrim SPA for purchase of infestation destroyer machine. The Company has paid a cash margin against this LC amounting to NIL (31 December 2022: SR 383,850). The LC matured on 28 March 2023.

32. CAPITAL COMMITMENTS AND CONTINGENCIES (continued)

32.2 Commitments (continued)

h) Outward LC import sight amounting to SR 1,718,598 (EUR 415,000) with an outstanding amount of SR 1,117,088 (EUR 269,750) (31 December 2022: SR 1,089,993) in favor of FAWEMA GMBH for purchase of bag packaging machine. The LC matures on 21 February 2024.

i) Outward LC import sight amounting to NIL (31 December 2022: SR 579,436) in favor of BUHLER AG for purchase of batch scale. The LC matured on 30 April 2023.

33. EARNINGS PER SHARE

33.1 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 consolidated financial statements.

	2023	2022
Profit for the year	**201,810,098**	233,009,125
Weighted average number of ordinary shares for basic and diluted EPS	**81,832,000**	81,832,000
Earnings per share - basic and diluted	**2.47**	2.85

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, the Company split the nominal value of each of the shares from SR 10 to SR 1 per share while keeping the total share capital unchanged and accordingly the number of the total shares of the Company has increased from 8,183,200 shares to 81,832,000 shares without any impact on the effective shareholding interest. The per share calculations for both basic and diluted EPS reflects the retrospective adjustment for this increase in number of shares.

34. RELATED PARTY TRANSACTIONS AND BALANCES

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

34. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

For the purposes of the disclosure requirements contained in IAS 24 Disclosures Related to Related Parties, the phrase "key management personnel" (i.e., those persons who have the authority and responsibility to plan, direct and control the activities of the 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 period in respect of key management personnel.

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

	2023	2022
Short term employee benefits	**9,287,911**	9,034,488
Post-employment benefits and medical benefits	**4,643,956**	4,497,876
Total compensation paid to key management personnel	**13,931,867**	13,532,364

Short term employee benefits include SR 0.63 million (2022: 0.36 million) board and committees' fees.

OTHER RELATED PARTY TRANSACTIONS

Transactions with related party arise mainly from services provided/ received and payments made on behalf of each other and are undertaken at mutually agreed terms. IPO costs will be recovered directly from the Bank from the proceeds of the subscription.

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

Name	**Relationship**	**Nature of transactions**	**Amount of transactions** For the year ended 31 December **2023**	2022
Al Ghurair Food Company LLC	Shareholder with significant influence	IPO costs	**4,969,899**	--
		Group audit fee	**50,000**	--
		Salary charged	**(292,067)**	--
Mada International Holding Company	Shareholder with significant influence	IPO costs	**5,522,111**	--
		Group audit fee	**50,000**	--
Fursan Travel & Tourism Company	Associate	Ticket and related expenses	**(810,096)**	--
Al Ghurair Resources international	Associate	Purchases	**(57,069,213)**	(63,430,548)
Al Rajhi Holding	Ultimate Shareholder with significant influence	Lease payment	**(574,310)**	--

34. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

DUE FROM RELATED PARTIES

	Relationship	31 December 2023	31 December 2022
Al Ghurair Food Company LLC	Shareholder with significant influence	**4,727,832**	--
Mada International Holding Company	Shareholder with significant influence	**5,572,111**	--
		10,299,943	--

DUE FROM RELATED PARTY- included in prepayments and other current assets

	Relationship	31 December 2023	31 December 2022
Al Ghurair Resources international	Associate	**8,298,467**	--
		8,298,467	--

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

	Relationship	31 December 2023	31 December 2022
Al Rajhi Holding	Ultimate Shareholder with significant influence	**7,697**	--
Fursan Travel & Tourism Company	Associate	**3,321**	--
Al Ghurair Resources international	Associate	**--**	15,396,304
		11,018	15,396,304

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

35. MERGER TRANSACTION

On 1 November 2021 (corresponding to 26 Rabi al Awal 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 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 Awal 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 Awal 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.

35. MERGER TRANSACTION (continued)

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**

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)**

35. MERGER TRANSACTION (continued)

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 31 December 2021.

The merger deficit reserve so created was adjusted against share capital of the Company during the year ended 31 December 2022.

36. FINANCIAL INSTRUMENTS

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

	31 December 2023	31 December 2022
Financial assets at amortised cost:		
Cash and bank balances	**47,026,254**	118,048,894
Short term deposits	**65,000,000**	--
Trade receivables	**948,027**	86,732
Due from related parties	**10,299,943**	--
Other receivables	**931,216**	32,733
	124,205,440	118,168,359

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

	31 December 2023	31 December 2022
Financial liabilities at amortised cost:		
Trade and other payables	**40,829,108**	44,707,986
Other payables	**1,845,531**	906,487
Long term loans	**543,920,435**	580,564,561
Lease liabilities	**246,905,589**	251,450,156
	833,500,663	877,629,190

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 cash and bank balances, short term deposits, amount due from related parties trade and other receivables. Its financial liabilities consist of trade and other payables, accrued expenses and other current liabilities, long-term loans and obligations under finance lease.

36. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

The management assessed that fair value of bank balances and short-term deposits, trade receivables, other current assets, amounts due from related parties, trade and other payables, accrued expenses and other current liabilities, long-term loans and obligations under finance lease 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 2023 and 2022. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main purpose of the 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.

36. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

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

	31 December 2023	31 December 2022
Financial assets at amortised cost		
Cash and bank balances	**47,026,254**	118,048,894
Short term deposits	**65,000,000**	--
Trade receivables	**948,027**	86,732
Due from related parties	**10,299,943**	--
Other receivables	**931,216**	32,733
	124,205,440	118,168,359

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

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

Banks	Rating Short-term	Rating Long-term	Rating agency	**31 December 2023**	31 December 2022
Saudi British Bank	P-1	A-1	Moody's	**--**	499,999
Banque Saudi Fransi	P-1	A-1	Moody's	**9,271,882**	10,404,426
Alinma Bank	P-1	A-1	Moody's	**37,601,648**	107,144,469
				46,873,530	118,048,894

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

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.

36. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

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. 297,308 (31 December 2022: SR. 103,250).

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

Trade Receivables	**Loss rate**	**Gross carrying amount**	**Loss allowance**	**Credit-impaired**
Current (not past due)	0.1%	609,005	609	No
0 – 30 days past due	0.83%	--	--	No
31 – 90 days past due	1.79%	287,089	5,139	No
91 – 180 days past due	4.12%	54,310	2,238	No
181 – 360 days past due	19.23%	--	--	No
More than 360 days past due	98.10%	294,931	289,322	Yes

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	10,598	Yes
More than 360 days past due	100.00%	92,619	92,619	Yes

36. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 2023 and 31 December 2022 based on contractual payment dates and current market interest rates as following.

31 December 2023

		Contractual amounts			
Non derivative financial liabilities	**Carrying amounts**	**1 year or less**	**1 to 5 years**	**More than 5 years**	**Total contractual amounts**
Trade and other payables	**40,829,108**	**40,829,108**	**--**	**--**	**40,829,108**
Other payables	**1,845,531**	**1,845,531**	**--**	**--**	**1,845,531**
Long term loans	**543,920,435**	**95,904,946**	**388,400,126**	**345,206,602**	**829,511,674**
Lease liabilities	**246,905,589**	**14,365,008**	**56,822,271**	**247,763,844**	**318,951,123**
	833,500,663	**152,944,593**	**445,222,397**	**592,970,446**	**1,191,137,436**

31 December 2022

		Contractual amounts			
Non derivative financial liabilities	Carrying amounts	1 year or less	1 to 5 years	More than 5 years	Total contractual amounts
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
	877,629,190	135,811,443	375,693,905	681,831,090	1,193,336,438

36. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

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

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

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency). However, as the Group primarily deals in USD, 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 2023	**Impact on profit before Zakat**	
	10% increase	**10% decrease**
Long term loan (floating rate)	**(4,107,980)**	4,107,980

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

36. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

IBOR Reforms

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

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

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

	31 December 2023	31 December 2022
Long term loan (floating rate)	**543,920,435**	580,564,561

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.

36. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

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.

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 2023 and 31 December 2022 is as follows:

36. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital Risk Management (continued)

	31 December 2023	31 December 2022
Loans and borrowings	**543,920,435**	580,564,561
Lease liabilities	**246,905,589**	251,450,156
Employees' defined benefit obligations	**5,540,275**	3,100,620
Zakat payable	**7,325,919**	2,854,310
Less: Cash and cash equivalents	**(112,026,254)**	(118,160,559)
Net debt	**691,665,964**	719,809,088
Share capital	**81,832,000**	81,832,000
Statutory reserve	**--**	24,549,600
Shareholder's contribution	**7,274,198**	--
Retained earnings	**158,543,954**	72,046,224
Equity	**247,650,152**	178,427,824
Capital and net debt	**939,316,115**	898,236,912
Gearing ratio	**73.64%**	80.14%

37. SUBSEQUENT EVENTS

37.1 On 7 February 2024 (corresponding to 26 Rajab 1445H) the Company has announced its intention to float 24,549,600 shares, representing 30% of the Company's share capital and to proceed with an initial public offering and listing on the Main Market of the Saudi Exchange (Tadawul).

37.2 On 28 February 2024 (corresponding to 18 Shaban 1445H) the Company has announced the completion of the institutional book-building process in compliance with the rules and regulations issued by the Capital Market Authority (CMA) and the determination of the final offer price for the Initial Public Offering at SAR 48 per share.

37.3 On 4 March 2024 (corresponding to 23 Shaban 1445H), the Company has paid an amount SR 32,994,684 to HSBC (the "Lead Manager") to acquire its own shares with the aim of allocating these to the Company's employees within the employees share program.

37.4 On 27 March 2024 (corresponding to 17 Ramadan 1445H), Saudi Exchange announces the listing and trading of the Company's shares on the main market.

37.5 On 28 March 2024 (corresponding to 18 Ramadan 1445H), the Board of Directors of the Company has resolved to recommend the General Assembly for distribution of annual dividends for the year ended 31 December 2023 of SR 1 per share amounting to SR 81,832,000.

37.6 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 2023.

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 28 March 2024 (corresponding to 18 Ramadan 1445H).

Dr. Ibrahim AlRajhi	Osama Ashi	Amr Kamel
Chairman	CEO	CFO