

THE THIRD MILLING COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

THE THIRD MILLING COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

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INDEPENDENT AUDITOR'S REPORT

To the Partners of
The Third Milling Company
(A Saudi Closed Joint Stock Company)

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of The Third Milling Company ("the Company"), which comprise the statement of financial position as at 31 December 2021, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA) in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics, that is endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The financial statements of the Company for the year ended 31 December 2020, were audited by another auditor who expressed an unmodified audit opinion on those financial statements on 15 August 2021 (corresponding to 7 Muharram 1443H).

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, as endorsed by SOCPA in the Kingdom of Saudi Arabia, other standards and pronouncements issued by SOCPA, the Company's Articles of Association and Law of Companies and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Those charged with governance (i.e., Partners) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISAs), as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



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Abdullah M. Al Basri
Certified Public Accountant
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Riyadh, 7 Ramadan 1443H
Corresponding to 8 April 2022

THE THIRD MILLING COMPANY
(A Saudi Closed Joint Stock Company)
Statement of financial position

(Amounts in SR, unless otherwise stated)

	Note	As at	
		31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	5	873,963,491	903,095,884
Intangible asset	6	4,254,180	3,484,686
Total non-current assets		878,217,671	906,580,570
Current assets			
Inventories	7	104,782,009	111,720,826
Advances, prepayments and other current assets	8	36,897,594	6,973,581
Cash at bank	9	94,133,966	345,405,953
Total current assets		235,813,569	464,100,360
Total assets		1,114,031,240	1,370,680,930
EQUITY AND LIABILITIES			
Equity			
Share capital	10	899,666,590	899,666,590
Merger deficit reserve	27	(817,835,064)	-
Statutory reserve	3.15	12,832,179	6,643,379
Retained earnings		17,463,711	231,914,548
Total equity		112,127,416	1,138,224,517
Liabilities			
Non-current liabilities			
Long term loans	11	680,576,505	-
Lease liabilities	12	176,587,400	181,349,913
Employees' defined benefit obligation	13	782,225	495,802
Total non-current liabilities		857,946,130	181,845,715
Current liabilities			
Current portion of long term loans	11	11,758,229	-
Current portion of lease liabilities	12	4,761,747	4,518,278
Trade payables		48,858,099	12,854,484
Accrued expenses and other current liabilities	14	42,335,992	16,287,272
Due to related parties	24.3	24,895,029	10,937,712
Advance from customers	16.3	8,970,779	6,012,952
Provision for zakat	22	2,377,819	-
Total current liabilities		143,957,694	50,610,698
Total liabilities		1,001,903,824	232,456,413
Total equity and liabilities		1,114,031,240	1,370,680,930
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The accompanying notes from 1 to 31 form an integral part of these financial statements.

THE THIRD MILLING COMPANY
(A Saudi Closed Joint Stock Company)
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2021

(Amounts in SR, unless otherwise stated)

	Note	31 December 2021	31 December 2020
Sales	16	555,011,779	435,279,586
Cost of sales	17	(385,504,401)	(297,392,813)
Gross profit		169,507,378	137,886,773
Selling and distribution expenses	18	(10,922,222)	(5,169,366)
General and administrative expenses	19	(68,615,457)	(62,197,068)
Operating profit		89,969,699	70,520,339
Finance costs	20	(26,014,433)	(9,401,515)
Other income	21	310,552	3,814,967
Profit before zakat		64,265,818	64,933,791
Zakat expense for the year	22	(2,377,819)	-
Net profit for the year		61,887,999	64,933,791
Other comprehensive income		-	-
Total comprehensive income for the year		61,887,999	64,933,791
Earnings per share (EPS)			
Basic and diluted earnings per share for the year	23	0.69	0.72

The accompanying notes from 1 to 31 form an integral part of these financial statements.

THE THIRD MILLING COMPANY
(A Saudi Closed Joint Stock Company)
Statement of changes in equity
For the year ended 31 December 2021

(Amounts in SR, unless otherwise stated)

	Note	Share capital	Proposed increase in capital	Merger deficit reserve	Statutory reserve	Retained earnings	Total equity
Balance as at 1 January 2021		899,666,590	-	-	6,643,379	231,914,548	1,138,224,517
Profit for the year		-	-	-	-	61,887,999	61,887,999
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	61,887,999	61,887,999
Transfer to statutory reserve		-	-	-	6,188,800	(6,188,800)	-
Transactions with owners:							
Dividend	29	-	-	-	-	(270,000,000)	(270,000,000)
Merger deficit reserve	27	-	-	(817,835,064)	-	(150,036)	(817,985,100)
Balance as at 31 December 2021		899,666,590	-	(817,835,064)	12,832,179	17,463,711	112,127,416
Balance as at 1 January 2020		500,000	899,166,590	-	150,000	173,474,136	1,073,290,726
Profit for the year		-	-	-	-	64,933,791	64,933,791
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	64,933,791	64,933,791
Transferred to statutory reserve		-	-	-	-	-	-
Transactions with owners:							
Transferred to share capital	10	899,166,590	(899,166,590)	-	-	64,933,791	64,933,791
Balance as at 31 December 2020		899,666,590	-	-	6,493,379	(6,493,379)	-
					6,643,379	231,914,548	1,138,224,517

The accompanying notes from 1 to 31 form an integral part of these financial statements.

THE THIRD MILLING COMPANY
(A Saudi Closed Joint Stock Company)
Statement of cash flows
For the year ended 31 December 2021

(Amounts in SR, unless otherwise stated)

	Note	31 December 2021	31 December 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat		64,265,818	64,933,791
Adjustments for non-cash and other items:			
Depreciation for property, plant and equipment	5	46,796,532	46,274,422
Provision for slow-moving inventories	7	4,102,163	3,196,163
Provision for employees defined benefit obligations	13	296,049	185,950
Interest income	21	(204,864)	(892,174)
Finance costs	20	26,014,433	9,401,515
Operating cash flows before changes in working capital		141,270,131	123,099,667
Inventories		2,836,654	(13,592,261)
Advances, prepayments and other current assets		(29,924,013)	8,696,182
Trade payables		36,003,615	593,748
Accrued expenses and other current liabilities		21,912,084	3,779,356
Due to related parties		14,057,317	(18,223,771)
Advances from customers		2,957,827	47,099
Cash generated from operations		189,113,615	104,400,020
Employees' end of service benefit paid	13	(9,626)	-
Finance cost paid		(16,771,642)	-
Net cash generated from operating activities		172,332,347	104,400,020
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	(17,664,139)	(16,907,690)
Additions to intangible asset	7	(769,494)	(3,484,686)
Interest income received	21	204,864	892,174
Net cash used in investing activities		(18,228,769)	(19,500,202)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans - net		(12,350,684)	-
Repayment of lease liabilities	12	(13,683,807)	(13,683,807)
Dividends	29	(231,914,548)	-
Repayment of shareholder loan and others	27	(172,074,475)	-
Net cash used in financing activities		(430,023,514)	(13,683,807)
Net change in cash and cash equivalents		(275,919,936)	71,216,011
Cash at bank combined upon merger	27	24,647,949	-
Cash at banks at the beginning of the year		345,405,953	274,189,942
Cash and cash equivalents at end of the year	9	94,133,966	345,405,953
Non-cash transactions:			
Proposed increase in capital	10	-	899,166,590

The accompanying notes from 1 to 31 form an integral part of these financial statements.

THE THIRD MILLING COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the financial statements
For the year ended 31 December 2021

(Amounts in SR, unless otherwise stated)

1 ORGANISATION AND ITS ACTIVITIES

The Third Milling Company – A Saudi Closed Joint Stock Company (the "Company") was incorporated in Riyadh in the Kingdom of Saudi Arabia on 10 Safar 1438H (corresponding to 10 November 2016). The registered office was located at Al Manakh, 14313 Riyadh. During the year, the registered office of the Company changed to Building no. 2780, Muhammed Atatib At Tunis Street, 6228 Al Khalidiyah District, P.O. Box 23421, Jeddah. The Company's licensed activities include flour production in Saudi Arabia and all activities related to the provision of wheat products, animal feed and related products, including making any contracts or making any related arrangements.

The Company was formed by the Public Investment Fund pursuant to the resolution of the Council of Ministers No. (35) of 27 Muharram 1437H (corresponding to 9 November 2015) approving the adoption of the necessary actions to establish four Joint Stock Flour Milling Companies according to the proposed geographical distribution. The Public Investment Fund, in coordination with the Saudi Grains Organization ("SAGO"), shall do so in accordance with Royal Decree No. 62 dated 4 Shawwal 1435H (corresponding to 31 July 2014). On Shawwal 17, 1441 AH (corresponding to June 9, 2020) Council of Ministers' Resolution No. 631 was issued to transfer the ownership of the Company to the National Center for Privatization & PPP and for the National Center for Privatization & PPP to carry out the tasks assigned to the Public Investment Fund by Council of Ministers' Resolution No. (118) dated Safar 21, 1440 AH (corresponding to October 30, 2018). The Company's shares were wholly sold to Mada and Al Ghurair Limited Company on 16 Jumada I 1442 AH (corresponding to 31 December 2020) (note 10).

On 01 November 2021 (corresponding to 26/03/1443H) merger agreement was signed between shareholders of Mada Al Ghurair Limited (Parent Company) and its wholly owned subsidiary, The Third Milling Company ("Company") whereby all assets, liabilities, rights and obligations of the Parent Company were to be transferred to the Company subject to the completion of legal procedures. Refer note 10 and 27.

The Company has entered into a subsidized wheat purchase agreement with the Saudi Grains Organization ("SAGO") as SAGO imports wheat to Saudi Arabia for the purpose of producing subsidized flour. This Agreement shall enter into force on 3 Rabi Thani 1438H (corresponding to 1 January 2017) and shall be terminated when the Owner sells its shares in the Company. The agreement stipulates that the purchase price of the subsidized wheat is calculated according to the monetary value per metric ton of subsidized wheat currently specified by the Government of the Kingdom of Saudi Arabia at SR 180 per metric ton. The selling prices for the Company's products are also determined by SAGO. On 15 Rabi' al-Thani 1442 AH (corresponding to November 30, 2020) the wheat purchase agreement was extended further till the date of license.

The Company operates through its Head Office in Jeddah and three branches in the many cities in the Kingdom of Saudi Arabia listed as follows:

Branch Name	Commercial Registration	Date
Head office (Jeddah)	4030449122	6 Jumada II 1443H (corresponding to 9 January 2022)
Khamis Mushait	5855070707	5 Jumada Al-awwal 1442H (corresponding to 20 December 2020)
Khamis Mushait	5855070277	26 Jumada II 1442H (corresponding to 8 February 2021)
Al Jumum	4622099376	23 Jumada Al-awwal 1442H (corresponding to 7 January 2021)
Al Jawf	3400020077	22 Jumada Al-awwal 1442H (corresponding to 6 January 2021)

THE THIRD MILLING COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the financial statements
For the year ended 31 December 2021

(Amounts in SR, unless otherwise stated)

1.1 In response to the spread of the COVID-19 pandemic in territory where the Company operates and its consequential disruption to the social and economic activities in those markets, the Company's management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures to:

- ensure the health and safety of its employees; and
- minimizing the impact of the pandemic on its operations and product supply to the customers.

Despite these challenges, the Company's business operations remain largely unaffected as the Company did not have impact of restrictions and constraints imposed by various local regulatory authorities including implementing curfew hours and shipping limitations. The Company's management believes that the COVID-19 pandemic, by itself, has had no direct material effects on the Company's reported results for the year ended 31 December 2021. However, the Company's management continues to monitor the situation closely in order to mitigate any disruptions as much as possible.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as endorsed in Kingdom of Saudi Arabia by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"), other standards and pronouncements issued by SOCPA, regulations for companies in KSA and the Company's articles of association.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention using going concern basis, except for the employees' defined benefit obligation, that is recognized at the present value of future obligations and financial instruments that have been recorded as disclosed in respective policy notes. In these financial statements, except for the cash flow statement, all the transactions have been accounted for on accrual basis.

2.3 Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SR), which is the functional currency of the Company.

2.4 Level of precision

All amounts have been rounded off to the nearest SR unless otherwise stated.

2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

THE THIRD MILLING COMPANY
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(Amounts in SR, unless otherwise stated)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

- a) **Useful lives of property, plant and equipment and intangible assets**
The estimation of useful lives of items of property, plant and equipment and intangible asset is a matter of judgment based on experience with similar assets. Future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. Following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical or commercial obsolescence arising from changes in market conditions.
- b) **Expected credit loss (ECL) measurement**
Measurement of ECL is a significant estimate that involves determination methodology, models and data inputs. Following components have a major impact on credit loss allowance: definition of default, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Company regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. The Company used supportable forward-looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model.
- c) **Provision for inventory obsolescence**
The Company determines its allowance for inventory obsolescence based upon historical experience, current condition, and current and future expectations with respect to its use. The estimate of the Company's allowance for inventory obsolescence could change from period to period, which could be due to assessment of the future usage of inventory.
- d) **Right-of-use assets and lease liabilities**
The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewable options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.
- e) **Impairment of non-financial assets**
Management assesses the impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors which could trigger an impairment review include evidence from internal and external sources related to the changes in technological, market, economic or legal environment in which the entity operates, changes in market interest rates and economic performance of the assets.
- f) **Employees' end of service benefit obligations**
Management has adopted certain actuarial assumptions for valuation of present value of employee benefit obligations based on actuarial advice. For further details see note 13 and 3.9.

THE THIRD MILLING COMPANY
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For the year ended 31 December 2021

(Amounts in SR, unless otherwise stated)

g) Provision for Zakat

Zakat provision is made and recorded at the end of each fiscal year in accordance with Zakat, Tax and Customs Authority (ZATCA) regulations applicable in the Kingdom of Saudi Arabia. Differences in zakat assessments are recorded in the income statement of profit or loss and other comprehensive income when final zakat assessments are obtained.

As explained in note 1.2, the Company's management has proactively assessed the potential impact of the COVID-19 pandemic for any further regulatory and government restrictions both locally and in the markets in which the Company operates that could adversely affect the Company's supply chain, manufacturing rendering capabilities as well as demand of its services that could cause a negative impact on the financial performance. The management has concluded that Company's critical accounting judgements, estimates and assumptions remain appropriate under the current circumstances for the purpose of preparation of these financial statements. Further, as the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

3.1 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

3.2 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 property, plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives.

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Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in statement of profit or loss and other comprehensive income as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

Assets Categories	Useful lives
Buildings	25 - 50 years
Plant and machinery	10 - 25 years
Computer equipment	6.67 years
Furniture and fittings	6.67 - 10 years
Motor vehicles	5 years

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item and such parts have a useful life different from other parts, the Company recognises such parts as individual assets and depreciate them accordingly.

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

3.3 Intangible assets

Intangible assets represent computer software with definite useful life and capital work in progress related to these assets.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses.

Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the statement of profit or loss and other comprehensive income in the period in which the expenditure is incurred.

Amortisation is calculated to write off the cost of intangible assets less their residual values on a straight-line basis over the useful life of the assets, from the date the intangible asset is available for its intended use. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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(Amounts in SR, unless otherwise stated)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss other comprehensive income when the asset is derecognised.

Intangible assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

3.4 Lease

Right-of-use assets

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

Lease liabilities

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

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

The finance cost is charged to statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Depreciation is charged to statement of profit or loss and other comprehensive income using the straight-line method to allocate their costs over their lease term or useful life whichever is lower.

(Amounts in SR, unless otherwise stated)

Short-term leases and leases of low-value assets

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

Significant judgement in determining the lease term of contracts with renewal options

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

The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

3.5 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 company.

Recognition and initial measurement

Trade receivables and debt securities issued, if any, are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. Since last year, there is no change in the business model of the entity.

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

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

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

-it is held within a business model whose objective is to hold assets to collect contractual cash flows; and selling financial assets; and

-its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Financial assets - Subsequent measurement and gains and losses

Financial assets at amortised cost These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss other comprehensive income. Any gain or loss on derecognition is recognised in statement of profit or loss and other comprehensive income (OCI).

Equity investments at FVOCI These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss other comprehensive income unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to statement of profit or loss and OCI.

Financial assets at FVTPL These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in statement of profit or loss and OCI.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses ("ECL") for financial assets measured at amortized cost. The ECL is recognized either for lifetime or for 12 months. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of based on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

-actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations

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- actual or expected significant changes in the operating results of the customer
- significant increases in credit risk on other financial instruments of the same customer
- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of customers and changes in the operating results of the customer
- macroeconomic information (such as market interest rates or growth rates)
- past due information adjusted for future information

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is past due more than the credit period allowed to make a contractual payment, unless the Company has reasonable and supportable information that demonstrates otherwise.

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

Objective evidence that financial assets are impaired can include significant financial difficulty, default or delinquency of the counterparty, restructuring of amounts due on terms that the Company would not otherwise consider, indications that a customer will enter bankruptcy, or other observable data relating to customers such as adverse changes in the economic conditions that correlate with defaults by the customers.

Impairment losses for a financial instrument are recognized in the profit or loss and reflected in impairment for credit losses. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the profit or loss.

When an asset is uncollectible, it is written-off against the related provision. Such assets are written-off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the provision. The amount of the reversal is recognized in the profit or loss.

Presentation of impairment of financial assets in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in statement of profit or loss and other comprehensive income..

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of profit or loss and OCI. Any gain or loss on derecognition is also recognised in statement of profit or loss and other comprehensive income.

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Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in statement of profit or loss and other comprehensive income.

Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.6 Loans and borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

3.7 Inventories

Cost is determined as follows:

Finished goods and work in process	Inventories are stated at the lower of cost and net realisable value. Cost of finished goods and work-in-process comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Goods in transit are recognised, as per the terms of goods shipped, at cost.
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Wheat	Weighted average which is SR 180 / metric ton (Note 1)
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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.

3.8 Cash and cash equivalents

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

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

3.9 Employees benefits

Employees' end of service benefit obligations

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The employees' end of service benefits obligation is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognized immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia. No actuarial valuation has been carried out by the management as the amounts are not significant.

Reference to the administrative resolutions No. 11890 dated 8 Safar 1438H, No. 14003 dated 8 Rabie Al Awal 1438, No. 27094 and 27096 on 9 Rajab 1438H and No. 18009 dated 8 Rajab 1438H concerning the secondment of employees of the Saudi Grains Organization ("SAGO") to the Company by charging the cost of end of service benefits payable to seconded employees of the Company to SAGO in accordance with the agreement made in that regard.

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Defined contribution plan

The Company has defined contribution plan with General Organization for Social Insurance "GOSI" where the Company and the employees contribute fixed percentage of their salary toward the retirement of its employees. The Company operates defined contribution plan, under the Saudi Arabian Labor Law based on employees' accumulated periods of service at the statement of financial position. The Company recognises contribution payable to the GOSI as an expense when due.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3.10 Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. The Company calculates the impairment in value on the basis of detailed budgets and projections, which are prepared separately for each of the cash-generating units of the Company to which the individual assets are allocated.

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

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

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3.11 Revenue from contracts with customers

The Company is involved in manufacturing of flour, feed and bran (by-product). The revenue is recognized when the goods are transferred to the customer, which is the time when these goods are dispatched from the premises of the Company. The revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods or services. Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. All sales are made on cash basis only, and thus payment of transaction price becomes due immediately when the customer purchases the products and the control of the products is transferred to the customer at the same time. Other income is recognized when it is earned. The Company has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Variable consideration

If the consideration provided for in the contract includes a variable amount, the Company estimates the amount of the consideration it is entitled to in return for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Significant financing component

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

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

3.12 Provisions

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

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

3.13 Contingencies

A contingent liability is disclosed when the Company has a possible obligation as a result of past event, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligations that arises from past events, but is not probable that an outflow of the resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

3.14 Zakat

Zakat is calculated in accordance with the regulations issued by Zakat, Tax and Customs Authority (ZATCA) and on the accrual basis of accounting. Provision for Zakat is established according to the Zakat base. Any difference between the provision and the final assessment is recorded in the period when the final assessment is approved by ZATCA. Zakat is charged to the statement of profit or loss and other comprehensive income for the current year.

The Company's management establishes provision where appropriate on the basis of amounts expected to be paid to the ZATCA and periodically evaluates positions taken in the Zakat returns with respect to situations in which applicable Zakat regulation is subject to interpretation.

Zakat computations involves relevant knowledge and judgement of the Zakat rules and regulations to assess the impact of Zakat liability at a particular period end. This liability is considered an estimate until the final assessment by ZATCA is carried out until which the company retains exposure to additional Zakat liability.

The Company was not subject to Zakat for the year ended 31 December 2020 since its share capital was from public funds on which Zakat is not applicable.

Withholding tax

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

Value added tax

The Company is subject to Value Added Tax ("VAT") in accordance with the VAT regulations prevailing in the Kingdom of Saudi Arabia. The amount of VAT liability is determined by applying the applicable tax rate to the value of supply ("Output VAT") less VAT paid on purchases ("Input VAT"). The Company reports revenue and purchases net of VAT for all the periods presented in the statement of profit or loss and other comprehensive income.

3.15 Statutory reserve

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

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3.16 Foreign currencies

Transactions denominated in foreign currencies are translated to the functional currency of the Company at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated to the functional currency of the Company at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising on translation are recognized in the statement of profit or loss and OCI currently.

3.17 Operating profit

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

3.18 Selling, distribution, general and administration Expenses

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

3.19 Dividend

Dividends are recognised in these financials statements as a liability at the time of their approval in general assembly meeting.

3.20 Basic and diluted earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the net profit of the Company for the year by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the net income or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of dilutive potential ordinary shares, if any.

3.21 Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's management which makes decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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4 STANDARD, AMENDMENT OR INTERPRETATION TO PUBLISHED APPROVED ACCOUNTING STANDARDS

4.1 New standards, amendments and interpretations to existing standards that became effective during the year

Following standards and amendments are effective for the first time in 2021:

COVID-19-related rent concessions beyond 30 June 2021 (Amendments to IFRS 16) - effective for periods beginning on or after 1 April 2021

Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 1

These amendments do not have a significant impact on these financial statements.

4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

IFRS 17 Insurance Contracts

Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)

References to the Conceptual Framework

Proceeds before Intended Use (Amendments to IAS 16)

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41)

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

Deferred Tax related to Assets and Liabilities from a Single Transaction

These amendments are not expected to have a significant impact on the financial statements in the period of initial application. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

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5 PROPERTY, PLANT AND EQUIPMENT

	Note	Buildings	Plant and equipment	Furniture and fittings	Motor vehicles	Right of use assets (refer note 5.3)	Capital work in progress	Total
Cost								
At 31 December 2020		388,926,566	470,406,135	13,031,770	4,949,826	196,944,353	13,625,192	1,087,883,842
Additions during the year	5.4	12,401	560,062	1,494,707	-	-	15,596,969	17,664,139
Transfers		2,574,065	3,257,475	210,657	-	-	(6,042,197)	-
At 31 December 2021		391,513,032	474,223,672	14,737,134	4,949,826	196,944,353	23,179,964	1,105,547,981
Accumulated depreciation								
At 31 December 2020		46,588,951	103,417,361	6,197,913	889,778	27,693,955	-	184,787,958
Charged for the year		13,086,057	23,133,735	1,514,804	1,003,715	8,058,221	-	46,796,532
At 31 December 2021		59,675,008	126,551,096	7,712,717	1,893,493	35,752,176	-	231,584,490
Net book value								
At 31 December 2021		331,838,024	347,672,576	7,024,417	3,056,333	161,192,177	23,179,964	873,963,491
Cost								
At 31 December 2019		387,845,972	463,981,076	12,837,842	712,950	196,944,353	8,653,959	1,070,976,152
Additions during the year	5.4	1,080,594	1,693,269	193,928	4,236,876	-	9,703,023	16,907,690
Transfers		-	4,731,790	-	-	-	(4,731,790)	-
At 31 December 2020		388,926,566	470,406,135	13,031,770	4,949,826	196,944,353	13,625,192	1,087,883,842
Accumulated depreciation								
At 31 December 2019		33,634,492	80,307,668	4,676,481	265,377	19,629,518	-	138,513,536
Charged for the year		12,954,459	23,109,693	1,521,432	624,401	8,064,437	-	46,274,422
At 31 December 2020		46,588,951	103,417,361	6,197,913	889,778	27,693,955	-	184,787,958
Net book value								
At 31 December 2020		342,337,615	366,988,774	6,833,857	4,060,048	169,250,398	13,625,192	903,095,884

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5.1 The buildings are built on land leased from the Saudi Grains Organization (SAGO) with an annual rental value of SR 3,022,818. The term of the lease is 25 calendar years commencing from 3 Rabee Thani 1438H (corresponding to 1 January 2017) and is automatically renewable for a similar period of extended license.

5.2 The depreciation charge for the year has been allocated as follows:

	Note	31 December 2021	31 December 2020
Cost of sales	17	41,266,124	40,864,137
Selling and marketing expenses	18	1,163,390	1,130,689
General and administrative expenses	19	4,367,018	4,279,596
		<u>46,796,532</u>	<u>46,274,422</u>

5.3 Right of use assets

2021

	Silos	Lands	Total
Cost			
As at 31 December 2020	144,715,622	52,228,731	196,944,353
As at 31 December 2021	<u>144,715,622</u>	<u>52,228,731</u>	<u>196,944,353</u>
Accumulated depreciation			
As at 31 December 2020	23,155,031	4,538,924	27,693,955
Charge for the year	5,788,758	2,269,463	8,058,221
As at 31 December 2021	<u>28,943,789</u>	<u>6,808,387</u>	<u>35,752,176</u>
Net book value			
As at 31 December 2021	<u>115,771,833</u>	<u>45,420,344</u>	<u>161,192,177</u>

	Silos	Lands	Total
Cost			
As at 31 December 2019	144,715,622	52,228,731	196,944,353
As at 31 December 2020	<u>144,715,622</u>	<u>52,228,731</u>	<u>196,944,353</u>
Accumulated depreciation			
As at 31 December 2019	17,366,273	2,263,245	19,629,518
Charge for the year	5,788,758	2,275,679	8,064,437
As at 31 December 2020	<u>23,155,031</u>	<u>4,538,924</u>	<u>27,693,955</u>
Net book value			
As at 31 December 2020	<u>121,560,591</u>	<u>47,689,807</u>	<u>169,250,398</u>

The Company entered into a lease agreement with the Saudi Grains Organization (SAGO) for the rental of silos for the purpose of storing wheat, flour and feed. The term of the lease is 25 calendar years commencing from 3 RabeeThani 1438H (corresponding to 1 January 2017) and is renewable automatically for a similar period of extended license. The estimated useful lives of right of use assets is 25 years.

The Company entered into land leases. The term of the lease is 25 calendar years. These leases do not transfer ownership of the assets to the lessor at the end of the lease.

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5.4 Capital work in progress

Capital work in progress as at 31 December 2021 mainly consists of following projects:

- Updating the automatic control of Al-Jawf mill and the server system in the factory in Khamis Mushait
- Construction and completion of sales building in Al-Jawf
- Renovation project of offices and training hall of the executive office
- Installing security systems and cameras project
- Safety projects for the branches
- Supervision on installing fire and alarm systems project

The expected completion date of projects is in 2022 and the capital commitments relating to this amount to SR 24.1 million (31 December 2020: SR 5 million).

6 INTANGIBLE ASSETS

	Note	31 December 2021	31 December 2020
Balance as at 1 January		3,484,686	-
Addition during the year	6.1	769,494	3,484,686
Balance as at 31 December		<u>4,254,180</u>	<u>3,484,686</u>

- 6.1** Addition in intangible assets includes the advances paid to supplier and consultant for implementation of reporting software and is expected to complete in 2022.

7 INVENTORIES

	Note	31 December 2021	31 December 2020
Spare parts		85,855,266	86,174,575
Raw materials		24,508,999	26,368,661
Finished goods	17	13,396,652	11,889,012
Goods in transit		682,764	964,101
Packing material		3,806,510	7,898,176
Others		1,800,630	2,693,954
		<u>130,050,821</u>	<u>135,988,479</u>
Less: allowance for slow moving inventories	7.1	(25,268,812)	(24,267,653)
		<u>104,782,009</u>	<u>111,720,826</u>

The cost of finished goods includes direct costs as well as overheads, the latter of which is allocated based on the quantities produced.

7.1 Movement in allowance for slow moving inventories

	Note	31 December 2021	31 December 2020
At the beginning of the year		24,267,653	21,071,490
Provision during the year	17	4,102,163	3,196,163
Write off during the year		(3,101,004)	-
At the end of the year		<u>25,268,812</u>	<u>24,267,653</u>

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8 ADVANCES, PREPAYMENTS AND OTHER CURRENT ASSETS

	Note	31 December 2021	31 December 2020
Advance to suppliers		26,158,418	2,244,636
Prepayments		3,183,305	1,880,428
Letters of credit	8.1	4,231,535	2,052,456
VAT receivables		1,647,092	-
Other receivables		1,677,244	796,061
		<u>36,897,594</u>	<u>6,973,581</u>

8.1 Letters of credit represent a bank guarantee issued by a local bank in exchange for lease contracts with SAGO amounting to SR 2.05 million (2020: SR 2.05 million) and cash margins for letters of credit against import of shipments SR 2.1 million.

9 CASH AND BANK BALANCE

	Note	31 December 2021	31 December 2020
Cash at bank	27	<u>94,133,966</u>	<u>345,405,953</u>

The Company acquired cash and cash equivalents amounting to SR 24,647,949 as a result of merger (refer note 27).

10 SHARE CAPITAL

The share capital of the Company consists of 89,966,659 shares (31 December 2020: 89,966,659 shares) of SR 10 each. On 9 June 2020 (corresponding to 17 Shawwal 1441) Cabinet decision was issued to transfer the ownership of the Company to the National Center for Privatization & PPP. All legal formalities regarding transfer of shares were completed during 2020.

On 31 December 2020 (corresponding to 16 Jumada Al-Ula 1442), the National Center for Privatization & PPP sold entire shareholding of the Company to Mada Al Ghurair Limited. The process of completing the sale and transferring the ownership of the Company was completed after fulfilling legal requirements on same date.

On 2 October 2019 (corresponding to 3 Safar 1441), the Extraordinary General Assembly decided to increase the Company's capital from SR 500,000 to SR 899,666,590 by transferring the amount of SR 899,166,590 from other reserves account to share capital. Legal procedures related to the capital increase were completed during the year ended 31 December 2020.

Due to merger transaction (refer note 27) the revised shareholding of the Company is as follows:

	Percentage	No. of shares	Amount
31 December 2021			
Mada International Holding Company	50	44,983,329	449,833,290
Al Ghurair Foods LLC	45	40,484,998	404,849,980
Masafi Company LLC	5	4,498,332	44,983,320
	<u>100</u>	<u>89,966,659</u>	<u>899,666,590</u>
31 December 2020			
Mada Al Ghurair Limited	100	89,966,659	899,666,590

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11 LONG TERM LOAN

	<u>31 December 2021</u>	<u>31 December 2020</u>
Long term loan	702,406,402	-
Transaction cost	(10,071,668)	-
	<u>692,334,734</u>	<u>-</u>
	<u>31 December 2021</u>	<u>31 December 2020</u>
Non-current portion	680,576,505	-
Current portion	11,758,229	-
	<u>692,334,734</u>	<u>-</u>

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

The facilities are secured against the following collaterals:

- Shareholders have provided a limited period stabilization support to the Company up to a maximum amount of SAR 100 million on a several-basis during the initial operations period post privatization. This support will fall away once certain KPIs stated in stabilization support agreement have been met for a consecutive period of 2 years. As of 31 December 2021, the Company is in compliance of KPIs set for first year of operations
- Securities provided against bank borrowings include assignment of insurance policies
- Pledge of the shares of Company and bank accounts in favor of the bank during the loan period

12 LEASES LIABILITIES

	<u>Note</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Balance as at 1 January		185,868,191	190,150,483
Interest charge for the year	20	9,164,763	9,401,515
Repayments during the year		(13,683,807)	(13,683,807)
Balance as at 31 December		<u>181,349,147</u>	<u>185,868,191</u>
Current		4,761,747	4,518,278
Non - current		176,587,400	181,349,913
		<u>181,349,147</u>	<u>185,868,191</u>

Amount recognised in income statement and other comprehensive income – Leases under IFRS 16

	<u>31 December 2021</u>	<u>31 December 2020</u>
Interest on lease liabilities	9,164,763	9,401,515
Depreciation of right-of-use assets	8,058,221	8,064,437

Amount recognised in statement of cash flow

Total cash outflow for leases	<u>(13,683,807)</u>	<u>(13,683,807)</u>
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13 EMPLOYEES' DEFINED BENEFIT OBLIGATIONS

	31 December 2021	31 December 2020
Balance as at 1 January	495,802	309,852
Current service cost	296,049	185,950
Benefits paid during the year	<u>(9,626)</u>	-
Balance as at 31 December	<u>782,225</u>	<u>495,802</u>

No actuarial valuation has been carried out because management considers that financial impact will not be material.

14 ACCRUED AND OTHER CURRENT LIABILITIES

	31 December 2021	31 December 2020
Employee related accruals	19,257,628	12,189,495
Accrued expenses	5,362,674	2,453,283
Rebates payable to customers	6,450,250	-
Withholding taxes payable	6,749,999	-
Accrued professional fees	4,455,680	1,617,244
Other payables	59,761	27,250
	<u>42,335,992</u>	<u>16,287,272</u>

15 CONTINGENCIES AND COMMITMENTS

As at 31 December 2021, the Company's bankers have issued, on its behalf during the normal course of business, guarantees and acceptances limited to SR 2,552,456 (31 December 2020: SR 2,052,456).

There are outstanding commitments for the capital expenditure and purchase order issued for purchase of materials as at 31 December 2021 amounting to SR 30.7 million (31 December 2020: SR 5 million).

16 SALES

16.1 Disaggregation of revenue from contracts with customers

The Company sells its goods based on purchase orders from customers secured by the advance receipts of value of goods. In the following table, revenue from contracts with customers is disaggregated by major products:

	31 December 2021	31 December 2020
Flour	285,606,551	281,011,988
Feed	198,355,647	91,766,565
Bran	77,499,831	62,501,033
Less: Discount and rebates	<u>(6,450,250)</u>	-
	<u>555,011,779</u>	<u>435,279,586</u>

16.2 Sales are disaggregated by type of sector, customer, duration of contracts and timing of revenue recognition as shown below:

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	31 December 2021	31 December 2020
Type of sector		
Corporate sector	315,562,860	382,811,559
Government sector	148,298,639	51,873,010
Individuals	91,150,280	595,017
	<u>555,011,779</u>	<u>435,279,586</u>
	31 December 2021	31 December 2020
Type of customer		
Government	148,298,639	383,406,576
Non-government	406,713,140	51,873,010
	<u>555,011,779</u>	<u>435,279,586</u>
Duration of contracts		
Less than one year	<u>555,011,779</u>	<u>435,279,586</u>
Timing of revenue recognition		
At a point in time	<u>555,011,779</u>	<u>435,279,586</u>

Performance obligation

The sale of goods by the Company is recognized at a point in time basis. The performance obligation is satisfied at time of dispatch of goods from the warehouse.

16.3 Contract liabilities (Advance from customers)

The Company has recognized the following liabilities related to contracts with customers.

	31 December 2021	31 December 2020
Balance as at 1 January	6,012,952	5,965,858
Received during the year	237,273,913	114,924,110
Adjusted during the year	(234,316,086)	(114,877,016)
Balance as at 31 December	<u>8,970,779</u>	<u>6,012,952</u>

17 COST OF SALES

	Note	31 December 2021	31 December 2020
Raw material consumed		279,098,285	191,905,081
Salaries and other benefits		45,236,307	44,653,421
Depreciation	5.2	41,266,124	40,864,137
Fuel and power		10,469,283	9,274,870
Provision for slow moving inventories	7.1	4,102,163	3,196,163
Insurance		2,882,691	1,396,015
Maintenance expenses		2,322,211	3,403,653
Other expenses		1,634,977	580,150
Total goods manufactured during the year		<u>387,012,041</u>	295,273,490
Finished goods at the beginning of the year	7	11,889,012	14,008,335
Finished goods available for sale		398,901,053	309,281,825
Finished goods at the end of the year	7	(13,396,652)	(11,889,012)
Cost of goods sold		<u>385,504,401</u>	<u>297,392,813</u>

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18 SELLING AND DISTRIBUTION EXPENSES

	Note	31 December 2021	31 December 2020
Salaries and other benefits		3,730,524	3,527,890
Freight and shipment		4,185,111	-
Depreciation	5.2	1,163,390	1,130,689
Fuel and power		361,010	319,823
Insurance		315,878	35,835
Marketing and promotion		230,155	113,433
Other expenses		936,154	41,696
		<u>10,922,222</u>	<u>5,169,366</u>

19 GENERAL AND ADMINISTRATIVE EXPENSES

	Note	31 December 2021	31 December 2020
Salaries and other benefits		43,115,141	39,859,856
Professional and consulting fees		8,002,433	8,149,569
Depreciation	5.2	4,367,018	4,279,596
Insurance		3,192,954	3,919,436
License fees	19.1	1,687,050	-
Fuel and power		1,305,092	1,109,937
Maintenance		1,208,532	904,026
Communication		1,042,866	1,034,403
Subscriptions		1,448,141	115,628
Board and committees' expenses and allowances		360,000	955,058
Other expenses		2,886,230	1,869,559
		<u>68,615,457</u>	<u>62,197,068</u>

19.1 It includes license fees paid to Saudi Grains Organization (SAGO) based on the tones of Flour produced during the year and it is paid to SAGO on yearly basis.

20 FINANCE COST

	Note	31 December 2021	31 December 2020
Interest on long term loan	20.1	16,849,670	-
Interest on lease liabilities	12	9,164,763	9,401,515
		<u>26,014,433</u>	<u>9,401,515</u>

20.1 Interest on long term loan includes the amortization of transaction cost amounting to SR 694,991 (2020: nil) based on effective interest method.

21 OTHER INCOME-NET

	Note	31 December 2021	31 December 2020
Interest income	21.1	204,864	892,174
Liabilities written back		-	1,010,316
Other income		105,688	1,912,477
		<u>310,552</u>	<u>3,814,967</u>

21.1 Interest income represents interest income on short term deposits having maturity period of 7 days at an interest rate of 0.4% per annum.

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22 ZAKAT

The Company is subject to zakat during 2021 however, during prior year the Company was not subject to zakat since its share capital was from public funds on which zakat was not applicable. The significant components of the zakat base of the Company under zakat regulations are as follows:

	31 December 2021
Components of zakat base	
Equity, at beginning of year	899,666,590
Opening allowances and other adjustments	907,993,038
Book value of long-term assets	(1,782,008,001)
Zakatable income for the year	68,664,031
	<u>94,315,658</u>
Provision for zakat	
Balance as at 1 January	-
Provision for the year	2,377,819
Balance as at 31 December	<u>2,377,819</u>

Status of certificates and final assessments

The Company got exemption from Zakat, Tax and Customs Authority (ZATCA) from submitting the zakat return for the year ended 31 December 2020.

23 EARNINGS PER SHARE (EPS) - BASIC AND DILUTED

Basic earnings per share (EPS) is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year. The following table reflects the profit and share data used in the basic and diluted EPS computations:

	31 December 2021	31 December 2020
Profit for the year	61,887,999	64,933,791
Weighted average number of ordinary shares outstanding during the year	89,966,659	89,966,659
Earnings per share – basic and diluted	<u>0.69</u>	<u>0.72</u>

24 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders and key management personnel of the Company, and entities controlled or significantly influenced by such parties. The terms of the transactions with related parties are approved by the Company's Board.

24.1 The following entities represent the related parties and their relationship with the Company:

<u>Name of entity</u>	<u>Relationship</u>
Mada International Holding Company	Shareholder
Al Ghurair Food Company L.L.C	Shareholder
Masafi Company L.L.C	Shareholder
Al-Rajhi Holding Company	Affiliate
First Milling Company *	Affiliate
Second Milling Company *	Affiliate
Saudi Grains Organization *	Affiliate

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* As a result of change in ownership of the Company during prior year, these entities are not considered as related parties even though there are transactions with these parties made during the year.

24.2 Significant transactions with related parties comprise the following:

<u>Name of the entity</u>	<u>Nature of transaction</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Al Ghurair Foods LLC	Advances against purchases	16,633,993	-
	Repayment of loan	(82,950,000)	-
	Dividend paid	(104,361,547)	-
	Dividend payable	(17,138,453)	-
Mada International Holding Company	Dividend paid	(115,957,274)	-
	Dividend payable	(19,042,726)	-
	Repayment of loan	(82,950,000)	-
	Payment made against loan guarantee	7,375,281	-
Masafi Company LLC	Dividend paid	(11,595,727)	-
	Dividend payable	(1,809,059)	-
First Milling Company	Payments made on behalf	-	139,303
Second Milling Company	Payments made on behalf	-	4,119,283
Saudi Grains Organization	Purchases of wheat	-	140,745,757
	Payments made during the year	-	(171,320,007)
	Lease rentals paid	-	(13,683,807)

24.3 Due to related parties

	<u>31 December 2021</u>	<u>31 December 2020</u>
Mada International Holding Company	11,667,445	-
Al Ghurair Food Company L.L.C	11,423,525	-
Masafi Company LLC	1,804,059	-
Saudi Grains Organization	-	10,937,712
	<u>24,895,029</u>	<u>10,937,712</u>

24.4 Key management personnel

Compensation of the Company's key management personnel includes salaries and other benefits. The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel.

<u>Transactions with key management personnel</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Board and committees' expenses and allowances	360,000	955,058
Short term employees defined benefits	2,411,640	4,343,349
Post-employment benefits and medical benefits	129,809	462,522
	<u>2,901,449</u>	<u>5,760,929</u>

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25 SEGMENT INFORMATION

The operations of the Company are mainly in the Kingdom of Saudi Arabia through three branches in Khamis Mushait, Al Jumum and Al Jowf.

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

Transfer prices between operating segments are on an arm's length basis in a manner like transactions with third parties. The selected financial information for these branches is as follows:

31 December 2021	Khamis	Al Jumum	Al Jowf	Head office	Total
Total revenue	319,781,209	185,525,930	49,704,640	-	555,011,779
Cost of inventories	(191,283,278)	(66,919,050)	(19,305,184)	-	(277,507,512)
Employee benefit expenses	(32,015,804)	(20,139,683)	(18,743,610)	(21,182,875)	(92,081,972)
Depreciation	(14,966,574)	(24,678,188)	(6,583,464)	(568,306)	(46,796,532)
Other expenses	(20,036,895)	(15,607,519)	(4,585,170)	(36,818,732)	(77,048,316)
Other income	29,724	38,005	36,742	206,081	310,552
Segment profit / (loss)	61,508,382	58,219,495	523,954	(58,363,832)	61,887,999
31 December 2020					
Total revenue	222,776,366	162,248,560	50,254,660	-	435,279,586
Cost of inventories	(110,117,792)	(63,949,799)	(20,960,822)	-	(195,028,413)
Employee benefit expenses	(30,992,434)	(20,774,083)	(20,143,653)	(17,086,055)	(88,996,225)
Depreciation	(14,870,927)	(24,601,546)	(6,292,398)	(509,551)	(46,274,422)
Other expenses	(15,337,070)	(13,633,422)	(4,150,467)	(10,740,743)	(43,861,702)
Other income	213,767	128,207	1,271,694	2,201,299	3,814,967
Segment profit / (loss)	51,671,910	39,417,917	(20,986)	(26,135,050)	64,933,791
As at 31 December 2021					
Total assets	237,077,634	262,565,807	31,740,024	582,647,775	1,114,031,240
Total liabilities	(79,343,288)	(118,355,404)	(29,639,424)	(774,565,708)	(1,001,903,824)
Property, plant and equipment	285,645,736	471,415,567	112,768,090	4,134,098	873,963,491
Intangible asset	-	-	-	4,254,180	4,254,180
Inventories	57,529,550	23,096,324	23,566,127	590,008	104,782,009
Capital additions	2,783,826	11,980,752	1,689,750	1,209,811	17,664,139
As at 31 December 2020					
Total assets	362,758,036	518,711,334	141,525,361	347,686,199	1,370,680,930
Total liabilities	(65,884,454)	(116,319,102)	(30,056,612)	(20,196,245)	(232,456,413)
Property, plant and equipment	293,055,455	491,143,742	115,103,714	3,792,973	903,095,884
Intangible asset	-	-	-	3,484,686	3,484,686
Inventories	65,188,963	22,789,105	23,742,758	-	111,720,826
Capital additions	8,226,751	1,530,416	5,213,637	1,936,886	16,907,690

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26 FINANCIAL RISK MANAGEMENT

The Company's board of directors have overall responsibility for the establishment and oversight of the Company's risk management framework. Risk is inherent in the Company's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability. The Company's activities are exposed to a variety of financial risks which mainly include credit risk, liquidity risk and market risk. There were no changes in the policies for managing these risks.

The Company's principal financial assets include cash and bank balances and other receivables. The Company's principal financial liabilities comprise of long term loan, due to related parties, trade payables, accrued expenses and other current liabilities.

The risks faced by the Company and the way these risks are mitigated by management are summarized below:

26.1 Credit risk

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

The Company is exposed to credit risk on its bank balances and other receivables as follows:

	Note	31 December 2021	31 December 2020
Other receivables	8	1,677,244	-
Cash at bank	9	94,133,966	345,405,953
		<u>95,811,210</u>	<u>345,405,953</u>

The carrying amount of financial assets represent the maximum credit exposure. Credit risk on balances with banks is limited as cash balances are held with banks with sound credit ratings.

Trade receivables

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

The Company limits its exposure to credit risk from trade receivables by establishing and maintaining a cash-based mode of conducting business. As the advance of customer is received before any supply of goods, the Company is not exposed to any such credit risk on trade receivables. Furthermore, there are no trade receivables at the reporting date.

Expected credit loss assessment for trade 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 amortized cost.

The loss allowance as at 31 December 2021 and 31 December 2020 was determined to be not required as the Company has cash at bank and other receivable, hence no adjustment of the same has been made in these financial statements.

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26.2 Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company manages its liquidity risk by managing the working capital and ensuring that the bank facilities are available. The Company's management believes that the Company is not exposed to significant risks with respect to liquidity.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

31 December 2021	Carrying value	0 to 12 months	1 to 5 years	More than 5 years	Total
Long term loans	692,334,734	11,758,229	309,250,848	371,325,657	692,334,734
Lease liabilities	181,349,147	4,761,747	29,219,073	147,368,327	181,349,147
Amounts due to related parties	24,895,029	24,895,029	-	-	24,895,029
Trade payables	48,858,099	48,858,099	-	-	48,858,099
Accrued and other current liabilities	35,585,993	35,585,993	-	-	35,585,993
	<u>983,023,002</u>	<u>125,859,097</u>	<u>338,469,921</u>	<u>518,693,984</u>	<u>983,023,002</u>
31 December 2020	Carrying value	0 to 12 months	1 to 5 years	More than 5 years	Total
Lease liabilities	185,868,191	4,518,278	26,791,147	154,558,766	185,868,191
Amounts due to related parties	10,937,712	10,937,712	-	-	10,937,712
Trade payables	12,854,484	12,854,484	-	-	12,854,484
Accrued and other current liabilities	16,287,272	16,287,272	-	-	16,287,272
	<u>225,947,659</u>	<u>44,597,746</u>	<u>26,791,147</u>	<u>154,558,766</u>	<u>225,947,659</u>

26.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk such as equity price risk and commodity price risk. Other price risk and commodity price risk are not applicable to the Company.

Foreign currency risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term loan from a commercial bank with floating interest rates and lease liabilities.

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The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loan. With all other variables held constant, the Company's profit before Zakat is affected through the impact on floating rate borrowings, as follows:

	Note	31 December 2021	31 December 2020
Long term loan	11	<u>692,334,734</u>	-
		Increase / decrease	Effect on profit before zakat
31 December 2021			
Impact in SR due to change in base point		10%	(6,092,546)
Impact in SR due to change in base point		-10%	4,984,810
31 December 2020			
Impact in SR due to change in base point		10%	-
Impact in SR due to change in base point		-10%	-

Equity price risk

This is the susceptibility of a Company's listed and unlisted equity securities to market price risk arising from uncertainties about future values of the investment securities. As the Company has no such investments in the securities, it is not exposed to such risk.

26.4 Capital management

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

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions.

26.5 Fair value hierarchy

Assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, 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
Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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All the financial assets and liabilities of the Company are carried at amortised cost and none of the non-financial assets and liabilities have been fair valued. Therefore, the fair value hierarchy disclosure which requires a three level category of fair value is not disclosed because it does not have significant disclosure impact on the financial statements.

The carrying values of all the financial assets and liabilities reflected in the financial statements are the reasonable approximation of their fair values. The Company's management believes that the Company is not exposed to any significant fair value risk.

The financial assets and liabilities of the Company are recognised in the statement of financial position in accordance with the accounting policies. The Company has kept all financial assets and liabilities at amortized cost.

Financial assets

	Note	31 December 2021	31 December 2020
Financial assets measured at amortised cost			
Other receivables	8	1,677,244	-
Cash at bank	9	94,133,966	345,405,953
Total financial assets at amortised cost		95,811,210	345,405,953
Total financial assets			
		31 December 2021	31 December 2020
Non-current		-	-
Current		95,811,210	345,405,953
Total financial assets		95,811,210	345,405,953

Financial liabilities

	Note	31 December 2021	31 December 2020
Financial liabilities measured at amortised cost			
Long term loans	11	692,334,734	-
Lease liabilities	12	181,349,147	185,868,191
Amounts due to related parties	24.3	24,895,029	10,937,712
Trade payables		48,858,099	12,854,484
Accrued and other current liabilities	14	35,585,993	16,287,272
Total financial liabilities measured at amortised cost		983,023,002	225,947,659
Total financial liabilities			
		31 December 2021	31 December 2020
Non-current		857,163,905	181,349,913
Current		125,859,097	44,597,746
Total financial liabilities		983,023,002	225,947,659

27 MERGER

On 01 November 2021 (corresponding to 26/03/1443H) merger agreement was signed between shareholders of Mada Al Ghurair Limited (Parent Company) and its wholly owned subsidiary, The Third Milling Company ("Company") whereby all assets, liabilities, rights and obligations of the Parent Company were to be transferred to the Company subject to the completion of legal formalities.

Board of Directors of the Parent and Company decided in their meeting held on 02 November 2021 (corresponding to 27/03/1443H) to call for extraordinary general assembly meeting for the approval of the merger. Accordingly, extraordinary general assembly meeting was held on 04 November 2021 (corresponding to 29/03/1443H) wherein merger agreement was approved. After completion of legal formalities and necessary regulatory approvals, merger was concluded on 27 December 2021 (corresponding to 23/05/1443H).

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Assets, liabilities and equity of the 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 at 1 January 2021. Below are the details of assets, liabilities, equity, income and expenses of the Parent Company merged with the Company:

	<u>Amounts</u>
Non-current assets	
Investment in the Company	817,935,064
Current assets	
Due from a related party	7,375,281
Other receivable	1,647,092
Cash and bank balance	24,647,949
Total assets	<u>851,605,386</u>
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	<u>699,996,934</u>
Equity	
Share capital	100,000
Accumulated loss	(150,036)
Profit for the year *	151,658,488
Total equity	<u>151,608,452</u>
Total liabilities and equity	<u>851,605,386</u>

*Profit for the year has been adjusted due to merger to account for elimination of intercompany dividend amounting to SR 172,074,475.

Repayments made by Parent Company and others (172,074,475)

Assets, liabilities, equity, income and expenses of the Parent Company have been merged in same financial statement line items of the Company.

	<u>31 December</u> <u>2021</u>
Merger deficit reserve	<u><u>(817,835,064)</u></u>

No consideration has been paid and as a result of merger, the investment of the 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 Parent Company amounting to SR 100,000 has also been adjusted against this merger deficit (reserve). Total merger deficit (reserve) amounts to SR 817,835,064 as at the reporting date.

The merger deficit (reserve) so created will be adjusted against share capital of the Company after completing the legal requirements. Revised position of the share capital will be as follows:

Share capital	899,666,590
Less: Merger deficit reserve	<u>(817,835,064)</u>
Revised share capital	<u><u>81,831,526</u></u>

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28 COMPARATIVE FIGURES

For the purpose of better presentation, following figures of the prior year have been reclassified to conform with the presentation of the current year figures.

From	To	Amount
Property, plant and equipment	Intangibles	3,484,686

29 DIVIDEND

The shareholders of the Company in their meetings has approved the dividend of SR 3 per share (2020: nil) amounting to SR 270,000,000 (2020: nil) during the year ended 31 December 2021. The dividend paid during the year amounting to SR 231,914,548 (2020: nil). Before merger, the Company has also declared and paid dividend of SR 172,074,475 which has been eliminated due to merger (refer note 27).

30 SUBSEQUENT EVENTS

There were no other events subsequent to the reporting date and occurring before the date of approval of these financial statements that are expected to have significant impact on these financial statements.

31 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issuance by the Company's Board of Directors on 7 Ramadan 1443H (corresponding to 8 April 2022).