The Second Milling Company
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The Second Milling Company
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2022

INDEX	**Pages**

Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road
P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

C.R. No. 1010383821

Tel: +966 11 215 9898
+966 11 273 4740
Fax: +966 11 273 4730

ey.ksa@sa.ey.com
ey.com

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of The Second Milling Company
(A Saudi closed Joint Stock Company)

Opinion
We have audited the financial statements of The Second Milling Company (A Saudi Closed Joint Stock Company) (the "Company"), which comprise the statement of financial position as of 31 December 2022, and the 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 of 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

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

Responsibilities of Board of Directors for the Financial Statements
The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment 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 enough 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 the Board of Directors.
- Conclude on the appropriateness of Board of Directors' 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.
- 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.

Building a better working world

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of The Second Milling Company
(A Saudi closed Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued):
We communicate with the Board of Directors 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.

for Ernst & Young Professional Services

Hesham A. Alatiqi
Certified Public Accountant
License No. (523)

Riyadh: 17 Rabi Al-Thani 1445H
(1 November 2023)

R7
سجل تجاري ١٠١٠٣٨٣٨٢١
CR.1010383821
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

The Second Milling Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	*31 December 2022* ***SR***	*31 December 2021* *SR*
ASSETS			
NON-CURRENT ASSETS			
Property, plant, and equipment	6	**902,420,758**	767,556,045
Right-of-use assets	7	**165,623,902**	174,340,949
Intangible assets	8	**68,269,768**	9,223,146
Goodwill	9	**822,434,373**	-
TOTAL NON – CURRENT ASSETS		**1,958,748,801**	951,120,140
CURRENT ASSETS			
Inventories	10	**119,789,717**	142,329,459
Prepayments and other current assets	11	**20,230,827**	25,918,227
Cash and cash equivalents	12	**573,850,801**	327,160,287
TOTAL CURRENT ASSETS		**713,871,345**	495,407,973
TOTAL ASSETS		**2,672,620,146**	1,446,528,113
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	**513,150,060**	513,150,060
Statutory reserve		**50,849,137**	25,322,200
Merger deficit reserve	14	**(675,370,884)**	-
Retained earnings		**730,326,507**	636,898,624
TOTAL EQUITY		**618,954,820**	1,175,370,884
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current portion of lease liabilities	7	**175,757,458**	180,951,492
Long-term loans	15	**1,475,542,820**	-
Employees' defined benefit liabilities	16	**800,464**	300,727
TOTAL NON-CURRENT LIABILITIES		**1,652,100,742**	181,252,219
CURRENT LIABILITIES			
Trade payables and other current liabilities	17	**76,855,354**	56,783,030
Short-term loans	15	**272,406,173**	-
Interest payable on loans	15	**16,215,681**	-
Current portion of lease liabilities	7	**15,286,502**	15,286,502
Advances from customers		**9,285,722**	16,332,575
Zakat and income tax payable	18	**11,515,152**	1,502,903
TOTAL CURRENT LIABILITIES		**401,564,584**	89,905,010
TOTAL LIABILITIES		**2,053,665,326**	271,157,229
TOTAL EQUITY AND LIABILITIES		**2,672,620,146**	1,446,528,113

The attached notes 1 to 30 form an integral part of these financial statements.

The Second Milling Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	*31 December 2022* ***SR***	*31 December 2021* *SR*
Revenue	19	**902,807,545**	640,775,858
Direct costs	20	**(490,185,935)**	(407,050,064)
GROSS PROFIT		**412,621,610**	233,725,794
EXPENSES			
Selling and distribution	21	**(18,289,434)**	(5,480,660)
General and administration	22	**(105,244,996)**	(97,966,814)
TOTAL EXPENSES		**(123,534,430)**	(103,447,474)
OPERATING PROFIT		**289,087,180**	130,278,320
Finance costs	23	**(20,709,319)**	(10,367,962)
Finance income		**91,664**	2,253,264
Other income		**5,272,345**	572,197
PROFIT BEFORE ZAKAT AND INCOME TAX		**273,741,870**	122,735,819
Zakat	18	**(15,134,737)**	(1,104,920)
Income tax	18	**(3,337,767)**	(397,983)
PROFIT FOR THE YEAR		**255,269,366**	121,232,916
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**255,269,366**	121,232,916
Earnings per share (EPS)			
Basic and diluted earnings per share for the year	25	**4.97**	2.36

The attached notes 1 to 30 form an integral part of these financial statements.

The Second Milling Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share Capital	*Statutory reserve*	*Merger deficit reserve*	*Retained earnings*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*
Balance at 1 January 2022	**513,150,060**	**25,322,200**	-	**636,898,624**	**1,175,370,884**
Profit for the year	-	-		255,269,366	**255,269,366**
Other comprehensive income	-	-	-	-	**-**
Total comprehensive income for the year	-	-	-	255,269,366	**255,269,366**
Transfer to statutory reverse	-	25,526,937	-	(25,526,937)	**-**
Merger transaction (note 14)	-	-	(675,370,884)	(136,314,546)	**(811,685,430)**
Balance at 31 December 2022	**513,150,060**	**50,849,137**	**(675,370,884)**	**730,326,507**	**618,954,820**
Balance at 1 January 2021	513,150,060	13,198,908	-	527,789,000	1,054,137,968
Profit for the year	-	-	-	121,232,916	121,232,916
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	-	121,232,916	121,232,916
Transferred to statutory reverse	**-**	12,123,292	-	(12,123,292)	**-**
Balance at 31 December 2021	513,150,060	25,322,200	-	636,898,624	1,175,370,884

The attached notes 1 to 30 form an integral part of these financial statements.

The Second Milling Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 SR	2021 SR
OPERATING ACTIVITIES			
Profit before zakat and income tax		**273,741,870**	122,735,819
Adjustments to reconcile profit before zakat and income tax to net cash flows:			
Depreciation for property, plant and equipment	6	**50,574,060**	38,395,198
Depreciation of right-of-use assets	7	**8,717,047**	8,717,047
Loss on disposal of property, plant and equipment		**292,414**	-
Amortisation of intangible assets	8	**2,515,306**	89,244
Interest cost on lease liabilities		**10,084,267**	10,367,962
Interest cost on long-term loan		**10,625,052**	-
Finance income		**(91,664)**	(2,253,264)
Provision for slow moving inventory	10	**-**	534,647
Provision for employees' defined benefit liabilities	16	**499,737**	219,650
		356,958,089	178,806,303
Changes in operating assets and liabilities:			
Inventories		**22,539,742**	(5,964,687)
Amounts due from a related party		**(53,856,780)**	-
Prepayments and other current assets		**5,409,969**	3,994,450
Trade payables and other current liabilities		**29,528,383**	(15,302,769)
Advances from customers		**(7,046,853)**	1,993,888
Net cash from operations		**353,532,550**	163,527,185
Zakat and income tax paid	18	**(8,460,255)**	-
Finance costs paid for loan and lease liability		**(20,709,319)**	(10,367,962)
Finance income received		**369,095**	1,975,833
Net cash flows from operating activities		**324,732,071**	155,135,056
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	**(72,013,915)**	(88,497,691)
Purchase of intangible assets	8	**(880,893)**	(4,118,490)
Net cash used in investing activities		**(72,894,808)**	(92,616,181)
FINANCING ACTIVITY			
Payment of principal portion of lease liabilities	7	**(5,194,034)**	(4,918,540)
Net cash used in a financing activity		**(5,194,034)**	(4,918,540)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**246,643,229**	57,600,335
Cash and cash equivalents at the beginning of the year		**327,160,287**	269,559,952
Cash and cash equivalents transferred from merger transaction	14	**47,285**	-
Cash and cash equivalents at the end of the year		**573,850,801**	327,160,287

Assets and liabilities related to the former Parent Company merged with the Company during the year have excluded from the above cashflows, amounting SR 675.37 million, as they do not involve movement of cash. Please refer to note 14 for further details.

The attached notes 1 to 30 form an integral part of these financial statements.

1. CORPORATE INFORMATION

Second Milling Company (the "Company") – is Closed Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010465464 dated 10 Safar 1438H (corresponding to 10 November 2016). The registered office is located at Al Manakh, Riyadh 14313, Kingdom of Saudi Arabia. The Company's licensed activities include packing and grinding wheat, packing and grinding grits, semolina, and bulgur, manufacture of concentrated feed for animals, manufacture of livestock feed, land transportation of goods, and integrated office administrative services activities.

The Company was formed by the Public Investment Fund (the "Former Owner") 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 General Food Security Authority ("GFSA") (formerly Saudi Grains Organization ("SAGO")), shall do so in accordance with Royal Decree No. 62 dated 4 Shawwal 1435H (corresponding to 31 July 2014).

On 17 Shawwal 1441H (corresponding to 9 June 2020), a Cabinet decision was issued to transfer the ownership of the Company to the National Center for Privatization and the National Center for Privatization shall carry out the tasks assigned to the Public Investment Fund by Cabinet Resolution No. (118) dated Safar 1440 (Note 9).

On 25 Rabi Al-Akhirah 1443H (corresponding to 30 November 2021), the Company' share capital of 51,315,006 shares of SR 10 per share, were wholly sold to Food Security Holding Company (the "Parent Company") for the purchase price specified in the share sale and purchase agreement on the same date.

The Company has entered into a subsidised wheat purchase agreement with the General Food Security Authority ("GFSA") (formerly Saudi Grains Organizations (''SAGO'')) as GFSA imports wheat to Saudi Arabia for the purpose of producing subsidised flour. This Agreement shall enter into force on 3 Rabi Al-Akhirah 1438H (corresponding to 1 January 2017) and shall be terminated when the Owner sells its shares in the Company. The agreement stipulates that the subsidised wheat subsidy price is calculated according to the monetary value per metric ton of subsidised wheat currently specified by the Government of the Kingdom of Saudi Arabia at SR 180 per metric ton. On 15 Rabi Al-Akhriah 1442H (corresponding to 30 November 2020), the agreement regulating the purchase and sale of subsidised and non-subsidised wheat has been renewed by GFSA, and this agreement is valid until the expiry date of the license of the main purchaser (the "Company").

On 8 Safar 1444H (corresponding to 4 September 2022), the Company entered into a merger agreement (the "Merger") pursuant to which the Company and the Parent Company have agreed to take necessary steps to implement the Merger between the two Companies in accordance with the applicable regulations and with articles from 191 to 193 of the Companies Law. Subsequently, on 6 Jumada Al-Ula 1444H (corresponding to 30 November 2022), pursuant to the approval of the Ministry of Commerce (the "MOC"), the Parent Company ceased to exist and all of the assets and liabilities of the Parent Company were transferred to the Company (note 14).

The Company and the former Parent Company have satisfied the required regulatory approvals and the Merger conditions agreed between the two companies in the Merger agreement. The legal formality has been completed and the Parent Company's commercial registration were canceled and closed for the purpose of the merger on 24 Jumada Al-Ula 1444H (corresponding to 18 December 2022).

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

Branch Name	Date	Commercial Registration Number
Head Office (Riyadh)	29 Jumada Althani 1438H (corresponding to 28 March 2017)	1010465464
Riyadh	29 Jumada Althani 1438H (corresponding to 28 March 2017)	1010469375
Jazzan	29 Jumada Althani 1438H (corresponding to 28 March 2017)	5900036083
Hail	29 Jumada Althani 1438H (corresponding to 28 March 2017)	3350044599

2 BASIS OF PREPARATION

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

Basis of measurement
These financial statements are prepared under the historical cost convention, using the accrual basis of accounting. These financial statements are presented in Saudi Riyals ("SR") which is the functional and presentation currency of the Company and rounded to the nearest Saudi Riyals (except when otherwise indicated).

These financial statements have been prepared using the economic approach for the legal merger between Food Security Holding Company (the "Parent Company") and The Second Milling Company (subsidiary or the Company) that takes the form of a downstream merger being the parent company is merged with its subsidiary and subsidiary is the surviving entity.

Under the economic approach, the legal merger between the parent and subsidiary is considered to have no substance. The amounts recognised after the legal merger are the amounts that were previously in the consolidated financial statements, including goodwill and intangible assets recognised upon acquisition of that subsidiary. The consolidated financial statements after the legal merger also reflect any amounts in the consolidated financial statements (pre-merger) related to subsidiaries, associates, and joint ventures held by the surviving subsidiary. If the surviving subsidiary prepares separate financial statements after the legal merger, the subsidiary recognises the amounts that were previously recognised in the consolidated financial statements of the parent company, as a contribution from the parent in equity.

3 SIGNIFICANT ACCOUNTING POLICIES

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

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

The Company classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in the 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

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

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

For assets and liabilities that are frequently recognised in the statement of financial position, the company determines whether the transfer has been made between the hierarchy of fair value levels by recalibrating the classification (based on significant lower-level inputs to measure the fair value as a whole) at the end of each financial period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed.

Intangible assets

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Computer software
Computer software licenses are capitalised on the basis of the costs incurred when specific software was purchased and configured for use. Amortisation is charged to the statement of profit or loss on a straight-line basis over the useful life of 6.5 years.

Brand
The Company has been marketing its products under the existing brand name at the date of the acquisition for flour and animal feed. These brands were existing before acquisition of the Company by the Parent Company and contributed significantly to the overall revenue. Post-acquisition, the Company identified brand name as material intangible asset and have considered RFR as an appropriate method to value the brand. Amortisation is charged to the statement of profit or loss on a straight-line basis over the useful life of 25 years.

Property, plant, and equipment
Property, plant, and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss and other comprehensive income as incurred. The present value of the expected cost for the decommissioning of an asset after its use (if any) is included in the cost of the respective asset if the recognition criteria for a provision are met, which is not applicable for the Company.

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

Categories	Useful lives	Categories	Useful lives
Buildings	25 – 50 years	Furniture and fittings	6.67 - 10 years
Plant and machinery	10 - 25 years	Motor Vehicles	5 years
Computer equipment	3 years		

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant, and equipment (continued)
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.

Leases

Right-of-use assets
The Company recognises 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 recognised, 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 recognised assets are depreciated on a straight-line basis over the shorter of estimated useful life and lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Company recognises 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 recognised 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.

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 capitalisation 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 recognised as expense on a straight-line basis over lease term.

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. The Company does not have trade receivables as the consideration is received in cash at the time the sale is made.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Out of above, only below is applicable to the Company:

Financial assets at amortised cost (debt instruments) are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes other receivables.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

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

- The rights to receive cash flows from the asset have expired; OR
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Impairment
The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accounts payables and lease liabilities.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

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

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

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

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

For the purpose of the statement of cash flows, cash and cash equivalents consists 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories
Cost is determined as follows:

Finished goods	Direct cost of raw materials as well as overheads, the latter of which is allocated based on the normal level of activity. Finished goods are stated at cost or net realisable value, whichever is lower with provision for any obsolete or slow-moving goods. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Costs are assigned to individual items of inventory on the basis of weighted average method.
Wheat (Raw material)	Weighted average which is SR 180 / metric ton (Note 1)
Other raw materials	Weighted average
Spare parts	Costs are assigned to individual items of inventory on the basis of weighted average method. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced by its cost; the impairment loss is recognised immediately in statement of profit or loss.
Goods in-transit	Inventories are stated at cost plus freight and other related expense.

Employee defined benefit liabilities
The Company has defined benefit plans with General Organization for Social Insurance "GOSI" where the Company and the employees contribute fixed percentage of their salary toward the retirement of its employees. The Company operates defined benefit plans, under the Saudi Arabian Labor Law based on employees' accumulated periods of service at the statement of financial position date. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

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

Management believes that the cost and effort of actuarial valuation of the liability outweighs its benefits to the users of the financial statements. Accordingly, management concluded not to get actuarial valuation of the liability done and is of the view that the carrying amount of the liability at the year-end will not vary materially from actuarial valuation of the same.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations are recognised in the 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.

Revenue from contracts with customers

The Company is involved in manufacturing of flour, feed and bran (by-product). The revenue is recognised when the goods are transferred to the customer, which is the time when these are dispatched from the premises of the Company or delivered to the customer, as the case may be. The revenue is recognised 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 dispatch or delivery of the goods.

All revenue is 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 recognised 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. Further, the customer does not have any contractual right of return of the goods sold.

Variable consideration

The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The contracts with customers do not contain any provisions which may result in variable consideration.

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 revenue is generated on cash basis, there is no financing component with amounts receivable from customers.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Provisions
Provisions 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.

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.

Zakat and taxes

Zakat
Zakat is calculated in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. The zakat provision is estimated and charged to the statement of profit or loss. Any differences in estimates are recorded when the final assessment is approved, at which point the provision is settled.

Income tax
Non-GCC shareholders are subject to income taxes. The current income tax provision is calculated in accordance with the tax regulations issued or effective at the end of the financial period. The management periodically evaluates the positions taken in tax returns regarding cases in which the applicable tax regulations are subject to interpretation. It makes a provision, where appropriate, based on amounts expected to be paid to the tax authorities.

Deferred tax
Deferred tax on temporary differences between the carrying amount of assets and liabilities is recognised in the financial statements and the corresponding tax bases used in calculating taxable profit. Deferred tax liabilities are normally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available that can be used against the deductible temporary differences and unused tax losses. Such deferred tax assets and liabilities are not recognised when temporary differences and unused tax losses arise from the initial recognition of assets or liabilities in a transaction (other than in a business combination) that affect neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised when temporary differences arise from the initial recognition of goodwill.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

- When receivables and payables are stated with the amount of value added tax included

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

Statutory reserve
In accordance with Saudi Arabian Companies law and Company`s By-Laws, the Company must transfer 10% of its profit for the year 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.

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations
The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Company applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Company cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labor and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administration costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company applied these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. There has been no impact on the Company's financial statements.

Reference to the Conceptual Framework – Amendments to IFRS 3
The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Company applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). There has been no impact on the Company's financial statements as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the year.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time Adopter
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the financial statements of the Company.

IAS 41 Agriculture – Taxation in fair value measurements
The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. These amendments had no impact on the financial statements of the Company as it did not have assets in scope of IAS 41 as at the reporting date.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no modifications of the Company's financial instruments during the year.

New and amended IFRSs as endorsed in KSA in issue but not yet effective and not early adopted
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

Definition of Accounting Estimates - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended IFRSs as endorsed in KSA in issue but not yet effective and not early adopted (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The Company is currently assessing the impact of the amendments.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

Determining lease term for leases with termination option — Company as lessee
The Company has entered into lease agreements for land in relation to construct its offices and warehouses and to conduct its operations. The Company has evaluated based on the terms and conditions of the arrangements that the significant risks and rewards of ownership of these assets are retained by the lessor hence have been accounted for as operating leases. In making such assessment, management considered that the following key factors are applicable to its lease's arrangements:

- Lease agreements do not transfer the assets' ownership to the lessor at the end of the lease.
- The Company has no option to purchase the asset.
- The lease term is not for the major part of the economic life of the asset.
- At the inception of the lease, the present value of the minimum lease payments is not amounting to substantially all the fair value of the leased asset.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

Estimated useful lives of property, plant and equipment
The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation on a straight-line basis over their estimated useful lives. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the useful lives and residual value of the assets at each annual reporting period and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

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

Provisions
By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgment in estimating the expected cash outflows for severance payments and site closures or other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

Useful lives of property, plant and equipment
Management determines the estimated useful lives of its equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, duration of contract with the customer and physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their market value. For individually significant amounts this estimation is performed on an individual basis.

5 SEGMENT INFORMATION

The operations of the Company are mainly in the Kingdom of Saudi Arabia. The operations of the Company are in three branches: Riyadh, Hail and Jazzan.

For management reporting purpose, these business units are identified as reportable segments. 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. No operating segments have been aggregated to form the above reportable operating segments. All reportable segments have similar type of products.

The selected financial information for these segments is as follows:

For the year ended 31 December 2022	***Riyadh SR***	***Jazzan SR***	***Hail SR***	***Head office SR***	***Total segments SR***
Total revenue	**575,831,975**	**147,402,775**	**179,572,795**	**-**	**902,807,545**
Cost of inventories	**(224,873,306)**	**(60,509,825)**	**(99,218,467)**	**-**	**(384,601,598)**
Employee benefits expenses	**(29,415,524)**	**(19,410,875)**	**(24,051,108)**	**(21,531,833)**	**(94,409,340)**
Depreciation and amortisation	**(28,769,671)**	**(21,492,573)**	**(11,192,325)**	**(338,521)**	**(61,793,090)**
Other expenses	**(3,937,345)**	**(4,635,616)**	**(10,373,808)**	**(74,678,888)**	**(93,625,657)**
Other income	**2,595,609**	**1,123,482**	**1,532,605**	**112,314**	**5,364,010**
Segment profit (loss) before zakat and income tax	**291,431,738**	**42,477,368**	**36,269,692**	**(96,436,928)**	**273,741,870**

For the year ended 31 December 2021	*Riyadh SR*	*Jazzan SR*	*Hail SR*	*Head office SR*	*Total segments SR*
Total revenue	419,811,043	108,332,913	112,631,902	-	640,775,858
Cost of inventories	(164,519,002)	(41,015,959)	(70,472,151)	-	(276,007,112)
Employee benefits expenses	(30,216,044)	(19,166,331)	(24,492,022)	(17,848,334)	(91,722,731)
Depreciation and amortisation	(14,403,975)	(21,594,958)	(10,949,891)	(256,406)	(47,205,230)
Other expenses	(25,946,913)	(14,611,782)	(14,521,830)	(50,849,902)	(105,930,427)
Other income	269,453	39,439	80,240	2,436,329	2,825,461
Segment (loss) profit	184,994,562	11,983,322	(7,723,752)	(66,518,313)	122,735,819

As of 31 December, 2022	***Riyadh SR***	***Jazzan SR***	***Hail SR***	***Head office SR***	***Total segments SR***
Total assets	**1,510,149,780**	**275,320,422**	**123,680,914**	**763,469,030**	**2,672,620,146**
Total liabilities	**(143,912,426)**	**(215,148,141)**	**(137,697,755)**	**(1,556,907,002)**	**(2,053,665,324)**
Other disclosures:					
Property, plant and equipment	**388,438,731**	**360,247,929**	**151,937,829**	**1,796,269**	**902,420,758**
Right of use assets	**56,527,265**	**59,200,441**	**49,896,196**	**-**	**165,623,902**
Inventories	**53,353,569**	**27,510,283**	**38,925,865**	**-**	**119,789,717**

As of 31 December, 2021	*Riyadh SR*	*Jazzan SR*	*Hail SR*	*Head office SR*	*Total segments SR*
Total assets	397,891,097	469,984,128	238,814,608	339,838,280	1,446,528,113
Total liabilities	105,835,842	83,315,267	77,154,693	4,851,427	271,157,229
Other disclosures:					
Property, plant and equipment	242,107,375	372,989,267	151,195,944	1,263,459	767,556,045
Right-of-use assets	59,502,384	62,279,107	52,559,458	-	174,340,949
Inventories	84,119,761	30,367,074	27,842,624	-	142,329,459

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings (*)	*Plant and equipment*	*Furniture and fittings*	*Computer equipment*	*Motor vehicles*	*Projects under progress (**)*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Cost							
At 1 January 2021	258,590,605	530,051,755	5,283,818	2,710,314	8,039,930	35,375,554	840,051,976
Additions during the year	617,558	26,661,688	336,204	180,411	83,500	60,618,330	88,497,691
Transfers	6,864,177	23,344,870	3,557,405	-	-	(33,766,452)	-
At 31 December 2021	266,072,340	580,058,313	9,177,427	2,890,725	8,123,430	62,227,432	928,549,667
Addition during the year	5,038,973	40,830,866	608,986	622,764	1,015,948	23,896,378	72,013,915
Disposal during the year	-	-	-	-	(144,400)	(174,500)	(318,900)
Merger transaction (note 14)	58,492,851	53,274,741	(300,759)	63,448	2,186,991	-	113,717,272
Transfers	3,177,531	49,150,281	144,000	-	-	(52,471,812)	-
At 31 December 2022	**332,781,695**	**723,314,201**	**9,629,654**	**3,576,937**	**11,181,969**	**33,477,498**	**1,113,961,954**
Accumulated depreciation							
At 1 January 2021	26,736,257	91,716,589	2,008,881	1,189,413	947,284	-	122,598,424
Charge for the year (***)	7,256,059	28,777,116	766,126	424,211	1,171,686	-	38,395,198
At 31 December 2021	33,992,316	120,493,705	2,775,007	1,613,624	2,118,970	-	160,993,622
Charged for the year (***)	10,086,391	37,418,783	968,247	542,244	1,558,395	-	50,574,060
Disposal during the year	-	-	-	-	(26,486)	-	(26,486)
At 31 December 2022	**44,078,707**	**157,912,488**	**3,743,254**	**2,155,868**	**3,650,879**	**-**	**211,541,196**
Net book value							
At 31 December 2022	**288,702,988**	**565,401,713**	**5,886,400**	**1,421,069**	**7,531,090**	**33,477,498**	**902,420,758**
At 31 December 2021	232,080,024	459,564,608	6,402,420	1,277,101	6,004,460	62,227,432	767,556,045

6 PROPERTY, PLANT AND EQUIPMENT (continued)

(*) The buildings are built on land leased from the General Food Security Authority ("GFSA") (formerly Saudi Grains Organization) with an annual rental value of SR 3,016,602. The term of the lease is 25 calendar years commencing from 3 Rabi Al-Thani 1438H (corresponding to 1 January 2017) and is automatically renewable for a similar period.

(**) Capital work in progress as of 31 December 2022 mainly consists of the following projects:

- Supply, installation, and operation of backup generators in Riyadh branch
- Development of the third mill for Riyadh branch.
- Project of supplying and installing a fire extinguishing system.
- Project of completion of safety works in Riyadh

The expected completion date of this is by end of 2023 and the related capital commitments amounts to SR 5.07 million (2021: SR 26.8 million).

(***) Depreciation charge for the year has been allocated as follows:

	2022	*2021*
	SR	*SR*
Direct costs (note 20)	**48,367,792**	36,407,100
General and administration expenses (note 22)	**1,934,494**	1,838,510
Selling and marketing expenses (note 21)	**271,774**	149,588
	50,574,060	38,395,198

Currently, there is no temporary idle asset (2021: none). Assets with cost amounting SR 14,413,087 have been fully depreciated as of the year-end (2021: SR 5,295,079).

7 RIGHT OF USE ASSETS AND LEASE LIABILITIES

Movement in right-of-use assets is presented below:

	Silos (*)	**Lands (**)**	**Total**
	SR	***SR***	***SR***
Cost			
At 1 January 2021 and 31 December 2021	168,950,671	45,050,346	214,001,017
Additions during the year	-	-	-
At 31 December 2022	**168,950,671**	**45,050,346**	**214,001,017**
Accumulated depreciation			
At 1 January 2021	(27,025,600)	(3,917,421)	(30,943,021)
Charge for the year (***)	(6,758,336)	(1,958,711)	(8,717,047)
At 31 December 2021	(33,783,936)	(5,876,132)	(39,660,068)
Charge for the year (***)	(6,758,336)	(1,958,711)	(8,717,047)
At 31 December 2022	**(40,542,272)**	**(7,834,843)**	**(48,377,115)**
Net book Value			
At 31 December 2022	**128,408,399**	**37,215,503**	**165,623,902**
At 31 December 2021	135,166,735	39,174,214	174,340,949

(*) The Company entered into a lease agreement with the General Food Security Authority ("GFSA") (formerly 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 Rabi Al-Thani 1438H (corresponding to 1 January 2017) and is renewable automatically for a similar period subject to renewal of Company's milling license. The estimated useful lives of leased assets for amortising right of use assets purposes are 25 years.

(**) The Company has 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. The estimated useful lives of leased assets for amortising right of use assets purposes are 25 years.

7 LEASES (continued)

(***) Depreciation charge for the year was fully charged to production costs (note 20)**.**

Movement in lease liabilities is presented below:

	2022 ***SR***	*2021* *SR*
At the beginning of the year	**196,237,994**	201,156,534
Accretion of interest	**10,092,468**	10,367,962
Payments during the year	**(15,286,502)**	(15,286,502)
At the end of the year	**191,043,960**	196,237,994
Bifurcated into:		
Current	**15,286,502**	15,286,502
Non-current	**175,757,458**	180,951,492

Short-term lease expense amounts to SR 405,930 (2021: SR 508,882). There is no variable lease payment (2021: none).

8 INTANGIBLE ASSETS

	Software ***SR***	***Intangible assets under development*** ***SR***	***Brand*** ***SR***	***Total*** ***SR***
Cost				
At 1 January 2021	587,100	4,802,403	-	5,389,503
Additions during the year	-	4,118,490	-	4,118,490
At 31 December 2021	587,100	8,920,893	-	9,507,993
Additions during the year	-	880,893	-	880,893
Merger transaction (note 14)	-	-	60,681,035	60,681,035
At 31 December 2022	**587,100**	**9,801,786**	**60,681,035**	**71,069,921**
Accumulated amortisation				
At 1 January 2021	195,603	-	-	195,603
Charge for the year	89,244	-	-	89,244
At 31 December 2021	284,847	-	-	284,847
Charge for the year	88,065	-	2,427,241	2,515,306
At 31 December 2022	**372,912**	-	**2,427,241**	**2,800,153**
Net book value				
At 31 December 2022	**214,188**	**9,801,786**	**58,253,794**	**68,269,768**
At 31 December 2021	302,253	8,920,893	-	9,223,146

Amortisation charge has been allocated as below:

	2022 ***SR***	*2021* *SR*
Selling and marketing expenses (note 21)	**2,427,241**	-
General and administration expenses (note 22)	**88,065**	89,244
	2,515,306	89,244

Intangible asset under development relates to SAP ERP, which is expected to be completed by March 2023. The Brand has remaining useful life of 24 years from the reporting date.

9 GOODWILL

Pursuant to privatization program by the Saudi Arabian Grain Organization, the former Parent Company entered into an agreement with National Centre for Privatization & PPP on 30 November 2021 to acquire 100% equity stake in The Second Milling Company, a Saudi closed joint stock company, (the "subsidiary", the "Company").

The Parent Company paid a consideration of SR 2.15 billion to acquire the Company with book value of net assets of SR 1,157.09 million. During the year, the Parent Company completed the purchase price allocation ("PPA") to net assets within a measurement period of one year after the date of acquisition in which the Parent Company identify and measure the identifiable assets and liabilities assumed as of the acquisition date in accordance with the requirements of IFRS 3 Business Combination. Following adjustment has been recorded by the Parent Company:

	SR
Consideration paid	**2,153,922,719**
Book value of net assets of the subsidiary (refer below)	**(1,157,090,039)**
Net uplift in property, plant and equipment (note 6)	**(113,717,272)**
Recognition of intangible asset (note 8)	**(60,681,035)**
GOODWILL	**822,434,373**

Break-up of net assets of the Company at the time of acquisition by the Parent Company (i.e. 30 November 2021) was as follows:

	SR
Property, plant and equipment and right of use assets	**941,432,860**
Intangible assets	**9,230,582**
Inventories	**140,075,850**
Prepayments and other current assets	**27,485,934**
Bank balances	**299,586,415**
Lease liabilities	**(195,373,997)**
Trade payables and other current liabilities	**(36,247,704)**
Amounts due to related parties	**(15,502,365)**
Advances from customers	**(13,597,536)**
	1,157,090,039

Goodwill is assessed for impairment at Company level (group of CGUs) and is not allocated to different business units (CGUs). The Company has performed its impairment test for goodwill on 31 December 2022. The recoverable amount of the CGUs of SR 1,782 million as at 31 December 2022 has been determined based on a value-in-use calculation using cash flow projections from financial budgets reviewed by senior management covering a five-year period. The post-zakat discount rate applied to cash flow projections is between 11.5% to 12.5%. As at 31 December 2022, the value-in-use of the CGUs was higher than the net assets value of the Company, indicating no impairment of goodwill.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions
The calculation of value in use for both electronic and fire prevention equipment units is most sensitive to the following assumptions:

Earning before interest, tax and depreciation (EBITDA)
EBITDA based on average values achieved in the three years preceding the beginning of the budget period. EBITDA of the CGU were 39.5%. These have been kept consistent over the budget period. Demand is consistent for the food product. Decreased demand can lead to a decline in the gross margin. A decrease in the gross margin by 10% would result in impairment.

Market share during the forecast period
When using industry data for growth rates, these assumptions are important because management assesses how the unit's position, relative to its competitors, might change over the forecast period. Management expects the Company's share in retail market to move up to 40% vs current 33% market share.

9 GOODWILL (continued)

Key assumptions used in value in use calculations and sensitivity to changes in assumptions (continued)

Discount rates
Discount rates represent the current market assessment of the risks specific to its CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on the interest-bearing borrowings the Company is obliged to service. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-zakat discount rate.

A rise in the pre-tax discount rate to 19% (i.e., +7%) would result in impairment.

Growth rates used to extrapolate cash flows beyond the forecast period
Rates are based on detailed value creation plan with external consultant reflecting the market growth and the projection of the subsidiary for coming years.

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

Sensitivity analysis

Assumptions used	**Fluctuation to cause impairment**
Earning before interest, tax and depreciation	-10%
Discount rate	+7%

10 INVENTORIES

	31 December 2022 SR	*31 December 2021 SR*
Spare parts	**94,428,494**	95,329,739
Raw materials	**38,973,689**	37,760,561
Finished goods * (note 20)	**9,163,114**	4,374,157
Goods in transit	**4,547,550**	31,698,745
Others	**1,100,818**	1,590,205
Less: allowance for slow moving inventory	**(28,423,948)**	(28,423,948)
	119,789,717	142,329,459

* *The cost of finished goods includes direct costs and indirect costs, indirect costs are allocated based on the quantities produced.*

Movement in allowance for slow moving inventory

	31 December 2022 SR	*31 December 2021 SR*
At the beginning of the year	**28,423,948**	27,889,301
Charge for the year	**-**	534,647
At the end of the year	**28,423,948**	28,423,948

11 PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2022 ***SR***	*31 December 2021* *SR*
VAT receivable	**8,489,215**	440,172
Margin on letters of credit	**6,649,071**	20,059,476
Margin on letters of guarantee	**2,202,596**	2,187,976
Prepayments	**1,484,802**	1,974,336
Advances to suppliers	**35,360**	35,360
Trade receivables	**-**	53,826
Accrued revenue	**-**	277,431
Other receivables	**1,369,783**	889,650
	20,230,827	25,918,227

12 CASH AND CASH EQUIVALENTS

	31 December 2022 ***SR***	*31 December 2021* *SR*
Cash at banks	**573,850,801**	277,160,287
Short-term deposits *	**-**	50,000,000
	573,850,801	327,160,287

(*) Short-term deposits are deposited into a commercial bank for a period not exceeding three months from the date of deposit and include an agreed return.

13 SHARE CAPITAL

The Company's authorized, issued and paid-up share capital is divided into 51,315,006 shares of SR 10 each (31 December 2021: same), held as follows:

	2022 ***SR***	*2021* *SR*	***2022*** ***Percentage***	*2021* *Percentage*
Abdulaziz Alajlan Sons Co. for Commercial and Real Estate Investment	**230,917,527**	**-**	**45%**	-
Sulaiman Abdulaziz Alrajhi International Company	**179,602,521**	**-**	**35%**	-
National Agriculture Development Company (NADEC)	**51,315,006**	**-**	**10%**	-
Olam International Limited	**51,315,006**	**-**	**10%**	-
Food Security Holding Company	**-**	**513,150,060**		100%
	513,150,060	**513,150,060**	**100.00%**	100.00%

Effective 6 Jumada Al-Ula 1444H (corresponding to 30 November 2022), the Company completed a statutory merger with its Parent Company which resulted in the Company being the surviving entity. Please refer to note 14 for the merger of the former Parent Company with the Company and change in shareholders.

14 MERGER TRANSACTION

Effective 6 Jumada Al-Ula 1444H (corresponding to 30 November 2022), the Company completed a statutory merger with its Parent Company which resulted in the Company being the surviving entity. By virtue of this merger, all of the Parent Company's assets and liabilities have been transferred to the Company.

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

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

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

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

	SR
Property, plant and equipment	**113,717,272**
Intangible assets	**60,681,035**
Goodwill	**822,434,373**
Bank balances	**47,285**
Loans	**(1,748,244,714)**
Trade payables and other current liabilities	**(6,463,901)**
Amounts due to related parties	**(53,856,780)**
Retained earnings*	**136,314,546**
Net assets of the Parent Company	**(675,370,884)**
*** Movement in retained earnings of Parent Company**	
Retained earnings as of 1 January 2022	81,613,438
Finance cost from 1 January 2022 till date of merger	53,825,736
Other expenses	875,372
Retained earnings as of date of merger	**136,314,546**

15 LONG AND SHORT-TERM LOANS

	Short-term loan			*Long-term loan*	***Total loans***
	Cash bridge Loan Facility 1	Cash bridge Loan Facility 2	Total	Acquisition Loan Facility	
Maturity date	29 October 2023	29 October 2023		31 December 2039	
Principle loan payable	257,124,000	15,922,719	**273,046,719**	1,500,000,000	**1,773,046,719**
Interest loan payable	1,530,580	328,187	**1,858,767**	14,356,914	**16,215,681**
Unamortised finance costs	(581,846)	(58,700)	**(640,546)**	(24,457,180)	**(25,097,726)**
Total	**258,072,734**	**16,192,206**	**274,264,940**	**1,489,899,734**	**1,764,164,674**

15 LONG AND SHORT-TERM LOANS (continued)

Above amounts are presented in the statement of financial position as below:

	SR
Short-term loans	**272,406,173**
Long-term loans	**1,475,542,820**
Interest payable on loans	**16,215,681**
	1,764,164,674

On 28 November 2021, the Parent Company signed a Murabaha facility agreement with Saudi Alawwal Bank (formerly known as Saudi British Bank "SABB") to acquire the shares in the Company as following:

- An amount of SR 1,500 million long-term Murabaha loan with maturity period of 18 years as of date of loan agreement, repayable on 31 December 2039 with 32 semi-annual installments with a grace period of 24 months, with a return rate based on SAIBOR and a bank margin.

- An amount of SR 273 million against short-term Murabaha facilities for 12 months.

Both long-term and short-term loan facilities involves several guarantees, including promissory notes, equity commitment from the shareholders, pledges over the Company's rights under share purchase agreement by former partner, pledge of shares held by the shareholders, assignment of dividends, assignment of Company's rights under compensation and claims agreement, pledge over insurance proceeds of the Company and pledge over project accounts of the Company.

Following the merger with the Parent Company, both the loan are novated in the name of the Company.

16 EMPLOYEES' DEFINED BENEFIT LIABILITIES

	31 December 2022 SR	*31 December 2021 SR*
At the beginning of the year	**300,727**	81,077
Charge for the year	**499,737**	219,650
At the end of the year	**800,464**	300,727

Upto the acquisition of the Company by its former parent company, all the employees of the Company were seconded from General Food Security Authority ("GFSA") (formerly Saudi Grains Organization ("SAGO")) and GFSA used to charge the cost of end of service benefits payable to seconded employees of the Company in accordance with the agreement made in that regard.

17 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	31 December 2022 SR	*31 December 2021 SR*
Trade payables	**55,703,699**	40,039,558
Accrued expenses	**17,553,855**	11,931,153
Other payables	**3,597,800**	4,812,319
	76,855,354	56,783,030

18 ZAKAT AND INCOME TAX

Zakat and income tax charged for the year consists of the following:

	31 December 2022 SR	*31 December 2021 SR*
Zakat expense	**15,134,737**	1,104,920
Income tax expense	**3,337,767**	397,983
	18,472,504	1,502,903

Zakat

The Company is subject to zakat on its zakat base calculated in accordance with zakat regulations enforced in the Kingdom of Saudi Arabia.

The zakat provision for the current year has been calculated according to the following basis:

	31 December 2022 SR	*31 December 2021 SR*
Additions to zakat base	**3,152,669,954**	1,370,001,827
Deductions from zakat base	**(2,865,143,590)**	(1,029,246,572)
	287,526,364	340,755,255
Zakat base for full year (2021: 30 days)	**287,526,364**	28,396,271
Zakatable income for Saudi partner for full year (2021: 30 days)	**247,070,225**	20,059,990
Zakat charge related to 90% Saudi shareholders	**15,134,737**	1,104,920

The difference between the financial and the zakatable results mainly relates to adjustments for certain costs / claims based on the relevant fiscal regulation.

Income tax

The Company is subject to income tax at the rate of 20% of taxable income calculated in accordance with tax regulations enforced in the Kingdom of Saudi Arabia.

	2022 SR	*2021 SR*
Accounting profit for the year	**273,741,870**	122,735,819
Adjustments for:		
Depreciation of property, plant and equipment	**50,574,060**	38,395,198
Loss on disposal of property, plant and equipment	**292,414**	-
Provision for slow-moving items	**-**	534,647
Provision for employees' defined benefit liabilities	**499,737**	219,650
Depreciation of property, plant and equipment as per ZATCA rates	**(158,219,751)**	(137,674,681)
Taxable profit for the year	**166,888,330**	24,210,633
Number of days	**365**	30
Tax rate	**20%**	20%
Income tax charge	**3,337,767**	397,983

Movement in zakat and income tax provision during the year were as follows:

	2022 SR	*2021 SR*
At the beginning of the year	**1,502,903**	-
Charged for the year	**18,472,504**	1,502,903
Paid during the year	**(8,460,255)**	-
At the end of the year	**11,515,152**	1,502,903

18 ZAKAT AND INCOME TAX (continued)

Deferred tax

Deferred tax are recognised for all taxable temporary differences and all deductible temporary differences, carry forward of unused tax credits and unused tax losses only to the extent that it is probable that taxable profit will be available against which these assets can be utilised. Management has not recorded any deferred tax as management considers the amount to be insignificant.

Status of zakat and income tax assessment

The Company was subject to zakat and income tax from 1 December 2021 as previously its share capital was from public funds in accordance with the decision of the Zakat, Tax and Customs Authority (ZATCA). The Company has submitted its zakat and income tax return for a period from 1 December 2021 to 31 December 2021 and for the year ended 31 December 2022, however assessment has not been raised by ZATCA.

19 REVENUE

	2022 ***SR***	*2021* *SR*
Flour	**491,003,690**	391,618,108
Bran	**212,518,852**	134,187,175
Feed	**200,344,292**	114,970,575
	903,866,834	640,775,858
Discounts and promotion	**(1,059,289)**	-
	902,807,545	640,775,858

The Company sells its goods based on sale orders from customers, secured by the advance receipts of value of goods.

Disaggregation of revenue

	2022 ***SR***	*2021* *SR*
Type of sector		
Corporate sector	**866,383,865**	602,668,016
Individual sector	**36,404,534**	37,856,150
Government sector	**19,146**	251,692
	902,807,545	640,775,858
Type of customer		
Non-government	**902,788,399**	640,524,166
Government	**19,146**	251,692
	902,807,545	640,775,858
Duration of contracts		
Less than one year	**902,807,545**	640,775,858
	902,807,545	640,775,858

The sale of goods by the Company is recognised at a point in time basis. The performance obligation is satisfied at time of dispatch of goods from the warehouse. During the year, all advance from customers at 1 January 2022 has been utilised to generate revenue.

20 DIRECT COSTS

	31 December 2022 SR	*31 December 2021 SR*
Raw material consumed	**341,850,781**	274,403,257
Depreciation of property, plant, and equipment (note 6)	**48,367,792**	36,407,100
Salaries and other benefits	**45,307,481**	51,094,953
Fuel and Power	**22,371,509**	16,728,892
Maintenance	**21,420,966**	6,488,346
Depreciation of right-of-use assets (note 7)	**8,717,047**	8,717,047
Insurance	**3,192,017**	4,494,592
Provision for slow moving inventory (note 10)	**-**	534,647
Rent	**351,067**	437,500
Other expenses	**3,396,232**	5,750,725
	494,974,892	405,057,059
Finished goods at the beginning of the year	**4,374,157**	6,367,162
Total production cost intended for sale during the year	**499,349,049**	411,424,221
Finished goods at the end of the year (note 10)	**(9,163,114)**	(4,374,157)
	490,185,935	407,050,064

21 SELLING AND DISTRIBUTION EXPENSES

	31 December 2022 SR	*31 December 2021 SR*
Salaries and other benefits	**6,153,592**	3,706,443
Shipping and transportation expenses	**5,360,299**	1,340,887
Amortisation of intangible assets (note 8)	**2,427,241**	-
Repair and maintenance	**1,314,149**	-
Bonus and commission	**566,025**	-
Insurance	**279,780**	136,893
Depreciation of property, plant, and equipment (note 6)	**271,774**	149,588
Fuel and Power	**56,875**	16,396
Rent	**54,863**	71,382
Other expenses	**1,804,836**	59,071
	18,289,434	5,480,660

22 GENERAL AND ADMINISTRATION EXPENSES

	31 December 2022 SR	*31 December 2021 SR*
Professional and consulting fees	**47,089,972**	46,690,423
Salaries and other benefits	**42,164,374**	34,672,624
Maintenance	**3,432,630**	1,130,604
Depreciation of property, plant, and equipment (note 6)	**1,934,494**	1,838,510
Insurance	**1,749,461**	1,233,086
Technology supplies	**1,858,859**	-
Office supplies	**781,063**	1,627,234
Fuel and power	**294,953**	2,652,086
Amortisation of intangible assets (note 8)	**88,065**	89,244
Board and committees' expenses, rewards, and allowances	**-**	2,248,712
Other expenses	**5,851,125**	5,784,291
	105,244,996	97,966,814

23 FINANCE COSTS

	31 December 2022 SR	*31 December 2021 SR*
Interest on lease liabilities	**10,092,468**	10,367,962
Interest on loans	**10,616,851**	-
	20,709,319	10,367,962

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 management.

Name of related party	**Nature of relationship**
Abdulaziz Alajlan Sons Co. for Commercial and Real Estate Investment	Shareholder
Sulaiman Abdulaziz Alrajhi International Company	Shareholder
National Agriculture Development Company (NADEC)	Shareholder
Olam International Limited	Shareholder

Following table shows the total amount of transactions that were made with the related parties during the year ended 31 December 2022 and 31 December 2021.

	Nature of transaction	**Amount of transaction (SR)**	
		2022	*2021*
Olan International Limited *(Shareholder)*	Operational services	**38,950,310**	**-**

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

Transactions with key management personnel	***2022 SR***	*2021 SR*
Board and committees' expenses, rewards and allowances	**-**	2,248,712
Compensation of key management personnel of the Company (*)	**4,500,000**	5,809,279
Total compensation paid to key management personnel	**4,500,000**	8,057,991

(*) Compensation of key management personnel of the Company		
Short-term employee benefits	**4,380,000**	5,809,279
Long-term employee benefits	**120,000**	-

25 EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the year.

Following table reflects the income and share data used in the basic and diluted EPS computations:

	31 December 2022	*31 December 2021*
	SR	*SR*
Profit for the year	**255,269,366**	121,232,916
Weighted average number of ordinary shares for basic EPS	**51,315,006**	51,315,006
Earnings per share – basic and diluted	**4.98**	2.36

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of the financial statements.

26 CONTINGENT LIABLILTIES

As of 31 December 2022, the Company had contingent liabilities arose during its normal business cycle and related to letters of credit and letters of guarantee of SR 8,301,438 (2021: SR 22,247,452).

27 FINACIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to market risk, credit risk and liquidity risk. The Company's management oversees the management of these risks. The Company's senior management is supported by shareholders that advises on financial risks and the appropriate financial risk governance framework for the Company. The board committee provides assurance to the Company's management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

Credit risk

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

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

	31 December 2022	*31 December 2021*
	SR	*SR*
Financial assets at amortised cost:		
Cash and cash equivalents	**573,850,801**	327,160,287
Total	**573,850,801**	327,160,287

Cash and cash equivalents

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and all such investments are subject to approval of shareholders. Management continuously monitors the limits of investments with different financial institutions to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

27 FINACIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Cash and cash equivalents (continued)

Banks	*Rating*		*Rating*	*31 December*	*31 December*
	Short term	*Long term*	*Agency*	*2022*	*2021*
				SR	*SR*
Saudi Alawwal Bank	**P-1**	**A-1**	Moody`s	**300,500,000**	500,000
Banque Saudi Fransi	**P-1**	**A1**	Moody`s	**273,350,801**	326,660,287
				573,850,801	327,160,287

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.

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

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

The loss allowance as of 31 December 2022 and 31 December 2021 was determined to be not required as the Company has a cash only business, hence no adjustment of the same has been made in these financial statements.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include accounts receivable and contract assets.

Interest rate risk
Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Company is subject to commission rate risk on its short-term deposits and long-term and short-term loans. The Company manages its exposure to commission rate risk by continuously monitoring movements in interest rates. An increase in 1% of floating interest rate would reduce profit by SR 17.83 million.

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

27 FINACIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

The table below summarises the maturities of the Company's financial liabilities as of 31 December 2021 and 31 December 2020 based on undiscounted contractual payment dates and current market interest rates as following.

31 December 2022

	On demand	***Less than 3 months***	***3 to 12 Months***	***1 to 5 years***	***More than 5 years***	***Total***
	SR	***SR***	***SR***	***SR***	***SR***	***SR***
Trade payables and other current liabilities	**-**	**-**	**76,855,354**	**-**	**-**	**76,855,354**
Long-term and short-term loan	**-**	**-**	**384,626,468**	**562,636,356**	**2,144,621,044**	**3,091,883,868**
Lease liabilities	**-**	**-**	**15,400,848**	**61,848,710**	**222,069,392**	**299,318,950**
	-	-	**476,882,670**	**624,485,066**	**2,366,690,436**	**3,468,058,172**

31 December 2021

	On demand	*Less than 3 months*	*3 to 12 Months*	*1 to 5 years*	*More than 5 years*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*
Trade payables and other current liabilities	-	-	56,783,030	-	-	56,783,030
Lease liabilities	-	-	15,286,502	61,726,051	119,225,441	196,237,994
	-	-	72,069,532	61,726,051	119,225,441	253,021,024

Capital Management

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

The Company manages its capital structure and adjusts considering 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 Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt trade payables and other current liabilities, amounts due to related parties and obligations under finance lease, less Cash at banks.

There were no changes in the objectives, policies, and procedures for capital management during the years ended December 31, 2022 and December 31, 2021.

28 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial asset consists of cash and cash equivalents and other receivables. Its financial liabilities consist of trade payables, long-term and short-term loans and lease liabilities.

Management believes that the fair value of the financial instruments of the Company at the reporting date approximate their carrying value.

29 SUBSEQUENT EVENTS

Subsequent to the year-end, the Company decided to enhance its operational capabilities by improving production, marketing, and distribution efficiency, as well as reducing expenses related to service contracts. Therefore, the shareholders have agreed to terminate previous service agreements, including one of the shareholder's (National Agricultural Development Company "NADEC") distribution and service agreements, with a compensation payment of SR 10 million to NADEC in exchange for the termination of the following agreements:

- Distribution agreement between the Company and NADEC regarding retail products exclusively sold and delivered by the Company to NADEC.
- Service agreement between the Company and NADEC regarding the marketing services and services related to the marketing of the Company's products.

As part of the shareholders agreement, NADEC has increased its ownership stake in the Company and signed an agreement to purchase 2,500,000 shares, representing 4.87% of the share capital of the Company, from Abdulaziz Al-Ajlan Sons for Commercial and Real Estate Investment after OLAM International Limited transferred its 10% shareholding to Abdulaziz Al-Ajlan Sons for Commercial and Real Estate Investment after. Consequently, the ownership percentages of the shareholders in the Company after the completion of the purchase will be as follows:

	2023 Percentage	*2022 Percentage*
Abdulaziz Alajlan Sons Co. for Commercial and Real Estate Investment	**50.13%**	45%
Sulaiman Abdulaziz Alrajhi International Company	**35.00%**	35%
National Agriculture Development Company (NADEC)	**14.87%**	10%
Olam International Limited	**-**	10%
	100.00%	100.00%

Apart from the above, no significant subsequent event since the year ended 31 December 2022 that would have a material impact on the financial position of the Company as reflected in these financial statements.

30 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorised for issuance by the Company's Board of Directors on 10 Rabi Al-Thani 1445H (corresponding to 25 October 2023).