Modern Mills Company Prospectus

A Saudi joint-stock company established under commercial registration no. 4030449122 dated 06/06/1443H (corresponding to 09/01/2022G) pursuant to ministerial resolution no. G/13 dated 11/01/1438H (corresponding to 12/10/2016G).

المطاحن الحديثة
MODERN MILLS

Offering of twenty-four million five hundred forty-nine thousand six hundred (24,549,600) Ordinary Shares, representing 30% of Modern Mills Company's share capital, through a public offering at a price of 48 Saudi Riyals per share.

The Offering Period: two days, starting on Tuesday 24/08/1445H (corresponding to 05/03/2024G) and ending on Wednesday 25/08/1445H (corresponding to 06/03/2024G).

Modern Mills Company (hereinafter referred to as the "**Company**" or the "**Issuer**") is a Saudi joint-stock company established under commercial registration no. 4030449122 dated 06/06/1443H (corresponding to 09/01/2022G), issued in Jeddah, Kingdom of Saudi Arabia, and having its address at 2780, Muhammad Al-Tayeb Al-Tunisi Street, Al-Khalidiya, 6228. The Company was established pursuant to ministerial resolution no. G/13 dated 11/01/1438H (corresponding to 12/10/2016G). The current share capital of the Company is eighty-one million eight hundred and thirty-two thousand Saudi Riyals (SAR 81,832,000) divided into eighty-one million eight hundred and thirty-two thousand (81,832,000) Ordinary Shares with a fully paid-up nominal value of one Saudi Riyal (SAR 1) per share (the "**Shares**").

The Company commenced its operations in 1972G as a group of wheat mills under the General Food Security Authority ("**GFSA**"), established by Royal Decree No. M/14 dated 25/03/1392H (corresponding to 09/05/1972G).

On 11/01/1438H, corresponding to 12/10/2016G, Ministerial Resolution No. G/13 was issued, declaring the incorporation of Modern Mills Company. The Company was established in Khamis Mushait under commercial registration No. 5855070277 dated 10/02/1438H, corresponding to 10/11/2016G, under the name "**Third Milling Company**" as a single-person closed joint-stock company wholly-owned by the Public Investment Fund (the "**PIF**"), pursuant to ministerial resolution No. G/228 dated 23/09/1437H (corresponding to 28/06/2016G), approving the incorporation of the Company, with a share capital of five hundred thousand Saudi Riyals (SAR 500,000), divided into fifty thousand (50,000) ordinary shares with a paid nominal value of one hundred and twenty-five thousand Saudi Riyals (SAR 125,000) at ten Saudi Riyals (SAR 10) per share.

On 03/02/1441H (corresponding to 02/10/2019G), the General Assembly approved the increase of the Company's capital from five hundred thousand Saudi Riyals (SAR 500,000), divided into fifty thousand (50,000) ordinary shares, to eight hundred ninety-nine million six hundred sixty-six thousand five hundred and ninety Saudi Riyals (SAR 899,666,590), divided into eighty-nine million nine hundred sixty-six thousand six hundred and fifty-nine (89,966,659) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, through the transfer of eight hundred ninety-nine million one hundred sixty-six thousand five hundred and ninety Saudi Riyals (SAR 899,166,590) from the other reserves account to the capital account, and the issuance of eighty-nine million nine hundred sixteen thousand six hundred and fifty-nine (89,916,659) ordinary shares, and the transfer of seven Saudi Riyals (SAR 7) from the other reserves account to the retained earnings account. The amended bylaws issued by the Ministry of Commerce were approved on 12/05/1441H (corresponding to 07/01/2020G).

On 17/10/1441H (corresponding to 09/06/2020G), pursuant to the Council of Ministers' resolution No. 631, the PIF transferred all of its shares in the Company, totaling eighty-nine million nine hundred sixty-six thousand six hundred and fifty-nine (89,966,659) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to the National Center for Privatization (the "**NCP**").

On 16/05/1442H (corresponding to 31/12/2020G), the NCP transferred all its shares in the Company, totaling eighty-nine million nine hundred sixty-six thousand six hundred and fifty-nine (89,966,659) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to Mada Al Ghurair Limited Company under a share purchase agreement entered into by and between the NCP and Mada Al Ghurair Limited Company executed on 29/01/1442H (corresponding to 17/09/2020G). The Company's Shareholders established Mada Al Ghurair Limited Company on 20/01/1442H (corresponding to 08/09/2020G) as a special purpose entity with the aim of meeting one of the privatization requirements, where each qualified bidder pledges to establish a legal entity in the Kingdom to acquire the Company. The Company's current Shareholders succeeded in acquiring the Company after winning a competitive tender that took place during the Company's privatization period. The Company's current Shareholders acquired the Company after the completion of the merger of Mada Al Ghurair Limited Company with the Company at a purchase price of SAR 818 million. The transaction cost amounted to SAR 76 million, including bank debt fees and a reserve account for debt service before financing, in addition to development costs and success fees. This acquisition was financed using debt representing 80% of the amount and cash representing 20% of the amount, which includes a loan amounting to SAR 714.8 million by a commercial bank at a SAIBOR rate in addition to the applicable margin and in accordance with certain guarantees, which include, but are not limited to, a pledge on the Company's Shares, and a guarantee by Shareholders to cover the debt until specific key performance indicators are met for two consecutive years (as the Shareholders of Mada Al Ghurair Limited Company obtained a loan of SAR 714.8 million and a loan from of SAR 165.6 million Shareholders in Mada Al Ghurair Limited Company). The capital of Mada Al Ghurair Limited Company before its merger with the Company amounted to one hundred thousand Saudi Riyals (SAR 100,000), divided into ten (10) Shares with a value of ten thousand Saudi Riyals (SAR 10,000) per share, with 50% owned by Mada International Holding Company, 45% by Al Ghurair Foods Company and 5% for Masafi Company. (For more information, please see ("**Summary of the Offering**"), ("**Overview of the Company**") and Section 4.6 ("**Overview of the Company and Growth of its Capital**").

On 06/06/1443H (corresponding to 09/01/2022G), the Company's Head Office was relocated from Khamis Mushait to Jeddah, and a new Commercial Registration No. 4030449122 was issued for the Company in Jeddah dated 06/06/1443H (corresponding to 09/01/2022G).

On 29/03/1443H (corresponding to 04/11/2021G), the General Assembly approved the merger of Mada Al Ghurair Limited Company (the merged entity), a limited liability company established under commercial registration No. 1010652183, dated 20/01/1442H (corresponding to 08/09/2020G), including all its assets, rights, liabilities and obligations, into Modern Mills Company (the merging entity). Following this merger, the new ownership structure of the Company became as follows: Mada International Holding Company (50%), Al Ghurair Foods (45%), and Masafi Co. (5%). The amended bylaws issued by the Ministry of Commerce were approved on 17/06/1443H (corresponding to 20/01/2022G). It should be noted that Mada Al Ghurair Limited Company was established as a special purpose entity to meet one of the privatization requirements, namely that each qualified bidder shall undertake to establish a legal entity in Saudi Arabia to acquire Modern Mills Company.

On 18/09/1443H (corresponding to 19/04/2022G), the General Assembly approved an increase in the Company's capital from eight hundred ninety-nine million six hundred sixty-six thousand five hundred and ninety Saudi Riyals (SAR 899,666,590), divided into eighty-nine million nine hundred sixty-six thousand six hundred and fifty-nine (89,966,659) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to eight hundred ninety-nine million, six hundred sixty-six thousand, six hundred Saudi Riyals (SAR 899,666,600), divided into eighty-nine million nine hundred sixty-six thousand, six hundred and sixty (89,966,660) fully paid cash ordinary shares with a nominal value of ten (10) Saudi Riyals per share. This change was effected through a bank deposit, and one new share was issued to Mada International Holding Company. Additionally, the Company's name was changed from "Third Milling Company" to "Modern Mills Company." The amended bylaws issued by the Ministry of Commerce were approved on 08/11/1443H (corresponding to 07/06/2022G).

On 24/03/1444H (corresponding to 20/10/2022G), the General Assembly approved the reduction of the Company's capital from eight hundred ninety-nine million, six hundred sixty-six thousand, six hundred Saudi Riyals (SAR 899,666,600), divided into eighty-nine million, nine hundred and sixty-six thousand, six hundred and sixty (89,966,660) ordinary shares, to eighty-one million, eight hundred and thirty-two thousand Saudi Riyals (SAR 81,832,000), divided into eight million, one hundred and eighty-three thousand and two hundred (8,183,200) fully paid cash ordinary shares with a nominal fully paid value of ten Saudi Riyals (SAR 10) per share, through the cancellation of the shares proportionate to such share capital reduction through writing off the deficit resulting from the merger of the Company with Mada Al Ghurair Limited Company, which amounted to eight hundred and seventeen million, eight hundred and thirty-five thousand and sixty-four Saudi Riyals (SAR 817,835,064) after adjusting the amount by four hundred and sixty-four Saudi Riyals (SAR 464) from the retained earnings to eliminate the impact of fractional shares which amounted to eight hundred and seventeen million, eight hundred and thirty-four thousand, and six hundred Saudi Riyals (SAR 817,834,600). The amended bylaws issued by the Ministry of Commerce were approved on 22/04/1444H (corresponding to 16/11/2022G).

On 19/03/1445H (corresponding to 04/10/2023G), the Extraordinary General Assembly approved the reduction of the nominal value of the Company's shares from ten Saudi Riyals (SAR 10) to one Saudi Riyal (SAR 1) by splitting each share into ten shares. As a result, the Company's capital became eighty-one million, eight hundred and thirty-two thousand Saudi Riyals (SAR 81,832,000), divided into eighty-one million, eight hundred and thirty-two thousand (81,832,000) fully paid ordinary shares with a nominal value of one Saudi Riyal (SAR 1) per share.

(For further information, please refer to Section 4.6 ("**Overview of the Company and Growth of its Capital**") of this Prospectus).

The initial public offering (hereinafter referred to as the "**Offering**") consists of the offering of twenty-four million five hundred forty-nine thousand six hundred (24,549,600) ordinary shares (hereinafter referred to as the "**Offer Shares**", and each an "**Offer Share**"), with a paid-up nominal value of one Saudi Riyal (SAR 1) per ordinary share, at an offer price of forty eight Saudi Riyals (SAR 48) (hereinafter referred to as the "**Offer Price**"), representing 30% of the share capital of the Company.

The Offering shall be restricted to the two following groups of investors (hereinafter referred to as the "**Investors**"):

Tranche (A): Participating Parties: This tranche comprises investors eligible to participate in the book-building process in accordance with the Instructions for Book Building Process and Allocation Method in Initial Public Offerings, as issued by the Capital Market Authority (hereinafter referred to as the "**CMA**") (the Instructions shall hereinafter be referred to as the "**Book-Building Instructions**"), (said investors shall be collectively referred to as the "**Participating Parties**" and each as a "**Participating Party**") (For further details, please refer to Section 1 ("**Definitions and Abbreviations**") of this Prospectus). The number of Offer Shares to be allocated to Participating Parties effectively participating in the book-building process is twenty-four million five hundred forty-nine thousand six hundred (24,549,600) ordinary shares, representing 100% of the total Offer Shares. In the event there is sufficient demand by Individual Investors (as defined under Tranche (B) below), the Lead Manager shall have the right to reduce the number of Offer Shares allocated to Participating Parties to a minimum of twenty-two million and ninety-four thousand six hundred and forty (22,094,640) ordinary shares, representing 90% of the total Offer Shares. The Financial Advisor, in coordination with the Company, shall determine the number and percentage of Offer Shares to be allocated to Participating Parties.

Tranche (B): Individual Investors: This tranche includes Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe in her own name or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children; and any non-Saudi Arabian national who is residing in Saudi Arabia and any national of countries in the Gulf Cooperation Council (the "**GCC**"), in each case who has a bank account with a Receiving Agent and has the right to open an investment account with a capital market institution (collectively, the "**Individual Investors**", and each an "**Individual Investor**"). Subscription by a person in the name of his divorcee shall be deemed invalid. If a transaction of this nature is proved to have occurred, the applicable regulations shall be enforced against such person. If a duplicate subscription is made, the second subscription will be deemed void, and only the first subscription will be accepted. A maximum of two million four hundred and fifty-four thousand nine hundred and sixty (2,454,960) ordinary shares, representing ten percent (10%) of the Offer Shares, shall be allocated to Individual Investors. In the event that the Individual Investors do not subscribe in full for the Offer Shares allocated to them, the Lead Manager may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed for thereby.

Current Company shareholders (hereinafter referred to as the "**Current Shareholders**") own the entirety of the Company's Shares prior to the Offering. All Offer Shares will be sold by the selling shareholders (hereinafter referred to as the "**Selling Shareholders**") in accordance with Table 12-3 ("**Ownership Structure of the Company**"). The Current Shareholders, whose names appear on page (vi) of this Prospectus and who collectively own one hundred percent (100%) of the Shares prior to the Offering, shall own seventy percent (69%) of the Company's share capital following the Offering, and will continue to hold the controlling interest in the Company. The Company will hold 818,320 Treasury Shares after the Offering (representing 1% of the Company's total Shares) through buying 687,389 shares (representing 84% of the Treasury Shares) based on the final Offer Price and the award of 130,931 shares (representing 16% of the Treasury Shares) by the Selling Shareholders, in conjunction with completing the Book-Building process and determining the final Offer Price, to use them within the Company's Employee Share Program. It is worth noting that such shares are not part of the Offer Shares. The Employee Share Program will be implemented after determining the appropriate mechanism post-listing. For more details, please refer to Section 5.8.1 ("**Employee Share Program**"). (For more information, please refer to Table 1.4 ("**The Company's Ownership Structure as at the Date of this Prospectus**") of this Prospectus).

The Substantial Shareholders, Al Ghurair Foods, Mada International Holding Company and Masafi Co., whose names are listed on page (xv) of this Prospectus, will be subject to a lock-up period during which they are prohibited from trading or pledging their shares for a period of six (6) months (referred to hereinafter as the "**Lock-Up Period**") from the date when the Company's shares commence trading on the Saudi Stock Exchange (hereinafter referred to as "**Tadawul**", the "**Exchange**" or the "**Capital Market**"). During the Lock-Up Period, Substantial Shareholders are not entitled to dispose of their shares without obtaining the approval of GFSA and any necessary approvals in accordance with relevant regulations.

The Offering proceeds (the "**Offering Proceeds**") shall be distributed to the Selling Shareholders after deduction of the Offering expenses (hereinafter referred to as the "**Net Offering Proceeds**") in proportion to the number of Offer Shares to be sold by each of them. The Company shall not receive any part of the Offering Proceeds. (For further details, please refer to Section 8 ("**Use of Proceeds**") of this Prospectus). The Underwriters shall fully underwrite the Offering (For further information, please refer to Section 13 ("**Underwriting**") of this Prospectus.

The Offering will be made to certain qualified foreign financial institutional investors outside the United States (including by way of swap agreements) in accordance with Regulation S issued under the United States Securities Act of 1933G, as amended (the "**US Securities Act**"). The shares have not been, and will not be, registered under the US Securities Act or under any other applicable securities law in the United States. No Offer Shares under this Prospectus may be offered or sold in the United States of America, nor may they be offered or sold except in the context of transactions that are exempt from or not subject to any registration requirements under the US Securities Act or the securities laws of any country other than the Kingdom of Saudi Arabia. This Offering does not constitute an invitation to sell shares or a solicitation to buy them in any country where this Offering is unlawful or is not permitted.

The offering period will commence on Tuesday, 24/08/1445H (corresponding to 05/03/2024G), and will remain open for a period of two days up to and including the last Offering day on Wednesday 25/08/1445H (corresponding to 06/03/2024G) (hereinafter referred to as the "**Offering Period**"). Subscription Applications may be submitted to the receiving agents (hereinafter referred to as the "**Receiving Agents**") listed on page (xii) during the Offering Period. (For further details, please refer to page (xx) ("**Key Dates and Subscription Procedures**" of this Prospectus)). Individual Investors can register their application to subscribe to the Offer Shares through the Receiving Agents during the Offering Period, and Participating Parties can register their application to subscribe to the Offer Shares through the Bookrunners (defined in Section 1 ("**Definitions and Abbreviations**") of this Prospectus)) during the book-building process taking place prior to the Offering to Individual Investors.

Each Individual Investor who subscribes to the Offer Shares must apply for a minimum of ten (10) Ordinary Shares. The maximum number of Ordinary Shares that can be subscribed to is two hundred and fifty thousand (250,000) Ordinary Shares per Individual Investor. The balance of the Offer Shares, if any, will be allocated on a pro rata basis based on the number of Offer Shares applied for by each Individual Investor. In the event that the number of Individual Investors exceeds two hundred and forty-five thousand four hundred and ninety-six (245,496) Investors, the Company will not guarantee the minimum allocation of Offer Shares, and the allocation will be made in accordance with the recommendations of the Issuer and the Financial Advisor. Excess subscription monies, if any, will be refunded to the Individual Investors without any charge or withholding by the Receiving Agents. Notification of the final allocation will be made on Tuesday 02/09/1445H (corresponding to 12/03/2024G) and refund of subscription monies, if any, will be made at the latest by Monday 08/09/1445H (corresponding to 18/03/2024G) (For further details, please refer to "**Key Dates and Subscription Procedures**" on page (xx) and Section 17 ("**Offering Terms and Conditions**") of this Prospectus)).

The Company has one class of ordinary shares. Each Share entitles its holder to one vote, and gives them the right to delegate whomever they choose from among non-members of the Board of Directors to vote at assemblies, and each shareholder (hereinafter referred to as a "**Shareholder**") has the right to attend and vote at general assembly meetings of the Company (hereinafter referred to as the "**General Assembly**"), but they will not be entitled to any preferential voting rights. The Offer Shares will entitle holders to receive dividends declared and paid by the Company as at the date of this Prospectus (hereinafter referred to as "**Prospectus**") and for subsequent fiscal years (For more information, please refer to Section 7 ("**Dividend Distribution Policy**") of this Prospectus)).

Prior to the Offering, the Company's Shares have never been listed or traded in any stock market either in the Kingdom of Saudi Arabia (hereinafter referred to as "**KSA**" or "**Kingdom**") or elsewhere. Applications have been submitted by the Company to (i) the Capital Market Authority for the registration and offering of the Shares, and (ii) the Exchange for the listing of the Shares. All supporting documents have been submitted to the CMA and all requirements have been satisfied, including those pertaining to listing the Company on the Exchange, with all approvals required to conduct the Offering granted, including approvals pertaining to this Prospectus (hereinafter referred to as the "**Prospectus**"). It is expected that trading in the Shares will commence on the Exchange shortly after the final allocation of the Offer Shares and satisfaction of necessary conditions and procedures (For further details, please refer to "**Key Dates and Subscription Procedures**" on page (xx). Saudi nationals, non-Saudi nationals holding valid residency permits in the Kingdom, and companies, banks, and investment funds established in the Kingdom or in any of the GCC countries as well as GCC nationals will be permitted to trade in the Shares after trading therein starts on the Exchange. Qualified Foreign Investors will be permitted to trade in the Shares pursuant to the CMA Rules for Qualified Foreign Financial Institutions Investment in Listed Securities. Non-Saudi individuals living outside the Kingdom and institutions registered outside the Kingdom (hereinafter referred to as "**Foreign Investors**") will have the right to acquire an economic benefit in the Shares by entering into Swap Agreements with Capital Market Institutions to purchase Shares listed on the Exchange and to trade these Shares for the benefit of Foreign Investors. The Capital Market Institutions will remain the legal owners of the Shares subject to the Swap Agreements.

Subscription to the Offer Shares can potentially entail risks and uncertainties. Those wishing to subscribe to the Company's Shares should carefully read and review this Prospectus in full and consider the ("**Important Notice**") Section on page (i) and Section 2 ("**Risk Factors**") of this Prospectus, before making any decision to invest in the Offer Shares.

This Prospectus includes information for the application for registration and offer of securities in accordance with the Rules on the Offer of Securities and Continuing Obligations (OSCOs) issued by the Capital Market Authority (the "**Authority**" or the "**CMA**") and the application for listing securities in accordance with the Listing Rules of the Saudi Exchange. The Directors, whose names appear in this Prospectus, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Authority and the Exchange do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

This Prospectus is dated 18/06/1445H (corresponding to 31/12/2023G).

Sole Financial Advisor, Global Coordinator, Joint Bookrunner, Underwriter and Lead Manager	Joint Bookrunner and Underwriter	Advisor to the Selling Shareholders
HSBC	بنك الإمارات دبي الوطني Emirates NBD	Moelis

Offering
(24,549,600)
Ordinary Shares

SAR 48
Share Price

Offering Period: two days

Starting on Tuesday

24/08/1445H

(corresponding to 05/03/2024G)

Ends at Wednesday

25/08/1445H

(corresponding to 06/03/2024G)

Announcement of the Final Allocation

No later than Tuesday
02/09/1445H
(corresponding to 12/03/2024G)

Refund (if any)
No later than Monday
08/09/1445H
(corresponding to 18/03/2024G)

IMPORTANT NOTICE

This Prospectus contains detailed information relating to the Company and the Offer Shares. When submitting a Subscription Application for the Offer Shares, investors, whether Participating Parties or Individual Investors, will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which may be obtained from the Company, the Lead Manager, or the Receiving Agents, and are available by visiting the websites of the CMA (www.cma.org.sa), the Saudi Exchange (www.saudiexchange.sa), the Company (www.modernmills.com), or the Sole Financial Advisor, global coordinator, and Lead Manager, Joint Bookrunners, and Underwriters (www.hsbcsaudi.com) (www.emiratesnbdcapital.com.sa).

In respect to the Offering, the Company has appointed HSBC Saudi Arabia as sole financial advisor (hereinafter referred to as the "**Financial Advisor**"), global coordinator, lead manager (the "**Lead Manager**"), and joint bookrunner (along with Emirates NBD Capital KSA as joint bookrunner) (the "**Joint Bookrunners**"). The Company also appointed HSBC Saudi Arabia and Emirates NBD Capital KSA as underwriters (hereinafter referred to as the "**Underwriters**").

This Prospectus includes information provided in accordance with the Rules on the Offer of Securities and Continuing Obligations (OSCOs) issued by the CMA, as well as the Listing Rules of the Saudi Exchange. The Directors, whose names appear on page (vi), collectively and individually, accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date of its publication, a substantial portion of the information in this Prospectus relevant to the markets and industry in which the Company operates is derived from external sources. Despite the fact that none of the Company, the Financial Advisor, nor any of the Company's other advisors whose names appear on pages (viii), (ix), (x) and (xi) of this Prospectus (hereinafter referred to as the "**Advisors**"), have any reason to believe that any of the market and industry information is materially inaccurate, neither the Company nor any of the Advisors has independently verified such information. Accordingly, no representation or assurance is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments, such as inflation, interest rates, taxation or other economic, political, and any other factors, over which the Company has no control (for further details, please refer to Section 2 ("**Risk Factors**")). Neither the delivery of this Prospectus nor any oral or written information in relation to the Offer Shares is intended to be, or should be construed as or relied upon in any way, as a promise, affirmation or representation as to future earnings, results or events.

This Prospectus is not to be regarded as a recommendation on the part of the Company, the Directors, the Selling Shareholders, the Receiving Agents or the Advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs of prospective investors. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice from a CMA licensed financial advisor in relation to the Offering and must rely on its own examination of the Company and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual investment objectives, financial situation and needs, including the merits and risks involved in investing in the Offer Shares. An investment in the Offer Shares may be appropriate for some investors but not others, and prospective investors should not rely on another party's decision to invest or not to invest as a basis for their own examination of the investment opportunity and such investor's individual circumstances.

The Offering is restricted to two groups of investors which are: (A) Participating Parties: this comprises the parties entitled to participate in the book-building process in accordance with the Book-Building Instructions (for further details, please refer to Section 1 (“**Definitions and Abbreviations**”) of this Prospectus); and (B) Individual Investors: this includes Saudi Arabian nationals, including Saudi women who are divorced or widowed and have minor children by a non-Saudi husband, who may subscribe for Offer Shares in their name(s) for the mothers’ own benefit, provided she submits proof of their marital status and motherhood, in addition to GCC nationals who are natural persons and non-Saudi Arabian nationals who reside in the Kingdom under legal residency permits and have, or are permitted to open, investment bank accounts with a Capital Market Institution. Subscription by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

It is expressly prohibited to distribute this Prospectus or to sell the Offer Shares to any person outside the Kingdom of Saudi Arabia, other than to Qualified Foreign Investors, certain other foreign investors pursuant to Swap Agreements entered into with a Capital Market Institution, in each case subject to applicable rules and regulations. All recipients of this Prospectus must inform themselves of any legal or regulatory restrictions relevant to this Offering and the sale of the Offer Shares and to comply with such restrictions. Each eligible Individual Investor and Participating Party should read the entire Prospectus and seek and rely on their own legal counsel, financial advisor, and other professional advisors for advice concerning the various legal, tax, regulatory and economic considerations relating to their investment in the Offer Shares and will be responsible for the fees of their own counsel, accountants and other advisors as to all matters concerning an investment in the Offer Shares. No assurance can be made that profits will be achieved.

MARKET AND INDUSTRY DATA

The information and data contained in Section 3 (“**Overview of the Market and Industry**”) of this Prospectus are derived from the market study report prepared for the Company by the Market Study Consultant, Euromonitor International Ltd. (the “**Market Study Consultant**”) and issued in November 2023G.

Euromonitor International Ltd. was founded in 1972G in London, the United Kingdom, and provides market studies and research. (For more information about Euromonitor International Ltd., please visit the Market Study Consultant website on: https://www.euromonitor.com/saudi-arabia).

The Market Consultant prepared the study report independently and objectively and was keen to ensure the accuracy and completeness of said report. The research was conducted from a broad sector perspective and may not necessarily reflect the performance of individual companies in the sector.

The Directors believe that the Market Study information and data from other sources contained in this Prospectus, including that provided by the Market Study Consultant, is reliable. However, this information and data has not been independently verified by the Company, the Directors, the Advisors, nor the Selling Shareholder, and therefore none of the aforementioned bears any liability for the accuracy or completeness of said information.

It should be noted that the Market Study Consultant does not, nor does any of its shareholders, directors, or their relatives own any Shares or any interest of any kind in the Company or its Subsidiaries. As at the date of this Prospectus, the Market Study Consultant has given, and not withdrawn, its written consent for the use of its market information and data, in the manner and format set out in this Prospectus.

The Kingdom’s economy continues to rebound from the recession in 2020G resulting from the effects of COVID-19. Positive gains were driven by a strong government focus on infrastructure expansion and socioeconomic reforms, most notably a rise in female employment.

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The Saudi economy (GDP valued at SAR 4.2 trillion in 2022G) experienced a CAGR of 7.0% over 2018-22G emerging as the key driver and growing country in the GCC region (GDP valued at SAR 7.2 trillion in 2022G) which is growing at a CAGR of 5.2%[1] over the same period. as the government continued to target non-oil diversification, infrastructure expansion and socioeconomic reforms, which translated into increased foreign and domestic investment. Disposable income per capita stood at SAR 45,954 in 2022G, with growing consumer expenditure on food and beverages (F&B) supported by higher employment levels among Saudi youth and women. Strong investment in tourism, ongoing privatisation efforts and food security ambitions are likely to foster continued economic improvement over the forecast period, with a projected GDP CAGR of 2.9% over 2022-30G. Infrastructure development and increased tourism activity combined with continued population growth are likely to fuel further expansion of consumer foodservice and, in turn, the food production sector.

The wheat flour market is highly regulated and localized, with government subsidies in place for both producers and end users.

The government plays a key role in the wheat flour market, procuring wheat from global and local producers and supplying it to four milling companies at subsidised rates for processing into wheat flour. These milling companies, originally owned by GFSA, were privatised between 2020G and 2021G and operate mills in different regions of the Kingdom. The government also regulates the price of the wheat flour produced, when sold in 45kg bags and above. Smaller pack sizes offer an opportunity for milling companies to capitalise on the expansion of the modern retail landscape. Locally produced wheat flour contributed to 98.5% of the market.

Wheat flour market grew in both volume and value term as milling companies optimized production, expanded customer base and enhanced their product portfolio to cater to growing population and consumer foodservice which is also expected to fuel a CAGR growth of 4.4% in value terms by 2030G.

After a brief contraction during the COVID-19 pandemic, market demand for wheat flour made a strong recovery in 2022G with total consumption reaching 3.4 million tonnes, representing a 25.5% increase on the previous year and a CAGR of 6.5% since 2018G. This translated into value sales of SAR1.95 billion, representing a CAGR of 6.1% since 2018G. A notable recovery in the tourism and food service sectors are expected to support a volume CAGR of 3.2% over the 2022-30G period, to reach over 4.4 million tonnes by 2030G (corresponding to a CAGR of 4.4% or SAR 2.76 billion in value terms). Overall consumption of wheat flour is mainly driven by bakeries and food manufacturers, which explains the dominance of larger subsidised formats. Sales of subsidised 45kg packs and bulk flour contributed 68.6% and 15.1% of total value sales respectively in 2022G, while 1-10kg pack sizes, whose prices are not regulated, accounted for the remaining 16.3%. Sales of smaller 1-10kg pack sizes are likely to continue benefitting from growing urbanisation and modern retail expansion with an anticipated value share of 25.4% by 2030G, with 45kg and bulk sizes projected to contribute 60.2% and 14.4%, respectively.

The four milling companies hold a dominant position in the Kingdom's highly controlled wheat flour market.

The wheat flour market is concentrated among four milling companies, which were assigned around 75-80% of total wheat for flour production over the past two years. Strong growth in volume demand for wheat flour in 2022 combined with a steep decline in imports saw a significant growth in volume sales by the four milling companies. Modern Mills Company (MMC) capitalized on the growth in demand and registered the highest volume growth of 46.4% to achieve a volume share of around 24% (with a value share of 22%) through concerted efforts in optimizing operations, enhancing customer and distributor engagements and expanding the company's focus on small SKUs. The First Mills Company (MC1) held the highest volume share of 28% (equivalent value share of 26%) in 2022G. The other two milling companies had a cumulative volume share of 47% (with a corresponding value share of 46%).

Heightened demand for total compound animal feed (livestock, poultry, fish and others) in the accessible market was driven by its capacity to yield healthier outputs and its suitability for breeding and raising purposes, with future growth of 3.5% CAGR in value terms by 2030G to be supported by the government's focus on localising poultry production and consistent demand for red meat.

1 Euromonitor Passport, Economies & Consumers Database

Total compound animal feed (livestock, poultry, fish and others) consumption reached 3.5 million tonnes in 2022G, up by a CAGR of 7.0% since 2018G. Value sales growth outpaced growth in volume terms, registering a CAGR of 21.3% since 2018G to reach over SAR5.8 billion in 2022G. More than half of these sales (52%) were attributed to poultry feed (SAR3.0 billion in 2022G), which grew by a CAGR of 22.4% over the same period. Livestock feed accounted for a smaller share of 39.5%, due to the lower cost of this less specialised feed. The total compound animal feed market is projected to experience a CAGR of 4.7% over the forecast period to reach volume sales of around 5.1 million tonnes by 2030G. A slightly lower CAGR of 3.5% should result in value sales of around SAR7.7 billion by 2030G. Consumption of poultry feed is expected to outpace that of livestock over the forecast period, in volume terms, with the share of poultry feed expected to reach around 57.0% of the market by 2030G, while livestock feed is anticipated to decline to 38.8%.

The total accessible compound animal feed (livestock, poultry, fish and others) market is concentrated among the top three players.

There are over 30 total compound feed manufacturers in the Kingdom. The top three players—ARASCO, United Feed Manufacturing Company and FEEDCO—held over a 50% value share in 2022G, leveraging long-standing partnerships with farms, robust supply chains and versatility in their operations to maintain their leading positions. Modern Mills Company, with the largest processing capacity for animal feed among the main flour milling companies at 1,400 tonnes per day, had the highest value share among the four milling companies at 7% in 2022G.

Modern Mills Company holds a strong position in both the wheat flour and total compound animal feed markets.

Modern Mills Company operates flour mills in the Southern, Western (with focus on Makkah and Medina regions) and Northern regions of the Kingdom, with a combined daily processing capacity of 3,451 tonnes for wheat milling and 1,400 tonnes for animal feed. Backed by a strong consumer base across the Kingdom, Modern Mills Company focuses on optimizing its operations, enhancing its relationships with distributors and expanding its customer base through concerted engagements in 2022. This helped Modern Mills Company expand its volume share in the wheat flour category from over 20% in 2021G to around 24% in 2022G. The steep volume growth was also supported by the company's focus on smaller pack sizes across various channels.

With the highest animal feed processing capacity among all the milling companies (53.8% of the total), Modern Mills Company is in a strong position to take advantage of the rapidly growing animal feed market. Identifying growth opportunities in poultry and leveraging its leadership position in the Southern region, the company expanded into the poultry segment, which as of 2022G, accounted for 48.0% of the overall animal feed sales for the company. Modern Mills company also actively invests in R&D to customise region-specific animal feed compositions and expand its footprint across the Kingdom.

Keeping market expansion and growth at the forefront, the company aims to continue investing in research and development to expand its remit into new products and adjacent categories in the coming years.

FINANCIAL INFORMATION

The Company's audited financial statements for the fiscal years ended 31 December 2020G, 2021G, and the audited consolidated financial statements for the fiscal year 2022G were prepared in accordance with the International Financial Reporting Standards applicable in the KSA (IFRS-KSA) and other accounting standards accepted in the Kingdom issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The interim consolidated condensed financial statements for the six-month period ended on 30 June 2023G were prepared in accordance with IAS 34 (Interim Financial Reporting), as endorsed in the Kingdom of Saudi Arabia. The financial statements for the financial year ended 31 December 2020G were audited by the Company's independent auditor, Ernst & Young Professional Services (Professional LLC) (EY), the financial statements for the financial year ended 31 December 2021G were audited by Aldar Audit Bureau (Abdullah Al Basri & Co.) (a Grant Thornton International entity), the consolidated financial statements for the financial year ended 31 December 2022G and the interim condensed financial statements were audited by the Company's independent auditor, KPMG Professional Services ("**KPMG**"). The abovementioned financial statements are included in Section 19 ("**Financial Statements and Auditor's Report**") of this Prospectus. The Group publishes its financial statements in Saudi Riyals.

The financial information relating to the financial year ended 31 December 2020G was obtained from the comparative financial information presented in the Company's audited financial statements for the financial year ended 31 December 2021G, and the financial information relating to the financial year ended 31 December 2021G was obtained from the comparative financial information presented in the Company's audited consolidated financial statements for the financial year ended 31 December 2022G.

The financial information contained in this Prospectus is subject to rounding. Accordingly, the figures shown for the same item presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them. In cases where the amounts included in this Prospectus were converted from a foreign currency into Saudi Riyal, the Saudi Riyal exchange rate against the relevant currency is the one in effect as at the date hereof. Throughout this Prospectus, Hijri dates are presented along with corresponding Gregorian dates, where relevant. The Hijri calendar is prepared on the basis of the anticipated lunar cycles. However, an actual sighting of the moon is used to determine the beginning of each month, as a result of which conversions from the Hijri to Gregorian calendars are often subject to discrepancies estimated at one day. In addition, unless otherwise expressly stated in this Prospectus, any reference to "year" or "years" means Gregorian years.

FORECASTS AND FORWARD-LOOKING STATEMENTS

Forecasts set forth in this Prospectus have been prepared on the basis of assumptions relating to the Company's business information as derived from its market experience, as well as on publicly available market information. Future operating conditions may differ from the assumptions used, and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company confirms that, to the best of its knowledge, statements have been made hereunder following the required due diligence.

Certain statements in this Prospectus constitute, or may be deemed to constitute, "forward-looking statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "believes", "expects", "anticipates", "may", "will", "should", "expected", "would be" or the negative thereof or other variations of such terms or comparable terminology.

These forward-looking statements reflect the current views of the Company with respect to future events but are not a guarantee of future performance, whereby many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (for further details, please refer to Section 2 ("**Risk Factors**") of this Prospectus). Should any of these risks or uncertainties materialize or any underlying assumptions prove to be incorrect or inaccurate, the Company's actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, planned or expected.

Under the OSCOs' requirements, the Company must submit a supplementary Prospectus to the CMA if, at any time after the publication of this Prospectus, and before the end of the Offering, the Company becomes aware that:

- a- there has been a significant change in any material information contained in this Prospectus or any document required under the OSCOs; or
- b- significant additional issues have arisen whose inclusion in this Prospectus is necessary.

With the exception of these two cases, the Company does not intend to update or change any sector or market information or the forward-looking-statements included in this Prospectus, whether as a result of new information, future events or otherwise. As a result, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Therefore, investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

DEFINITIONS AND ABBREVIATIONS

For further details on the terms used in this Prospectus, please refer to Section 1 ("**Definitions and Abbreviations**") of this Prospectus.

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CORPORATE DIRECTORY

Table (1.1): Members of the Company's Board of Directors*

No.	Name	Position	Nationality	Status	Date of Appointment	Direct Ownership		Indirect Ownership	
						Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
1	Ibrahim Sulaiman Abdulaziz Alrajhi**	Chairman	Saudi	Non-Executive	26/02/1445H (corresponding to 11/09/2023G)	-	-	2.0%	1.38%
2	John Gregory Iossifidis	Vice Chairman	Australian	Non-Executive	26/02/1445H (corresponding to 11/09/2023G)	-	-	-	-
3	Martin Heinrich Theodor Reintjes	Board Member	German	Non-Executive / Independent	19/03/1445H (corresponding to 04/10/2023G)	-	-	-	-
4	Abdulrahman Saud Hamad Alowais	Board Member	Saudi	Non-Executive / Independent	26/02/1445H (corresponding to 11/09/2023G)	-	-	-	-
5	Abdulmohsen Abdallah Abdulmohsen Al Bazie	Board Member	Saudi	Non-Executive	26/02/1445H (corresponding to 11/09/2023G)	-	-	-	-
6	Djamal Djouhri	Board Member	Algerian	Non-Executive	26/02/1445H (corresponding to 11/09/2023G)	-	-	-	-
7	Majid Mazen Rasheed Nofal	Board Member	Jordanian	Non-Executive / Independent	26/02/1445H (corresponding to 11/09/2023G)	-	-	-	-

Source: the Company

* The members of the Board of Directors were appointed at the General Assembly Meeting held on 11/09/2023G, (including the appointment of Ibrahim Sulaiman Abdulaziz Alrajhi, John Gregory Iossifidis, Abdulrahman Saud Hamad Alowais, Abdulmohsen Abdallah Abdulmohsen Al Bazie, Djamal Djouhri, and Majid Mazen Rasheed Nofal) and the General Assembly Meeting held on 04/10/2023G. (concerning the appointment of Martin Heinrich Theodor Reintjes). On 04/04/1445H (corresponding to 19/10/2023G), the Company's General Assembly extended the Board of Directors' current term for a period of four (4) years, starting from 29/01/1445H (corresponding to 16/08/2023G) to 13/03/1449H (corresponding to 15/08/2027G).

** Mr. Ibrahim Sulaiman Abdulaziz Alrajhi has a 2.0% indirect ownership pre-Offering, as a result of a 4% ownership in the capital of Al Rajhi Holding Group, which in turn owns 100% of the capital of Mada International Holding Company, which in turn owns 50% of the Issuer's Shares pre-Offering. Mr. Ibrahim Sulaiman Abdulaziz Alrajhi will have a 1.38% indirect ownership post-Offering, as a result of a 4% ownership in Al Rajhi Holding Group Company, which in turn owns 100% of the capital of Mada International Holding Company, which in turn owns 34.50% of the Issuer's Shares post-Offering.

The current Secretary of the Board of Directors is Hattan Jamil Malki, who does not hold any Shares in the Company.

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Company Address and Representatives and the Board Secretary

Modern Mills Company

2780, Mohammed Al Tayeb Al Tunisi Street, Al Khaldiyah, 6228
Jeddah, Saudi Arabia
Postal Code: 21499
P.O. Box: 40037
Phone: +966 1 22 72 8989
Fax: None
Website: www.modernmills.com
Email: info@modernmills.com

المطاحن الحديثة
MODERN MILLS

Company's Representatives

Abdulmohsen Abdullah Abdulmohsen Al-Bazie

44th Floor, Tamkeen Tower, Al Olaya
Riyadh, Saudi Arabia
Postal Code: 11425
P.O. Box: 18927
Phone: +966 55 536 9000
Website: www.modernmills.com
Email: abdulmohsen.albazie@madaholding.com

Osama Hamdto Abdelrahim Ashi

2780, Mohammed Al Tayeb Al Tunisi Street, Al Khaldiyah, 6228
Jeddah, Saudi Arabia
Postal Code: 21499
P.O. Box: 40037
Phone: +966 55 669 8020
Website: www.modernmills.com
Email: Osama.ashi@modernmills.com.sa

Secretary of the Board

Hattan Jamil Malki

2780, Mohammed Al Tayeb Al Tunisi Street, Al Khaldiyah, 6228
Jeddah, Saudi Arabia
Postal Code: 21499
P.O. Box: 40037
Phone: +966 50 461 5863
Website: www.modernmills.com
Email: Hattan.Malki@modernmills.com.sa

Stock Exchange

Saudi Exchange Company

King Fahad Road - Olaya 6897
Unit No. 15
P.O. Box 3388
Riyadh 12211
Kingdom of Saudi Arabia
Tel: +966 92 000 1919
Fax: +966 11 218 9133
Website: www.saudiexchange.sa
Email: csc@saudiexchange.sa

Securities Depository Center Company (Edaa)

King Fahad Road - Olaya 6897
Unit No. 11
P.O. Box 3388
Riyadh 12211
Kingdom of Saudi Arabia
Tel: +966 92 0026000
Fax: +966 11 218 9133
Website: www.edaa.com.sa
Email: cc@edaa.com.sa

Sole Financial Advisor, Global Coordinator, Joint Bookrunner, Underwriter and Lead Manager

HSBC Saudi Arabia Company

HSBC Building
7267 Olaya Street, Al Murooj District
Riyadh 2255-12283
Kingdom of Saudi Arabia
Tel: + 966 920005920
Fax: +966 112992385
Website: www.hsbcsaudi.com
Email: MMC.IPO@hsbcsa.com

Joint Bookrunner and Underwriter

Emirates NBD Capital KSA

Signature Center, 2nd Floor
Prince Turki Al Awwal
Hittin District
P.O. Box 341777, Riyadh 11333
Kingdom of Saudi Arabia
Tel: + 966 11 2993900
Fax: +966 11 2993955
Website: www.emiratesnbdcapital.com.sa

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Legal Adviser to the Issuer

Legal Advisers

Abdulaziz bin Ibrahim Al Ajlan & Partners, Lawyers and Legal Advisors

NIC ID: 7001760441

Al Olayan Complex, Tower II, third floor

Al-Ahsa Street, Al Malaz

P.O. Box: 69103

Riyadh 11547

Kingdom of Saudi Arabia

Tel: +966 11 265 8900

Fax: + 966 11 265 8999

Website: www.legal-advisors.com

Email: legal.advisors@legal-advisors.com

Legal Advisor to the Sole Financial Advisor, Global Coordinator, Lead Manager, Joint Bookrunners and Underwriters

The Law Firm of Latham & Watkins

King Fahad Road

Tatweer Towers, Tower 1, 7th floor

P.O. Box 17411, Riyadh 11484

Kingdom of Saudi Arabia

Tel: +966 11 2072500

Fax: + 966 11 2072577

Website: www.lw.com

Email: projectgrain.lwteam@lw.com

Advisor to the Selling Shareholders

Moelis & Company Saudi Limited

Al Faisaliah Tower, T15B Unit, 15th floor

Riyadh 11461

Kingdom of Saudi Arabia

Phone: +966 11 827 8300

Website: www.moelis.com

Email: Project_Grain_Ext@moelis.com

Financial Due Diligence Advisor

PricewaterhouseCoopers - Public Accountants

Kingdom Tower, 21st floor
P.O. Box 8282
Riyadh 11482
Kingdom of Saudi Arabia
Tel: +966 (11) 211 0400
Fax: +966 (11) 211 0250
Website: www.pwc.com
Email: mer_projectgrain@pwc.com

Market Study Consultant

Euromonitor International Limited

60-61 Britton Street
London EC1M 5UX, United Kingdom
Tel: +44 2072518024
Fax: +44 2076083149
Website: www.euromonitor.com
Email: info@Euromonitor.com

Auditor for the Financial Year Ending 31 December 2020G

Ernst & Young Professional Services (Professional LLC) (Formerly known as Ernst & Young & Partners (Chartered Accountants))

Al Faisaliah Office Tower, 14th floor
King Fahd Street
P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia
Tel: +966 11 2159898
Fax: +966 11 2734730
Website: ey.com/mena
Email: ey.ksa@sa.ey.com

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Auditor for the Financial Year Ending 31 December 2021G

Aldar Audit Bureau (Abdullah Al Basri & Co.) (a Grant Thornton International entity)

Olaya Street, Al Mousa Commercial Complex
Tower 4, 7th Floor
Riyadh 11451
Kingdom of Saudi Arabia
P.O. Box: 2195
Phone: +966 11 434 0680
Fax: +966 464 5939
Website: www.sa.gt.com
Email: infor@sa.gt.com

Auditor for the Financial Year Ending 31 December 2022G and the Period Ended 30 June 2023G

KPMG Professional Services - Closed Joint Stock Company

Zahran Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah, 21534
Tel: +966 12 230 3000
Fax: +966 12 230 3111
Website: www.kpmg.com.sa
Email: marketingsa@kpmg.com

Note: All the above-mentioned Advisors and independent Auditors have provided, and have not withdrawn, their written consent, as at the date of this Prospectus, to the publication of their names, logos, statements or reports attributed to them in the context in which they appear in this Prospectus. Moreover, they do not themselves nor does any of their employees working with the team on providing services to the Company, nor any of their relatives have any shareholding or interest of any kind in the Company as at the date of this Prospectus, which may affect their independence.

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Receiving Agents

AlRajhi Bank

King Fahad Road - Al Muruj District – AlRajhi Bank Tower
Riyadh 11411
Kingdom of Saudi Arabia
Tel: +966 (11) 828 2515
Fax: +966 (11) 279 8190
Website: https://www.alrajhibank.com.sa/
Email: contactcenter1@alrajhibank.com.sa

Saudi National Bank

King Fahd Road - Al Aqeeq District - KAFD
Kingdom of Saudi Arabia
P.O. Box: 3208 Unit No.: 778
Tel: +966 (92) 0001000
Fax: +966 (92) 4060052
Website: www.alahli.com
Email: contactus@alahli.com

SUMMARY OF THE OFFERING

This summary is intended to provide a brief overview of the information contained in this Prospectus. As such, it does not contain all of the information that may be important to prospective investors. Therefore, this summary should be read as an introduction to this Prospectus, and prospective investors should carefully consider the Important Notice on page (i), Section 2 (“**Risk Factors**”), as well as all information set forth herein prior to making any investment decision in the Offer Shares and said decision should not be solely based on this summary. In particular, it is important that prospective investors review and carefully consider the (“**Important Notice**”) on page (i) and Section 2 (“**Risk Factors**”), prior to making any investment decision in the Offer Shares.

Company Name, Description and Incorporation	Modern Mills Company is a Saudi joint-stock company established under commercial registration no. 4030449122 dated 06/06/1443H (corresponding to 09/01/2022G), issued in Jeddah, Kingdom of Saudi Arabia, and having address at 2780, Muhammad Al-Tayeb Al-Tunisi Street, Al-Khalidiya, 6228. The Company was established pursuant to ministerial resolution no. G/13 dated 11/01/1438H (corresponding to 12/10/2016G). The current share capital of the Company is eighty-one million eight hundred and thirty-two thousand Saudi Riyals (SAR 81,832,000) divided into eighty-one million eight hundred and thirty-two thousand (81,832,000) Ordinary Shares with a fully paid-up nominal value of one Saudi Riyal (SAR 1) per share. The Company commenced its operations in 1972G as a group of wheat mills under the GFSA, established by Royal Decree No. M/14 dated 25/03/1392H (corresponding to 09/05/1972G). On 11/01/1438H, corresponding to 12/10/2016G, Ministerial Resolution No. G/13 was issued, declaring the incorporation of Modern Mills Company. The Company was established in Khamis Mushait under commercial registration No. 5855070277 dated 10/02/1438H, corresponding to 10/11/2016G, under the name “**Third Milling Company**” as a single-person closed joint-stock company wholly-owned by the PIF, pursuant to ministerial resolution No. G/228 dated 23/09/1437H (corresponding to 28/06/2016G), approving the incorporation of the Company, with a share capital of five hundred thousand Saudi Riyals (SAR 500,000), divided into fifty thousand (50,000) ordinary shares with a paid nominal value of one hundred and twenty-five thousand Saudi Riyals (SAR 125,000) at ten Saudi Riyals (SAR 10) per share. On 03/02/1441H (corresponding to 02/10/2019G), the General Assembly approved the increase of the Company’s capital from five hundred thousand Saudi Riyals (SAR 500,000), divided into fifty thousand (50,000) ordinary shares, to eight hundred ninety-nine million six hundred sixty-six thousand five hundred and ninety Saudi Riyals (SAR 899,666,590), divided into eighty-nine million nine hundred sixty-six six hundred and fifty-nine (89,966,659) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, through the transfer of eight hundred ninety-nine million one hundred sixty-six thousand five hundred and ninety Saudi Riyals (SAR 899,166,590) from the other reserves account to the capital account, and the issuance of eighty-nine million nine hundred sixteen six hundred and fifty-nine (89,916,659) ordinary shares, and the transfer of seven Saudi Riyals (SAR 7) from the other reserves account to the retained earnings account. The amended bylaws issued by the Ministry of Commerce were approved on 12/05/1441H (corresponding to 07/01/2020G). On 17/10/1441H (corresponding to 09/06/2020G), pursuant to the Council of Ministers’ resolution no. 631, the PIF transferred all of its shares in the Company, totaling eighty-nine million nine hundred sixty-six thousand six hundred fifty-nine (89,966,659) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to NCP. On 16/05/1442H (corresponding to 31/12/2020G), the NCP transferred all its shares in the Company, totaling eighty-nine million nine hundred sixty-six six hundred and fifty-nine (89,966,659) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to Mada Al Ghurair Limited Company under a share purchase agreement entered into by and between the NCP and Mada Al Ghurair Limited Company executed on 29/01/1442H (corresponding to 17/09/2020G). The Company’s Shareholders established Mada Al Ghurair Limited Company on 20/01/1442H (corresponding to 08/09/2020G) as a special purpose entity with the aim of meeting one of the privatization requirements, where each qualified bidder pledges to establish a legal entity in the Kingdom to acquire the Company. The Company’s current Shareholders succeeded in acquiring the Company after winning a competitive tender that took place during the Company’s privatization period. The Company’s current Shareholders acquired the Company after the completion of the merger of Mada Al Ghurair Limited Company with the Company at a purchase price of SAR 818 million. The transaction cost amounted to SAR 76 million, including bank debt fees and a reserve account for debt service before financing, in addition to development costs and success fees. This acquisition was financed using debt representing 80% of the amount and cash representing 20% of the amount, which includes a loan amounting to SAR 714.8 million by a commercial bank at a SAIBOR rate in addition to the applicable margin and in accordance with certain guarantees, which include, but are not limited to, a pledge on the Company’s Shares, and a guarantee by Shareholders to cover the debt until specific key performance indicators are met for two consecutive years (as the Shareholders of Mada Al Ghurair Limited Company obtained a loan of SAR 714.8 million and a loan of SAR 165.6 million from Shareholders in Mada Al Ghurair Limited Company). The capital of Mada Al Ghurair Limited Company before its merger with the Company amounted to one hundred thousand Saudi Riyals (SAR 100,000), divided into ten (10) Shares with a value of ten thousand Saudi Riyals (SAR 10,000) per share, with 50% owned by Mada International Holding Company, 45% by Al Ghurair Foods Company and 5% for Masafi Company.

Company Name, Description and Incorporation	On 06/06/1443H (corresponding to 09/01/2022G), the Company's Head Office was relocated from Khamis Mushait to Jeddah, and a new Commercial Registration No. 4030449122 was issued for the Company in Jeddah dated 06/06/1443H (corresponding to 09/01/2022G). On 29/03/1443H (corresponding to 04/11/2021G), the General Assembly approved the merger of Mada Al Ghurair Limited Company (the merged entity), a limited liability company established under commercial registration No. 1010652183, dated 20/01/1442H (corresponding to 08/09/2020G), including all its assets, rights, liabilities and obligations, into Modern Mills Company (the merging entity). Following this merger, the new ownership structure of the Company became as follows: Mada International Holding Company (50%), Al Ghurair Foods (45%), and Masafi Co. (5%). The amended bylaws issued by the Ministry of Commerce were approved on 17/06/1443H (corresponding to 20/01/2022G). It should be noted that Mada Al Ghurair Limited Company was established as a special purpose entity to meet one of the privatization requirements, namely that each qualified bidder shall undertake to establish a legal entity in Saudi Arabia to acquire Modern Mills Company. On 18/09/1443H (corresponding to 19/04/2022G), the General Assembly approved an increase in the Company's capital from eight hundred ninety-nine million six hundred sixty-six thousand five hundred and ninety Saudi Riyals (SAR 899,666,590), divided into eighty-nine million nine hundred sixty-six six hundred and fifty-nine (89,966,659) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to eight hundred ninety-nine million, six hundred sixty-six thousand, six hundred Saudi Riyals (SAR 899,666,600), divided into eighty-nine million nine hundred sixty-six thousand, six hundred and sixty (89,966,660) fully paid cash ordinary shares with a nominal value of ten (10) Saudi Riyals per share. This change was effected through a bank deposit, and one new share was issued to Mada International Holding Company. Additionally, the Company's name was changed from "**Third Milling Company**" to "**Modern Mills Company.**" The amended bylaws issued by the Ministry of Commerce were approved on 08/11/1443H (corresponding to 07/06/2022G). On 24/03/1444H (corresponding to 20/10/2022G), the General Assembly approved the reduction of the Company's capital from eight hundred ninety-nine million, six hundred sixty-six thousand, six hundred Saudi Riyals (SAR 899,666,600), divided into eighty-nine million, nine hundred and sixty-six thousand, six hundred and sixty (89,966,660) ordinary shares, to eighty-one million, eight hundred and thirty-two thousand Saudi Riyals (SAR 81,832,000), divided into eight million, one hundred and eighty-three thousand and two hundred (8,183,200) fully paid cash ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share, through the cancellation of the shares proportionate to such share capital reduction through writing off the deficit resulting from the merger of the Company with Mada Al Ghurair Limited Company, which amounted to eight hundred and seventeen million, eight hundred and thirty-five thousand and sixty-four Saudi Riyals (SAR 817,835,064) after adjusting the amount by four hundred and sixty-four Saudi Riyals (SAR 464) from the retained earnings to eliminate the impact of fractional shares which amounted to eight hundred and seventeen million, eight hundred and thirty-four thousand, and six hundred Saudi Riyals (SAR 817,834,600). The amended bylaws issued by the Ministry of Commerce were approved on 22/04/1444H (corresponding to 16/11/2022G). On 19/03/1445H (corresponding to 04/10/2023G), the Extraordinary General Assembly approved the reduction of the nominal value of the Company's shares from ten Saudi Riyals (SAR 10) to one Saudi Riyal (SAR 1) by splitting each share into ten shares. As a result, the Company's capital became eighty-one million, eight hundred and thirty-two thousand Saudi Riyals (SAR 81,832,000), divided into eighty-one million, eight hundred and thirty-two thousand (81,832,000) fully paid ordinary shares with a nominal value of one Saudi Riyal (SAR 1) per share. (For further information, please refer to Section 4.6 ("**Overview of the Company and Growth of its Capital**") of this Prospectus.

Company's Activities

In accordance with its Bylaws, the Company's activities are as follows:

1- Growing of cereals (except rice), leguminous crops, and oilseeds.
2- Manufacture of grain mill products.
3- Manufacture of prepared animal fodder.
4- Manufacture of other food products not elsewhere classified.
5- Manufacture of bakery products.
6- Wholesale trade of agricultural raw materials and live animals.
7- Wholesale of food, beverages, and tobacco.
8- Retail sale in non-specialized stores with food, beverages or tobacco predominating
9- Retail sale of food in specialized stores
10- Retail sale of other new goods in specialized stores.
11- Storage.
12- Rail transport of goods.
13- Road freight transport of goods.

In accordance with its commercial register, the Company's activities are as follows:

1- Wheat packing and milling.
2- Barley packing and milling.
3- Manufacture of concentrated animal fodder.
4- Wholesale of barley.
5- Wholesale of bakery products.
6- Retail sale of barley.
7- Freight transport by road

The Company's current activity consists of the production, packaging and sale of flour products and byproducts, animal feed and bran.

Substantial Shareholders and Number of Shares held by them Pre- and Post-Offering

The following table sets out the names as well as pre-Offering and post-Offering ownership percentages of Substantial Shareholders.

Table (1.2): Overview of Substantial Shareholders of the Company Pre- and PostOffering

Shareholder Name	Shareholding (Pre-Offering)			Shareholding (Post-Offering)		
	No. of Shares	Par Value (SAR)	Direct Ownership	No. of Shares	Par Value (SAR)	Direct Ownership
Mada International Holding Company	40,916,000	40,916,000	50%	28,232,040	28,232,040	34.5%
Al Ghurair Foods	36,824,400	36,824,400	45%	25,408,836	25,408,836	31.05%
Masafi Co.	4,091,600	4,091,600	5%	2,823,204	2,823,204	3.45%
Treasury Shares*	-	-	-	818,320	818,320	1%
Public	-	-	-	24,549,600	24,549,600	30%
Total	**81,832,000**	**81,832,000**	**100%**	**81,832,000**	**81,832,000**	**100%**

*The Company will hold 818,320 treasury shares after the Offering through buying 687,389 shares (representing 84% of treasury shares) based on the final Offer Price and the award of 130,931 shares (representing 16% of treasury shares) by the Selling Shareholders, in conjunction with completing the Offering process to use them within the Company's employee stock program. For more details, please refer to Section 5.8.1 ("**Employee Share Program**").

Source: the Company

Company's Capital	Eighty-one million eight hundred and thirty-two thousand Saudi Riyals (SAR 81,832,000).
Total Number of Issued Shares	Eighty-one million eight hundred and thirty-two thousand (81,832,000) ordinary shares paid in full.

Offering	Initial public offering of twenty-four million five hundred forty-nine thousand six hundred (24,549,600) ordinary shares, with a paid-up nominal value of one Saudi Riyal (SAR 1) per share, at an offer price of forty eight Saudi Riyals (SAR 48), representing 30% of the share capital of the Company.
Total Number of Offer Shares	Twenty-four million five hundred forty-nine thousand six hundred (24,549,600) Ordinary Shares.
Nominal value per Share	One Saudi Riyal (SAR 1) per Share.
Percentage of Offer Shares to the total number of issued Shares	The Offer Shares represent 30% of the Company's total Share Capital.
Offer Price	48 Saudi Riyals per Share.
Total value of Offer Shares	1,178,380,800 Saudi Riyals
Use of Proceeds	The Net Proceeds from the Offering amounting to approximately SAR 1,134,380,800 (after deducting the Offering expenses estimated at 44,000,000 Saudi Riyals will be distributed to the Selling Shareholders in proportion to the number of Offer Shares to be sold by each of them. The Company will not receive any part of the Net Proceeds from the Offering (for further details, please refer to Section 8 ("**Use of Proceeds**") of this Prospectus)).
Number of Shares Underwritten	Twenty-four million five hundred forty-nine thousand six hundred (24,549,600) Ordinary Shares.
Total Underwritten Offering Amount	1,178,380,800 Saudi Riyals
Categories of Targeted Investors	Subscription for the Offer Shares is restricted to the following groups of investors: **Tranche (A): Participating Parties:** This tranche comprises investors eligible to participate in the book-building process in accordance with the Instructions for Book Building Process and Allocation Method in Initial Public Offerings, as issued by the Capital Market Authority. The number of Offer Shares to be allocated to Participating Parties effectively participating in the book-building process is twenty-four million five hundred forty-nine thousand six hundred (24,549,600) ordinary Offer Shares, representing 100% of the total Offer Shares. In the event there is sufficient demand by Individual Investors (as defined under Tranche (B) below), the Financial Advisor shall have the right to reduce the number of Offer Shares allocated to Participating Parties to a minimum of twenty-two million ninety-four thousand six hundred forty (22,094,640) ordinary shares, representing 90% of the total Offer Shares. The Financial Advisor, in coordination with the Company, shall determine the number and percentage of Offer Shares to be allocated to Participating Parties. **Tranche (B): Individual Investors:** This tranche includes Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe in her own name or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children; and any non-Saudi Arabian national who is residing in Saudi Arabia and any national of countries in the Gulf Cooperation Council (the "**GCC**"), in each case who has a bank account with a Receiving Agent and has the right to open an investment account with a capital market institution (collectively, the "**Individual Investors**", and each an "**Individual Investor**"). Subscription by a person in the name of his divorcee shall be deemed invalid. If a transaction of this nature is proved to have occurred, the applicable regulations shall be enforced against such person. If a duplicate subscription is made, the second subscription will be deemed void, and only the first subscription will be accepted. A maximum of two million four hundred fifty-four thousand nine hundred sixty (2,454,960) ordinary shares, representing ten percent (10%) of the Offer Shares, shall be allocated to Individual Investors. In the event that the Individual Investors do not subscribe in full for the Offer Shares allocated to them, the Lead Manager may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed for thereby.
Total Offer Shares Available for each Targeted Investor Category	
Number of Shares offered to Participating Parties	Twenty-four million five hundred forty-nine thousand six hundred (24,549,600) Ordinary Shares representing 100% of the total Offer Shares. In the event there is sufficient demand by Individual Investors, the Financial Advisor, in coordination with the Company, may decide to reduce the number of Shares allocated to Participating Parties to a minimum of twenty-two million ninety-four thousand six hundred forty (22,094,640) ordinary shares, representing 90% of the total Offer Shares.
Number of Shares offered to Individual Investors	A maximum of two million four hundred fifty-four thousand nine hundred sixty (2,454,960) Offer Shares, representing 10% of the total Offer Shares. In the event that Individual Investors do not subscribe in full for the Offer Shares allocated to them, the Lead Manager may reduce the number of Offer Shares allocated thereto in proportion to the number of Offer Shares subscribed for thereby.

Subscription Method for each Targeted Investor Category	
Subscription Method for Participating Parties	Participating Parties are entitled to apply for subscription, and the Lead Manager will provide Bidding Participation Forms to the Participating Party investors during the Book-Building Period. After the initial allocation, the Lead Manager will provide Participating Parties with Subscription Application Forms, which they must fill out in accordance with the instructions described in Section 17 ("**Offering Terms and Conditions**").
Subscription method for Individual Investors	Subscription Application Forms will be provided to Individual Investors during the Offering Period by one of the Receiving Agents. Subscription Application Forms must be completed in accordance with the instructions described in Section 17 ("**Offering Terms and Conditions**"). Individual Investors who have participated in recent initial public offerings in the Kingdom can also subscribe through the internet, telephone banking or automated teller machines ("**ATMs**") of any of the Receiving Agents' branches that offer any or all such services to their customers, provided that the following requirements are satisfied: (i) the Individual Investor must have a bank account at a Receiving Agent which offers such services, and (ii) there have been no changes in the personal information or data of the Individual Investor since such person's subscription to the last initial public offering.
Minimum Number of Offer Shares to be Applied for by each Category of Targeted Investors	
Minimum Number of Offer Shares to be Applied for by Participating Parties	Fifty thousand (50,000) Shares.
Minimum Number of Offer Shares to be Applied for by Individual Investors	(10) Shares.
Minimum Subscription Amount by each Category of Targeted Investors	
Minimum Subscription Amount for Participating Parties	2,400,000 Saudi Riyals.
Minimum Subscription Amount for Individual Investors	480 Saudi Riyals.
Maximum Number of Offer Shares to be Applied for by each Category of Targeted Investors	
Maximum Number of Offer Shares to be Applied for by Participating Parties	Four million and ninety-one thousand five hundred and ninety-nine (4,091,599) Shares, and in relation to public funds only, the maximum number of Offer Shares shall not exceed the maximum limit for each participating public fund that is determined in accordance with the Book-Building Instructions.
Maximum Number of Offer Shares to be Applied for by Individual Investors	Two hundred and fifty thousand (250,000) Shares.
Maximum Subscription Amount by each Category of Targeted Investors	
Maximum Subscription Amount for Participating Parties	196,396,752 Saudi Riyals.
Maximum Subscription Amount for Individual Investors	12,000,000 Saudi Riyals.

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Allocation and Refund Method for each Category of Targeted Investors	
Allocation of Offer Shares to Participating Parties	Final allocation of the Offer Shares to the Participating Parties will be made through the Lead Manager following subscription by Individual Investors. The number of Offer Shares to be initially allocated to Participating Parties is twenty-four million five hundred forty-nine thousand six hundred (24,549,600) Shares representing 100% of the total Offer Shares. In the event there is sufficient demand by Individual Investors for the Offer Shares, the Financial Advisor, in coordination with the Company, may decide to reduce the number of Shares allocated to Participating Parties to twenty-two million ninety-four thousand six hundred forty (22,094,640) Ordinary Shares, representing 90% of the total Offer Shares, following subscription by Individual Investors. Initially, 7,369,451 Shares (representing 30% of the total Offer Shares) will be allocated to public funds, noting that in the event there is sufficient demand by Individual Investors, the Lead Manager shall have the right to reduce the number of Offer Shares allocated to public funds to a minimum of 6,632,506 Ordinary Shares representing 27% of the total Offer Shares, after completion of the Individual Investors Subscription.
Allocation of Offer Shares to Individual Investors	The allocation of the Offer Shares for Individual Investors is projected to be completed no later than Tuesday 02/09/1445H (corresponding to 12/03/2024G), with the minimum allocation per Individual Investor amounting to ten (10) Offer Shares, and the maximum allocation per Individual Investor amounting to two hundred and fifty thousand (250,000) Offer Shares. The remaining Offer Shares, if any, shall be allocated on a pro-rata basis based on the number of Offer Shares applied for by each Individual Investor to the total number of subscribed for shares. In the event that the number of Individual Investors exceeds eight hundred and eighteen thousand three hundred and twenty (818,320), the Company will not guarantee the minimum allocation of Offer Shares, and the allocation will be made as determined by the Company and the Financial Advisor.
Refund of Excess Subscription Monies	Surplus subscription amounts (if any) will be refunded without any charge or withholding by the Lead Manager or relevant Receiving Agent. Notification of the final allotment will be made on Tuesday 02/09/1445H (corresponding to 12/03/2024G) and refund of subscription monies, if any, will be made at the latest by Monday 08/09/1445H (corresponding to 18/03/2024G) (for further details, see "**Key Dates and Subscription Procedures**" on page (xx) and Section 17 ("**Offering Terms and Conditions**")) of this Prospectus)).
Offering Period	The Offering will commence on Tuesday 24/08/1445H (corresponding to 05/03/2024G), and will remain open for a period of two days up to and including the Offering End Date on Wednesday 25/08/1445H (corresponding to 06/03/2024G).
Distribution of Dividends	The Offer Shares will entitle their holders to receive any dividends declared and paid by the Company from the date of this Prospectus and for subsequent financial years (for further details, please refer to Section 7 ("**Dividend Distribution Policy**") of this Prospectus).
Voting Rights	The Company has only one class of Ordinary Shares, which do not carry any preferential voting rights. Each Share grants its holder the right to one vote, and each Shareholder has the right to attend and vote in the Company's General Assembly meetings. A Shareholder may authorize another Shareholder that is not a member of the Board of Directors, to attend General Assembly meetings and vote on its behalf (for further details, please refer to Section 12.14 ("**Rights of Shareholders**") of this Prospectus)).
Share Restrictions (Lock-Up Period)	Starting from the commencement of trading of the Company's shares on the Exchange, Substantial Shareholders as listed on page (xv) of this Prospectus are prohibited from disposing of their shares without obtaining the approval of the GFSA and the CMA[2], subject to obtaining any required approvals from other concerned Government Authorities. The Offer Shares are also subject to the general restrictions applying on Shares in the Kingdom. After the Offering, Current Shareholders of the Company shall maintain ownership of at least 51% in the Company (directly or indirectly) for the duration of the financing document between the Company and Alinma Bank (for more information, please refer to Section 12.8 ("**Credit Facilities and Loans**") of this Prospectus). In addition, the Company may not list shares of the same class of the Offer Shares for a period of six (6) months from the date of commencement of trading the Shares on the Exchange. Shares shall also be subject to the general restrictions applied to listed shares in the Kingdom.

2 (i) In accordance with the provisions of the OSCOs, Substantial Shareholders shall not dispose of their Shares for a period of six (6) months from the date of commencement of trading of the Shares on the Exchange, and (ii) in accordance with the provisions of the Company's GFSA License, the Company may not make any direct change to the Company's ownership nor any change in control among the owners or Shareholders of the Company who own (directly or indirectly) more than 5% of the Company's Shares, except after obtaining the approval of the GFSA. It should be noted that the approval of the Capital Market Authority should be obtained to lift such restriction.

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Listing and Trading of Shares	Prior to the Offering, the Company's Shares have never been listed or traded in any stock market either in the Kingdom of Saudi Arabia or elsewhere. Applications have been submitted by the Company to the Capital Market Authority for the registration and offering of the Shares in accordance with the OSCOs, and the Exchange for the listing of the Shares in accordance with the Listing Rules. All relevant approvals to conduct the Offering have been granted and all CMA and Tadawul required documents submitted, and all requirements have been met, including those pertaining to the listing of the Company on the Exchange. It is expected that trading in the Shares will commence on the Exchange shortly after the final allocation of the Offer Shares.
Risk Factors	There are certain risks related to investing in the Offering. Such risks can be classified as follows: (i) risks related to the Company and its operations; (ii) risks related to the market; and (iii) risks related to the Shares. These risks are described in Section 2 ("**Risk Factors**") and the "**Important Notice**" in the preamble hereof, and should be carefully considered prior to making a decision to invest in the Offer Shares.
Offering Expenses	The Selling Shareholders shall be responsible for all expenses and costs associated with the Offering, estimated at around forty-four million Saudi Riyals (SAR 44,000,000). Such costs shall be deducted from the Offering proceeds and include the fees of the Financial Advisor, Underwriters, Issuer's Legal Advisor, the Financial Due Diligence and Working Capital Advisor, Auditor, Market Study Consultant, and other Advisors, in addition to the fees of the Receiving Agents, marketing, printing and distribution expenses, as well as other related expenses.
Financial Advisor, and Lead Manager	**HSBC Saudi Arabia Company** HSBC Building 7267 Olaya Street, Al Murooj District Riyadh 2255-12283 Kingdom of Saudi Arabia Tel: + 966 920005920 Fax: +966 112992385 Website: www.hsbcsaudi.com Email: MMC.IPO@hsbcsa.com
Underwriters	**HSBC Saudi Arabia Company** HSBC Building 7267 Olaya Street, Al Murooj District Riyadh 2255-12283 Kingdom of Saudi Arabia Tel: + 966 920005920 Fax: +966 112992385 Website: www.hsbcsaudi.com Email: MMC.IPO@hsbcsa.com **Emirates NBD Capital KSA** Signature Center, 2nd Floor Prince Turki Al Awwal Hittin Neighborhood P.O. Box 341777, Riyadh 11333 Kingdom of Saudi Arabia Tel: +966 11 2993900 Fax: +966 11 2993955 Website: www.emiratesnbdcapital.com.sa

Note: Page (i) ("**Important Notice**") and Section 2 ("**Risk Factors**") of this Prospectus must be carefully studied before making any decision regarding investing in Offer Shares under this Prospectus.

KEY DATES AND SUBSCRIPTION PROCEDURES

Table (1.3): Expected Offering Timetable

Expected Offering Timetable	Date
Offering Period for Participating Parties and Book-Building Period	A period of seven days, starting from Thursday 05/08/1445H (corresponding to 15/02/2024G) until 4:00 pm on Wednesday 11/08/1445H (corresponding to 21/02/2024G).
Submission Period for Individual Investors	The Offering will commence on Tuesday 24/08/1445H (corresponding to 05/03/2024G), and will remain open for a period of two days up to and including the Offering End Date on Wednesday 25/08/1445H (corresponding to 06/03/2024G).
Deadline for submission of Subscription Forms by Participating Parties based on the initial allocation of Offer Shares	On Friday, 20/08/1445H (corresponding to 01/03/2024G).
Deadline for submission of Retail Subscription Forms and payment of the subscription monies by Individual Investors	On Wednesday, 25/08/1445H (corresponding to 06/03/2024G).
Deadline for payment of subscription money by Participating Parties based on their initially allocated Offer Shares	On Monday, 23/08/1445H (corresponding to 04/03/2024G).
Announcement of final Offer Shares allotment	On Tuesday, 02/09/1445H (corresponding to 12/03/2024G).
Refund of excess subscription monies (if any)	No later than Monday 08/09/1445H (corresponding to 18/03/2024G).
Expected trading commencement date for the Shares	Trading of the Offer Shares on the Exchange is expected to commence after all relevant legal requirements and procedures have been fulfilled. Trading will be announced in local newspapers and on the Saudi Exchange website (www.saudiexchange.sa).

Note: The above timetable and dates therein are indicative. Actual dates will be communicated on the Tadawul website (www.tadawul.com.sa), the Company's website (www.modernmills.com) and the website of the Financial Advisor (www.hsbcsaudi.com).

How to Apply for Offer Shares

The Offering shall be restricted to the following two groups of investors:

Tranche (A): Participating Parties: This tranche comprises investors eligible to participate in the book-building process in accordance with the Book-Building Instructions (for further information, please refer to Section 1 ("**Definitions and Abbreviations**") and Section 17 ("**Offering Terms and Conditions**") of this Prospectus)).

Tranche (B): Individual Investors: This tranche includes Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi Arabian national who is resident in the Kingdom and any national of countries of the Cooperation Council for the Arab States of the Gulf (the "**GCC**"), in each case who has a bank account with a Receiving Agent and having the right to open an investment account with a capital market institution. Subscription by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

Set out below is an overview of how the Participating Parties and Individual Investors can subscribe to the Offer Shares:

Participating Parties:

Participating Parties can obtain the Subscription Application Forms from the Lead Manager during the Book-Building Period, and obtain the Subscription Form from the Lead Manager following the initial allocation. The Lead Manager shall, after the approval of the CMA, offer the Offer Shares to Participating Parties only during the Book-Building Period. Subscriptions by Participating Parties shall commence during the Offering Period, which shall also include the Individual Investors, according to the terms and conditions detailed in the Subscription Forms. A signed and stamped Subscription Form shall be submitted to the Lead Manager, with such Subscription Form representing a binding agreement between the Selling Shareholders and the applicant Participating Party.

Individual Investors:

Subscriptions shall take place through the internet, telephone banking or ATMs of any of the Receiving Agents offering any or all such services to Individual Investors, provided that the following requirements are satisfied:

- The Individual Investor must have a bank account at the Receiving Agent which offers such services; and
- There have been no changes in the personal information or data of the Individual Investor (by way of exclusion or addition of any member of his family) since such person last participated in an initial public offering.

Each applicant is required to fill out the Subscription Form according to the instructions described in Section 17 ("**Offering Terms and Conditions**") of this Prospectus. Each applicant must complete all the relevant sections in the Subscription Form. The Company reserves the right to reject any Subscription Form, in part or in whole, if any of the subscription terms and conditions are not met. The Subscription Form cannot be amended or withdrawn once submitted. Furthermore, the Subscription Form shall, upon submission, be considered to be a legally binding agreement by the relevant investor to the Selling Shareholders (for further information, please refer to Section 17 ("**Offering Terms and Conditions**") of this Prospectus)).

Excess subscription monies, if any, will be refunded to the primary Individual Investor's account held with the Receiving Agent from which the subscription value has been debited in the first place, without withholding any charge or commission by the Lead Manager or relevant Receiving Agent. Excess subscription monies shall not be refunded in cash or to third-party accounts.

SUMMARY OF KEY INFORMATION

This summary of key information aims to give an overview of the information contained in this Prospectus. As it is a summary, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary should be treated as an introduction to this Prospectus. Recipients of this Prospectus should read the Prospectus in its entirety, as any decision by prospective investors to invest in the Offer Shares should be based on a study of this Prospectus as a whole. In particular, it is important to carefully consider the ("**Important Notice**") on page (i) and Section 2 ("**Risk Factors**"), respectively, prior to making any investment decision in relation to the Offer Shares.

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OVERVIEW OF THE COMPANY

Company's Establishment and Capital Evolution

Modern Mills Company is a Saudi joint-stock company established under commercial registration no. 4030449122 dated 06/06/1443H (corresponding to 09/01/2022G), issued in Jeddah, Kingdom of Saudi Arabia, and having its address at 2780, Muhammad Al-Tayeb Al-Tunisi Street, Al-Khalidiya, 6228. The Company was established pursuant to ministerial resolution no. G/13 dated 11/01/1438H (corresponding to 12/10/2016G). The current share capital of the Company is eighty-one million eight hundred and thirty-two thousand Saudi Riyals (SAR 81,832,000) divided into eighty-one million eight hundred and thirty-two thousand (81,832,000) Ordinary Shares with a fully paid-up nominal value of one Saudi Riyal (SAR 1) per share. In accordance with its commercial register, the Company's main activities are as follows: wheat packing and milling; barley packing and milling; manufacture of concentrated animal fodder; wholesale of barley; wholesale of bakery products; retail sale of barley; and storage in ports, customs areas, or free zones. The Company commenced its operations in 1972G as a group of wheat mills under the GFSA, established by Royal Decree No. M/14 dated 25/03/1392H (corresponding to 09/05/1972G).

On 11/01/1438H, corresponding to 12/10/2016G, Ministerial Resolution No. G/13 was issued, declaring the incorporation of Modern Mills Company. The Company was established in Khamis Mushait under commercial registration No. 5855070277 dated 10/02/1438H, corresponding to 10/11/2016G, under the name "**Third Milling Company**" as a single-person closed joint-stock company wholly-owned by the PIF, pursuant to ministerial resolution no. G/228 dated 23/09/1437H (corresponding to 28/06/2016G), approving the incorporation of the Company, with a share capital of five hundred thousand Saudi Riyals (SAR 500,000), divided into fifty thousand (50,000) ordinary shares with a paid nominal value of one hundred and twenty-five thousand Saudi Riyals (SAR 125,000) at ten Saudi Riyals (SAR 10) per share.

On 03/02/1441H (corresponding to 02/10/2019G), the General Assembly approved the increase of the Company's capital from five hundred thousand Saudi Riyals (SAR 500,000), divided into fifty thousand (50,000) ordinary shares, to eight hundred ninety-nine million six hundred sixty-six thousand five hundred and ninety Saudi Riyals (SAR 899,666,590), divided into eighty-nine million nine hundred sixty-six thousand six hundred and fifty-nine (89,966,659) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, through the transfer of eight hundred ninety-nine million one hundred sixty-six thousand five hundred and ninety Saudi Riyals (SAR 899,166,590) from the other reserves account to the capital account, and the issuance of eighty-nine million nine hundred sixteen thousand six hundred and fifty-nine (89,916,659) ordinary shares, and the transfer of seven Saudi Riyals (SAR 7) from the other reserves account to the retained earnings account. The amended bylaws issued by the Ministry of Commerce were approved on 12/05/1441H (corresponding to 07/01/2020G).

On 17/10/1441H (corresponding to 09/06/2020G), pursuant to the Council of Ministers' resolution No. 631, the PIF transferred all of its shares in the Company, totaling eighty-nine million nine hundred sixty-six thousand six hundred and fifty-nine (89,966,659) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to the NCP.

On 16/05/1442H (corresponding to 31/12/2020G), the NCP transferred all its shares in the Company, totaling eighty-nine million nine hundred sixty-six thousand six hundred and fifty-nine (89,966,659) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to Mada Al Ghurair Limited Company under a share purchase agreement entered into by and between the NCP and Mada Al Ghurair Limited Company executed on 29/01/1442H (corresponding to 17/09/2020G). The Company's Shareholders established Mada Al Ghurair Limited Company on 20/01/1442H (corresponding to 08/09/2020G) as a special purpose entity with the aim of meeting one of the privatization requirements, where each qualified bidder pledges to establish a legal entity in the Kingdom to acquire the Company. The Company's current Shareholders succeeded in acquiring the Company after winning a competitive tender that took place during the Company's privatization period. The Company's current Shareholders acquired the Company after the completion of the merger of Mada Al Ghurair Limited Company with the Company at a purchase price of SAR 818 million. The transaction cost amounted to SAR 76 million, including bank debt fees and a reserve account for debt service before financing, in addition to development costs and success fees. This acquisition was financed using debt representing 80% of the amount and cash representing 20% of the amount, which includes a loan amounting to SAR 714.8 million by a commercial bank at a SAIBOR rate in addition to the applicable margin and in accordance with certain guarantees, which include, but are not limited to, a pledge on the Company's Shares, and a guarantee by Shareholders to cover the debt until specific key performance indicators are met for two consecutive years (as the Shareholders of Mada Al Ghurair Limited Company obtained a loan of SAR 714.8 million and a loan of SAR 165.6 million from Shareholders in Mada Al Ghurair Limited Company). The capital of Mada Al Ghurair Limited

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Company before its merger with the Company amounted to one hundred thousand Saudi Riyals (SAR 100,000), divided into ten (10) Shares with a value of ten thousand Saudi Riyals (SAR 10,000) per share, with 50% owned by Mada International Holding Company, 45% by Al Ghurair Foods Company and 5% for Masafi Company.

On 06/06/1443H (corresponding to 09/01/2022G), the Company's Head Office was relocated from Khamis Mushait to Jeddah, and a new Commercial Registration No. 4030449122 was issued for the Company in Jeddah dated 06/06/1443H (corresponding to 09/01/2022G).

On 29/03/1443H (corresponding to 04/11/2021G), the General Assembly approved the merger of Mada Al Ghurair Limited Company (the merged entity), a limited liability company established under commercial registration No. 1010652183, dated 20/01/1442H (corresponding to 08/09/2020G), including all its assets, rights, liabilities and obligations, into Modern Mills Company (the merging entity). Following this merger, the new ownership structure of the Company became as follows: Mada International Holding Company (50%), Al Ghurair Foods (45%), and Masafi Co. (5%). The amended bylaws issued by the Ministry of Commerce were approved on 17/06/1443H (corresponding to 20/01/2022G). It should be noted that Mada Al Ghurair Limited Company was established as a special purpose entity to meet one of the privatization requirements, namely that each qualified bidder shall undertake to establish a legal entity in Saudi Arabia to acquire Modern Mills Company.

On 18/09/1443H (corresponding to 19/04/2022G), the General Assembly approved an increase in the Company's capital from eight hundred ninety-nine million six hundred sixty-six thousand five hundred and ninety Saudi Riyals (SAR 899,666,590), divided into eighty-nine million nine hundred sixty-six thousand six hundred and fifty-nine (89,966,659) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to eight hundred ninety-nine million, six hundred sixty-six thousand, six hundred Saudi Riyals (SAR 899,666,600), divided into eighty-nine million nine hundred sixty-six thousand, six hundred and sixty (89,966,660) fully paid cash ordinary shares with a nominal value of ten (10) Saudi Riyals per share. This change was effected through a bank deposit, and one new share was issued to Mada International Holding Company. Additionally, the Company's name was changed from "**Third Milling Company**" to "**Modern Mills Company.**" The amended bylaws issued by the Ministry of Commerce were approved on 08/11/1443H (corresponding to 07/06/2022G).

On 24/03/1444H (corresponding to 20/10/2022G), the General Assembly approved the reduction of the Company's capital from eight hundred ninety-nine million, six hundred sixty-six thousand, six hundred Saudi Riyals (SAR 899,666,600), divided into eighty-nine million, nine hundred and sixty-six thousand, six hundred and sixty (89,966,660) ordinary shares, to eighty-one million, eight hundred and thirty-two thousand Saudi Riyals (SAR 81,832,000), divided into eight million, one hundred and eighty-three thousand and two hundred (8,183,200) fully paid cash ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share, through the cancellation of the shares proportionate to such share capital reduction through writing off the deficit resulting from the merger of the Company with Mada Al Ghurair Limited Company, which amounted to eight hundred and seventeen million, eight hundred and thirty-five thousand and sixty-four Saudi Riyals (SAR 817,835,064) after adjusting the amount by four hundred and sixty-four Saudi Riyals (SAR 464) from the retained earnings to eliminate the impact of fractional shares which amounted to eight hundred and seventeen million, eight hundred and thirty-four thousand, and six hundred Saudi Riyals (SAR 817,834,600). The amended bylaws issued by the Ministry of Commerce were approved on 22/04/1444H (corresponding to 16/11/2022G).

On 19/03/1445H (corresponding to 04/10/2023G), the Extraordinary General Assembly approved the reduction of the nominal value of the Company's shares from ten Saudi Riyals (SAR 10) to one Saudi Riyal (SAR 1) by splitting each share into ten shares. As a result, the Company's capital became eighty-one million, eight hundred and thirty-two thousand Saudi Riyals (SAR 81,832,000), divided into eighty-one million, eight hundred and thirty-two thousand (81,832,000) fully paid ordinary shares with a nominal value of one Saudi Riyal (SAR 1) per share.

(For further information, please refer to Section 4.6 ("**Overview of the Company and Growth of its Capital**") of this Prospectus.

Vision of the Company

The Company's vision is to be the most trusted nutrition company in Saudi Arabia, supporting the Kingdom's food security.

Mission of the Company

The Company's mission is to produce and distribute a portfolio of ingredients and end-to-end solutions delivering profitable growth in a healthy corporate environment.

Strengths and Competitive Advantages of the Company

The Company believes that it has developed strengths and competitive advantages, which allow it to pursue available market opportunities that are in line with its vision and mission. The Company's main strengths and competitive advantages include the following:

- Attractive industry fundamentals with resilient and protected growth
- Leading local market position
- Well-diversified operations at all levels
- Best-in-class operations and infrastructure
- Strong financial performance with compounding cash generation
- Transparent growth drivers and clear opportunities for expansion
- Experienced and highly efficient management team and robust corporate governance

Key Developments of the Company since Establishment

The following table details the main developments of the Company since its establishment until the date of this Prospectus.

Table (1.4): Key Developments of the Company since Establishment

Year	Event/Development
1972G	GFSA was established by Royal Decree number M/14 dated 25/03/1392H (corresponding to 09/05/1972G)
1982G	GFSA established a production facility in Khamis Mushait.
2008G	GFSA established a production facility in Al-Jouf.
2009G	GFSA launched the privatization program with an aim to raise the level of operational competency, improve monetary performance, support economic growth, and improve operational competency.
2011G	The Supreme Economic Council (currently, the Saudi Council of Economic and Development Affairs) approved the strategy of privatizing the milling companies, which provides for the consolidation of all operations of the mills in four companies, and for the Company it consisted of assembling the branches of Al-Jumum, Khamis Mushait and Al-Jouf.
2013G	GFSA established a second production facility in Khamis Mushait with a production capacity of 800 MT per day.
2015G	GFSA established a production facility in Al-Jumum.
2016G	The Council of Ministers issued its resolution no. 35 approving the Organization Privatization Program and establishing the Company as a closed joint stock company owned by the PIF.
2017G	The Company commenced its commercial operations as a separate entity.
2020G	GFSA accepted bid by a consortium comprising Al Rajhi Holding and Al Ghurair Foods for the acquisition of the Company.
2021G	The Company completed its merger with Mada Al Ghurair Limited Company, confirming the existing ownership structure.
2022G	The Company established a subsidiary distribution company, Hasad Al-Arabia for Trade.
	The Company commenced the expansion of the Al-Jumum facility.
	The Company was rebranded as Modern Mills Company.
	The Company launched a dedicated B2B brand in its flour business, Modern Mills for Food Products Company.
	The Company launched capital expenditures related to improvements to its standards, SAP software and machinery upgrade.
	The Company reduced operational expenses through programs aimed at increasing productivity and reducing costs.
2023G	The Company launched three retail brands in its flour business and commenced contracting with third party distributors to further penetrate the retail segment.
	The Company invested in technical training and personal skills.
	The Company launched ESG projects.

Source: the Company

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Company Strategy

The Company seeks to enhance and diversify its services and products to satisfy the needs of its existing customers and win more customers through additional services and products, while maintaining its leading market position. According to Euromonitor International Limited, flour consumption in the Kingdom is expected to grow at a CAGR of 3.2% between 2022G and 2030G. The Company's vision is to be the most trusted nutrition company in the Kingdom, while supporting its food security. Its mission is to produce and distribute a portfolio of ingredients and end-to-end solutions delivering profitable growth in a healthy corporate environment. To achieve this, the Company extensively studied the market and its needs, including an analysis of the internal and external factors affecting the scope of the Company's business. Based on its studies, the Company has identified strategic avenues to ensure continued growth in order to achieve its vision and mission in the coming years. These avenues revolve around the following four pillars:

- Contributing to achieving food security and gaining a larger market share in the flour and flour derivatives sector: the Company's main activities include the production and storage of flour and feed for the purpose of supporting food security in the Kingdom, noting that the Company also produces flour and feed products and other wheat derivatives. The Company's current annual wheat milling capacity exceeds 1 million MT, and the Company is considered among the largest manufacturers of animal feed in the Kingdom, with a capacity of approximately 400,000 MT.
- Expanding by adding new high-value products: the Company seeks to expand its current product range to become the best nutrition company in the region. Towards that end, the Company has put in place major expansion plans for its Al-Jumum Mill in order to meet the increasing demand during Hajj and Umrah seasons. The Company has also diversified its animal feed portfolio and entered the poultry sector in line with Saudi Vision 2030 to increase self-sufficiency, which resulted in raising its margin compared to its own mills. The Company began penetrating the value-added categories with the highest profit margins and premium categories in retail flour, such as specialty flour, gluten-free, and ready-mixes. The Company also plans to conduct mergers and acquisitions in order to provide it with synergy/vertical integration capabilities, downstream advantages, and opportunities to sell products related to its existing products, thus increasing its cash flow and reducing debt.
- Supporting investment in personnel and technology, and enhancing environmental, social and corporate governance practices: the Company is currently developing its research and development capabilities in order for its distinguished brands to enter into adjacent categories and benefit from growth opportunities in the Kingdom. The Company will also continue to recruit, train and empower an effective workforce, with a focus on recruiting women and developing Saudi national talent within areas of operations. Concurrently, the Company seeks to enhance environmental and social governance, by setting goals/benchmarks on quality, health, safety and environment and focusing on reducing food waste/use of toxic substances. In addition, the Company aims to make further improvements in its ERP/IT systems.
- Expanding into, and accessing, new geographical regions. The Company aims to expand the distribution of unregulated products in Saudi Arabia through its extensive existing network of distributors and the establishment of new relationships. The Company also aims to obtain a license to export flour, in order to give its distinguished brands opportunities to expand into areas not currently covered, and seeks to attract new international markets, especially in the feed sector.

MARKET OVERVIEW

The information and data contained in this Prospectus regarding the market and sector in which the Company operates are derived from the market study report prepared by Euromonitor International Ltd. (the "**Market Study Consultant**") and issued in November 2023G.

Euromonitor International Ltd. was founded in 1972G in London, the United Kingdom, and provides market studies. (For more information about Euromonitor International Ltd., please visit the Market Study Consultant website on: https://www.euromonitor.com/saudi-arabia).

It should be noted that the Market Study Consultant does not, nor does any of its shareholders, directors, or their relatives own any Shares or any interest of any kind in the Company or its Subsidiaries. As at the date of this Prospectus, the Market Study Consultant has given, and has not withdrawn, its written consent for the use of its market information and data, in the manner and format set out in this Prospectus.

The Saudi Arabian economy continues to rebound from the recession in 2020G resulting from the effects of COVID-19. Positive gains were driven by a strong government focus on upgrading infrastructure and implementing socio-economic reforms, most notably a rise in female employment.

The Saudi economy (GDP valued at SAR 4.2 trillion in 2022G) experienced a CAGR of 7.0% over 2018-22G, emerging as the key driver and growing country in the GCC region which is growing at a CAGR of 5.2%[3] over the same period, as the government continued to target non-oil diversification, infrastructure expansion and socioeconomic reforms, which translated into increased foreign and domestic investment. Disposable income per capita stood at SAR 45,954 in 2022G, with growing consumer expenditure on food and beverages (F&B) supported by higher employment levels among Saudi youth and women. Strong investment in tourism, ongoing privatization efforts and food security ambitions are likely to foster continued economic improvement over the forecast period, with a projected GDP CAGR of 2.9% over 2022-30G. Infrastructure development and increased tourism activity combined with continued population growth are likely to fuel further expansion of consumer foodservice and, in turn, the food production sector.

The wheat flour market is highly regulated and localized, with government subsidies in place for both producers and end users.

The government plays a key role in the wheat flour market, procuring wheat from global and local producers and supplying it to four milling companies at subsidized rates for processing into wheat flour. These milling companies, originally owned by GFSA, were privatized between 2020G and 2021G and operate mills in different regions of the Kingdom. The GFSA also regulates the price of the wheat flour produced, when sold in 45kg bags and above. Smaller pack sizes offer an opportunity for milling companies to capitalize on the expansion of the modern retail landscape. Locally produced wheat flour contributed to 98.5% of the market.

Wheat flour market grew in both volume and value term, as milling companies optimized production, expanded customer base and enhanced their product portfolio, to cater to growing population and consumer foodservice which is also expected to fuel a CAGR growth of 4.4% in value terms by 2030G.

After a brief contraction during the COVID-19 pandemic, market demand for wheat flour made a strong recovery in 2022G with total consumption reaching 3.4 million tons, representing a 25.5% increase on the previous year and a CAGR of 6.5% since 2018G. This translated into value sales of SAR 1.95 billion, representing a CAGR of 6.1% since 2018G. A notable recovery in the tourism and food service sectors are expected to support a volume CAGR of 3.2% over the 2022-30G period, to reach over 4.4 million tons by 2030G (corresponding to a CAGR of 4.4% or SAR 2.76 billion in value terms). Overall consumption of wheat flour is mainly driven by bakeries and food manufacturers, which explains the dominance of larger subsidized formats. Sales of subsidized 45kg packs and bulk flour contributed 68.6% and 15.1% of total value sales respectively in 2022G, while 1-10kg pack sizes, whose prices are not regulated, accounted for the remaining 16.3%. Sales of smaller 1-10kg pack sizes are likely to continue benefitting from growing urbanization and modern retail expansion with an anticipated value share of 25.4% by 2030G, with 45kg and bulk sizes projected to contribute 60.2% and 14.4%, respectively.

3 Euromonitor Economies & Consumers Database

The four milling companies hold a dominant position in Kingdom's highly controlled wheat flour market.

The wheat flour market is concentrated among four milling companies, which were assigned around 75-80% of total wheat for flour production over the past two years. Strong growth in volume demand for wheat flour in 2022 combined with a steep decline in imports saw a significant growth in volume sales by the four milling companies. Modern Mills Company (MMC) capitalized on the growth in demand and registered the highest volume growth of 46.4% to achieve a volume share of around 24% (with a value share of 22%) through concerted efforts in optimizing operations, enhancing customer and distributor engagements, and expanding the company's focus on small SKUs. The First Mills Company (MC1) held the highest volume share of 28% (equivalent value share of 26%) in 2022G. The other two milling companies had a cumulative volume share of 47% (with a corresponding value share of 46%).

Heightened demand for total compound animal feed (livestock, poultry, fish and others) in the accessible market was driven by its capacity to yield healthier outputs and its suitability for breeding and raising purposes, with future growth of 3.5% CAGR in value terms by 2030G to be supported by the government's focus on localizing poultry production and consistent demand for red meat.

Total compound animal feed (livestock, poultry, fish and others) consumption reached 3.5 million tons in 2022G, up by a CAGR of 7.0% since 2018G. Value sales growth outpaced growth in volume terms, registering a CAGR of 21.3% since 2018G to reach over SAR 5.8 billion in 2022G. More than half of these sales (52%) were attributed to poultry feed (SAR 3.0 billion in 2022G), which grew by a CAGR of 22.4% over the same period. Livestock feed accounted for a smaller share of 39.5%, due to the lower cost of this less specialized feed. The total compound animal feed market is projected to experience a CAGR of 4.7% over the forecast period to reach volume sales of around 5.1 million tons by 2030G. A slightly lower CAGR of 3.5% should result in value sales of around SAR 7.7 billion by 2030G. Consumption of poultry feed is expected to outpace that of livestock over the forecast period, in volume terms, with the share of poultry feed expected to reach around 57.0% of the market by 2030G, while livestock feed is anticipated to decline to 38.8%.

The total accessible compound animal feed (livestock, poultry, fish and others) market is concentrated among the top three players.

There are over 30 total compound feed manufacturers in the Kingdom. The top three players—ARASCO, United Feed Manufacturing Company and FEEDCO—held over a 50% value share in 2022G, leveraging long-standing partnerships with farms, robust supply chains and versatility in their operations to maintain their leading positions. Modern Mills Company, with the largest processing capacity for animal feed among the main flour milling companies at 1,400 tons per day, had the highest value share among the four milling companies at 7% in 2022G.

Modern Mills Company holds a strong position in both the wheat flour and total compound animal feed markets.

Modern Mills Company operates flour mills in the Southern, Western (with focus on Makkah and Medina regions) and Northern regions of the Kingdom, with a combined daily processing capacity of 3,451 tons for wheat milling and 1,400 tons for animal feed. Backed by a strong consumer base across the Kingdom, Modern Mills Company focuses on optimizing its operations, enhancing its relationships with distributors and expanding its customer base through concerted engagements in 2022. This helped Modern Mills Company expand its volume share in the wheat flour category from over 20% in 2021G to around 24% in 2022G. The steep volume growth was also supported by the Company's focus on smaller pack sizes across various channels.

With the highest animal feed processing capacity among all the milling companies (53.8% of the total), Modern Mills Company is in a strong position to take advantage of the rapidly growing animal feed market. Identifying growth opportunities in poultry and leveraging its leadership position in the Southern region, the company expanded into the poultry segment, which as of 2022G, accounted for 48.0% of the overall animal feed sales for the company. Modern Mills company also actively invests in R&D to customize region-specific animal feed compositions and expand its footprint across the Kingdom.

Keeping market expansion and growth at the forefront, the company aims to continue investing in research and development to expand its remit into new products and adjacent categories in the coming years.

SUMMARY OF FINANCIAL INFORMATION

The selected financial information set out below should be read in conjunction with the audited financial statements for the financial years ended 31 December 2020G, 2021G, and the audited consolidated financial statements for the fiscal year ended 31 December 2022G, together with the notes thereto, in each case prepared in accordance with the International Financial Reporting Standards, as endorsed in the Kingdom of Saudi Arabia (IFRS-KSA). These audited financial statements and the notes attached thereto are included in this Prospectus. In addition, the selected financial information should also be read in conjunction with the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G, together with the notes thereto, which were prepared in accordance with International Accounting Standard No. 34 (Interim Financial Reporting) as endorsed in the Kingdom of Saudi Arabia. These audited financial statements and the notes attached thereto are included in this Prospectus.

The financial information for the financial year ended 31 December 2020G was extracted from the Group's financial information presented in the audited financial statements for the financial year ended 31 December 2021G, which were audited by Aldar for Audit and Consultancy, as well as the Management's information. Similarly, the financial information for the financial years ended 31 December 2021G and 2022G were also extracted from the Group's financial information presented in the consolidated audited financial statements for the financial year ended 31 December 2022G, which were audited by KPMG, in addition to the Management's information. The financial information related to the six-month periods ending on 30 June 2022G and 2023G was extracted from the Group's financial information presented in the condensed interim consolidated financial statements for the six-month period ended 30 June 2023G, which was audited by KPMG, in addition to the Management's information.

The tables below set out the Group's summary statement of profit and loss and other comprehensive income, summary statement of financial position, summary statement of cash flows and selected key performance indicators for the financial years ending 31 December 2020G, 31 December 2021G, 31 December 2022G and the six-month periods ending 30 June 2022G and 2023G.

Table (1.5): Statement of Profit or Loss and Other Comprehensive Income for the Fiscal Years Ended 31 December 2020G, 2021G, and 2022G and the Six-Month Period Ended 30 June 2022G and 2023G

SAR in 000s	2020G Audited	2021G Audited	2022G Audited	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G	Six-month period ended 30 June 2022G Re-viewed	Six-month period ended 30 June 2023G Re-viewed	Variance 30 June 2022G - 30 June 2023G
Revenue	435,280	555,012	978,001	27.5%	76.2%	49.9%	461,633	451,979	(2.1%)
Cost of Revenue	(297,393)	(392,552)	(611,994)	32.0%	55.9%	43.5%	(299,523)	(279,723)	(6.6%)
Gross Profit	**137,887**	**162,459**	**366,007**	**17.8%**	**125.3%**	**62.9%**	**162,110**	**172,256**	**6.3%**
Selling and Distribution Expenses	(5,169)	(10,922)	(27,868)	111.3%	155.2%	132.2%	(4,409)	(18,744)	325.1%
General and Administrative Expenses	(62,197)	(63,037)	(68,626)	1.4%	8.9%	5.0%	(33,874)	(23,430)	(30.8%)
Expected Credit Loss on Trade Receivables	-	-	(103)	N/A	N/A	N/A	(10)	-	(100.0%)
Other Income (Operating)*	2,923	106	697	(96.4%)	557.5%	(51.2%)	42	-	(100.0%)

SAR in 000s	2020G Audited	2021G Audited	2022G Audited	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G	Six-month period ended 30 June 2022G Re-viewed	Six-month period ended 30 June 2023G Re-viewed	Variance 30 June 2022G - 30 June 2023G
Operating Profit	**73,443**	**88,606**	**270,107**	**20.6%**	**204.8%**	**91.8%**	**123,858**	**130,081**	**5.0%**
Financing Costs	(9,402)	(6,920)	(35,815)	(26.4%)	417.6%	95.2%	(14,387)	(23,636)	64.3%
Financing Income*	892	205	1,344	(77.0%)	555.6%	22.7%	253	1,403	454.5%
Profit Before Zakat	**64,934**	**81,891**	**235,636**	**26.1%**	**187.7%**	**90.5%**	**109,724**	**107,848**	**(1.7%)**
Zakat Expense	-	(2,378)	(2,627)	N/A	10.5%	N/A	(1,386)	(2,612)	88.5%
Year Profit	**64,934**	**79,513**	**233,009**	**22.5%**	**193.0%**	**89.4%**	**108,338**	**105,236**	**(2.9%)**
Remeasurement of defined benefit obligations	-	-	44	N/A	N/A	N/A	-	-	N/A
Total comprehensive income for the year	64,934	79,513	233,053	22.5%	193.1%	89.4%	108,338	105,236	(2.9%)
As a % of revenue					**Percentage Points**		**Percentage**		**Percentage Points**
Gross Profit Margin	31.7%	29.3%	37.4%	(2.4)	8.1	5.7	35.1%	38.1%	3.0
Operating Profit Margin	16.9%	16.0%	27.6%	(0.9)	11.6	10.7	26.8%	28.8%	2.0
Income Margin Before Zakat	14.9%	14.8%	24.1%	(0.1)	9.3	9.2	23.8%	23.9%	0.1
Net Income Margin	14.9%	14.3%	23.8%	(0.6)	9.5	8.9	23.5%	23.3%	(0.2)

Source: the audited financial statements for the fiscal year ended December 2021G, the consolidated audited financial statements for the fiscal year ended 31 December 2022G, the condensed interim consolidated financial statements for the six-month period ended 30 June 2023, and management information

* Other revenues were reclassified in the fiscal year ended on 31 December 2021G and the six-month period ended on 30 June 2022 by type of revenues between financing revenues and other operating revenues to conform to the classification approved in the consolidated audited financial statements for the fiscal year ended on 31 December 2022.

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Statement of Financial Position

Table (1.6): Summary of the Statement of Financial Position as at 31 December 2020G, 2021G, and 2022G and as at 30 June 2023G

SAR in 000s	31 December 2020G Audited	31 December 2021G Audited	31 December 2022G Audited	30 June 2023G Reviewed
Total Non-current Assets	906,581	948,356	925,858	910,531
Total Current Assets	464,100	223,769	226,360	236,788
Total Assets	**1,370,681**	**1,172,125**	**1,152,218**	**1,147,318**
Total Equity	1,138,225	97,838	178,428	213,664
Total Non-current Liabilities	181,846	924,331	776,355	742,356
Total Current Liabilities	50,611	149,957	197,435	191,298
Total Liabilities	**232,456**	**1,074,287**	**973,790**	**933,654**
Total Equity and Liabilities	**1,370,681**	**1,172,125**	**1,152,218**	**1,147,318**
Key Performance Indicators				
Return on Average Assets**	4.7%	6.8%	20.2%	20.0%
Return on Average Equity***	5.7%	81.3%	130.6%	107.6%
Current Ratio****	9.2	1.5	1.1	1.2

Source: the audited financial statements for the fiscal year ended 31 December 2021G, the consolidated audited financial statements for the fiscal year ended 31 December 2022G, the condensed interim consolidated financial statements for the six-month period ended 30 June 2023, and management information

*The opening balance for the financial year 2021G was adjusted for the following accounts: property, plant, and equipment; right-of-use assets; inventories; and other liabilities; retained earnings; statutory reserve; lease obligations; and trade payables. Accordingly, the balances as at 31 December 2020G were extracted from the consolidated audited financial statements for the 2021G, i.e. prior to the adjustment taking effect, and the balances as at 31 December 2021G were extracted from the audited financial statements for the 2022G, i.e. after the adjustment taking effect. For more information about the adjustments, please refer to Section 6.10 ("**Correction of Errors**").

**Return on assets is calculated based on net income for the year divided by total assets. For the six-month period ended 30 June 2023G, it is calculated using the last twelve months net income.

***Return on equity is calculated based on net income for the year divided by total equity. For the six-month period ended 30 June 2023G, it is calculated using the last twelve months net income.

****Current ratio is calculated based on current assets divided by current liabilities.

Statement of Cash Flows

Table (1.7): Summary of the statement of cash flows for the period ended 31December 2020G, 2021G, and 2022G and on 30 June 2023G

SAR in 000s	31 December 2020G Audited	31 December 2021G Audited	31 December 2022G Audited	30 June 2023G Reviewed
Profit Before Zakat	64,934	81,891	235,636	107,848
Net Cash from Operating Activities	**104,400**	**154,464**	**353,215**	**88,593**
Net Cash Used in Investing Activities	**(19,500)**	**(18,434)**	**(32,193)**	**(9,187)**
Net Cash Used in Financing Activities	**(13,684)**	**(411,950)**	**(296,995)**	**(100,582)**

Source: the audited financial statements for the fiscal year ended 31 December 2021G, the consolidated audited financial statements for the fiscal year ended 31 December 2022G, the condensed interim consolidated financial statements for the six-month period ended 30 June 2023, and management information

SUMMARY OF RISK FACTORS

Before considering an investment in the Offer Shares, prospective investors are advised to carefully consider all the information contained in this Prospectus, particularly the risks stated below and which are described in detail in Section 2 ("**Risk Factors**").

a- Risks Related to the Company's Operations

1- Risks Related to Government Subsidies and the Company's Reliance on GFSA for the Supply of Wheat and other Key Suppliers

2- Risks Related to Restatement of Financial Statements Due to Accounting Errors

3- Risks Related to the Company's Breach of its Obligations under the Wheat Supply Agreement

4- Risks Related to the Availability and High Prices of Raw Materials

5- Risks Relating to Leases and not Owning the Lands on which the Company's Production Facilities are Located

6- Risks Related to the nature of the transactions and concentration of transactions with Some Key Suppliers

7- Risks Related to Capacity Constraints and Production Inefficiency

8- Risks Related to the Development of Production Lines and Replacement of Assets

9- Risks Related to the Impact of Increasing Costs and Operating Expenses on the Company's Business

10- Risks Related to Safety Accidents at the Company's Production Facilities and Employees' Occupational Errors

11- Risks Related to the Potential Misconduct of the Company's Employees and Errors

12- Risks Related to the Company's Supply Chain

13- Risks Related to the Company's Operations and Unexpected Interruptions to the Company's Business

14- Risks Related to Production Defects

15- Risks Related to Maintaining its Brand Reputation

16- Risks Related to Retail Product Sales

17- Risks Related to Interruptions in the Company's IT Systems

18- Risks Related to the Company's Strategy

19- Risks Related to the Seasonality of Revenues

20- Risks Related to the Company's Related Party Transactions

21- Risks Relating to Protecting Certain Trademarks

22- Risks Relating to the Outbreak of Infectious Diseases or Other Serious Public Health Concerns, including the Continuing Global Spread of COVID-19

23- Risks Related to the Company's Reliance on its Senior Management and Key Personnel

24- Risks Related to Financing Facilities, Liquidity and Obtaining Additional Loans

25- Risks Related to the Lack of Hedging Instruments

26- Risks Related to the Distribution of Profits

27- Risks Related to the Company's Implementation of a Newly Adopted Corporate Governance Manual

28- Risks Related to Management's Lack of Experience in Managing a Publicly Listed Company

29- Risks Related to the Adequacy of Insurance Coverage

30- Risks Related to Litigation Involving the Company

31- Risks Related to the Company's Revenue Growth Rates

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1. DEFINITIONS AND ABBREVIATIONS

1.1 Glossary

Term	Definition
Underwriting Agreement	The underwriting agreement entered into between the Company, the Selling Shareholders and the Underwriters in connection with the Offering.
SWAP Agreements	Type of agreement through which non-Saudi individual investors residing outside the Kingdom or institutions registered outside the Kingdom, agree with a Capital Market Institution licensed by the CMA to invest indirectly to acquire the economic benefits of shares by acquiring the economic benefits of shares.
Application Form	Application form used by the Participating Parties to apply for the Offer Shares during the book-building period. This term includes (as the case may be) the supplementary application form when the price range is changed.
Offer Shares	Twenty-four million five hundred forty-nine thousand six hundred (24,549,600) ordinary shares, representing 30% of the Company's capital.
Secretary	The secretary of the Board of Directors.
Management or Senior Management	Executive board members and senior executives of the Company.
Listing	Acceptance of the listing of all the Company's Shares on the Exchange and official commencement of dealings, in accordance with the Listing Rules.
Shares	Any ordinary share of the Company with a nominal value of SAR (1) per share in the Company's capital.
Relatives	A "**relative**" includes the husband, wife and minor children. For purposes of the Corporate Governance Regulations, a "**Relative**" includes any of the following: • fathers, mothers, grandfathers, grandmothers and ancestors thereof; • children, grandchildren and descendants thereof; • brothers, sisters and half-siblings; and • husbands and wives.
Government	Government of Saudi Arabia, and "**Governmental**" shall be interpreted accordingly.
Acting in Concert	Actively cooperating, pursuant to an agreement or an understanding (whether formal or informal) between persons, to be controllers (whether directly or indirectly, excluding indirect ownership of shares through swap agreements or through an investment fund whose unit owner have no discretion in its investment decisions) of a company, through the acquisition by any of them (through direct or indirect ownership) of voting shares in that company. Moreover, "**concert parties**" shall be construed accordingly.
General Assembly	An Extraordinary General Assembly and/or an Ordinary General Assembly.
Ordinary General Assembly	An ordinary general assembly of the Shareholders convened in accordance with the Company's Bylaws.
Extraordinary General Assembly	An extraordinary general assembly of the Shareholders convened in accordance with the Company's Bylaws.
Public	Persons other than the following: 1- Affiliates of the Issuer; 2- Substantial Shareholders of the Issuer; 3- Directors and Senior Executives of the Issuer; 4- Directors and Senior Executives of the affiliates of the Issuer; 5- Directors and Senior Executives of the Substantial Shareholders of the Issuer; 6- any relative of persons described at (1), (2), (3), (4) or (5) above; 7- any company controlled by any persons described at (1), (2), (3), (4), (5) or (6) above; and 8- persons acting in concert and, collectively, holding 5% or more of the class of shares to be listed.
Receiving Agents	The Receiving Agents whose names are stated on page (xii).
USD	American Dollar, which is the lawful currency of the USA.

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Term	Definition
CEO	The Company's Chief Executive Officer.
Zakat	Zakat imposed on Muslims under the relevant laws.
Saudization	Saudization requirements applicable to the labor market in Saudi Arabia.
Financial Year or Fiscal Year (FY)	The Company's fiscal year commencing from January 1 to December 31 of each Gregorian year.
FY20G	The period commencing 01 January 2020G and ended 31 December 2020G.
FY21G	The period commencing 01 January 2021G and ended 31 December 2021G.
FY22G	The period commencing 01 January 2022G and ended 31 December 2022G.
Exchange	The exchange in which the Shares will be registered and offered pursuant to Part 4 of the OSCOs.
Control	Pursuant to the Glossary of Defined Terms used in the Regulations and Rules of the Capital Market Authority, "**Control**" means the ability to influence the actions or decisions of another person through, whether directly or indirectly, alone or with a relative or affiliate: (i) holding 30% or more of the voting rights in a company; or (ii) having the right to appoint 30% of more of the members of the governing body, and a "**controller**" shall be construed accordingly.
Company, Modern Mills Company, MMC or Issuer	Modern Mills Company.
Offering	The initial public offering of twenty-four million five hundred forty-nine thousand and six hundred (24,549,600) ordinary shares, representing 30% of the Company's capital in accordance with the terms set forth in this Prospectus.
Period ended 30 June 2023G or the Six-Month Period Ended 30 June 2023G	The period starting 01 January 2023G and ended 30 June 2023G.
Participating Parties	Parties eligible to participate in the book-building process pursuant to the Book-Building Instructions, namely: 1- public and private funds that invest in securities listed on the Exchange, if permissible according to the terms and conditions of such funds, in accordance with the provisions and restrictions set forth in the Investment Fund Regulations and the Book-Building Instructions; 2- Capital Market Institutions licensed to deal as principal, in accordance with the Prudential Rules when submitting the Subscription Application Form; 3- clients of a Capital Market Institution authorized by the CMA to conduct managing activities in accordance with the provisions and restrictions set forth in the Book-Building Instructions; 4- legal persons allowed to open an investment account in the Kingdom and an account with the Securities Depository Center (Edaa), including foreign legal persons who are allowed to invest in the Exchange in which the shares of the Issuer are to be listed, subject to the investment requirements of companies listed on the security market, as stipulated in the CMA's Circular No. (6/05158) dated 11/08/1435H (corresponding to 09/06/2014G) based on the Capital Market Authority's board resolution No. (9-28-2014) dated 20/07/1435H (corresponding to 19/05/2014G); 5- Government entities and any supranational authority recognized by the CMA, the Exchange or any other exchange recognized by the CMA or the Securities Depository Center (Edaa); 6- companies owned by the Government, directly or through a portfolio manager; and 7- GCC companies and GCC funds if the terms and conditions of the fund so permit.
Board of Directors or Board	The Company's Board of Directors.
Group	Modern Mills Company for Food Products and Hasad Al-Arabia for Trade.
Independent Auditors	Ernst & Young Professional Services (Professional Limited Liability Company) (formerly Ernst & Young & Co. (Certified Public Accountants)) for FY20G, Aldar Audit Bureau (Abdullah Al Basri & Co.) (a Grant Thornton International entity) for FY21G, and KPMG for FY22G and the Six-Month Period Ended 30 June 2023G.
Directors or Board Members	Members of the Company's Board of Directors appointed by the General Assembly whose names appear in Section 5.1 ("**Board Members and Secretary**") of this Prospectus.
Shareholder(s)	Any holder of Shares in the Company.

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Term	Definition
Current Shareholders	All Current Shareholders in the Company whose names and shareholding percentages are shown in Table 4.8 (the "**Company's Ownership Structure as at the date of this Prospectus**"), namely: • Mada International Holding Company • Al Ghurair Foods • Masafi Company
Substantial Shareholder(s)	Any Shareholder owning 5% or more of the Issuer's total Shares, namely Mada International Holding Company (single-person company), Al Ghurair Foods Company, and Masafi Company.
Selling Shareholders	• Mada International Holding Company (single-person company) • Al Ghurair Foods • Masafi Company
QFI or Qualified Foreign Investor	A foreign investor that has been qualified in accordance with the Rules for Qualified Foreign Financial Institution Investment in Listed Securities to invest in listed securities. Qualification Application shall be submitted to a Capital Market Institution to evaluate and approve the application in accordance with the Rules for Qualified Foreign Financial Institution Investment in Listed Securities.
Financial Advisor	HSBC Saudi Arabia.
International Financial Reporting Standards applicable in the KSA (IFRS-KSA)	The International Financial Reporting Standards, as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by SOCPA, which include standards and technical releases relating to matters not covered by IFRS, such as the subject of Zakat.
Head Office	The Company's head office in Jeddah.
Subscriber(s)	Any Participating Party and Individual Investor.
Individual Investors	Saudi Arabian nationals, including Saudi female divorcees or widows with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, any non-Saudi Arabian national who is resident in the Kingdom and any GCC national, in each case who has a bank account with a Receiving Agent and are entitled to open investment accounts with a Capital Market Institution.
KSA, the Kingdom, or Saudi Arabia	The Kingdom of Saudi Arabia.
NCP	National Center for Privatization in the Kingdom of Saudi Arabia.
Prospectus	This document prepared by the Company in relation to the Offering.
Bylaws	The Company's Bylaws, approved by the General Assembly.
ZATCA	The Zakat, Tax and Customs Authority (formerly known as the General Authority of Zakat and Tax).
CMA	The Capital Market Authority in Saudi Arabia.
GAC	The General Authority for Competition of Saudi Arabia.
SFDA	The Saudi Food & Drug Authority.
Affiliate	A person who controls another person or is controlled by that other person, or who is under common control with that person by a third person. In any of the preceding, control could be direct or indirect.
Tadawul or Market	Saudi Exchange Company.
Book-Building Instructions and Allocation Method in Initial Public Offerings	Book-Building Instructions and Allocation Method in Initial Public Offerings (IPOs) issued by the Board of the CMA pursuant to resolution number 2-94-2016 dated 15/10/1437H (corresponding to 20/07/2016G) as amended by CMA resolution number 1-103-2022 dated 02/03/1444H (corresponding to 28/09/2022G), as amended.
Market Study	Market study prepared by the Market Research Consultant regarding the food and feed sectors on 3 November 2023G.
Chairman	The Chairman of the Company's Board of Directors.
Saudi Riyal(s) or SAR	Saudi Arabian Riyal(s), the official currency of Saudi Arabia.
Offer Price	Forty eight Saudi Riyal (SAR 48).

Term	Definition
Person	Any natural or legal person recognized as such under the laws of the Kingdom.
VAT	Value Added Tax, also known as Goods and Services Tax.
Related Party(ies)	In this Prospectus and pursuant to the Glossary of Defined terms used in the Regulations and Rules of the CMA, a "**Related Party**" includes any of the following: 1- affiliates of the Issuer, except for wholly owned companies; 2- Substantial Shareholders of the Issuer; 3- Directors and Senior Executives of the Issuer; 4- Directors and senior executives of an affiliate of the Issuer; 5- Directors and Senior Executives of Substantial Shareholders of the Issuer; 6- any relatives of persons described at (1), (2), (3), (4) or (5) above; and 7- any company controlled by any persons described at (1), (2), (3), (4), (5) or (6) above. For the purposes of the abovementioned paragraph (6), a relative means a father, mother, husband, wife and children.
Branch	Company branch registered in the commercial registry as an independent branch, through which profits are collected.
PIF	Public Investment Fund in the Kingdom of Saudi Arabia.
Lock-Up Period	The six-month period during which the Substantial Shareholders may not dispose of any of their shares starting from the date of listing the New Shares on the Saudi Stock Exchange.
Offering Period	The Offering Period starts on Thursday 27/07/1445H (corresponding to 08/02/2024G), and will remain open for a period of two days up to and including the last Offering day on Friday 28/07/1445H (corresponding to 09/02/2024G).
Listing Rules	The Listing Rules of Tadawul issued by the board of the CMA pursuant to resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), as amended pursuant to resolution number 1-108-2022 dated 23/03/1444H (corresponding to 19/10/2022G), as amended.
OSCOs	The Rules on the Offer of Securities and Continuing Obligations issued by the board of the CMA pursuant to its resolution number 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), amended by resolution number 8-5-2023 dated 25/06/1444H (corresponding to 18/01/2023G), as amended.
Prudential Rules	The Prudential Rules issued pursuant to the CMA Board Resolution No. 1-40-2012 dated 17/02/1434H (corresponding to 20/12/2012G), amended by resolution number 1-129-2022 dated 04/06/1444H (corresponding to 28/12/2022G), as amended.
Key Customers	The Company's top 10 customers based on their respective percentage in the Company's revenues as at the Period Ended 30 June 2023G.
Senior Executives	Any natural person tasked with assuming management and supervision roles, alone or jointly with others, upon the request of the Board of Directors or a member of the Board of Directors of the Company. A Senior Executive may report to the Board of Directors directly, a member of the Board of Directors, or the CEO.
Corporate Governance Regulations	The Corporate Governance Regulations issued by the CMA's Board pursuant to Resolution No. 8-16-2017 dated 16/05/1438H (corresponding to 13/02/2017G), amended by Resolution No. 8-5-2023 dated 25/06/1444H (corresponding to 18/01/2023G), as amended.
Nomination and Remuneration Committee	The Company's Nomination and Remuneration Committee.
Audit Committee	The Company's Audit Committee.
G	Gregorian.
Underwriters	HSBC Saudi Arabia and Emirates NBD Capital KSA.
Lead Manager	HSBC Saudi Arabia.
Market Research Consultant	Euromonitor International Limited.
Capital Market Institution	A person authorized by the CMA to carry out securities business.
Key Suppliers	The Company's top 10 suppliers based on total purchases as at the Period Ended 30 June 2023G.

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Term	Definition
Saudization Rate	The percentage of employees within any workforce who are deemed to count towards the level of Saudization within the workforce of any company, including Saudi nationals and persons married to Saudi nationals, with certain categories of persons, such as disabled Saudi national employees, given greater weighting when counted towards the Saudization level.
Capital Market Law	The Capital Market Law issued by Royal Decree Number M/30 dated 02/06/1424H (corresponding to 31/07/2003G), as amended.
Companies Law	The Companies Law, issued under Royal Decree No. (M/132) dated 01/12/1443H (corresponding to 30/06/2022G), as amended.
Labor Law	The Saudi Labor Law issued under Royal Decree No. M/51 dated 23/08/1426H (corresponding to 27/09/2005G), as amended by Royal Decree No. M/5 dated 07/01/1442H (corresponding to 26/08/2020G), as amended.
Competition Law	The Competition Law issued under Royal Decree No. M/75 dated 29/6/1440H (corresponding to 06/03/2019G), as amended.
Subscription Form	The Subscription Form that the Subscriber uses to apply for Offer Shares.
H	Hijri.
MoI	The Ministry of Investment in Saudi Arabia.
MoC	The Ministry of Commerce in Saudi Arabia.
MoMRAH	The Ministry of Municipal, Rural Affairs and Housing.
MIMR	The Ministry of Industry and Mineral Resources in Saudi Arabia.
MHRSD	The Ministry of Human Resources and Social Development in Saudi Arabia.
Business Day	Any business day for Receiving Agents in Saudi Arabia (with the exception of Fridays, Saturdays and official holidays).
Securities Act	The United States Securities Act of 1933, as amended.

1.2 Specific Terms

Term	Definition
Flour Extraction (%)	The extraction rate is a figure representing the percentage of flour produced from wheat grain and resulting from milling wheat and separating the largest amount of animal bran and germ elements from the flour material elements of the wheat kernel, according to the specific extraction percentage for each type. These include premium (70%), bakery (80%), whole wheat (90-95%) and others, including pastry flour (60-65%)
Consumer Food Services	The food supply sector (catering), including coffee shops, full-service restaurants, limited-service restaurants, self-service cafes and kiosks.
Independent Consumer Food Services	Companies operating in the food supply sector that own less than 10 establishments in the same country and do not operate under the same brand.
Flour	Fine powder resulting from grinding grains or other sources of starchy foods. It is usually made from wheat, corn, rye, barley, rice and other grains, some legumes, and nuts. Flour is primarily used in the production of bread and other baked goods and can also be used in sauces and desserts.
Net Production Revenue	The net production revenue is the difference between the costs of producing flour (basically the price of wheat that the Company buys) and the price of selling flour by the Company, under the Compensation and Claims Agreement signed between the Company and the MoF on 31 December 2020G.
Silos	A structure for storing wheat, flour and wheat derivatives.
Consumer Food Service Chains	Companies operating within the food supply sector that own more than 10 establishments under the same name in the same country. They do not include global chains owning less than 10 establishments in the same country, but if such chains have a global reach, they remain included in the category of Consumer Food Service Chains.
Semolina	Coarse white flour.

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Term	Definition
Total compound animal feed (livestock, poultry, fish and others)	This refers to fodder that is blended and compounded from various raw materials mixed in specific proportion based on the target animal. The feed output is typically sold as pellets, crumbles, meals or fine powder and caters to livestock (all ruminant animals such as cattle, lamb, calf, camel and sheep), poultry, fish and others (including pigeon, horse and other small animals). This market excludes captive compound animal feed production used by vertically integrated farms and the following: • Traditional feeds like alfalfa and barley • Bulk blends which include a mix of compound feed with other fiber content or forages like alfalfa meal and pellets • Pre-mixes (blend of raw materials without processing) sold separately to the market • Fishmeal for animal feed, oilseed cake • Activities resulting in by-products useable as animal feed without special treatment, e.g. oil seeds, grain milling residues etc.
Juice/Beverage Shops	Outlets specializing in the sale of juices or fruit refreshments. This category only includes large establishments that sell juices and beverages, and therefore does not include street stalls and other small outlets that still fall under the Kiosk category.
Specialty Coffee and Tea Shops	Establishments offering a wide range of coffee and related products and in which coffee or tea is the main item on the menu. This category is based on the Starbucks' concept of an American modern coffee shop featuring modern designs, elegant and relaxed atmosphere, and focused on coffee and/or tea. Specialty Coffee and Tea Shops do not usually provide table service, and the customer takes his order without stopping at the facility, or eats it within the facility, unlike traditional cafes that do not provide takeaway orders. Takeaway orders represent an important percentage of total sales, although this percentage varies greatly according to the market. This category is considered as being part of Food Service Chains in general, but also includes independent chains and outlets.
Coffee Shops	They include all (non-alcoholic) beverage-focused establishments, in which the customer may only order a drink, although they may also provide a variety of snacks and full meals. As a general rule, this category includes all establishments that generate 50% or more of their income from the sale of beverages.
GFSA	The General Food Security Authority (GFSA) is a Saudi government institution, previously known as the Saudi Grains Organization (SAGO). GFSA's work is based on achieving economic development and enhancing the development of the food commodities sector in relation to strategic storage via strict regulation, reliable market information and analysis, and effective response to cases of emergency. More specifically, GFSA manages the activity, operation, and development of silos, in addition to organizing, monitoring and supervising the activity of flour mills.
Wholesaler	An outlet is considered a wholesaler if its contribution to sales of a particular product amounts to more than 50% of sales in the specified sales activity (this assumption may be different for other companies).
Flour Mill Operation License	License No. 03 pursuant to GFSA Governor Resolution No. 8488 dated 05/05/1444H (29/11/2022G); issued pursuant to GFSA Board Resolution No. 189 dated 09/03/1442H (corresponding to 26/10/2020G); and Council of Ministers' Resolution No. 632 dated 17/10/1441H (corresponding to 09/06/2020G), as amended by GFSA Board Resolution No. 195 dated 19/04/1444H (corresponding to 13/11/2022G).
Distribution Channels	The path that the Company's products take until they reach the Company's customers, including the Wholesale, Retail and Food Service sectors.
Retail Sector	One of the distribution channels through which the Company sells products to retail customers, including hypermarkets, supermarkets, minimarkets and grocery stores.
Wholesale Sector	A distribution channel through which the Company sells its products to wholesale customers, who sell these products to restaurants, small retailers, or individual consumers.
Food Service Sector	A distribution channel through which the Company sells its products to food service customers, including catering companies, airlines, hotels, fast food restaurants, traditional restaurants, fine dining restaurants, coffee shops, and juice shops.
Wheat (Wheat Grain)	An agricultural product used by mills as a raw material to produce food products such as flour.
Subsidized Wheat	GFSA-subsidized Wheat.

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Term	Definition
Kiosk	Small food service delivery platforms, which are sometimes mobile, and are characterized by a limited offer of products and low prices. This category includes street kiosks, street vendors, and food service kiosks, where food is prepared indoors and served through a window or display stand for receiving orders only. This category also includes kiosks and carts that are located inside or outside shopping centers. As a general rule, street kiosks are smaller than takeaway or home delivery outlets, and the menu is more limited and focuses on snacks rather than full meals (although there may be exceptions sometimes).
Processed Animal Feeds	Animal food preparations and mixtures of ingredients given to domestic animals, especially cattle, during the rearing period.
Bran	The hard protective layer of the wheat kernel, which is a byproduct of the wheat milling process. Because of their nutritional value, they are used in a variety of foods that people eat such as breakfast cereals and are also used as poultry and livestock feed.
Yeast	A eukaryotic, single-celled microorganizm classified as member of the fungus kingdom. Yeast typically appears spherical and round in shape, usually produced through a process called budding, and used to ferment dough.
Alfalfa	A perennial flowering plant in the Fabaceae legume family, with trifoliate leaves serrated at the tips. The alfalfa's flowers are white and its seeds are yellow to reddish in color. It is mainly used as animal fodder, in dry and wet form.
Barely	A member of the grass family that is a major cereal grain, regarded as less nutritious than wheat, and often used as feed for livestock. It could be used to make bread.
Bakery	An entity producing and selling baked goods.
Milling Company	Companies with mills that engage in grinding, sifting, and blending a variety of wheat to produce wheat flour and other wheat derivatives
Bulk	Unpackaged products.
Wholesale	Wholesalers buy goods directly from manufacturers and sell them to retailers who in turn sell them to the end-user.
Retail Sales	Retail sale of goods by the retailer to the end-user.
Premium	High quality flour (70% extraction).
Goods	The products.
Confections	Starchy food items that are rich in sugar, ghee, honey, etc.
Pasta	A type of food made from wheat flour, formed into different shapes, dried, and then cooked in different ways.
Noodles	A type of pasta.

2. RISK FACTORS

Prospective Subscribers should carefully consider the risk factors set out below, along with the other information contained in this Prospectus, prior to making an investment decision with respect to the Offer Shares. The risks and uncertainties described below are those that the Company currently believes may affect it and any investment in the Offer Shares. However, the risks listed below do not necessarily constitute all risks affecting the Company or associated with an investment in the Offer Shares. There may be additional risks and uncertainties that the Directors currently are not aware of or that the Directors currently believe are immaterial. The occurrence of any such risks and uncertainties may materially or adversely affect the Company's business, results of operations, financial position, and prospects. As a result of such risks, the price of the Shares may decline, the Company's ability to pay dividends may be impaired, and investors may lose all, or part of, their investment.

The Company's business, results of operations, financial position, and prospects may be materially or adversely affected, and the Company may not be able to pay dividends, the price of Shares may decline, and investors may lose all, or part of, their investment, if any of the risks referred to below or any other risks not identified by Directors, or that are not material at the present time are realized or become material. As a result of these risks and other factors that may affect the Company's business, the expected events and circumstances in the future that have been presented in this Prospectus may not happen in the way expected by the Company or the Directors, or they may not happen at all. Consequently, investors should consider all future statements contained in this Prospectus in light of this interpretation and not rely on these statements without verifying them (for more information, please refer to Section ("**Important Notice**") on page (i) of this Prospectus).

Moreover, the Board of Directors confirm that, to the best of their knowledge and belief, there are no other material risks as at the date of this Prospectus - other than as disclosed in this Section - that may affect investors' decisions to invest in the Offer Shares. All prospective investors willing to subscribe to the Offer Shares should conduct an assessment of the risks related to the Company's Offer Shares and the Offering in general and the economic and regulatory environment in which the Company operates.

Investment in the Offer Shares is only suitable for investors who are capable of evaluating the investment risks and merits, and who have sufficient resources to bear any loss which might result from such investment. Prospective Investors who have doubts about which actions to take should seek the advice of a financial advisor duly licensed by the CMA regarding investing in the Offer Shares.

The risks stated below are not arranged in order of importance or expected impact on the Company.

2.1 Risks Related to the Company's Operations

2.1.1 Risks Related to Government Subsidies and the Company's Reliance on GFSA for the Supply of Wheat and other Key Suppliers

The Company purchases its main raw material, wheat, from its key supplier, the GFSA, which is the competent regulator in KSA that sells wheat to milling companies at a government subsidized price in accordance with the Subsidized and Unsubsidized Flour Supply Agreement concluded with the Company on 15/04/1442H (corresponding to 30/11/2020G), and in accordance with the Wheat Pricing Policy issued by GFSA Board of Directors' Resolution No. 46 dated 15/10/1441H (corresponding to 07/06/2020G). The subsidy will end on 12/07/2025G. Following the Company's privatization in FY20G, the GFSA committed to maintaining a SAR 320 per ton price difference between the unified purchase cost of wheat (SAR 180,000 per ton) from all member countries and the selling price of flour products to end-users (approximately SAR 500 per ton depending on bulk packaging or 45 kg packs) until the end of the period of price stability in July 2025G. Thereafter, there might be three possible scenarios:

1- No change in the current subsidy scheme: The current situation regarding the sale price of flour to end-users and commitment to price differential by the GFSA remains the same;

2- Gradual lifting of the subsidy: The GFSA's commitment to maintaining the price differential between the unified purchase cost of wheat from all member countries and the selling price of flour to end-users applies only to flour used in the production of bread; or

3- Complete lifting of the subsidy: The Government completely lifts the subsidy on all types of wheat and flour products available in the market.

In addition, as part of Saudi Vision 2030, the Government has indicated the possibility of reducing subsidies on Government fees, especially license renewal fees, visa and passport fees, work permit fees, and customs fees. The impact of such structural changes cannot be determined at the time being, however, once implemented, the Company may incur additional costs, potentially materially affecting its trading results and future profitability, especially if the flour market is fully liberalized.

Wheat purchases from the GFSA represented 64%, 46%, 43% and 42% of the total gross purchases made by the Company for the financial years ended on 31 December 2020G, 31 December 2021G, 31 December 2022G and the period ended 30 June 2023G, respectively.

The Company's operations depend more broadly on the purchase of raw materials from various key suppliers, including the GFSA. In particular, the Company's top 10 suppliers represented 99%, 93%, 86% and 92% of the total gross purchases made by the Company for the financial years ended on 31 December 2020G, 31 December 2021G, 31 December 2022G and the period ended 30 June 2023G, respectively. If the Company does not maintain its relationships with its Key Suppliers, including the GFSA, or its current privileges provided by these Suppliers, this would have a material and adverse impact on the Company's business, results of operations, financial condition and prospects.

The Company's operations and profitability therefore depend, mainly, on the Wheat Supply Agreement ("**WSA**") with its regulator and Key Supplier of raw materials, GFSA, to ensure timely delivery of raw materials to meet market demand. In 2020G, the Company entered into an agreement with GFSA for the supply of wheat over a period of 25 years, which has been implemented since the date of its signature until the expiry date of the Company's Main License (and any renewal thereof), in accordance with the terms of the license to operate flour mills. The regulator reserves the right to change its prices at any time, which may materially affect the Company's margins and profitability. In addition, if the GFSA terminates the Wheat Supply Agreement (the "**WSA**") concluded with the Company, the latter may incur additional capital and operational costs, and may also be unable to maintain the expected levels of production and sales, which would have a material adverse effect on the Company's business, results of operations, financial condition, cash flows and prospects (for more details about the Wheat Supply Agreement with GFSA, please refer to Section 12.5.1 ("**Material Supply Contracts with Key Suppliers**") of this Prospectus.)

The Company may look for alternative global suppliers to supply raw materials at global (unsubsidized) market prices, in which case the Company will incur additional expenses, which may materially affect the Company's margins and profitability. In addition, any potential failure by the GFSA to provide the Company and its branches with sufficient quantities of wheat within the specified time and in accordance with the agreed standards, as a result of a shortage or interruption in their supplies or due to any other factors, may lead to the disruption of the Company's operations and profitability. Moreover, the termination of the WSA concluded with GFSA due to the Company's breach of its obligations set forth therein, or for any other reasons, may expose the Company to difficulties related to its inability to obtain sufficient quantities of wheat at competitive prices, which may have a material effect on the Company's margins and profitability (for more details about the Company's breaches of its obligations under the Wheat Supply Agreement that would result in the termination of said agreement, please refer to Section 2.1.3 ("**Risks Related to the Company's Breach of its Obligations under the Wheat Supply Agreement**") of this Prospectus).

On 16/05/1442H (corresponding to 31/12/2020G), the Company entered into a Compensation and Claims Agreement (the "**CCA**") with the Ministry of Finance ("**MoF**"), which will be valid for a period of twelve (12) years from the date of its conclusion, with the exception of claims notified to the Ministry of Finance prior to such date. Given the subsidization of the prices of wheat purchased by the Company and the price of flour sold by the Company, net revenues (being flour sales less wheat costs) from each ton of Regulated Flour sold by the Company are effectively fixed based on a price differential between wheat purchased and flour sold of SAR 320 per ton, given that the unified price for buying wheat for all companies operating in the field of flour milling is SAR 180 per metric ton, while the unified price for selling regulated flour is SAR 500 per metric ton. It should be noted that such price differential between the price of wheat purchased, and that of flour sold is fixed until 12 July 2025G. The MoF undertakes to compensate the Company for "Minimum Revenue Shortfalls" (each as defined in the CCA), including any amendment, modification, termination or repeal of any of: (i) the Flour Mills Law, (ii) the Implementing Regulations, (iii) the Pricing Policy, or (iv) the Cap Period. It should also be noted that if subsidies are completely lifted from 12 July 2025G, the Company will not be entitled to compensation for the price change under the Compensation and Claims Agreement with the Ministry of Finance, as the lifting of Government subsidy in accordance with the Wheat

Pricing Policy at the end of the price differential commitment period is not considered one of the cases that give the Company the right to be compensated (which are specific and exceptional cases). For more details about the Compensation and Claims Agreement, please refer to Section 12 (“**Legal Information**”) of this Prospectus.

Since the Company did not file any claim under the Compensation and Claims Agreement, it is difficult to assess whether said CCA is sufficient to cover all its future losses or to anticipate whether the Company’s position would enable it to file a successful claim under such Compensation and Claims Agreement, since some of the CCA provisions are complex and the Company’s interpretation thereof may differ from the MoF’s interpretation.

The Company cannot predict whether any restrictions or reforms related to these subsidies would be introduced that could reduce the Company's margins or adversely affect its ability to introduce new products profitably. After the period of price differential commitment for wheat purchased and flour sold ends on 12 July 2025G, the subsidy may be reduced or lifted in the future on the subsidized wheat that the Company relies on in its operations, which may occur gradually or all at once, in addition to the possibility of decreasing or lifting the subsidy on specific categories of subsidized wheat or on all categories of subsidized wheat. Changes in the market could also force the Company to alter its approach to selling, marketing, distributing and servicing the Company's customer base. Any of the factors above would have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

2.1.2 Risks Related to Restatement of Financial Statements due to Accounting Errors

During 2022G, the Company restated some of the amounts and balances set out in its financial statements for previous periods to reflect the proper accounting treatment and classification. As a result of such errors, the Company restated its statement of financial position for the opening balance as of 1 January 2021G and 31 December 2021G, the statement of profit or loss and other comprehensive income for the financial year ended on 31 December 2021G, the statement of changes in equity for the financial year ended on 31 December 2021G, and the statement of cash flows for the financial year ended on 31 December 2021G. These restatements were introduced to a number of items in the Company’s financial statements, including property, machinery and equipment, right-of-use assets, lease liabilities, inventory, retained earnings, statutory reserve, depreciation on cost of revenue, salaries and other benefits recorded under general and administrative expenses, and the finance costs of long-term loan and financing cost on lease liabilities.

The following is a summary of the most important items affected by these restatements:

Table (2.1): Impact of restatements on the most important items of the statement of financial position as at 31 December 2021G

SAR in 000s	As previously reported”	Restated	Restatement value	Change percentage
Property, machinery and equipment	712,771	707,410	(5,361)	(0.75%)
Right-of-use assets	161,192	236,692	75,500	46.84%
Inventory	104,782	92,738	(12,044)	(11.49%)
Retained earnings	17,464	2,562	(14,902)	(85.33%)
Statutory reserve	12,832	13,445	613	4.78%
Lease liabilities	176,587	242,972	66,385	37.59%
Current part of lease liabilities	4,762	13,684	8,922	187.36%
Trade payables	48,858	46,085	(2,773)	(5.68%)
Accrued expenses and liabilities	42,336	42,186	(150)	(0.35%)

Source: audited consolidated financial statements for the financial year ended 31 December 2022G

Table (2.2): Impact of restatements on the most important items of the statement of profit or loss and other comprehensive income for the year ended 31 December 2021G

SAR in 000s	As previously reported"	Restated	Restatement value	Change percentage
Depreciation	41,266	46,781	5,515	13.36%
Gross profit	167,820	162,459	(5,361)	(3.19%)
Salaries and other benefits	43,115	39,456	(3,659)	(8.49%)
finance costs of long-term loan	16,850	175	(16,675)	(98.96%)
financing cost on lease liabilities.	9,165	6,745	(2,420)	(26.40%)
Profit before zakat	64,266	81,891	17,625	27.43%
Profit of the year	61,888	79,514	17,626	28.48%
Total comprehensive income of the year	61,888	79,514	17,626	28.48%

Source: audited consolidated financial statements for the financial year ended 31 December 2022G

For further details about such restatements, please see Section 6.10 ("**Correction of Errors**").

In the event that any additional accounting errors were found and resulted in providing incorrect data in the past financial years, or otherwise if any accounting errors are found in the upcoming years, such would adversely affect the business, results of operations, financial condition and prospects.

2.1.3 Risks Related to the Company's Breach of its Obligations under the Wheat Supply Agreement

Under the Wheat Supply Agreement concluded with the GFSA, any breach of the Company's obligations set forth in the Wheat Supply Agreement could lead to the termination of said agreement, which could subject the Company to challenges related to its inability to obtain sufficient quantities of wheat at competitive prices, and could have a material impact on the Company's margins and profitability.

Particularly, cases leading to the termination of the Wheat Supply Agreement include the following: Either Party may terminate the Agreement:

- in a case of a material breach by one party that is not remedied within 30 days from a notice by the non-breaching party. If the material breach was caused by reasons beyond the control of the breaching party despite reasonable efforts to remedy such breach, then the breaching party will be given an additional 30 days period to remedy the breach;
- if a final decision by a competent court or a governmental authority is issued, determining that the Company bribed any person associated with the agreement or gave bribes in order to secure the agreement;
- if the other Party becomes bankrupt, insolvent, is wound-up or liquidated;
- if the force majeure event continued for a period exceeding the grace period (6 months); or
- in case of the expiration, termination, or cancelation of the Main Milling License.

In addition, the Company's obligations under the Wheat Supply Agreement are as follows:

- Payment of purchase price and applicable VAT.
- Weighing the delivered wheat upon receipt thereof and recording the weight thereof in the delivery certificate.
- Maintaining a list of GFSA-approved subsidized wheat customers, referring to GFSA requests from non-listed customers who want to purchase subsidized flour, and inspecting such customers' sites to ensure compliance with applicable flour production regulations.
- Notifying GFSA if the Company was unable to fulfil any quantities of subsidized flour and return the subsidized wheat or flour (as applicable) to GFSA or a third party designated by GFSA. The Company shall be paid for returned wheat or flour within thirty (30) days of delivery.

As long as the Government subsidizes flour, the Company shall:

- within the first five (5) days of each Gregorian month, provide a monthly report to the Financial Regulatory Authority about its subsidized wheat and flour sales; and
- within the first fifteen (15) days of each Gregorian year, provide a yearly report to the Financial Regulatory Authority about its subsidized wheat and flour sales.

If the Company fails to carry out any of its obligations under the Wheat Supply Agreement, leading to the termination of said Agreement, the Company will not be able to procure the critical raw materials for its products, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.4 Risks Related to the Availability and High Prices of Raw Materials

The Company has three production facilities, each with major production lines. The production process of these facilities is mainly affected by the availability and prices of raw materials, in addition to the supply chain, the purchase of raw materials and the inventory that the Company maintains. For the continuation of its operations, the Company relies on supplies of raw and primary materials used in the production process from suppliers, such as wheat, yellow corn and soybeans. Wheat purchases from GFSA accounted for 64%, 46% , 42% and 42% of the Company's total raw material costs for FY20G, FY21G, FY22G and the six-month period ended 30 June 2023G, respectively. The Company purchases various feed grains from local and international sources, which are used in the production of animal feed, accounting for 23%, 46%, 51%, and 53% of the Company's total raw material costs for FY20G, FY21G, FY22G and the six-month period ended 30 June 2023G, respectively. The grains used in the production of animal feed include corn, soybeans, vegetable / palm oil and vitamins.

The prices of raw materials are subject to fluctuations, and the costs of these materials increase significantly when production is limited for any reason, including, by way of example, a change in the laws of the countries from which the suppliers import raw materials, any change in the Saudi laws and regulations regarding such imports, the rise in the costs and fees as a result of factors related to demand or supply, or any other influences. The prices of raw materials have recently increased for several reasons, including global inflation, one of the causes of which is the Ukraine war. In this regard, it is worth noting that the Company does not have any hedging instruments to mitigate such impact in the future. If the Company is unable to obtain sufficient supplies of raw materials in a timely manner or on acceptable terms, or if the cost of such raw materials increases significantly, this could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

2.1.5 Risks Relating to Leases and not Owning the Lands on which the Company's Production Facilities are Located

As at the date of this Prospectus, the Company does not own any lands or properties through which the Company conducts its business. The land and properties on which the Company's production facilities, silos, head office and Hasad Al-Arabia for Trade's office and storage warehouse, are located are leased (please refer to Section 12.6 ("**Lease Agreements**") of this Prospectus).

These leases may be terminated in various circumstances, including an event of default or a force majeure event. If these leases are terminated or not renewed upon their expiration date, the Company will not have any rights to access or use the relevant assets, property or plant, which may cause the Company to abandon these assets without compensation. The Company's inability to renew these lease agreements under the same conditions may lead to the Company needing to cease its use or operations in the relevant facility, which could cause business interruptions or suspension. In addition, renewing contracts on terms that are less favorable to the Company, including rent price, may lead to an increase in the rental value, resulting, in turn, in the Company incurring additional unexpected liabilities. In all such cases, the Company might need to procure an alternative to these facilities which could be costly and timely, as not all machinery and equipment can be relocated. The inability of the Company to renew these lease agreements or to renew them under their current conditions or the termination by the GFSA (or any other authority to whom the land will be assigned) of the lease agreements prior to the expiry of its term, or the termination of these lease agreements for reasons beyond the Company's control, would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

It should be noted that all of the Company's and its branches' lease agreements pertaining to its production facilities and silos are concluded with the GFSA, expire on 2045G, and contain provisions pertaining to the escalation of rent by 5% every three years until the agreements' expiry date on 31 December 2045G.

The Company has other lease agreements that expire on 25 May 2028G (for the Hasad Al-Arabia for Trade office and storage warehouse) and 31 January 2027G (for the Company's head office). If these agreements are not renewed, the Company would not be able to continue its business, which would have a material and adverse effect on the Company's and its branches' business, operations, financial position, and prospects.

2.1.6 Risks Related to the nature of the transactions and concentration of transactions with Some Key Suppliers

The Company's transactions with its suppliers form an integral part of the Company's operations. The Company mainly purchases the following products from a number of its Key Suppliers: primary raw materials, materials used in the production of animal feed, and packaging materials. The Company's transactions with its Key Suppliers differ in nature from one to the other, as the Company transacts with its Key Suppliers either on the basis of purchase orders, short-term supply agreements, or long-term supply agreements. The Company relies on the GFSA for the purchase of wheat, which is the main raw material used in the production of the Company's products, in subsidized prices and in accordance with the provisions of the Wheat Supply Agreement Between the Company and GFSA dated 15/04/1442H (corresponding to 30/11/2020G) (for further information, please refer to Table 12.15 (Wheat Supply Agreement Between the Company and GFSA dated 15/04/1442H (corresponding to 30/11/2020G) of Section 12.5.1 (Material Supply Contracts with Key Suppliers) of this Prospectus)). The Company relies on domestic and international sources in purchasing other raw materials including but not limited to feed additives, oils, and feed grains, which are used in the production of animal feed. The Company mainly obtains packaging material such as plastic bags from suppliers located in the Kingdom.

The Company's transactions which were entered into with its Key Suppliers on a purchase order basis amounted to SAR 1,052,940, SAR 23,406,630, and SAR 18,273,892 and represented 0.5%, 4.8%, and 3.5% of the Company's total purchases for FY21G, FY22G, and the six-month period ended 30 June 2023G respectively. The Company did not enter into any transactions on a purchase order basis with its Key Suppliers during the financial year ended 31 December 2020G.

The Company's transactions which were entered into with its Key Suppliers on a short-term agreement basis amounted to SAR 26,669,590, SAR 34,900,798, SAR 99,283,011, and SAR 98,825,600 and represented 10.2%, 15.5%, 20.1%, and 28.5% of the Company's total purchases for FY20G, FY21G, FY22G, and the six-month period ended 30 June 2023G respectively.

The Company's transactions which were entered into with its Key Suppliers on a long-term agreement basis amounted to SAR 187,156,554, SAR 165,004,996, SAR 296,191,522, and SAR 174,094,620 and represented 71.5%, 73.5%, 59.9%, and 50.2% of the Company's total purchases for FY20G, FY21G, FY22G, and the six-month period ended 30 June 2023G respectively.

Accordingly, it may be difficult for the Company to ensure the continuity of supply at all times and that its business will not be affected as a result of the absence of a contract or agreement with some Key Suppliers whom the Company transacts with on a purchase order basis. It's noteworthy that the short-term supply agreements lack clauses providing essential ways of protection for the Company, such as product quality, inspections, liability for product defects, and compensation from the supplier to the Company. In addition to falling below optimal standards in protecting the Company's interests, the absence of these provisions may also lead to uncertainty and disputes between parties in the future. If the Company does not maintain its relationships with its Key Suppliers, whom it has entered with into long-term agreements, including the GFSA, or its current privileges provided by these suppliers, this would have a material and adverse impact on the Company's business, results of operations, financial condition and prospects. As such, the Company may not be able to meet the requirements of its customers and continue to sell them the products and brands they are accustomed to. The Company's business and relationship with its customers would be negatively affected, if any of these Key Suppliers ceases their businesses with the Company in the future, or switch to other companies in the local market (especially given the low shift cost), or in cases any changes are made in strategy, etc.; all of which could have a material and adverse effect on the Company's business, results of operations, financial position, and prospects.

2.1.7 Risks Related to Capacity Constraints and Production Inefficiency

The Company’s future success and earnings growth depend, in part, on its ability to increase sales volumes in competitive markets and to find additional efficiencies in the production of flour and feed.

The Company's ability to increase sales of its products is limited, at least in part, by the production capacity of its mills, which, as at 30 June 2023G, had an aggregate daily milling capacity of 3,450 metric tons of wheat and a daily feed production capacity of 1,400 metric tons of feed. The Company's production capacity of wheat milling is also limited under the terms of its Milling License to 360,000 metric tons per annum for the Al Jumum production facility, 180,000 metric tons per annum for the Al Jouf production facility and 495,000 metric tons for the Khamis Al Mushait production facility. The increase of production capacity beyond the stated volumes in the Milling License would require GFSA approval. Although the Company is currently in the process of increasing its milling capacity at its Al-Jumum production from 360,000 MT per annum to 784,000 MT per annum, has obtained a conditional secondary license for the purpose of permitting the expanded capacity (for further information please refer to Section 12.4 ("**Material Government Consents, Licenses and Certificates**") and expects to complete the capacity increase in 2025G, there can be no assurance that it will be able to do so in the timeframes expected, or that it will be sufficient to meet the growing demand once installed. Failure to properly anticipate demand or obtain approval for the Company's products in the future, or inability to add production capacity in a timely manner to meet demand as it arises, would limit the Company's growth and lead to a loss of business opportunities (for further information please refer to risk factor 2.2.5 "**Risks Associated with Statutory Regulations, Permits, Licenses and Approvals Necessary for the Company's Business**").

In addition, the Company’s profitability is dependent, in part, on the Company’s ability to maximize efficiencies in the production of flour. Gaining additional efficiencies may become more difficult for the Company over time. For example, as at the date of this Prospectus, the Company converts approximately 76% of the wheat it obtains into flour. However, the Company may not be able to increase its operational efficiency when needed, if it does not obtain the regulatory approvals in a timely manner. Failure to reduce costs through productivity gains would adversely affect the Company’s profitability and weaken its competitive position.

The Company plans to increase productivity at its Khamis Mushait production facility through the replacement of its Mill-B with a new, best in class mill at an anticipated capital cost of SAR 60,000,000 which will raise its production capacity from 1,650 metric tons per day to 1,800 metric tons per day. In addition, as at 30 June 2023G, the Company's mills' full production capacity of wheat flour, wheat bran, and wheat germ is 1,104,000 metric tons per year. During the six-month period ended 30 June 2023G, the utilization ratio of the Company's mills exceeded the maximum recommended by the GFSA, with a utilization ratio of 89.8% (as the recommended number of days to operate the mills was 300 days per year, while the Company planned to operate its mills for 320 days in 2022G). It should be noted that the production capacity for flour production amounted to 1,035,000 metric tons of flour annually in accordance with Main Milling License No. 3 (for further information, please see Section 12.4 (“**Material Government Consents, Licenses and Certificates**”) of this Prospectus). Capacity utilization reached 63%, 66%, 100%, and 92% in the financial years ended 31 December 2020G, 2021G, 2022G, and in the six-month period ended 30 June 2023G, respectively, over 320 days. In using its mills beyond the recommended maximum limit, the Company risks decreasing the operational lifespan of machinery.

As at 30 June 2023G, committed capex amounted to SAR 84.1 million. Any increases in the Company’s future capital expenditures may also reduce its profit margin (higher expenses) and funds available for operation, thus negatively impacting overall profitability. Additional capex considerations to support the internal systems (addition of warehousing management system to SAP) and other projects may need to be assessed if the current structure is deemed insufficient to support the Company’s strategic growth. To manage its growth effectively, the Company must continuously improve and develop its systems, procedures and control capabilities, in addition to attracting, training and maintaining specialized operating personnel. If the Company’s operations are not sufficiently efficient, its profitability would be affected by the competitive environment in which it operates, which would have a material adverse effect on the Company’s business, results of operations, financial position and prospects.

2.1.8 Risks Related to the Development of Production Lines and Replacement of Assets

For any new milling facility that the Company builds, its ability to complete construction on a timely basis and within budget is subject to certain risks and challenges. In particular, when establishing a new production facility, it is necessary to make an accurate assessment of the market size and the economic feasibility of such establishment and to obtain the necessary permits and approvals from the relevant governmental entities, none of which is guaranteed. The establishment of a new production facility also depends on the Company's ability to secure the necessary financing to complete the construction process. Indeed, any future establishment of a new production facility would also require amending the current Milling License and therefore GFSA's approval. For example, the Company has obtained a conditional secondary license for an expansion in Al-Jumum (for further information please refer to risk factor 2.2.5 "**Risks Associated with Statutory Regulations, Permits, Licenses and Approvals Necessary for the Company's Business**"). If the Company fails to assess the economic feasibility of establishing new facilities or to obtain the necessary permits and approvals to operate these new facilities, this could have a material adverse effect on the Company's business, results of operations, financial condition and prospects. Any increase in the Company's future capital expenditures may also reduce its profit margin (higher expenses) and funds available for operation, which would have an adverse impact on the overall profitability levels. Additional capex considerations to support the internal systems (addition of warehousing management system to SAP) and other projects may also need to be assessed if the current structure is deemed insufficient to support the Company's strategic growth.

The levels of capital expenditures will be affected in the event of any disruption in any of the Company's internal systems and controls, distribution and transportation networks of its products, or the Company's existing information technology means, as these systems may not be sufficient to support the growth and the strategy that the Company is seeking to achieve. In order for the Company to be able to manage its growth effectively, it must constantly improve and develop its systems, procedures and control capabilities, in addition to attracting and training additional specialized employees, which may require an increase in the Company's future capital expenditures, and accordingly reduce its profit margin and funds available for operation and increase the Company's operating expenses, which would have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

Moreover, the competitiveness, success and growth of the Company's business depends on its ability to replace or refurbish assets needed for the operation of its production facilities, which could result in a substantial increase in its capital expenditures.

If the Company fails to complete construction on schedule, find sites to expand its range of operations, find customers for the additional products generated by the new facilities, run the mills efficiently or otherwise achieve the expected benefits of the new facilities, while also replacing or refurbishing obsolete assets, the available capacity may prove to be a bottleneck in meeting customers' orders in a timely manner. This would adversely affect the Company's ability to increase its revenues and operating income and have a material adverse effect on its business, results of operations, financial condition and prospects.

2.1.9 Risks Related to the Impact of Increasing Costs and Operating Expenses on the Company's Business

The Company's operating expenses could increase as a result of a number of factors (for more information about the Company's financial and operational performance, please refer to Section 6 ("**Management Discussion and Analysis of Financial Position and Results of Operations**") of this Prospectus), including, without limitation, the increases in the costs of raw materials purchase from the supplier; labor costs; fuel, water and electricity consumption costs; repair and maintenance costs; insurance premiums; financing costs; and the costs of increasing rental of properties rented by the Company. During FY20G, FY21G, FY22G and the six-month period ended 30 June 2023G, the Company's most material operating expenses were public utility services, labor and raw materials which amounted to SAR 10,704,630, SAR 88,041,000, and SAR 191,905,000, representing 3%, 24%, and 53%, respectively, of the Company's total operating expenses incurred during the FY20G; which amounted to SAR 11,774,000, SAR 88,423,000, and SAR 279,098,000 representing 3%, 19%, and 60%, respectively, of the Company's total operating expenses incurred during the FY21G; which amounted to SAR 20,343,000, SAR 107,152,000, and SAR 461,440,000, representing 3%, 15%, and 65%, respectively, of the Company's total operating expenses incurred during the FY22G; and which amounted to SAR 9,850,000, SAR 41,405,000, and SAR 215,833,000, representing 3%, 13%, and 67%, respectively, of the Company's total operating expenses incurred during the six-month period ending 30 June 2023G.

Prolonged periods of cost inflation may also have a negative impact on the Company's profit margins and earnings to the extent such cost increases are not translated into increase in prices. Saudi Arabia, in common with many other jurisdictions and economic regions, is experiencing an acceleration and increase in inflation, which has resulted in increases in costs of certain raw materials and transportation costs for the Company. In addition, the price of fuel and utilities and labor cost have increased in recent years. Furthermore, any further increase in Saudization requirements of the Company's workforce may lead to an increase in the Company's operational expenditure (for more information, please refer to Section 2.2.8 ("**Risks Related to Saudization, Non-Saudi Employees, and Other Labor Law Requirements**") of this Prospectus). The Company's operating expenses and costs amounted to 39%, 34%, 26%, and 24% of the Company's total revenues for the financial years ended 31 December 2020G, 31 December 2021G, 31 December 2022G and the six-month period ended 30 June 2023G, respectively. Any increases in the Company's operating expenses and costs will also reduce its cash flow, profit margin and funds available to operate the Company's business and for future expansion. This would have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

2.1.10 Risks Related to Safety Accidents at the Company's Production Facilities and Employees' Occupational Errors

The Company is subject to safety and health laws in force in the Kingdom (which includes the Labor Law, and more specifically the Occupational Safety and Health Manual, and the Occupational Safety and Health Management Regulations issued by the Ministry of Human Resources and Social Development), that set out various standards for regulating aspects of health, safety and security quality, and impose civil and criminal penalties and other liabilities for violations or breaches.

The Company's milling operations produce wheat flour dust which is combustible in nature and could cause an explosion if exposed to certain elements. In addition, the Company's production facilities use low-voltage machinery and equipment which may involve significant health and safety risks. Moreover, occupational errors and potential health, safety and security events, such as fires, light vehicle incidents, falls from height, personal injuries and fatalities, electrocutions, and incidents involving equipment could occur, and if they did, would have a material impact on the Company's business. Fatalities or serious injuries to employees may occur due to any of the above or other factors.

The Company is committed to hiring highly qualified and experienced workers in the production sector; however, its employees may make occupational errors while performing their jobs and professional duties that may result in material technical malfunctions in the Company's industrial facilities, which would adversely and materially affect the Company's business, results of operations, financial position or prospects, and therefore the Company's share price.

The Company has not been involved in any serious occupational accidents in the past three years. The four occupational accidents that occurred in the Company's factories include minor injuries such as a bruise to the head of an employee, an employee's sprained leg, and minor wounds.

Although the Company complies with the relevant health and safety requirements, this does not necessarily mean that the Company will not incur legal liability in the future, which may expose the Company to risks related to compensation claims filed by the heirs of the deceased persons, in addition to the risks associated with the revocation of any of the Company's licenses in case of any health and safety standard compliance violations.

In addition, the relevant authorities could impose the current regulations, including health, safety and security regulations, more stringently than in the past, and may impose stricter standards or higher fines and penalties for violations in the future than those currently in place. The Company cannot estimate the future financial impact of the Company's compliance with these regulations.

The Company may not guarantee that no other accidents will take place and affect its industrial facilities, employees or other persons, and should such accident happen, it would adversely and materially affect the Company's business, results of operations, financial position or prospects.

2.1.11 Risks Related to the Potential Misconduct of the Company's Employees and Errors

The Company's senior management or key personnel could behave in a manner which negatively impacts the Company's business, including through the improper use of equipment and machinery, misuse of information or systems, disclosure of confidential information, or disseminating misleading information. Additionally, the Company may not always be able to prevent its employees from committing any gross misconduct or to ensure their compliance with the Company's internal regulations and policies, which could result in losses, fines or financial liabilities for the Company, or cause harm to the Company's reputation and would adversely and materially affect the Company's business, results of operations, financial position, and prospects.

2.1.12 Risks Related to the Company's Supply Chain

The Company relies on its production of flour on the purchase of its main raw material, wheat, from the GFSA (for more information, please refer to Section 2.1.2 ("**Risks Related to Government Subsidies and the Company's Reliance on GFSA for the Supply of Wheat and other Key Suppliers**") and Section 2.1.3 ("**Risks Related to the Availability and High Prices of Raw Materials**") of this Prospectus. If the Company was unable to receive the deliveries of wheat at the specified times and quantities required, it could impact the Company's production efficiency and result in the Company being unable to meet customers' expectations for its products, which would adversely affect the Company's reputation and revenues.

The main raw materials used by the Company, including wheat, corn, barley and soybeans, are agricultural products that experience price volatility caused by external conditions such as weather, product scarcity, limited sources of supply, commodity market fluctuations, currency fluctuations, and changes in Saudi governmental agricultural policies and regulations. Although the prices at which the Company purchases wheat from GFSA are generally fixed in relation to the sale prices of the flour the Company produces, providing the Company with a buffer against increases in wheat prices, the Company is exposed to price changes in corn, soybeans and other products and commodities used in its products, unexpected increases in prices for these commodities would have an adverse effect on the Company's profit margins. Nonetheless, if the Company is unable to increase productivity to offset increased costs or increase its prices, this will adversely and materially affect the Company's business, financial position, results of operations and prospects.

2.1.13 Risks Related to the Company's Operations and Unexpected Interruptions to the Company's Business

The Company's success depends significantly on the continuous and smooth operation of its production facilities. The Company's operations involve the coordination of supply of raw materials, internal production processes and external distribution processes. For the continuation of its operations, the Company depends on the functioning and effectiveness of its production lines, work systems and its supply chain. The operation of the Company's production facilities is prone to a number of risks, including physical damage to buildings, Company's failure to carry out periodic maintenance, obsolescence of spare parts, power failures, failure of information systems, mechanical failures, the possibility of work stoppages, criminal incidents, civil unrest, natural disasters, fires, operational errors, changes in governmental planning for the land underlying these production facilities, or any disruption or delay in the ports or various shipping services or other parts of the Company's supply chain in general. The occurrence of any of these or similar incidents would cause a significant disruption to the Company's business, which will affect adversely and materially the Company's business, results of operation, financial position, and prospects.

The equipment and machinery used in the manufacturing process are extremely important to the success of the Company's operations. Therefore, the Company relies on the reliable and consistent operating equipment in order to achieve its financial goals and forecasts. Any unexpected malfunction that occurs to machines or equipment, or any prolonged maintenance thereto, would disrupt the Company's production and weaken its ability to produce sufficient quantities of products on an ongoing basis or secure the quality of its products in a way that meets the demands of its customers or adheres to its contractual requirements. In the event of any failure, this will negatively and fundamentally affect the Company's business, prospects and the results of operations.

Furthermore, the leases for the land on which the Company's production facilities are built could be challenged by third parties or government authorities, which may cause interruptions to the Company's business operations. In the event that its use of leased properties is successfully challenged, the Company may be subject to fines and forced to relocate the affected operations. In such an event there can be no assurance that the Company would be able to find suitable replacement sites on terms acceptable to it on a timely basis, or at all, or that it would not be subject to material liability resulting from third parties' challenges on the Company's use of such properties.

If there were significant interruptions of operations at one or more production facilities, the Company's revenues and profitability will be affected, which would have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

2.1.14 Risks Related to Production Defects

The Company's business revolves around the production and sale of foodstuffs, and these operations are exposed to risks related to defects that may occur in these materials during their production, packaging or transportation, or defects resulting from errors as a result of misconduct or behavior of employees. The sale of food products for human consumption involves the risk of injury to consumers. These injuries may result from tampering by third parties, bioterrorism, product contamination, decay, or spoilage, including the presence of bacteria, pathogens, foreign objects, substances, chemicals, other agents, or residues introduced during the growing, storage, handling or transportation phases. In addition, the Company's operational controls and employee training may not be effective in product tampering and other product-related safety and shelf-life issues that may affect its operations. Concerns regarding the safety of products and quality of the Company's supply chain could cause the Company's customers to avoid purchasing certain products from the Company, or to seek alternative sources, even if the basis for the concern is outside of the Company's control. Adverse publicity about these concerns, whether or not ultimately based on factual assertions, and whether or not involving products sold by the Company, would discourage customers from buying the Company's products, which will harm the Company's reputation and have a material and adverse effect on the Company's business, results of operations, financial position, and prospects.

In addition, the products that the Company distributes may be subject to product recalls, including voluntary recalls or withdrawals, if they are alleged to cause injury or illness or if they are alleged to have been mislabeled, misbranded, or adulterated or to otherwise be in violation of governmental regulations. Similarly, the Company cannot be sure that consumption of its products will not cause a health-related illness in the future or will not be subject to product liability claims or lawsuits relating to such matters. In such an event, the Company could also suffer losses from a significant product liability judgment against it. The Company may also voluntarily recall or withdraw products that it considers do not meet its quality standards, whether for taste, appearance, or otherwise, in order to protect its brand, reputation and goodwill. If there is any future product withdrawal that could result in substantial and unexpected expenditures, destruction of product inventory, damage to the Company's reputation, and lost sales due to the unavailability of the product for a period of time, it will have a material and adverse effect on the Company's business, results of operations, financial condition and prospects.

2.1.15 Risks Related to Maintaining its Brand Reputation

In 2023G, the Company launched its retail brands, Qoot & Root, Modern Mills and Qamhati, with the goal of increasing the Company's market share of the retail market. Maintaining and continually enhancing the value of these brands will be critical to the success of the Company's business and growth strategy. The value of a brand is based, in large part, on the degree to which consumers react and respond positively to the brand. Brand value could diminish significantly due to a number of factors, including consumer perception that the Company has acted in an irresponsible manner, adverse publicity about its products, Company's failure to maintain the quality of its products, the failure of its products to deliver consistently positive consumer experiences, concerns about food safety or the unavailability of its products to consumers. Consumer demand for the Company's products may also be impacted by changes in the level of advertising or promotional support. The growing use of social and digital media by consumers, and third parties increases the speed and extent that information or misinformation and opinions can be shared. Negative posts or comments about the Company, its brands, or products on social or digital media could seriously damage the brand and reputation of the Company. Any damage to the Company's brand name or reputation as a result of these or other factors may cause its products to be perceived unfavorably by customers, third-party merchants, regulators and other business partners, which would have a material and adverse effect on the Company's business, results of operations, financial condition and prospects.

2.1.16 Risks Related to Retail Product Sales

The Company's retail sales represented 0%, 0%, 3%, and 2% of total flour sales as at 31 December 2020G, 31 December 2021G, 31 December 2022G, and the six-month period ended 30 June 2023G, respectively. The Company's sales from wholesale represented 100%, 100%, 97 % and 98% of total flour sales as at 31 December 2020G, 31 December 2021G, 31 December 2022G, and the six-month period ended 30 June 2023G, respectively. It is worth noting that, prior to FY22, the Company used the e-Smart system that was implemented by the GFSA prior to the Company's privatization, which is a basic tool used for bookkeeping. While this system was used across all milling companies prior to privatization, it had limited capabilities, considering the size and operations of the Company where matters of finance, human resources, inventory, invoicing, and operations were not integrated, which constrained the Company's ability to generate specific financial reports and statements, cost reports, forecasts, and operational performance reports. Despite these limitations, the Company manually prepared analyses extracted from Excel, which could lead to errors (such as: analysis of raw material and other direct costs that were not allocated to specific product categories, as well as comparing between customers in terms of outstanding receivables and payables).

Any significant deterioration in the business performance of the Company's retail or wholesale customers could adversely affect the sales of its products. Retailers and wholesalers also carry products of the Company's competitors. There is also a risk that retailers or distributors may give greater priority to products of, or form alliances with, the Company's competitors or their own private labels instead of the Company's products. If retailers or distributors fail to purchase the Company's products, or fail to offer its products with promotional support, it will have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

2.1.17 Risks Related to Interruptions in the Company's IT Systems

The Company's operations, including but not limited to research, development, production, accounting, storage, and delivery, are highly dependent on its information technology systems. The Company depends on these systems including its ERP system and its SAP system which helps to facilitate the production and distribution of products to and from the Company's production facilities and to manage the accurate accounting and payment to and from suppliers and customers.

Prior to FY22, the Company used the e-Smart system implemented by the GFSA, a basic tool used for bookkeeping. This system was used by the Company prior to privatization. It had limited capabilities, considering the size and operations of the Company where matters of finance, human resources, inventory, invoicing, and operations were not integrated, and constrained the Company's ability to generate specific financial reports and statements. Therefore, the Company used manually prepared analyses, which could contain some errors.

The Company's reliance on these systems may lead to some arithmetic errors, which could in turn affect the effectiveness of such system or lead to the loss of the Company's information.

External and internal risks, such as malware, code anomalies, attempts to penetrate the Company's networks, unavailability of required updates or modifications, data leakage and human error all pose a direct threat to the Company's services and data. The Company's networks may also be subject to interruption due to unforeseen "**force majeure**" events or power outages. These types of adverse events could also occur in the event the confidentiality, integrity or availability of Company and customer information is compromised due to a data loss by the Company or a trusted third-party. Additionally, the cost and operational consequences of implementing further upgrades to the Company's IT systems and networks, and data or system protection measures, whether due to expansion, upgrades, new technology, new laws and regulations, or otherwise, could be significant. In addition, the Company's IT systems need regular upgrading to accommodate expansion of the Company's business and maintain the efficiency of its operations. If the Company faces a breakdown in its systems, it could experience significant business and operational delays across its businesses. In particular, any breakdown in the Company's IT systems could result in disruptions of the Company's research, development, production, accounting and billing processes.

The Company's facilities and systems, or those of third-party service providers, may be vulnerable to security breaches, acts of cyber terrorism or sabotage, vandalism or theft, computer viruses, loss or corruption of data or programming or human errors or other similar events. Because such attacks are increasing in sophistication and change frequently in nature, the Company and its third-party service providers may be unable to anticipate these attacks or implement adequate preventative measures, and any compromise of the Company's systems, or those of its third-party service providers, may not be discovered and remediated promptly, which could result in a loss of data. A security breach, act of cyber terrorism or sabotage, vandalism or theft, computer viruses, loss or corruption of data or programming or human error made by the Company's employees may lead to a breach of consumers, employees' and customers' data privacy and security. Any such breach may result in a divulgence of such data to third parties against the will of all affected parties, which could undermine the privacy of such parties and result in reputational harm to the Company. In addition, this could adversely affect the Company's performance due to judicial proceedings or claims initiated against the Company in case it defaulted in preserving the safety and confidentiality of data and in ensuring compliance with the relevant controls on disclosing data in an accurate and timely manner via the appropriate channels. Any such breach or other similar event may also lead to a change of current and potential customer behavior in a way that would impact the Company's ability to retain current customers or attract new customers, which will materially and adversely affect the Company's business, financial condition, internal operations (e.g. logistics, inventory and management), results of operation, and prospects.

Any disruption to the internet or the Company's IT systems and / or technology infrastructure, including those impacting the Company's computer systems, or the occurrence of any of the aforementioned risks, would have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

2.1.18 Risks Related to the Company's Strategy

The Company's future performance and profitability depend on its ability to implement its strategy as highlighted in Section 4.4 ("**Company Strategies**") of this Prospectus.

However, there can be no assurance the Company will continue to be successful in this regard. The successful implementation of the Company's plans will depend on several factors including, most importantly, the following:

- the Company's ability to obtain the required approvals for its products and customers, or to meet the requirements to obtain such approvals from GFSA;
- the Company's ability to successfully expand its existing product portfolio to successfully meet local consumer preferences while enhancing revenue and profitability;
- the competition that the Company faces from incumbent and new players in its product segments;
- the Company's ability to seamlessly adapt and cater to changes in consumer behaviors, new marketing strategies, and new business models;
- the Company's ability to maintain its relationships with GFSA and other Key Suppliers and Key Customers and its ability to negotiate and reach acceptable terms;
- the Company's ability to successfully identify and subsequently accommodate any new businesses from future acquisitions while preserving the Company's operations and culture;
- the Company's ability to hire, train and retain skilled personnel and employees;
- the effectiveness of the Company's marketing campaigns;
- the availability of sufficient financing (including through the Company's existing cash resources) on acceptable terms;
- the Company's ability to implement its environmental, social and governance programs including corporate social responsibility programs;
- the Company's ability to fund any significant costs incurred in relation to developing and marketing new products or expanding its existing product segments;
- the Company's ability to adapt to any changes in consumer preferences which could result in lower sales of the Company's product, pressure on pricing and increase in marketing and selling expenses;
- the Company's ability to monitor new operations, control costs and maintain effective quality and service control;
- the Company's ability to develop, operate and maintain its online platforms and applications;
- the expiry and failure to renew the Company's licenses;
- the possibility that the Company may not Realize some or all of the expected benefits of potential future acquisitions which it may undertake;
- the Company's ability to distribute its products through its subsidiary Hasad Al-Arabia for Trade; and

- unfavorable economic, regulatory (including potential regulatory restrictions on products relevant to the Company), and market conditions, which are outside of the Company's control.
- Weather conditions: Despite the implemented strategies post-privatization being crucial for the observed growth in the feed sector, insufficient rainfall also played a significant role in this transformation. Therefore, future growth heavily depends on weather conditions, especially the abundant rainfall experienced since the beginning of 2023G, leading to a slight decrease in the volume of sold feeds. Adverse weather conditions beyond the Company's control could impact working capital requirements, profitability levels, demand planning, and budget-related forecasts.

As a result of the above factors, the Company's revenues may not grow at the same rate as in the past, or the Company may incur costs without benefiting from the expected revenues of expansion plans. Accordingly, the Company's results of operations may be negatively affected if any of these factors significantly delay, prevent or hinder the Company from achieving its strategy. There can be no assurance that the Company's product expansion strategy will be profitable or will achieve its projected investment returns. The Company may also face cannibalization risks which may arise from the fact that an expansion into one product segment or sub-segment may adversely affect the revenues from the Company's existing product portfolio.

Furthermore, any future expansion of the Company's business may increase the complexity of its operations and place a significant strain on its managerial, operational, financial and human resources. The Company's current and planned personnel, systems, procedures and controls may not be adequate to support its future operations. There can be no assurance that the Company will be able to effectively manage its growth or to implement all these systems, procedures and control measures successfully. Any of these factors would adversely and materially affect the Company's business, results of operations, financial condition and prospects.

2.1.19 Risks Related to the Seasonality of Revenues

The revenues of the Company from the sale of animal feed and bran, are subject to seasonal variations, in particular during the Hajj, Umra and Ramadan seasons; as sales typically increase during these periods and decrease during summertime when citizens and residents travel abroad for vacations. The Company will not be able to anticipate all such seasonal variations in sales, and such seasonal variations will affect the consistency of the Company's revenues. Notably, the Company's revenues increase in the periods preceding the month of Ramadan and decrease in the periods following Ramadan and during the summer season. For example, the Company recorded revenues of SAR 49 million in March 2022G (representing 10% of the total revenues for said period), compared to revenues of SAR 35 million in August 2022G (representing 8% of total revenues for such period). While seasonal variations have not affected the Company's cash transactions, the Company has gradually started accepting credit customers, which would necessitate adjustments and monitoring of working capital management due to the impact of seasonal variations.

Moreover, the ingredients of feed products produced by the Company may also be affected by seasonal variations. For example, bad weather conditions (such as natural disasters, floods, torrential rains, droughts, etc.) may affect the production process and costs. Accordingly, the Company may have difficulty planning its business, which in turn could limit the Company's ability to accurately forecast its future revenues or set an accurate budget for its operational costs, which would adversely and materially affect the Company's business, results of operations, financial condition and prospects.

2.1.20 Risks Related to the Company's Related Party Transactions

The Company entered into certain agreements with Related Parties in connection with some of its operations' aspects. As at the date of this Prospectus, the Company has three (3) agreements in force with Related Parties. (For more information, please refer to Section 12.7 ("**Transactions and Contracts with Related Parties**") of this Prospectus). The Company entered into contracts with Related Parties in relation to the provision of raw materials, a lease for the head office and travel services. During the General Assembly dated 19/03/1445H (corresponding to 04/10/2023G), the General Assembly approved all of the Company's transactions and contracts with Related Parties.

The total value of the Company's transactions with Related Parties amounted to SAR 168,775,387, SAR 16,633,993, SAR 63,929,948 and SAR 38,373,640 for the financial years ended 31 December 2020G, 31 December 2021G 31 December 2022G, and the six-month period ended 30 June 2023G, respectively. It should be noted that transaction balances due to Related Parties as at 31 December 2020G amounted to SAR 11 million, representing 4.71% of the Company’s liabilities. The transaction balances due to Related Parties as at 31 December 2021G amounted to SAR 25 million, representing 2.32% of the Company’s liabilities. The transaction balances due to Related Parties as at 31 December 2022G amounted to SAR 15,6 million, representing 1.58% of the Company’s liabilities. The transaction balances due from Related Parties as at 30 June 2023G amounted to SAR 21 million, representing 1.79% of the Company’s assets.

In addition, purchases from Al Ghurair Resources International Company amounted to, as per the contracts entered into between the Company and Al Ghurair Resources International Company, SAR 107,332,500 and SAR 19,020,000, representing 21.68%, and 5.48% of the Company’s purchases for the financial year ended 31 December 2022G and the six-month period ending 30 June 2023G, respectively. There were no purchases from Al Ghurair Resources International Company in the financial years ended 31 December 2020G and 31 December 2021G.

As at the date of this Prospectus, all Related Party transactions have been concluded on an arm’s length basis. Should the Company enter into Related Party transactions not concluded on an arm’s length basis or if such transactions unjustly transfer benefits to the Company’s Related Parties, that would adversely affect the costs incurred by the Company’s and its revenues, which in turn could adversely and materially affect the Company’s business, results of operations, financial condition and prospects.

There can be no guarantee that the Company will be able to renew its contracts with such Related Parties when expired, especially the transactions with Al Ghurair Resources International Company, as these transactions are subject to short-term contracts between the two parties and are also subject to change (it is worth noting that the balances are currently being paid to Al Ghurair Resources International Company upon request, and that such balances are not guaranteed and are not subject to additional interest). Accordingly, if any such Related Parties do not renew the agreements entered into with the Company or renew these agreements but under conditions that are not in line with the Company’s objectives, this would adversely affect the Company’s business. Under Article 71 of the Companies Law, those related party agreements, in which any Director is deemed to have an interest, will need to be approved by the General Assembly. It is also required that any Director and / or Shareholder of the Company, who is deemed to have an interest, cannot participate in the approval process for such Related Party Transaction(s).

If the contracts with Related Parties are not renewed when expired because the Board or General Assembly do not agree to renew these contracts, or otherwise the Related Parties do not agree to renew them under the current terms or under terms that are commercially viable to the Company, then the Company would not be able to enter into other contracts on the same terms or on terms favorable thereto, which would have an adverse and material effect on the Company’s business, results of operation, financial position and prospects.

2.1.21 Risks Related to Protecting Certain Trademarks on which the Company Relies

The Company has registered eleven (11) trademarks in Saudi Arabia on which it relies, including Modern Mills, Modern Millings, Qoot & Root and Qamhati. Details of these trademarks are set out in Section 4.12 (“**Intellectual Property**”) of this Prospectus. In the event the Company is unable to register or renew its trademarks, or in the event a third-party objected to the registration of a trademark, this would affect the Company’s operations, financial condition, and results of operation. The competitive position of the Company depends on its ability to continue using such trademarks and to protect its rights related to such trademarks against any illegal use of such trademarks by third parties.

In the event the intellectual property rights related to the Company’s trademarks are infringed, including as a result of unauthorized use or a failure to protect such rights by the competent authorities in accordance with the regulations of the relevant countries, it may face costly litigation and the diversion of technical and management personnel. Furthermore, the outcome of a dispute may require the Company to enter into royalty or licensing agreements, which may not be available on terms favorable to the Company, or at all. Any of the above would have a material adverse effect on the Company’s business, results of operations, financial position and prospects.

2.1.22 Risks Relating to the Outbreak of Infectious Diseases or Other Serious Public Health Concerns, including the Continuing Global Spread of COVID-19

The outbreak of an infectious disease, such as Middle East Respiratory Syndrome (MERS), H1N1, SARS and, most recently, the Coronavirus (COVID-19) in the Middle East will have a materially negative impact on the Kingdom's economy and business operations of the Company.

Following the outbreak of COVID-19, the Saudi Government implemented a range of precautionary containment measures in response to the outbreak, including travel restrictions or mandatory quarantine measures on international travelers and on residents within cities, regions or provinces of certain countries; the temporary suspension of visas to foreign religious tourists intending to visit Makkah and Madinah for Hajj and Umrah; the temporary restriction on all Saudi-resident Hajj and Umrah pilgrims from visiting Makkah and Madinah; and the temporary suspension of all flights (international and domestic) and inter-urban bus, taxi, and train service.

Although COVID-19 and the Saudi Government's response thereto did not affect the Company in any material adverse way (as the expenses incurred by the Company during this period were not material), it is difficult to estimate the potential impact a further increase in the spread of COVID-19 or another infectious disease might have on the Kingdom's economy and the business operations of the Company, and could make the Company vulnerable to risks of business interruption. Furthermore, there can be no assurance that any containment measures (such as those outlined above) would be effective in stopping or curtailing future outbreaks in the Kingdom. Moreover, it is likely that any containment measures will have a material and adverse effect on the Saudi economy and investor and business confidence to an extent difficult to predict. This would, in turn, materially and adversely affect the Company's business, results of operation, financial position and prospects.

2.1.23 Risks Related to the Company's Reliance on its Senior Management and Key Personnel

The Company's success depends upon the continued service and performance of its senior management and other key personnel, as well as its ability to identify, hire, develop, motivate and retain qualified personnel in the future. The Company relies on a number of key individuals in its senior management team, who have valuable experience within the food and feed sectors and who have made substantial contributions to the development of the Company's operations and expansion. Competition for senior management and key employees in the food and feed sectors is intense, and the Company cannot guarantee that it will be able to retain its personnel or attract new, suitably qualified personnel.

The Company may need to invest significant financial and human resources to attract and retain new senior management members or senior employees. The loss of the services of members of the Company's senior management or key employees could prevent or delay the implementation and completion of its strategic objectives, divert management's attention to seeking certain qualified replacements or adversely affect its ability to manage its business effectively. Each member of senior management, as well as key employees, may resign at any time. As at the date of this Prospectus, the Company has two key vacant positions, namely the position of Director of Quality Management and the position of Director of Packaging Department. As of the period ending 30 June 2023, the Company had 7 vacant key positions, 5 of which were filled on 23 October 2023G, and the other two positions are expected to be filled during the FY23G. If the Company loses the ability to hire and retain key senior management and employees with high levels of skills in appropriate domains, this would materially and adversely affect the Company's business, results of operations, financial position and prospects.

2.1.24 Risks Related to Financing Facilities, Liquidity and Obtaining Additional Loans

Following the Company's merger with Mada Al Ghurair Limited Company, the Company became a party to financing facilities with Alinma Bank pursuant to the Common Terms Agreement dated 28/12/2020G, as updated (the "**Financing Document**"). The Financing Document includes the following security documents: (1) the Company's Accounts Pledge Agreement dated 19/01/2023G between the Company and Alinma Bank; (2) the Pledge of Contract Proceeds Agreement dated 19/01/2023 between the Company and Alinma Bank; (3) the SAR 800,000,000 Promissory Note dated 28/12/2020G issued by Mada Al Ghurair Limited Company; (4) the SAR 22,500,000 Promissory Note dated 28/12/2020G issued by Mada Al Ghurair Limited Company; (5) the Pledge of Insurance Proceeds Agreement dated 25/01/2023 between the Company and Alinma Bank (for more details on these facilities, please refer to Section 12.8 ("**Credit Facilities and Loans**") of this Prospectus).

These facilities include standard terms, such as negative pledge undertakings, where the Company undertakes that there will be no financial restrictions on any of the current or future returns or assets, except for permissible financial restrictions. It should be noted that as at 30 June 2023G, as a result of the provisions of the Financing Document (for more details, please refer to Section 6 ("**Management Discussion and Analysis of Financial Position and Results of Operations**") and Section 12.8 ("**Credit Facilities and Loans**") of this Prospectus). In addition, the Company undertakes not to sell, lease, transfer or dispose of all or any part of its revenues or assets, except for the permissible disposals set forth in the Finance Document, whether such actions are conducted in one transaction or several transactions or in a series of transactions (interconnected or otherwise).

In addition, the Company undertakes not to arrange, permit to arrange or have any security interest over any of its present or future assets or revenues (except for such security as permitted under the Common Terms Agreement). Pursuant to the Common Terms Agreement, the Company may not, without the prior written consent of Alinma Bank, enter into or carry any new business, activity, partnership or joint venture (except as permitted under the Common Terms Agreement). In addition, Alinma Bank has extensive rights to set-off against the Company's accounts, which may affect the cash flow available to the Company in the event that Alinma Bank decides to exercise such rights. These facilities also include obligations on the part of the Company, which, as at the date of this Prospectus, are as follows:

- Assignment of insurance policies related to insuring the properties against all risks and business interruption amounting to SAR 1,3 billion (SAR 1,3 billion for the FY22G, and SAR 840 million for the FY21G), and
- Obligation pertaining to the change of ownership, and the condition of control, which may become effective in the event of a public offering. On 26 October 2023G, Alinma Bank gave its approval to the public offering of the Company's shares.

It should be noted that the balance of the finance cost on long-term loans for the fiscal year ended on 31 December 2021G was restated from SAR 16.8 million, as in the audited financial statements for the fiscal year ended on 31 December 2021G, to SAR 175 thousand, as in the audited consolidated financial statements for the fiscal year ended on 31 December 2022G. Such restatement stemmed from the merger of the ultimate parent company and the Company on 27 December 2021G, as the results of the ultimate parent company's operations were recorded in the Company's statement of profit or loss for the period starting from 1 January 2021G until 27 December 2021G, instead of starting from the date of the merger itself. As a result, the finance costs of the long-term loan were overestimated, in breach of the requirements of the applicable financial reporting framework. For further information, please see Section 6.10 "**Correction of Errors**".

The Current Shareholders of the Company shall maintain ownership of at least 51% until discharge of the financial facilities with Alinma Bank. In the event of non-compliance with any provisions set out in this section, Alinma Bank would have the right to take any steps to preserve its rights such as accelerating the payment of the amounts due and terminate the facilities. Additionally, the Company may need additional funds to address the challenges it may face in the course of its business operation, implement its growth strategy, increase its market share across its current markets, expand into other markets, or expand its product offering. The liquidity generated from the Company's current operations and financial resources may not be sufficient to fund its growth strategy, and thus the Company may seek to increase its capital, or otherwise increase its indebtedness. If the Company is not able to obtain sufficient funds when needed or under favorable terms, or otherwise if the Company becomes unable to pay its debts when they fall due, the Company's ability to run its business or achieve the intended growth rate would be adversely affected, which would adversely and materially affect the Company's business, results of operations, financial position and prospects.

2.1.25 Risks Related to the Lack of Hedging Instruments

As at 30 June 2023G, the Company's loan amounted to SAR 558.6 million. This is a senior Murabaha facility from Alinma Bank valued at SAR 800 million (for more details about these facilities, please refer to Section 12.8 ("**Credit Facilities and Loans**") of this Prospectus). The loan carries a variable interest rate (Saudi Arabian Interbank Offered Rate (SAIBOR)) of SAIBOR + 1.5%, adjusted to 1.25% in early June 2023G. The SAIBOR index increased from 0.8% in January 2021G to 5.95% in January 2023G.

Given the elevated inflationary environment globally, the U.S. Federal Reserve may continue to raise interbank lending rates to combat economic inflation. Since the currency between the Kingdom of Saudi Arabia and the United States is pegged, any increase in the U.S. interest rate may lead to a similar response from SAMA, causing the SAIBOR rate to rise (as observed during the FY22G and early 2023G). Therefore, the lack of interest rate hedging may subject the Company to interest rate hikes, considering historical trends, future expectations, and the Company's plan to take on more debt. This could adversely and materially affect the Company's business, results of operations, financial position and prospects.

2.1.26 Risks Related to the Distribution of Profits

The distribution of dividends depends on several factors including the Company's ability to make profits, its financial position and statutory reserves requirements, available credit limits, general economic conditions, cash flows, working capital requirements, capital expenditures, and according to other factors subject to the recommendation of the Board of Directors in announcing the distribution of dividends, as deemed appropriate thereby.

The Shareholders may not obtain any return on their investment in the Shares except through selling the Shares at a price higher than the purchase price thereof. Accordingly, the Company does not in any way guarantee that it will have sufficient funds to distribute dividends or that it will make any dividend announcements in the near future.

It should be noted that Alinma Bank's approval is not required if dividends are distributed in accordance with the terms and conditions stipulated in the Shareholders' Agreement, which stipulates that no dividends may be distributed (or announced) unless the following conditions are met: (i) the first payment date has passed, and all then-due amounts have been paid; (ii) no breach exists or may result from the proposed dividend distribution; and (iii) the debt service coverage ratio on the immediate preceding account date equals or exceeds (1.10:1). The Company may not transfer funds to the distribution account except within thirty (30) days after the payment date. (For more details about the Company's dividend policy and the restrictions imposed by the financing entities on the distribution of cash dividends, please refer to Section 7 ("**Dividend Distribution Policy**") and Section 12 ("**Legal Information**") of this Prospectus).

2.1.27 Risks Related to the Company's Implementation of a Newly Adopted Corporate Governance Manual

The Ordinary General Assembly approved the implementation of a Corporate Governance Manual on 11/04/1445H (corresponding to 19/10/2023G), which includes rules and procedures related to corporate governance derived from the Corporate Governance Regulations issued by the CMA. The Company's success in properly implementing the corporate governance rules and procedures will depend on the extent of the comprehension and understanding of these rules as well as the proper execution of such rules and procedures by the Board, its committees and Senior Executives, especially with regards to governance, the formation of the Board and its committees, independence requirements, as well as rules related to conflict of interests and Related Party Transactions.

Article 22 of the Corporate Governance Regulations also requires the adoption of a written and detailed policy, defining the powers delegated to the executive management, and a table clarifying such powers. On 10/04/1445H (corresponding to 18/10/2023G), the Board of Directors approved the authority delegation policy governing the specialization and delegation of powers and authorities between the Board and the Senior Executives. Failure to comply with the governance rules, especially the mandatory rules derived from the Corporate Governance Regulations issued by the CMA, would subject the Company to regulatory penalties and would adversely and materially affect the Company's business, results of operations, financial position and prospects.

On 11/04/1445H (corresponding to 19/10/2023G), the Company's Board of Directors approved the formation of the Audit Committee; and on 11/04/1445H (corresponding to 19/10/2023G), the Company's Ordinary General Assembly approved the amended Charter of the Audit Committee. The Board of Directors re-formed the Nomination and Remuneration Committee on 11/04/1445H (corresponding to 19/10/2023G), the Company's Ordinary General Assembly approved the amended Charter of the Nomination and Remuneration Committee on 11/04/1445H (corresponding to 19/10/2023G) (for further details, please refer to Section 5.2 ("**Company and Board Committees**") of this Prospectus). Failure by members of these committees to perform their duties and adopt a work approach that protects the interest of the Company, and its Shareholders will affect corporate governance compliance, the continuous disclosure requirements, and the Board's ability to monitor the Company's business through these committees. That would have a material and adverse effect on the Company's business, financial position, results of operations and prospects.

Any future inability of such committee members and independent members to carry out the tasks assigned thereto and follow a work methodology that ensures the protection of the interests of the Company and the Shareholders may affect the implementation of Governance Regulations and the efficiency of the Company's Board of Directors control over the management of its business through such committees. This may expose the Company to potential non-compliance with continuous disclosures after listing requirements on the one hand, and to operational, administrative and financial risks on the other hand. Consequently, this would have a negative and material impact on the Company's business, results of operations, financial position and prospects.

2.1.28 Risks Related to Management's Lack of Experience in Managing a Publicly Listed Company

The Senior Executives have limited or no experience in managing a public listed joint-stock company in the Kingdom and complying with the laws and regulations pertaining to such companies. In particular, the internal and / or external training that the Senior Executives will receive in managing a Saudi Arabian publicly listed company, coupled with the regulatory oversight and reporting obligations imposed on public companies, will require substantial attention from the Senior Executives, which may divert their attention away from the day-to-day management of the Company. Non-compliance in a timely manner with the regulations and disclosure requirements imposed on listed companies will expose the Company to regulatory sanctions and fines. The imposition of fines on the Company would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

2.1.29 Risks Related to the Adequacy of Insurance Coverage

The Company maintains insurance policies covering its business and operations (for more information about insurance policies maintained by the Company, please refer to Section 12.9 ("**Insurance**") of this Prospectus). There is no guarantee that these insurance policies will be adequate at all times and in all circumstances, or that the limit of insurance coverage will be sufficient in all events to pay for the claims relating to the insured risks. The Company might not be able to successfully substantiate its claim with regard to a certain liability or loss according to the insurance policies in effect because of the exclusions or conditions of insurance coverage, or if the Company has not met certain insurance criteria in respect of a particular claim. This would cause the Company to be liable for paying for accident-related losses, which would also have a material and adverse effect on the Company's business, its operating and financial results and prospects

Future events might occur for which the Company might not have adequate insurance coverage to cover all potential losses, or might not be insured against it at all, such as risks resulting from acts of aggression, political risks, war and sabotage. In addition, the Company's present insurance policies contain coverage exclusions or limitations. The current insurance policies might also be unavailable in the future. Accordingly, the losses and liabilities resulting from entirely uninsured or insufficiently insured risks could significantly increase the Company's costs, which would have a material and adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.30 Risks Related to Litigation Involving the Company

The Company, its Directors, or officers may become involved in lawsuits and regulatory actions with parties including suppliers, employees, competitors, regulatory authorities, consumers or owners of lands leased to the Company for its operations. Any unfavorable outcome in such litigation and regulatory proceedings would have a material adverse effect on the Company's business, financial position, results of operations, or prospects. In addition, regardless of the outcome of any litigation or regulatory proceedings, these proceedings could result in substantial costs and may require that the Company devote substantial resources to defend against these claims, which would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

On 7 February 2023G, the GFSA filed a lawsuit before the Committee for the Adjudication of Violations of the Provisions or Regulations of the Flour Milling Law against the Company. According to the statement of claim submitted on 7 February 2023G, the GFSA stated that during the inspection visits conducted by the inspection team on 4 October 2022G and 5 October 2022G, the Company was found to be in violation of one of the provisions of the WSA by selling subsidized flour to a number of customers without registering them, and without providing the GFSA with their information and obtaining its approval. The GFSA also claimed that the Company violated one of the terms of the license granted by the GFSA because it registered 71 new clients without submitting a request to the GFSA, which constitutes a breach under the Wheat Supply Agreement. Finally, the GFSA claimed that the Company exceeded the weekly sales quantity allocated to it by the GFSA. As a result of these violations, the Public Prosecutor of the GFSA demanded that the Committee for the Adjudication of Violations of the Provisions or Regulations of the Flour Milling Law issue fines against the Company with a total value of SAR 64,248,992.58.

On 30 April 2023G, the Company submitted a memorandum in response to the statement of claim stating that it did not engage new clients, but rather had transferred clients from other milling companies. As for not amending the allocated quantities, the Company stated that the sale took place before the execution of the WSA. Finally, the Company requested to dismiss the case and also made a SAR 6.4 million financial provision for this lawsuit. On 2 October 2023G, the Committee for the Adjudication of Violations of the Provisions or Regulations of the Flour Milling Law issued its decision, whereby it has ordered the Company to pay the amount of SAR 4,356,536, based on the provisions of Article Twenty-Three (23) of the Flour Mills Law and Paragraph (2/A) of Article Forty-Five (45) of the Implementing Regulations of the Flour Mills law (being the aggregate financial returns resulting from the sale to unregistered customers, and the sale in excess of the amount allocated by GFSA). The Company and the GFSA retain the right to appeal this decision during the appeal period within 60 days from the date of issuance thereof, knowing that the appeal period ended on 1 December 2023G, without the Company or GFSA appealing the judgement. (For more information, please refer to Section 12.11 ("**Litigation**") of this Prospectus). It is noteworthy that the Company's revenues for the period ended on 30 June 2023G were adversely affected by the Company's compliance with the regulatory policy of quotas by the GFSA regarding milling companies, following the violations that were identified. In this regard, the Company must ensure that appropriate compliance procedures are in place to avoid future violations that may adversely impact the Company's business and financial stability.

2.1.31 Risks Related to the Company's Revenue Growth Rates

The Company's revenues consist of revenue from the sale of flour, animal feed and bran, which are affected by various factors (please refer to Section 6 ("**Management Discussion and Analysis of Financial Position and Results of Operations**") of this Prospectus for further details on the financial and operational performance of the business sectors and the factors affecting them). Total revenues increased by 27.5%, from SAR 435.3 million in the fiscal year 2020G to SAR 555.0 million in the fiscal year 2021G, mainly as a result of the increase in feed revenues by SAR 106.6 million, as a result of the increase in demand for feed (an increase in sales by 52.4 thousand tons) and an increase in the rate of revenues per ton by SAR 387 per ton, mainly due to the implementation of a new strategy. Such initiatives include improving feed components and adopting a new pricings. The increase in animal bran sales during said period also contributed to the increase in animal bran prices (the average revenue per ton increased by SAR 126). Additionally, total revenues increased by 76.2%, from SAR 555.0 million in the fiscal year 2021G to SAR 978.0 million in the fiscal year 2022G, reflecting:

- the full impact of the new strategies adopted by the Group, which include;
- appointing a new management, starting from Q3 of the fiscal year 2021G and throughout the fiscal year 2022G;
- returning employees seconded by the GFSA;
- establishing Hasad Al-Arabia for Trade; and
- rebranding Company's products and launching marketing campaigns in the fiscal years 2021G and 2022G.

In addition to:

- low rainfall during this period, which resulted in a decrease in the availability of natural pasture for animals. In such conditions, farmers are forced to buy more synthetic feed to meet the nutritional needs of the animals.

This was evident in the increase in the sales of three different products. The sales volume increased during this period by SAR 423.0 million, as feed revenues increased by SAR 201.5 million, flour revenues by SAR 122.9 million, and bran revenues by SAR 98.6 million.

Additionally, revenues decreased by 2.1%, from SAR 461.6 million in the six-month period ended on 20 June 2022G, to SAR 452.0 million in the six-month period ended in 2023G, mainly due to the decrease in animal bran revenues by SAR 24.5 million as a result of heavy rainfall during said period and the emergence of large green areas in which livestock can graze, which adversely affected the demand for bran used in feed production, in addition to the increase in discounts and rebates relating to animal bran products.

In addition, these sectors are subject to many of the risks mentioned in this section of the Prospectus, which, if they occur, may affect the business of those sectors, and thus the Company's revenue growth rates. Accordingly, the Company may not succeed in its efforts to increase its revenues or develop its business. Revenue growth rates in previous periods should not be viewed as an indication of future growth rates, as the Company may be unable to overcome the difficulties it faces in the mills and foodstuffs sector, due to the possibility of a decline in demand for products in the Kingdom of Saudi Arabia or the Company being forced to reduce its flour production, which will lead to a decrease in the Company's revenues as a whole, and this will have a material and adverse impact on the Company's business, results of its operations, financial position and prospects.

2.1.32 Risks Related to the Potential Misconduct of the Company's Employees and Third-Party Agents

The Company's senior management or key personnel could behave in a manner which negatively impacts the Company's business, including through misuse of information or systems, disclosure of confidential information, or disseminating misleading information. Additionally, the Company may not always be able to prevent its employees from committing any gross misconduct or ensure compliance with internal regulations and policies of the Company, which could result in losses, fines or financial liabilities for the Company, or cause harm to the Company's reputation and would adversely and materially affect the Company's business, results of operations, financial position, and prospects.

The Company relies on third-party distributors and other agents for the distribution of its products to retail and wholesale customers. Many of these third parties are small and do not have internal compliance resources. If the Company fails in its efforts to screen third-party agents and detect cases of potential misconduct, the Company could be held responsible for the non-compliance by these third parties with applicable laws and regulations, which would adversely affect the Company's reputation and / or have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

2.1.33 Risks Related to Storage Maintenance and Mismanagement

The storage of wheat, flour, feed and the Company's other products entails significant risks associated with the storage environment, including moisture, temperature and humidity levels, deviations in which may result in damage to wheat or finished flour products in stock. Any significant damage to the products in storage could materially and adversely affect the Company's business operations, financial condition, results of operations and prospects.

The Company also relies on its expertise in the food and feed sectors and its knowledge of demand forecasts for its products to manage its inventory of flour, wheat and its derivatives. The Company uses two measurement methods: the first consists of weighing each batch of wheat as it enters and leaves the silos, using online scales to weigh and monitor any differences in weights. The second method is a secondary method of sizing up using a metric tape to measure the silo and calculate the wheat volume, taking into account wheat density, sifting process, and moisture percentage, which may result in some differences in the actual wheat inventory. Flour is checked in the following way: all flour containers are emptied every month. Production scales show what has been produced and sent to the packing containers. Bags are counted and their weights are checked repeatedly throughout the day. Given that containers are unloaded on a monthly basis, the cost of wheat recorded in the financial statements may not be accurate as the difference in inventory is written off at the end of the period.

Other inventories mainly comprised general items like lubricants, stationery, chemicals, oil and fuel, and amounted to SAR 2.7 million as at 31 December 2020G and averaged SAR 1.6 million over the remaining period, as at 31 December 2021G, 2022G and 30 June 2023G.

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Table (2.3): Movement in the slow-moving stock inventory for spare parts and raw materials as of 31 December 2020G, 2021G and 2022G and as of 30 June 30 2023G

SAR in 000s	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
At the beginning of the year – reported previously	21,071	24,268	25,269	24,651
Impact of restatements	-	(3,510)	(3,663)	-
At the beginning of the year - restated	**-**	**20,758**	**21,606**	**24,651**
Provision during the year – reported previously	3,196	4,102	-	-
Impact of restatements	-	(154)	-	-
Provision during the year / period – restated	**3,196**	**3,949**	**-**	**-**
Provision during the year	-	-	9,756	-
Reversing provision during the period	-	-	-	(1,428)
Write off during the year / period	-	(3,101)	(6,710)	-
Total	**24,268**	**21,606**	**24,651**	**23,223**

Source: Audited financial statements for the fiscal year ended 31 December 2021G, the audited consolidated financial statements for the fiscal year ended 31 December 2022G, the condensed interim consolidated financial statements for the six-month period ended 30 June 2023, and management information

Provision for slow-moving inventories decreased from SAR 24.3 million as at 31 December 2020G to SAR 21.6 million as at 31 December 2021G, mainly impacted by a restatement of SAR 3.5 million pertaining to the spare parts reclassified to property, plant and equipment as per the requirement of IAS16, in addition to write-offs of old spare parts during the year amounting to SAR 3.1 million, relating to old stock that is not expected to be used. This was offset by provision on spare parts amounting to SAR 3.9 million in line with the provisioning policy. The provision for slow-moving inventories of spare parts as at 31 December 2020G, previously disclosed in the audited financial statements for the financial year 2021G, was reduced by an amount of SAR 3.5 million, as disclosed in the consolidated audited financial statements for the financial year 2022G. Management discovered that certain spare parts with the useful life of more than one year and meeting the definition of property, plant and equipment as per the requirement of IAS 16, 'Property, Plant and Equipment' were erroneously classified and accounted for as inventory in the prior periods. Consequently, carrying value of property, plant and equipment and the related depreciation were understated and the carrying value of inventories and related provision for slow moving inventory were overstated.

Provision for slow-moving inventories increased subsequently to SAR 24.7 million as at 31 December 2022G mainly from provision on raw materials of SAR 8.5 million, in addition to a provision on spare parts amounting to SAR 1.2 million. This was offset by the write-offs made during the year amounting to SAR 6.7 million in relation to old spare parts.

Provision for slow-moving inventories decreased to SAR 23.2 million as at 30 June 2023G, driven by the reversal of provision amounting to SAR 1.4 million in line with the decrease in spare parts' balance during the period.

The average days of inventories (days) was 61, 41, 28 and 35 days for the financial years ended 31 December 2020G, 2021G, and 2022G and the six-month period ended 30 June 2023G, respectively.

Therefore, material changes may occur in the demand for the Company's products which may vary from what was expected and stated in its reports. Demand may be affected by the launch of new products in the market, changes in product cycles, pricing, changes in customer spending patterns, the entry of new competitors into the market, etc. As a result, customer demands for the Company's products may decrease. Therefore, if the Company is unable to accurately estimate the volume of products that its customers require or if it is unable to manage its inventory in an appropriate manner, this will lead to the overproduction of flour and feed products and thus, a surplus of inventory levels.

Table (2.4): Inventory aging (spare parts and raw materials) as of 30 June 2023G

SAR in 000s	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	5-6 Years	6-7 Years	Total
Total inventory – spare parts	13,437	6,931	4,515	6,177	4,203	2,929	21,210	59,402
Total inventory - raw materials	22,272	3,967	740	-	-	-	-	26,979
Total	**35,710**	**10,898**	**5,255**	**6,177**	**4,203**	**2,929**	**21,210**	**86,381**

The total inventory for the financial years ended 31 December 2020G, 2021G and 2022G and the six-month period ended 30 June 2023G, amounted to SAR 111,720,826, SAR 92,737,765, SAR 92,538,200, and SAR 98,718,178, respectively, representing 8%, 8%, 8%, and 9% of the Company's total assets for the said periods, respectively, while the inventory allowance balance was SAR 24,267,653, SAR 21,605,582, SAR 24,650,862, and SAR 23,222,618 for inventory for the said periods, respectively. As of the period ended 30 June 2023G, the Company's inventory included raw materials worth SAR 26,979,361 (representing 27% of the total inventory), ready-made products worth SAR 23,218,289 million (representing 24% of the total inventory), and spare parts worth SAR 59,402,081.

The Company has made corresponding allocations amounting to SAR 3,196,163, SAR 3,948,595, SAR 9,755,602, and SAR (1,428,244) million, for the financial years ended on 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G, respectively.

The opening balance for FY21G, i.e. the balance as at 31 December 2020G, for the spare parts and slow-moving inventory provision, was adjusted from SAR 86,174,575 and SAR 24,267,653, as reported in the audited financial statements for the FY21G (pre-adjustment), to SAR 70,467,101 and SAR 20,757,991, as reported in the consolidated audited financial statements for the FY22G (post-adjustment). This resulted in a decrease in the total inventory balance from SAR 111,720,826, as reported in the audited financial statements for the FY21G, to SAR 99,523,014, as reported in the consolidated audited financial statements for the FY22G. (For more information, please refer to Section 6.10 ("**Correction of Errors**") of this Prospectus).

Additionally, the opening balance for FY21G, i.e. the balance as at 31 December 2020G, for the assets account was adjusted from SAR 1,370.7 million, as reported in the audited financial statements for the FY21G (pre-adjustment), to SAR 1,434.1 million, as reported in the consolidated audited financial statements for the FY22G (post-adjustment). (For more information, please refer to Section 6.10 ("**Correction of Errors**") of this Prospectus). Consequently, the total inventory as a percentage of the Company's total assets as at 31 December 2020G, decreased from 8% pre-adjustment to 7% post-adjustment.

2.1.34 Risks Related to the Transportation of the Company's Raw Materials and Products

The Company relies on ground transportation for the delivery of wheat by GFSA to the mills and the delivery of some of its products to customers. The Company relies on specialized companies for the transportation of its products. Any disruptions in this infrastructure network, whether caused by earthquakes, other natural disasters, the changing laws and regulations of transport, human error or malfeasance, could materially impact the Company's business. Therefore, any unexpected delay in transportation of wheat to the mills or in the delivery of the Company's products to its customers could result in significant disruption to its operations, including the closure of its facilities. The Company also relies upon others to maintain roads from its production facilities to road networks, and any failure on their part to maintain such transportation systems could impede the delivery of wheat to the Company and its products to customers, impose additional costs on the Company or otherwise have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

2.1.35 Risks Related to the Concentration of Revenue in Specific Geographic Areas

The majority of the Company's revenues are generated from sales in three regions of the Kingdom, namely Makkah Region, Jouf Region, and Asir Region, which are the regions where the Company's production facilities are located. The revenues generated from Makkah Region, Jouf Region and Asir Region accounted for 37.3%, 11.5%, and 51.2% of the Company's total revenues, respectively, for the financial year ended 31 December 2020G; 33.4%, 9%, and 57.6% of the Company's total revenues, respectively, for the financial year ended 31 December 2021G; 28.2%, 12%, and 59.8% of the Company's total revenues, respectively, for the financial year ended 31 December 2022G, and 28.2%, 9.8%, and 61.2% of the Company's total revenues, respectively, as at the six-month period ended 30 June 2023G. There is no guarantee that the Company will be able to maintain the growth of its revenues from sales in these four regions. If the revenues generated from any of these regions decreased substantially, this could have a material and adverse effect on the Company's business, results of operations, financial condition and prospects.

2.1.36 Risks Related to the Concentration of Revenue in Key Customers

The value of transactions with the 10 Key Customers accounted for approximately 17%, 35% and 41% of the Company's total sales volume of products supplied for the financial years ended 31 December 2020G, 31 December 2021G and 31 December 2022G, respectively; while the value of transactions with the 10 Key Customers accounted for about 45% of the Company's total sales of products for the period ended 30 June 2023G.

The value of transactions with the 10 Key Customers accounted for approximately 30.8%, 33.5% and 34.3% of the Company's total sales volume of flour products for the financial years ended 31 December 2020G, 31 December 2021G and 31 December 2022G, respectively; while the value of transactions with the 10 Key Customers accounted for about 34.5% of the Company's total sales of flour products for the period ended 30 June 2023G. The value of transactions with the Key Customers accounted for approximately 3.9%, 52.6% and 60.3% of the Company's total sales volume of feed products for the financial years ended 31 December 2020G, 31 December 2021G and 31 December 2022G, respectively; while the value of transactions with the 10 Key Customers accounted for about 63.7% of the Company's total sales of feed products for the period ended 30 June 2023G. The value of transactions with the Key Customers accounted for approximately 64.5%, 51.2% and 49.6% of the Company's total sales volume of animal bran products for the financial years ended 31 December 2020G, 31 December 2021G and 31 December 2022G, respectively; while the value of transactions with the 10 Key Customers accounted for about 59.7% of the Company's total sales of animal bran products for the period ended 30 June 2023G.

The total value of transactions with Key Customers amounted to approximately SAR 73 million, SAR 194 million and SAR 403 million for the financial years ended 31 December 2020G, 31 December 2021G and 31 December 2022G, respectively; while the total value of the arrangements concluded with Key Customers amounted to approximately SAR 205 million for the period ended 30 June 2023G.

2.1.37 Risks Related to the Lack of Sale Contracts with Customers

The Company relies on purchase orders and direct invoicing in its dealing with all of its ten Key Customers. Revenues generated from these transactions amounted to SAR 73 million, SAR 194 million, SAR 403 million, and SAR 205 million, representing 17%, 35%, 41%, and 45% of the Company's total revenues for the years ended 31 December 2020G, 2021G, 2022G, and the period ended 30 June 2023G. Therefore, it may be difficult for the Company to ensure that it is able to continue to deal with its Key Customers if no formal contracts or agreements are concluded. Accordingly, in the event that the relationship with a Key Customer or a group of Key Customers is ended or severed, and the Company fails to build the necessary relationships with new customers, this would have a material and adverse effect on the Company's business, operations, financial position, and prospects.

2.1.38 Risks Related to the Companies Law

The Companies Law issued under Royal Decree No. M/132 dated 01/12/1443H (corresponding to 30/06/2022G), which entered into effect on 26/06/1444H (corresponding to 19 January 2023G) (the "**New Companies Law**") imposes certain regulatory requirements that the Company must abide by. To comply with such requirements, the Company must adopt specific procedures such as amending its Bylaws to comply with the Companies Law and adhere to the periods stipulated for holding General Assembly meetings.

Article 71 of the Companies Law provides that no member of the Board of Directors shall have any interest, directly or indirectly, in the transactions or contracts made for the Company, except with the authorization of the Ordinary General Assembly and according to the controls imposed by the competent authority. Board members shall inform the Board of Directors of any interest, direct or indirect, in the transactions or contracts made for the Company and such disclosure shall be recorded in the minutes of the Board meeting. Such board member may not participate in voting on the resolution to be issued in this regard by the Board of Directors and shareholders' assemblies.

The Companies Law imposes stricter penalties for violation of its mandatory provisions and articles. Fines for violating some of the provisions may reach SAR 500,000. Therefore, if the Company is subjected to a penalty due to non-compliance with these provisions, or if it does not comply with the provisions of its Bylaws, this will have a material adverse effect on the Company's business, financial position, results of operations, and prospects. It should be noted that the Company has not been subjected to any fines or penalties as a result of non-compliance with the Companies Law.

2.1.39 Risks Related to Exchange Rate Fluctuations

Since the Company engages in transactions that are not denominated in Saudi Riyals, in particular US dollars, euros, and Swiss francs, the Company is subject to foreign exchange risks with respect to its obligations and expenses denominated in a currency other than the currency of the Kingdom. As part of the Kingdom's policy, the Saudi Riyal is, as at the date of this Prospectus, pegged to the US dollar at an exchange rate of SAR 3.75 / USD 1.00. However, there is no guarantee that the Saudi Riyal will remain stable against the US Dollar. In addition, the exchange rate of the Saudi riyal against the Euro or the Swiss Franc is subject to supply and demand factors and to fluctuations at any time. Therefore, any deflation of the Saudi Riyal against foreign currencies (especially the US dollar, the euro and the Swiss franc) could adversely and materially affect the Company's results of operations, financial position, and prospects.

2.1.40 Risks Related to Zakat

Until FY20G, the Company was exempt from Zakat and was not required to pay Zakat, but only to file its returns to ZATCA.

On 17/10/1441H (corresponding to 09/06/2020G), the Saudi Council of Ministers Resolution No. 631 was issued approving the transfer of the Company to the National Center for Privatization (the "**NCP**") in Saudi Arabia. Accordingly, on 16/05/1442H (corresponding to 31/12/2020G), the Company's shares were sold to Mada Al Ghurair Limited Company and the Company began filing Zakat returns and paying Zakat to ZATCA on a standalone basis, as of FY21G.

On 01/11/2021G, a merger agreement was signed between the shareholders of Mada Al Ghurair Limited Company (the ultimate parent company) and its wholly owned subsidiary, Modern Mills Company, whereby all assets, liabilities, rights and obligations of Mada Al Ghurair Limited Company would be transferred to the Company (i.e. Modern Mills Company).

Modern Mills Company submitted its Zakat returns for the years ending 31 December 2021G and 2022G, and a routine annual Zakat provision amounting to SAR 2.4 million, and SAR 2.6 million was, respectively for each year, set aside and paid in the subsequent period.

As at 31 December 2021G, and 2022G, the Zakat provision amounted to SAR 2.4 million, and SAR 2.9 million respectively, and the amounts due were paid in the subsequent period. The Zakat provision amounted to SAR 2.4 million as at 30 June 2023G.

In the financial statements of FY22G, the Company adjusted its comparative numbers for FY21G following the adjustment of the balance value of the following items: Property, Plant and Equipment (PPE), right-of-use assets, lease obligations, retained earnings, and statutory reserves. These adjustments are likely to have an impact of approximately SAR 441,000 on Zakat returns submitted to ZATCA for FY21G. While the Company did not review its Zakat returns for the FY21G, an additional Zakat provision was made in the Company's books as a result of the financial statements' adjustments for FY21G.

If the amended financial statements are challenged by ZATCA, this may lead to additional Zakat obligations (based on the changes in profits recorded in the amended financial statements).

As of the date of this Prospectus, ZATCA has not issued any final Zakat assessments for the Company since its establishment. The Selling Shareholders undertake to bear any additional claims (in the event that such claims exceed the provision recorded in the Company's books) that may arise from Zakat assessments by ZATCA for the period commencing from the financial year ending 31 December 2021G until the listing of the Company's shares on the Exchange. Any material Zakat claims will have an adverse effect on the Company's results of operations, financial position and prospects.

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Moreover, Zakat or tax obligations and penalties may be imposed on the Company in the event of non-compliance with applicable rules and regulations, including incorrect tax assessments that are not in line with tax rules and regulations, or the current practice followed by ZATCA and related guidelines. The Company may not have allocated sufficient tax provisions to cover these potential liabilities, which could adversely and materially affect the Company's business, results of operations, financial position, and prospects.

Pursuant to the Tax / Zakat regulations currently in force in the Kingdom, if Tax / Zakat returns are filed within the statuary deadlines, the statutory time limit is five (5) years from the submission of returns. Such statutory time limit may be extended to ten (10) years in the following cases:

- Filing of Tax / Zakat returns after the statutory time limit;
- Filing of incomplete returns;
- Filing of returns with material errors contained therein; or
- Failure to pay the Tax / Zakat during the statutory time limit.

For reasons of clarity, while the typical statutory time limit for Tax/Zakat purposes is five (5) years in the Kingdom, ZATCA considers that such statutory time limit does not apply to non-resident taxes (such as withholding tax).

It should be noted that the statutory time limit for VAT is five (5) years from the end of the calendar year in which the VAT return is submitted. If ZATCA does not issue any inquiries or assessments five (5) years after the end of the calendar year in which the VAT return was submitted, the VAT returns may be considered closed for the relevant period (i.e. it falls within the statutory time limit). It should be noted that according to Article 64 of the implementing regulations of the Value Added Tax Law, ZATCA has the right to, in specific cases, such as transactions entered into with the intention of breaching the provisions of the Value Added Tax Law or its implementing regulations, issue or amend assessments up to a period of twenty (20) years from the end of the calendar year in which the tax period falls.

2.2 Risks Relating to the Market, Industry and Regulatory Environment

2.2.1 The Impact of Political and Economic Risks on the Company's Operations

All of the Company's operations are located in Saudi Arabia, and the Company generates all of its revenue from its Saudi Arabian sales. The Company's financial performance is therefore dependent on the prevailing economic and political conditions in Saudi Arabia and on global economic conditions that affect Saudi Arabia's economy.

The oil sector still constitutes a large share of the GDP of Saudi Arabia. Fluctuations in oil prices may occur, and adversely affect the economy of Saudi Arabia. Economic growth in the Kingdom has also slowed in recent years. Saudi Arabia is also facing the challenge of relatively high levels of population growth. All such conditions will have an adverse effect on the Saudi Arabian economy, which in turn would have a material adverse effect on the Company's business, financial position, results of operations, or prospects.

Fluctuations in economic factors, such as the availability of credit for consumers, interest rate levels, unemployment rates, salary levels and tax rates, cost of water and electricity consumption, partial or full removal of subsidies provided by the Saudi government for certain materials, including the Company's purchases of wheat from GFSA, may also affect consumer spending and demand for products offered by the Company. If the Company is unable to respond to market changes, the Company's business, results of operations, financial position, and prospects would be negatively and materially affected.

In addition, many countries in the Middle East have in the past and may in the future suffer from conflict. Given that some of the Company's production facilities are in close proximity to border countries, there is a risk that operations at these facilities could be disrupted by any potential cross-border military activity, should it occur. There can be no assurance that the negative diplomatic relations with, or economic and political conditions in, those countries or other countries will not have a negative impact on the economy, foreign direct investment or financial markets in Saudi Arabia in general, and on the Company's business, results of operation, financial position, and prospects.

Any unexpected major changes in the political, economic, or legal environment in Saudi Arabia, other countries in the Middle East, and / or the countries from which the Company's suppliers source its products, which include without limitation normal market fluctuations, recession, insolvency, weakness in employment levels, technological shifts and other such developments, would adversely and materially affect the Company's business, results of operations, financial position, and prospects.

In addition, significant changes in tax or trade policies, customs tariffs or trade relations between Saudi Arabia and other countries or any changes in their local policies, such as the imposition of unilateral customs tariffs on imported products, any negative reactions towards Saudi Arabia in response to increased import tariffs and other changes in Saudi Arabia's trade regulations, could result in significant increases in the Company's costs, restrict the Company's access to suppliers, depress economic activity, and have a material adverse effect on the Company's businesses, operating results, cash flows and prospects.

2.2.2 Risks Related to the Increasing Competition in the Industry which the Company Operates

The food and feed industries in Saudi Arabia are highly competitive, and the Company expects such competition to increase and intensify in the future. The Company faces competition from three primary milling companies in Saudi Arabia. These companies may have greater financial, technical, research and development, marketing, distribution, retail, and other resources than the Company. They may also have a larger customer base or broader and deeper market coverage. As a result, the Company's competitors may be able to respond more quickly and effectively to new or evolving opportunities, technologies, standards or user requirements than the Company and may have the ability to initiate or withstand significant regulatory changes and industry evolvement. Furthermore, as the Company expands into other markets in Saudi Arabia, it will face competition from new competitors who may also enter markets where the Company currently operates or will operate.

The Company competes with other milling companies in its key markets. In its flour and feed businesses in particular, the Company competes based on various factors, including: (1) price; (2) the degree of brand recognition for the quality of services and products; (3) efficiency of delivery services; (4) reputation and quality of the brands and products offered; and (5) ability to understand and respond to demands in a timely manner. Some of the Company's competitors may possess financial, managerial, logistical and human resources exceeding those possessed by the Company. Moreover, a number of different competitive factors would also have a material adverse effect on the Company's business, results of operations and financial condition, including, among other things:

- Adoption of aggressive pricing strategies, availability of popular product mix and application of innovative sales methods by the Company's existing or new competitors.
- Entry by new competitors into the Company's current and future markets and increased competition from other local players.
- Competitors merging or forming strong alliances so as to offer additional high-quality products and services at lower cost.
- Utilizing innovative sales and marketing methods by the Company's competitors.

Any significant increase in competition may have a material adverse effect on the Company's revenue and profitability as well as on its business and prospects. There can be no assurance that the Company will be able to successfully distinguish its products and services from those of its competitors, preserve and improve its relationships with customers, or increase or even maintain its existing market share. The Company may lose market share, and its financial condition and results of operations may deteriorate significantly if it fails to compete effectively. The occurrence of any of these events would adversely and materially affect the Company's business, results of operations, financial condition and prospects.

2.2.3 Risks Related to Natural Disasters

In the event of the occurrence of natural disasters that cannot be controlled by the Company, such as floods, earthquakes, storms, etc., and that may damage the Company's production facilities, the Company will incur heavy costs. Natural disasters may also affect the Company's ability to continue its operations and thus reduce its revenue from those operations. Therefore, if such disasters occur and damage the Company's production facilities, it would adversely and materially affect the Company's business, results of operations, financial condition and prospects.

2.2.4 Risks Related to the Competition Law

The Competition Law promulgated by Royal Decree No. M/75, dated 29/06/1440H (corresponding to 6 March 2019G) and its implementing regulations issued by the General Authority for Competition pursuant to Resolution No. 337, dated 25/01/1441H (corresponding to 24/09/2019G) prohibit practices (including agreements or contracts made between entities, irrespective of whether they are written or oral, express or implied) with anti-competitive objectives or effects, including practices such as fixing prices of goods, service fees, or terms of purchase and sale. Should the GAC decide to lead an investigation into the Company, or otherwise conclude that the Company is in breach of the applicable Competition Laws, it may impose on the Company a fine of up to 10% of the total annual sales value which is the subject of the violation or no more than ten million (10,000,000) Saudi riyals where it proves impossible to estimate such value. Moreover, the GAC may, at its discretion, impose a fine of up to three times the revenues made as a result of the breach and order the (partial or full) suspension of the Company's activities temporarily or permanently in case of repeated breach. The issuance of a final and binding order by the competent authorities against the Company in connection with a material violation of the Competition Law may lead to the suspension or revocation of the flour mill operating license issued to the Company by GFSA.

The Company is not currently subject to any financial penalties or fines imposed by the General Authority for Competition.

The occurrence of any of the abovementioned risks would have a material and adverse effect on the Company's relationships with its suppliers, revenues, financial position, results of operations and prospects.

2.2.5 Risks Associated with Statutory Regulations, Permits, Licenses and Approvals Necessary for the Company's Business

The Company is required to obtain and maintain the necessary permits, licenses, and approvals from government authorities for its business operations and activities. These permits, licenses and approvals include, but are not limited to, commercial registration certificates for the Company issued by the MoC, GFSA licenses, licenses issued by and registers held at SFDA, civil defense permits, membership certificates with the relevant chambers of commerce, trademark registration certificates, Saudization and GOSI certificates in each case relating to the business operations of the Company. In addition, as a manufacturer of food in Saudi Arabia the Company is required to obtain various licenses issued by and registrations made with GFSA. (For further information, please refer to Section 12.4 ("**Material Government Consents, Licenses and Certificates**") of this Prospectus). Moreover, should the Company wish to export its products in the future, it will need to obtain the relevant export licenses. In addition, the Company is subject to ongoing reviews and assessments by GFSA.

The Company is particularly subjected to the terms of the Milling License issued by GFSA (for more information, please refer to Section 12.4 ("**Material Government Consents, Licenses and Certificates**") of this Prospectus). The Milling License contains a termination provision in the event of material violation of the terms thereof which is not remedied by the Company within thirty (30) days ("**Grace Period**") after receiving a written notice from GFSA. Such violation may lead to suspension (for a maximum period of three (3) months from the end of the Grace Period) or revocation of the main license. For example, a "**material violation**" includes, by way of example without limitation, any of the following:

- Company's failure to keep the rented facilities in good repair and condition.
- Failure to pass the wheat or flour quality test conducted in accordance with SFDA regulations or during a scheduled or unscheduled inspection carried out in accordance with the Flour Production Mills Law, if such wheat, when imported, conformed to the quality standards required under the Flour Production Mills Law or to any higher standards.
- If the Company disposes, in any form or manner, of any amount of subsidized wheat provided by GFSA (including in the event of sale of subsidized wheat to non-approved customers or in quantities exceeding the quantities assigned to such customers) without the latter's consent, which consent shall not be unreasonably withheld or delayed.
- The Company's production of subsidized flour falls short of the targeted production capacity of its subsidized flour by more than 10%, where the same is achieved intentionally by the Company or due to circumstances within the Company's control and does not result from temporary technical or labor difficulties adversely affecting the consumption of subsidized flour in the Saudi market for more than one week.

- If any action that requires prior approval from GFSA is undertaken, without obtaining the prior necessary approval therefor.
- In case of non-compliance with the applicable Environment, Health and Safety (EHS) laws and regulations of the Kingdom.
- In case of non-compliance with the applicable laws and regulations of the Kingdom relating to money laundering, bribery, and corruption.

In order to operate or expand the production capacity of its facilities, the Company must obtain various permits, licenses, certificates and other approvals from the relevant authorities. These include, the MoMRAH and GFSA licenses, civil defense permits, building permits and others. In the case of building permits relating to the construction or expansion of the facilities, these must be obtained by the owner of the relevant land which is the GFSA (please Section 2.1.4 ("**Risks Relating to Leases and not Owning the Lands on which the Company's Production Facilities are Located**")). Accordingly, the process for obtaining the building permit for the expansion of Al Jumum is beyond the control of the Company. Each approval is dependent on the satisfaction of certain conditions and in the case of municipality licenses for the facilities, this includes building permits usually obtained at the time of construction. The Company could encounter problems in obtaining government approvals or in fulfilling the conditions required for obtaining these approvals, or it may not be able to comply with new laws, regulations or policies that may come into effect from time to time with respect to the food and feed sectors in general or the particular processes with respect to the granting of necessary approvals. For more information, please refer to Section 12.4 ("**Material Government Consents, Licenses and Certificates**") of this Prospectus.

Most of the Company's existing licenses are subject to conditions under which they might be suspended or terminated if the Company fails to fulfil and abide by the underlying conditions. Moreover, when seeking to renew or amend the scope of a license, there is no guarantee that the concerned authority will renew or amend the license or that, if it does renew the license, no conditions will be imposed which would adversely affect the Company's performance.

If the Company does not obtain or renew a license necessary for its operations, or if any of its licenses expires or is suspended, or renewed under unfavorable conditions to the Company, or if the Company is unable to obtain additional licenses required in the future, the Company will be required to cease carrying on its business totally or partially or will be subject to fines issued by the relevant Saudi governmental authorities, including SAR 30,000 from the civil defense or SAR 5,000 from MoMRAH for each infringing location. Additionally, the Company may be subject to sanctions issued by GFSA and by the National Center for Environmental Compliance, if it does not obtain an environmental license or permit, including fines up to SAR 20,000,000, or the suspension of the license or permit for a period not exceeding six months for each infringing location, or the cancellation of such license or permit. This will interrupt or delay the Company's operations and cause the Company to incur additional costs, and would adversely and materially affect the Company's business, results of operations, financial position and prospects.

2.2.6 Risks Related to Environmental, Health and Safety Laws and Regulations

The Company's activities are subject to a broad set of laws and regulations relating to the protection of the environment. Such laws include the management of pesticides and associated hazardous waste, the acquisition of permits for water use and effluents disposal and the approval of environmental impact assessments. In addition, the storage and processing of products such as agrochemical and other pesticides, may create hazardous conditions. The Company could be exposed to criminal and administrative penalties in addition to the obligation to remedy the adverse effects of its operations on the environment and to indemnify third parties for damages.

The Company has incurred, and will continue to incur, capital and operating expenditures to comply with these laws and regulations. Because of the possibility of unanticipated regulatory measures or other developments, particularly as environmental laws become more stringent, the amount and timing of future expenditures required to maintain compliance could increase from current levels and could adversely affect the availability of funds for capital expenditures and other purposes. Compliance with existing or new environmental laws and regulations, as well as obligations in agreements with public entities, could result in increased costs and expenses. Compliance with existing or new environmental laws and regulations, as well as obligations in agreements with public entities, could result in increased costs and expenses. As such, environmental compliance and remediation could result in substantially increased capital requirements and operating costs which could adversely affect the Company's business, financial condition, results of operations or prospects may be materially adversely affected.

2.2.7 Risks Related to Changes in Laws and Government Policies in Saudi Arabia, or Changes in Their Application to the Company

The Company is subject to a range of laws and regulations in Saudi Arabia, which in many cases are applied by governmental authorities in accordance with government policy or directives. Demand for products sold by the Company and its business may be materially and adversely affected by changes in laws, regulations, government policy and administrative directives, or the interpretation thereof, in Saudi Arabia, including in particular those with application to the flour milling, food and feed sectors in Saudi Arabia.

A number of the laws and regulations applicable to the Company and its operations are relatively new, and the interpretation and enforcement of these laws and regulations may involve uncertainty. There can be no assurance of favorable or unfavorable future changes in laws and regulations and / or governmental policy in Saudi Arabia, including the promulgation of new laws, changes in existing laws or their interpretation or enforcement. As a result, there is uncertainty as to the legal protection available to the Company and the Shareholders.

The Company is unable to anticipate changes in the regulatory environment and therefore could be subject to fines and sanctions, which would materially and adversely affect the Company's business, results of operations, financial position and prospects.

2.2.8 Risks Related to Saudization, Non-Saudi Employees, and Other Labor Law Requirements

The Saudization and Nitaqat programs were adopted pursuant to the Ministerial Resolution No. 4040 dated 12/10/1432H (corresponding to 10 September 2011G), with the Ministry of Human Resources and Social Development beginning the implementation of the Nitaqat program to encourage institutions to employ Saudi nationals. Compliance with Saudization requirements is a local regulatory requirement necessitating that all companies carrying out business in Saudi Arabia, including the Company, employ and maintain a certain ratio of Saudi personnel among their staff. The ratio of Saudi workers varies on the basis of a Company's activities and the professions specifically targeted with Saudization resolutions. As at 31 December 2022G and 30 June 2023G, the Saudization rate for the Company (alone) was about 42%, while the Saudization rate for Hasad Al-Arabia for Trade was about 25% as at 30 June 2023G. As at 30 June 2023G, the Company and its branches have been classified in the Platinum category, which means that the Company comply with the current Saudization requirements, and will be able to secure work visas and transfer sponsorship. The Company received Saudization certificates from the Ministry of Human Resources and Social Development for observing the Saudization requirements.

Under the Saudi Labor Law, foreign employees are only permitted to work for the corporate entity which sponsors them in Saudi Arabia or through the Ajeer program. The Company employs a number of non-Saudi employees who are sponsored by third-party recruiting companies. The fees for transferring employees from one company to another are between SAR 2,000 and SAR 6,000 (depending on the number of times an employee has transferred their sponsorship in the past). For further information on the employees, please refer to Section 4.15 ("**Employees**"). The risks related to the requirements applicable to non-Saudi employees include facing fines or penalties, such as suspension of MHRSD recruitment systems or services in the event of violating laws pertaining to Iqama, transfer of sponsorship, Ajeer notices, secondment, and residency professions, which would adversely affect the Company's business and results of operations. The penalties for entities seconding foreign employees under their own sponsorship to another entity without an Ajeer notice include, for a first-time violating entity, a fine of SAR 25,000 for each employee working in violation of the law, and these fines increase in case of repeated violations.

In addition, under the Saudi Labor Law, each foreign employee must carry out the job function stated on his / her Iqama. The penalties for entities hiring employees whose actual job function does not correspond with the job function appearing on their Iqama include, for a first-time violating entity, a fine of SAR 10,000 for each employee working in violation of the law, and these penalties increase in case of repeated violations.

The Company may not be able to fulfil current or amended Saudization or other Labor Law requirements in the future or that the minimum wage required to be paid by the Company will not increase. In case of non-compliance with the requirements pertaining to Saudization or non-Saudi employees, the Company could face sanctions by governmental authorities. In addition, the Company may be unable to provide the required workforce or recruit the required number of Saudi nationals and / or foreign workers without incurring additional costs, if at all, which would adversely affect the Company's business, results of operations, financial position, and prospects. For further details, please refer to Section 4.15 ("**Saudization Strategy**").

2.2.9 Risks Related to the Imposition of Additional Fees or New Taxes

The Company is currently subject to Zakat and VAT. However, the government may impose other fees or additional taxes on companies in the future. In the event that new taxes or fees are imposed on companies, other than the current ones, this may adversely and materially affect the Company's business, financial condition, results of operations and prospects.

For example, any potential future VAT increase may reduce the level of demand for the Company's products or affect its profitability, which would have a material adverse impact on the Company's business, financial position, results of operations and prospects.

2.2.10 Risks Related to VAT

The Company has filed all its VAT returns since its registration (since 01/10/2018G until 30/09/2023G), by the statutory deadlines. The Company also paid all liabilities to the Zakat, Tax and Customs Authority by the statuary deadlines.

The Company has been assessed with respect to VAT for the periods ending 2018G, 2019G and 2020G, and ZATCA has accordingly issued the final assessments in this regard. The Company paid the additional VAT tax due in the amount of SAR 228,821, including fines, and the Company has filed no objections to the General Secretariat of the Zakat and Tax Committees.

Given that the VAT has been implemented relatively recently, the Company could make errors when implementing the regulatory requirements, which would lead to facing penalties imposed by the Zakat, Tax and Customs Authority in accordance with the Value-Added Tax Law. Should that occur, it would have an adverse and material impact on the Company's business, results of operations, financial position, and prospects.

2.2.11 Risks Related to the Overall Decline in the Number of Consumers or Levels of Consumer Spending on the Company's Business

The Company's revenues depend on the levels of product sales to customers. Accordingly, the success of the Company is subject to general risks related to the performance of wholesale and retail sectors as well as the flour and feed sector sales. The food manufacturing industry is considered to be a cyclical industry and its underlying sectors are susceptible to volatile levels of demand due to the rapid and occasional unpredictable changes in the behavior of consumers including increasing preferences towards healthier food products. Such behavioral changes are possibly influenced by the general economic conditions related to levels of disposable income, tax implementations (including VAT, which rose from 5% to 15% on 1 July 2020G), consumer spending (including discretionary spending on foodstuffs including flour products), the general confidence in the economy, changes in consumer preferences and demographics.

In addition, the success of the Company's business depends on its ability to maintain a comprehensive and appealing product mix, while anticipating and responding to changes in customer demand levels and preferences in a timely manner. Consumer acceptance of products is affected by a number of factors, including prevailing economic conditions, disposable income, global lifestyle trends, prices, functionality, technology and many other factors. It is also possible that some of the products that the Company offers, including flour products, will not achieve a widespread consumer acceptance or may decrease in demand. Additionally, the success of the Company's operations depends on its continued ability to select products that satisfy consumers' demands.

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Fluctuations in the systematic economic factors, such as the availability of credit for consumers, interest rates levels, unemployment rates, salary levels and tax rates, cost of water and electricity consumption, partial or full removal of subsidies provided by the Saudi Arabian government for certain materials, may also affect consumer spending and demand for products offered by the Company. If the Company is unable to respond to market changes, the Company's business, results of its operations, financial position and forecasts would be negatively and materially affected.

2.3 Risks Related to the Offer Shares

2.3.1 Risks Related to Actual Control by Substantial Shareholders on the Interests of the Company and Other Shareholders

Following completion of the Offering, the current Shareholders will collectively hold (directly or indirectly) 69% of the issued Shares. The Substantial Shareholders will therefore be able to influence all matters and decisions requiring the approval of the Shareholders including the election of the Directors, approval of contracts, important Company activities, distribution of dividends and amendments which might be made to the Company's share capital and Bylaws.

The interests of the Substantial Shareholders may differ from those of the Company's other Shareholders, and the Substantial Shareholders may prevent the Company from making certain decisions or taking certain actions that would protect the interests of the Company's other Shareholders. This may also have the effect of delaying, deferring or preventing a change in control or distribution of dividends and discourage bids for the Shares, which may adversely affect the value of the Shares.

Such powers might be used in a manner which would adversely and materially affect the Company's business, results of operations, financial position, and prospects.

2.3.2 Risks Related to the Absence of a Prior Market for the Shares

There has been no previous public market for offering or trading the Shares, and there can be no assurance that an active and liquid market for the Shares will develop or be sustained after the Offering. If an active and liquid market is not developed or maintained, the trading price of the Shares, which would adversely and materially affect Subscribers' anticipated returns, or result in the loss of all or a portion of their investment in the Company.

2.3.3 Risks Related to Future Sales and Offers

Sales of large numbers of the Shares on the market after the completion of the Offering, or the perception that those sales will occur, will adversely affect the market price of the Shares.

Upon the successful completion of the Offering, the Substantial Shareholders will not be able to dispose of their Shares prior to obtaining the approval of the GFSA, and the CMA. In addition, after the Offering, Current Shareholders of the Company shall maintain ownership of at least 51% in the Company (directly or indirectly) for the duration of the financing document between the Company and Alinma Bank (for more information, please refer to Section 12.8 ("**Credit Facilities and Loans**") of this Prospectus), subject to also obtaining any required approvals from other concerned government agencies. The sale of a substantial number of Shares by any of the Substantial Shareholders will have an adverse effect on the market for the Shares, and may result in a lower market price.

The Company does not currently intend to issue additional Shares after the end of the Offering. If the Company decides to raise additional capital by issuing new Shares, the newly issued Shares may cause the value of the Shares to drop and could reduce Shareholders' ownership percentage in the Company if they do not subscribe for new shares at that time. The occurrence of any of the foregoing factors would have a material adverse effect on Subscribers' anticipated returns, or result in the loss of all or a portion of their investment in the Company.

2.3.4 Risks Related to Fluctuation in the Market Price of the Shares

The Offer Price has been determined based upon several factors, including the past performance of the Company, the forecasts for the Company's business, the industry in which it operates, the markets in which it competes and an assessment of the Company's management, operations and financial results. The Offer Price may not be equal to the price at which the Shares will be traded following completion of the Offering and investors may not be able to resell the Offer Shares at the Offer Price or above, or may not be able to sell them at all.

The stock market in general experiences, from time to time, extreme price and volume fluctuations. Market fluctuations could result in extreme volatility in the price of the Shares, which could cause a decline in the value of the Shares, with price volatility being worse if the trading volume of the Shares is low. The price of Shares may be negatively affected by various factors, including the Company's performance and results of anticipated operations, departures of key personnel, changes in earnings estimates or forecasts, changes in the business strategy, market conditions in its industry, the general situation of the Saudi Arabian economy, changes in laws and regulations, terrorist acts, acts of war or periods of widespread civil unrest, natural disasters and other calamities and stock market price fluctuations. The realization of any of these risks or other factors would have a material adverse effect on Subscribers' anticipated returns, or result in the loss of all or a portion of their investment in the Company.

2.3.5 Risks Relating to the Company's Ability to Distribute Dividends

Future distribution of dividends will depend on several factors including, among other things, future earnings, financial conditions, cash flows, working capital requirements, capital expenditures and distributable reserves of the Company. In addition to other factors, the Company may not be able to pay dividends, and the Directors may not recommend, and the Shareholders may not approve, the payment of dividends. Additionally, the Company may be restricted by the terms of financing and facilities agreements executed with financing entities which some of them require their written approval prior making dividend payments to Shareholders. The Company may incur expenses or liabilities that would reduce or eliminate the cash available for distribution of dividends. If the Company does not pay dividends on the Shares, Shareholders may not receive any return on investment in the Shares unless they sell the Shares at a price higher than the price at the time of purchase, which would have a material adverse effect on Subscribers' anticipated returns. (For further details regarding the dividends policy of the Company, please refer to Section 7 ("**Dividend Distribution Policy**") of this Prospectus).

2.3.6 Risks Related to the Failure of Publishing Research or the Publishing of Unfavorable Research About the Company

Following the listing of Company shares, the company common stocks listed will be influenced by the research and reports that research analysts publish about the Company or the industry. If one or more of the analysts ceases coverage of the Company or fails to regularly publish reports on the Company, the latter could lose visibility on Tadawul, which in turn could cause its stock price or trading volume to decline. Moreover, if Company operating results do not meet the expectations of investors, one or more of the analysts who cover the Issuer may change their recommendations regarding the Company, and its stock price could decline.

3. OVERVIEW OF THE MARKET AND INDUSTRY

The data and information contained in this section has been extracted from the market study report prepared for the Company by the Market Study Consultant Euromonitor International Limited ("**Euromonitor**") in November 2023G.

Euromonitor International Ltd. was founded in 1972G in London, the United Kingdom, and provides market studies and research. (For more information about Euromonitor International Ltd., please visit the Market Study Consultant website on: https://www.euromonitor.com/saudi-arabia).

The Market Consultant prepared the study report independently and objectively and was keen to ensure the accuracy and completeness of said report. The research was conducted from a broad sector perspective and may not necessarily reflect the performance of individual companies in the sector.

The Directors believe that the Market Study information and data from other sources contained in this Prospectus, including that provided by the Market Study Consultant, is reliable. However, this information and data has not been independently verified by the Company, the Directors, the Advisors, nor the Selling Shareholder, and therefore none of the aforementioned bears any liability for the accuracy or completeness of said information.

It should be noted that the Market Study Consultant does not, nor does any of its shareholders, directors, or their relatives own any Shares or any interest of any kind in the Company or its Subsidiaries. As at the date of this Prospectus, the Market Study Consultant has given, and not withdrawn, its written consent for the use of its market information and data, in the manner and format set out in this Prospectus.

3.1 Macroeconomic And Demographic Overview

3.1.1 Macroeconomic Overview

In the review period, Saudi Arabia's positive economic performance was primarily influenced by non-oil diversification and fiscal consolidation combined with socioeconomic reforms and programmes.

Saudi Arabia›s economy achieved a SAR4.2 trillion nominal GDP in 2022, experiencing a 7.0% CAGR from 2018G to 2022G.[4] This growth resulted from Vision 2030›s diversification efforts, driving infrastructure expansion, investments, and private consumption. Despite a 2020G pandemic-driven contraction, the economy rebounded strongly with an 8.7% growth rate in 2022G[5], aided by the Public Investment Fund and stimulus packages. Vision 2030 prioritizes fiscal reforms, export diversification, and investments in tourism, healthcare, education, and technology. The goal is to increase non-oil exports from 14% in 2019G to 50% of non-oil GDP by 2030G, with a key focus on expanding focus and investments in tourism, healthcare, education, information & technology among others. Tourism, and outdoor entertainment have rebounded post pandemic with ambitious tourism projects aiming to attract 100 million visitors annually by 2030G[6]. The increasing focus on growth in non-oil GDP along with expansion of tourism and outdoor entertainment is likely to benefit growth in overall food and beverage sector across several channels like Wholesale & Retail Trade, Restaurants, and Hotels.

A diverse and actively growing tourism landscape has led to a multicultural retail and consumer foodservice sector, with global cuisines, international hotel chains, and Westernized culinary experiences thriving. Investments in infrastructure and housing, including projects like the USD 500 billion megacity - NEOM[7], extended road connectivity and infrastructure by Amaala[8], and expansion of real-estate by several established builders like Diriyah Gate, have further stimulated economic growth. As a result of these efforts, total government revenues rose by 27.8% in 2022G and stood at SAR1,234 billion (US$318 billion) in 2022G. It is worth mentioning that the contribution of non-oil revenues to total revenues in 2022G stood at 31.8%[9].

4 Euromonitor Passport estimates from official statistics and published sources
5 Ibid
6 Gulf Business (2023G). From ancient history to modern luxury, Saudi Arabia's tourism offerings continue to expand
7 Economy Middle East (2023G). Construction progress for NEOM city projects in 2023
8 Amaala (2022G). AMAALA celebrates milestone moment with over SAR6.62 billion of contracts signed to date
9 Euromonitor insights and estimates based on primary and secondary research

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In the medium-to-long term, Saudi Arabia's FDI and privatisation drive translates into many opportunities for private-sector players across sectors, including foodservice and food production.

Saudi Arabia›s structural reforms, part of the Saudi Vision 2030›s 11 Vision Realisation Programmes, aim to boost private sector engagement and PPPs (public-private partnerships) while implementing policy changes to attract foreign investment. The goal is to achieve a 5.7% FDI share of GDP[10] and raise private sector›s GDP share to 65%[11] by 2030, with over 300 initiatives and regulations enacted to facilitate this transition. These efforts resulted in total foreign investments in Saudi Arabia growing by 2% in 2022G to reach SAR 2.4 trillion (USD 640 billon) of which SAR1.0 trillion (USD269 billion) in Foreign Direct Investments during FY2022G, accounting for 42% of total foreign inflows.[12] As part of this strategy, the Kingdom opened four economic zones across Saudi Arabia that would allow for specific economic activities such as investment, trade and employment as a boost to the economic growth[13].

Coupled with the Kingdom's ongoing privatisation efforts, food security ambitions have fostered a growth environment for the supply side of the food production and manufacturing sector.

Saudi Arabia›s privatization efforts have extended to sectors within the country›s food supply chain, reflecting its commitment to food security, influenced in part by disruptions caused by the COVID-19 pandemic. This drive which began with the privatization of the four flour mills originally grouped by the Government, namely, MC1 (Now First Mills Company), MC2, MC3 (Now Modern Mills Company, MMC), and MC4 extended into broader initiatives like the US$10 billion (SAR37.5 billion) Food Security Plan (2022G).[14] Investments in technologies such as vertical farming, a US$1 billion (SAR3.75 billion) plan for greenhouses, the establishment of the Agricultural Development Fund[15] and additional facilities to store 3.5 million tonnes of grain further signal the Kingdom›s steadfast progress for self-sufficiency.

SALIC, Saudi Arabia›s Agricultural and Livestock Investment Company, ensures the Kingdom›s wheat supply by forming global partnerships amid concerns over geopolitical concerns in Central and Eastern Europe. By the end of 2022G, SALIC met over 20% of Saudi Arabia›s wheat needs with an estimated 720,000 tons of wheat grain in 2022G, through direct and indirect contracts[16]. Under the National Food Security Strategy's Saudi Arabia Investment Abroad programme, SALIC has further extended global alliances and acquisitions to diversify the Kingdom's wheat sources. Adequate wheat supply has further spurred investments in local food manufacturing, with a goal of attracting USD20 billion (SAR75 billion) in investments by 2035G in dairy, bakery, sweets, and beverages sectors[17], thereby indirectly benefiting businesses involved in wheat supply and processing.

The Kingdom's economy is set for a strong rebound on the back of ongoing diversification, socioeconomic stabilisation, privatisation and industrialisation efforts.

Despite oil price fluctuations and geopolitical concerns in Central and Eastern Europe, diversification, employment programs, and private sector development promise long-term stability including the Saudi Vision 2030's target to create over two million jobs between 2021G and 2030G[18]. Investments in food security and sector privatization will likely bolster exports, diversify the economy, and boost local consumption of competitively priced food and particularly, wheat-based products.

10 Vision 2030 (Goals and objectives)
11 Ministry of Finance (2022G). Budget Statement Fiscal Year 2023G
12 Arab News (2023G). Foreign investments in Saudi Arabia grew 2% to hit $640bn in 2022G
13 Gulf Business (2023G). Saudi Arabia opens four new economic zones to boost investment.
14 Arab News (2022G). Saudi Arabia launches $10bn food security plan: Minister
15 Agricultural Development Fund (2023G) (adf.gov.sa)
16 Arab News (2023G). PIF's SALIC supplies 30% of Saudi Arabia's wheat demand
17 Al Arabiya (2023G). Saudi Arabia seeks $20 bln investment in food industry, aims to double exports
18 National News (2021G), 'Saudi Arabia creates 555,000 new jobs as it presses ahead with Vision 2030 plan'

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Table (3.1): Key Macroeconomic Indicators in Saudi Arabia, 2018G-2030G

Category	Data Type	2018G	2019G	2020G	2021G	2022G	2030G	CAGR 2018-22G	CAGR 2022-30G
Nominal GDP	SAR trillion	3.17	3.14	2.75	3.26	4.16	5.22	7.0%	2.9%
Nominal GDP per capita	SAR	105,135	104,598	87,268	105,807	129,154	133,173	5.3%	0.4%
Real GDP*	SAR trillion	2.73	2.75	2.63	2.74	2.97	3.74	2.2%	2.9%
Real GDP growth	%	2.8	0.8	(4.3)	3.9	8.7	2.6	-	-
Total Government Revenue	SAR billion	906	927	782	965	1,234	-	8.0%	-
Oil revenue	SAR billion	611	594	413	562	842	-	8.3%	-
Non-Oil revenue	SAR billion	294	332	369	403	392	-	7.4%	-
Total Government expenditure	SAR billion	1,079	1,059	1,076	1,039	1,132	-	1.2%	-
Disposable income per capita	SAR	39,709	42,037	38,463	44,718	45,954	66,173	3.7%	4.7%
Inflation	%	2.5	-2.1	3.4	3.1	2.5	2.0	-	-
Total consumer expenditure	SAR billion	1,247.9	1,317.7	1,267.5	1,436.6	1,540.4	2,289.9	5.4%	5.1%
Consumer expenditure per capita	SAR	41,327	43,832	40,170	46,668	47,877	58,415	3.7%	1.0%
Consumer expenditure on food	SAR million	230,547	243,179	235,358	267,432	285,125	349,973	5.5%	1.5%
Consumer expenditure on bread and cereals	SAR million	28,097	29,043	28,240	32,396	35,072	53,424	5.7%	5.4%
No. of consumer foodservice outlets	Units	35,718	36,805	35,593	33,999	34,099	-	(1.2%)	-
Sales from foodservice outlets	SAR million	79,770	82,916	52,761	60,633	66,296	-	(4.5%)	-
Foodservice outlets # of transactions	Million	2,602	2,697	1,540	1,842	1,946	-	(7.0%)	-

Source: Euromonitor estimates from United Nations (UN), World Bank (WB), International Monetary Fund (IMF), GASTAT, Ministry of Education, Ministry of Health, SAMA and Euromonitor's Economies and Consumers database.

Note: *Real GDP is calculated with base year as 2010. 2022 and 2030 data are estimated Euromonitor forecasts.

3.1.2 Demographic Dynamics

While historically driven by the Saudi population, the Kingdom's demographic expansion is steering towards expansion with higher demand for a diversified consumer foodservice landscape.

In 2022G, the Kingdom's population reached 32.2 million, growing 1.6% annually from 2018G to 2022G.[19] Factors contributing to this growth include organic increase and the return of expatriates, attracted by economic liberalization and foreign investments after a COVID-19-related exodus in 2021G-2022G. The non-Saudi population, which had declined by 8.6% in 2020G-21G, rebounded by 7.9% in 2021G-22G.[20] This demographic shift is expected to drive demand for various outdoor entertainment and consumer foodservices, such as ready-to-eat meals and wheat-based products. Significant investments in giga-projects such as NEOM and LINE combined with the mandate to establish local headquarters in the Kingdom, has seen a strong influx of expats into the Kingdom[21]. This is likely to drive strong growth in population which is expected to reach an estimated 39.2 million by 2030G, growing at a CAGR of 2.5% for the period 2022-2030G[22].

The Kingdom›s demographic growth, backed by rising engagement of Saudi women in the job market, is boosting demand for home services and out-of-home consumption among consumers.

The Kingdom has a relatively large economically active population with 63.4% of the total population aged between 15 and 49 years as of 2022[23]. Saudi Arabia›s economic transformation prioritizes job creation and capacity building for youth and women through initiatives like Doroob, Tamheer, and Qiyadayat. The Localisation Programme ties labour force nationalization to privatization, leading to over 2.2 million Saudis (estimated at 1.34 million Saudi men and 0.89 million Saudi women) working in the private sector as of Q2 2023G, about 36.5% more than the Saudi nationals employed in the public sector (estimated at 1.63 million)[24]. This has strongly supported the expansion of the middle class[25] to 29.2% of households[26]. Supporting women›s employment and enacting supportive legislation doubled female workforce participation to 35% by the Q2 2023G[27], driving food away-from-home consumption trends and boosting consumer spending on food and beverage, especially ready-to-eat products. The growing young population, along with urbanization and women›s empowerment, will sustain demand for staples like bread and wheat-based products.

Saudi Arabia›s VAT increase to 15% in July 2020, along with other economic measures, led to a 5.4% CAGR in consumer spending, reaching SAR1.5 trillion in 2022[28]. Inflation stayed low, and disposable income per capita reached SAR45,954 in 2022G[29]. The demand for food and beverages increased, driven by urban youth. This trend is likely to continue with disposable income per capita expected to reach SAR66,173 in 2030G growing at a robust CAGR of 4.7%[30].

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19 GASTAT (2022G)
20 Ibid
21 Construction Week Middle East, 'Saudi Arabia faces housing shortage as country faces an influx of expats'
22 Euromonitor estimates based on World Bank and secondary research
23 Euromonitor International Passport estimates from official and published sources
24 GASTAT, Labor statistics (Q2 2023G)
25 Euromonitor International Passport; Middle class is defined as the number of households with median disposable income between 75% and 125%
26 Ibid
27 Ministry of Human Resources and Social Development (2023G); GASTAT (2022G)
28 Euromonitor International Passport estimates from official and published sources
29 Ibid
30 Ibid

The Kingdom's urbanisation and infrastructural drive, supporting the expansion of the F&B and retail sector, is extending well beyond Tier 1 cities and into high-potential remote and underserved regions

The Kingdom's urban population, driven by Vision 2030 and overall growth, reached 27.2 million (84.7% of the overall population) in 2022, growing at an annualized rate of 1.9% from 2018[31]. Riyadh, the economic capital, holds 8.6 million or 26.7% of the population as of 2022[32]. Government has been investing in its planned SAR 3 trillion (USD 800 billion) to nearly double Riyadh in size and transform this into an economic, social and cultural hub by 2030G[33]. Other Key regions include Makkah Al Mukarramah, Al Madinah Al Munawwarah, and the Eastern region, attracting investment and consumption. Infrastructure projects are also driving urbanization in remote areas, with a view to expand cultural tourism. For instance, in its view to expand Asir's (6.3% of the total population in 2022G[34]) tourism, the Government is investing in road connectivity with Abha, Ahad Rafidah and Khamis Mushait. This is likely to drive expansion in retail, consumer foodservice and hospitality sectors resulting in higher employment and increased consumer spending.

Table (3.2): Key Demographic Indicators in Saudi Arabia, 2018G-2030G

Category	Data Type	2018G	2019G	2020G	2021G	2022G	2030G	CAGR 2018 – 22G	CAGR 2022-30G
Total Population	'000	30,196	30,064	31,553	30,784	32,175	39,200	1.6%	2.5%
Male Population	'000	18,581	18,345	19,279	18,570	19,679	23,598	1.4%	2.3%
Female Population	'000	11,615	11,719	12,274	12,215	12,497	15,602	1.8%	2.8%
Total Population – Saudi Nationals	'000	17,086	17,507	17,979	18,381	18,792	-	2.4%	-
Total Population - Expats	'000	13,111	12,557	13,574	12,404	13,383	-	0.5%	-
Population Aged 0-18	'000	9,842	9,888	10,062	10,022	10,084	12,038	1.1%	2.2%
Population Aged 65 & Above	'000	720	737	784	812	862	1,290	4.3%	5.2%
Urban Population	'000	25,318	25,273	26,595	26,015	27,262	33,722	1.9%	2.7%
Riyadh region	'000	8,031	7,979	8,422	8,175	8,592	-	1.7%	-
Makkah region	'000	7,715	7,608	7,983	7,692	8,021	-	1.0%	-
Madinah region	'000	2,010	2,005	2,096	2,053	2,138	-	1.6%	-
Qassim region	'000	1,262	1,260	1,310	1,289	1,336	-	1.4%	-
Eastern Region	'000	4,747	4,740	4,989	4,880	5,125	-	1.9%	-
Asir region	'000	1,864	1,876	1,959	1,944	2,024	-	2.1%	-
Jazan region	'000	1,311	1,315	1,370	1,355	1,405	-	1.8%	-
Number of Households	'000	6,303	6,454	6,490	6,486	6,573	8,020	1.1%	2.5%
Average Household Size	Nos.	5.6	5.6	5.5	5.5	5.5	5.5	(0.4%)	-
Middle-class households	'000	1,856	1,894	1,897	1,894	1,918	2,323	0.8%	2.4%
Total employed population	'000	15,883	16,415	17,354	17,578	18,533	22,565	3.9%	2.5%
Total employed population – Saudi Nationals	'000	6,253	6,898	7,569	8,161	8,813	-	9.0%	-
Unemployment Rate	%	6.0%	5.6%	7.7%	6.6%	5.6%	-	-	-
Unemployment Rate – Saudi Nationals	%	12.9%	12.2%	13.7%	11.3%	9.4%	-	-	-

Source: Euromonitor estimates from UN, WB, GASTAT and Euromonitor's Economies and Consumers database. No estimates for 2030 for certain indicators have been considered (e.g. population by region) because there is no data published by local/national statistics (GASTAT).

31 Euromonitor estimates from Passport based on official and published sources
32 GASTAT (2022G)
33 Arab News (2021G). $800bn plan to turn Riyadh into cultural hub for the Middle East
34 General Authority for Statistics (2022G)

3.2 Overview of the wheat industry in Saudi Arabia

3.2.1 Production and Value chain

Wheat supply for flour production in the Kingdom is heavily regulated.

Traditionally, GFSA (General Food Security Authority) has been responsible for sourcing, storage and distribution of food-grade wheat. The Saudi wheat flour milling industry is undergoing transformation as the General Food Security Authority (GFSA) shifts toward a regulatory and quality inspection role, while the Saudi Agricultural and Livestock Investment Company (SALIC) is expected to lead sourcing and storage of food-grade wheat. GFSA contracts farms worldwide through SALIC or independent investment companies registered with Ministry of Environment, Water and Agriculture to export 3-4.5 million tonnes of wheat annually to meet the wheat demand in the Kingdom. This is stored in grains silos managed currently by GFSA with a total capacity of 2.7 million tons. Besides this, the four milling companies have a combined storage capacity of 745,000 tonnes[35], 24.8% of which, is held by Modern Mills Company across its three locations at Al Jawf, Al-Jumum and Khamis Mushait[36].

Following the amendment to a resolution that had stopped local wheat production in 2018G, registered farmers with an area not exceeding 50 hectares were given the choice of cultivating wheat in Saudi Arabia. However, the Kingdom limited annual local production of wheat to a maximum of 1.5 million tons for a five-year period, 2019-2024G[37]. In line with this, local wheat production in the Kingdom amounted to 538,436 tons, a 6.5% decline over the local production in 2021G and a 38% CAGR from 2019G[38] This locally produced wheat along with imported wheat (after maintaining stocks for strategic reserves) is cumulated as the wheat used by the milling companies.

Milling companies handle all wheat processing entirely in the Kingdom.

Four milling companies oversee all wheat processing in the Kingdom: First Mills company, Milling Company 2 (MC2), Modern Mills Company, and Milling Company 4 (MC4) with a cumulative daily milling capacity of 15,150 tons[39]. Modern Mills Company, headquartered in Jeddah, has a capacity of 3,451 tonnes for wheat milling and 1,400 tonnes for animal feed processing. First Mills Company, based in Jeddah, has a daily capacity of 4,200 tonnes for wheat milling and 900 tonnes for feed processing. MC2, headquartered in Riyadh, can process 4,350 tonnes of wheat daily[40] and 600 tonnes for feed milling.[41] MC4, located in Dammam, has daily capacities of 3,150 tonnes for wheat milling and 300 tonnes for feed processing.[42] The Milling companies typically operate at over 85% of their installed capacity to cater to the local market demand[43]. To cater to growing local demand for wheat flour, milling companies have obtained approvals from GFSA to expand their capacities. For instance, Modern Mills Company aims to double its daily production capacity at the Al-Jumum mill by 2025G with an additional milling line of 1,250 tonnes per day to cater for the increasing demand of Hajj & Umrah, making it the largest wheat flour production line in the Kingdom.

Total wheat used in production of flour and derivatives was estimated at 4.4 million tonnes in 2022G.

In 2022G, the total wheat procured for milling stood at 3.89 million tonnes with 86.2% from imports and the remaining 13.8% from local production[44]. Including the available reserves, the four milling companies received 4.43 million tonnes, a 27.3% increase[45] from the previous year, primarily for producing wheat flour (75-78%) and animal wheat bran (21-23%) among other minimal derivatives[46]. This translated to an estimated production output of 3.42 million tonnes of wheat flour[47] of which 3.35 million tonnes was sold in 2022G. With growing demand in bakeries and consumer foodservice, local production is expected to continue growth to reach over 4.38 million tons by 2030[48].

35 Euromonitor estimates based on primary and secondary research
36 SAGO 2021 annual report
37 SAGO 2022 annual report
38 Ibid
39 SAGO Annul report 2022
40 USDA (2022G). Grain and Feed Annual Report Saudi Arabia
41 Euromonitor based on primary and secondary research
42 The Third Milling Company Official Website
43 Euromonitor insights and estimates based on primary and secondary research
44 SAGO Annual report 2022
45 Ibid
46 Ibid
47 Ibid
48 Euromonitor insights and estimates based on primary and secondary research

Importation of wheat flour in the market is minimal and has consistently declined compared to local production (estimated at 1.5% vs. 98.5% in 2022), with Kuwaiti and UAE products holding a dominant share of around 90% of total imports[49].

Therefore, the total wheat flour available for consumption in 2022 was estimated at 3.40 million tonnes, signifying an overall consumption growth at a CAGR of 6.5% from 2.64 million tonnes in 2018 [50]. This translated into a value sale of SAR1.96 billion, which grew at a CAGR of 6.1% from SAR1.54 billion in 2018[51]. Driven by strong growth in tourism, foodservice and packaged food sectors, the wheat flour market is expected to experience a CAGR growth of 3.2% over the period 2022-2030 to reach around 4.36 million tonnes by 2030G, which translates into SAR2.76 billion sales in value terms at a CAGR of 4.4% from 2022G, on the back of stronger penetration of the small SKUs (1-10kg) across channels[52].

Animal bran is produced as a by-product of wheat milling and serves as a nutrient-rich dietary fibre used for promoting digestive health in animal feed. It is a key ingredient in livestock compound animal feed, comprising over 50% of total ingredients and is also used as direct fibre feed for some livestock animals like dairy cattle. Of the wheat bran locally produced, as of 2022, milling companies use an estimated 35% as an input for production of their animal bran[53]. Supply disruptions in 2021G led to higher animal bran prices, causing a slight market decline by a CAGR of 1.5% from 2018 to 2022G, to reach 737,634 tonnes in 2022G.[54] However, with growing demand for poultry meat and consistent demand for livestock animal feed, animal bran usage is expected to reach about 925,522 tonnes by 2030 growing at a CAGR of 2.9% for the period, 2022-2030G.[55] Animal bran prices are influenced by global wheat costs, which were significantly impacted by the geopolitical concerns in Central and Eastern Europe. As global wheat production stabilizes, prices are expected to reset, resulting in a nearly flat market value CAGR of 0.7% to reach SAR0.69 billion by 2030G.[56]

Table (3.3): Wheat Flour consumption breakdown by production and imports in Saudi Arabia, 2018G-2030G

Category	Data Type	2018G	2019G	2020G	2021G	2022G	2030G	CAGR 2018-22G	CAGR 2022-30G
Total local production of wheat flour	‘000 Tonnes	2,601.6	2622.6	2,650.1	2,637.8	3,423.9	4,383.8	7.1%	3.1%
Total sales of wheat flour from local production	‘000 Tonnes	2,550.1	2,588.8	2,608.9	2,621.3	3,349.6	4,320.3	7.1%	3.1%
Imported wheat flour	‘000 Tonnes	93.1	98.6	101.2	89.3	51.0	42.0	(14.0%)	(2.4%)

Source: Euromonitor estimates from expert interviews, secondary research, official national and international statistics such as GFSA Annual Reports, Trade Map, UN Comtrade, USDA GAIN reports and USDA IPAD Platform.

Note: 2030 forecasts estimated by Euromonitor based on expert interviews

3.2.2 Consumption

Overall consumption of wheat flour is mainly driven by bakeries and food manufacturers in the Kingdom.

Consumption of wheat flour can be viewed from the perspective of flour type, pack sizes and channel types. Overall consumption is lead mainly by bakeries and food manufacturers which mainly purchase 80% bakery type wheat flour in 45kg bags or in bulk volumes weighing more than 45kg. The General Food Security Authority (GFSA) subsidizes wheat prices and regulates wheat flour prices in 45kg bags and bulk volumes, supplying registered bakeries and food businesses through distributors. Prices for 45kg bags vary from SAR 22 to SAR 30 per bag depending on the flour type.[57]

49 Ibid
50 2018-21 data is from Trade Map; forecasts estimated by Euromonitor based on expert interviews.
51 Euromonitor estimates based on primary and secondary research
52 2018-21 data is from Trade Map; forecasts estimated by Euromonitor based on expert interviews.
53 Euromonitor estimates based on SAGO Annual report 2022
54 Euromonitor estimates based on primary and secondary research
55 Ibid
56 Ibid
57 GFSA Annual Reports

The bakery and food manufacturing sectors account for 81.5% of wheat flour consumption in volume terms, with a slight dip in 2021G due to pandemic-related stabilization efforts but reported a robust 26.6% increase in 2022G, driven primarily by new bakery registrations and increase in consumer foodservice on the back of revival in tourism[58]. Bakeries offer a wide range of flour products, including Arabic flatbread (unleavened), leavened bread, cakes and biscuits. Consumption of such baked goods in Saudi Arabia estimated at SAR21.36 billion in 2022G[59] is expected to grow at a CAGR of 5.6% to reach SAR28.0 billion in 2030G. This growth is likely to be driven by growth in population (2.5% increase during 2022-27), increase in consumer foodservice outlets (5.2% CAGR growth during 2022-27[60]) and a strong uptick in tourism (7.4% CAGR in inbound arrival trips from 2022-27)[61].

Over 75% of total wheat flour consumed in 2022 was sold via 45kg pack sizes.

In 2022G, the consumption of wheat flour in the Kingdom was dominated by 45kg packs, constituting 76.6%, while bulk purchases accounted for 16.8%, and 1-10kg packs made up the remaining 6.6%. This consumption trend, consistent since 2018, is projected to continue until 2030 with 1-10kg packs growing in demand and gaining share marginally from 45kg packs[62]. In terms of value sales, 45kg packs represented 68.6%, bulk sales accounted for 15.1% and 1-10kg packs comprised 16.3%[63]. While prices for 45kg and bulk are subsidized and fixed, prices in the smaller pack sizes (1-10kgs) that are mainly sold to retail, hotels, restaurants and cafes / pastry shops are expected to continue increasing with rising disposable income and expanding retail landscape. Driven by rising urbanization and penetration of modern retail, by 2030, 1-10kg pack sizes are expected to contribute to 25.4% of the market in value terms, while 45kg packs and bulk are anticipated to comprise 60.2% and 14.4%, respectively[64].

Bakeries, food manufacturers and select HORECA buyers purchase in bulk or as 45kg bags through distributors or directly from the milling companies for some registered bakeries. Over 525 distributors serve approximately 11,700 establishments, including 6,500 licensed bakeries[65]. Wholesalers distribute wheat flour in various pack sizes (1kg, 2kg, 5kg, 10kg) to both modern and traditional retailers and convenience stores, with 1-10kg packs also supplied to the HORECA sector.

Bakery flour (80%) dominates, while premium (70%) and whole wheat flour (90%-95%) benefit from rising demand for health benefits and retail sector growth

The Kingdom's wheat flour market includes four primary grades based on extraction rate and blend of different grades. These are premium-70%, bakery-80%, whole wheat (90%-95%), and others including pastry flour (typically at 60-65%) along with flour mixes where in the '%' refers to the flour output as a % of the total wheat ground. In 2022G, bakery-80% flour dominated at 81.5%, followed by premium-70% at 10.5%, whole wheat-90-95% at 6.6% and other flours at 1.6%,[66].

Bakery–80% and some portion of Premium-70% are consumed largely by the bakeries in Saudi Arabia. Consistent demand for baked goods across channels driven by a combination of consumer foodservice and tourism, is likely to drive growth in volume consumption of bakery-80% and premium-70% flour by a CAGR of 2.9% each to reach 3.49 million tonnes and 0.44 million tonnes respectively[67] by 2030G.

Whole wheat 90-95% flour is regarded as the healthiest flour compared to other similar wheat flour types[68]. Despite growing health awareness, this category continues to remain on strong growing demand in the retail and bakery sector and is expected to have a CAGR growth of 6.0% over the forecast period to reach over 0.37 million tonnes by 2030G[69].

58 Euromonitor estimates from expert interviews and secondary research
59 Euromonitor International, Packaged Food, 2022.
60 Euromonitor International, Consumer Foodservice, 2022.
61 Euromonitor International, Packaged Food, 2022.
62 Euromonitor estimates based on primary and secondary research
63 Euromonitor estimates based on primary and secondary research
64 Euromonitor estimates based on primary and secondary research
65 USDA (2022G). Grain and Feed Annual Report Saudi Arabia
66 Euromonitor estimates based on primary and secondary research
67 Ibid
68 Ibid
69 Ibid

Other flours (including pastry flour, with a purity level of 60-65% along with specialty flours and flour mixes) are used in specific dishes like croissants by bakeries, pastry shops, cafes, and restaurants. This is expected to grow, in volume terms, at a CAGR of 3.4% to reach an estimated 71,261 tonnes by 2030G[70].

In value terms, growing demand for high quality and specialty flour in both Retail and HORECA is likely to drive the growth of Premium-70%, Whole wheat-90%-95% flour and Others (including pastry and specialty flour) by a CAGR of 5.0%, 10.1% and 10.5% to reach shares of 15.2%, 11.0% and 9.1% respectively[71].

Table (3.4): Total wheat flour consumption value by pack size, flour type and channel, 2018-2030G

Category	Data Type	2018G	2019G	2020G	2021G	2022G	2030G	CAGR 2018-22G	CAGR 2022-30G
Total wheat flour consumption	SAR Mn.	1,544.3	1,578.3	1,630.2	1,614.3	1,954.9	2,760.3	6.1%	4.4%
Loose	SAR Mn.	275.8	277.3	279.5	280.8	295.0	397.8	1.7%	3.8%
45 kg	SAR Mn.	991.2	1,009.7	1,010.5	1,008.3	1,341.3	1,662.5	7.9%	2.7%
1-10kg	SAR Mn.	277.3	291.3	340.3	325.2	318.7	699.9	3.5%	10.3%
Bakeries	SAR Mn.	826.3	845.9	863.1	847.9	1,119.0	1,334.8	7.9%	2.2%
Food Manufacturers	SAR Mn.	275.7	275.9	273.2	278.5	307.6	424.2	2.8%	4.1%
Retail	SAR Mn.	227.4	244.0	290.6	267.9	261.6	524.7	3.6%	9.1%
HORECA	SAR Mn.	214.9	212.5	203.4	220.0	266.7	476.5	5.5%	7.5%
Premium-70%	SAR Mn.	226.4	233.3	244.2	236.8	283.7	419.8	5.8%	5.0%
Bakery-80%	SAR Mn.	1,099.0	1,115.5	1,124.0	1,120.9	1,417.7	1,786.0	6.6%	2.9%
Whole Wheat 90-95%	SAR Mn.	117.8	123.8	134.0	131.8	140.4	303.6	4.5%	10.1%
Others	SAR Mn.	101.1	105.8	128.0	124.6	113.2	250.8	2.9%	10.5%

Source: Euromonitor estimates from expert interviews, secondary research, official national and international statistics such as GFSA, Trade Map, USDA GAIN reports, USDA IPAD platform. Note: All value estimates captured above include sales from both local production and imports. All estimates are in variable price terms and equivalent to manufacturer/importer selling prices.

70 Ibid
71 Ibid

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Table (3.5): Total wheat flour consumption volume by pack size, flour type and channel, 2018-30G

Category	Data Type	2018G	2019G	2020G	2021G	2022G	2030G	CAGR 2018-22G	CAGR 2022-30G
Total wheat flour consumption	'000 Tonnes	2,643.2	2,687.4	2,710.1	2,710.6	3,400.6	4,362.3	6.5%	3.2%
Loose	'000 Tonnes	535.5	538.5	542.6	545.2	572.8	772.5	1.7%	3.8%
45 kg	'000 Tonnes	1,924.8	1,960.5	1,962.0	1,957.8	2,604.5	3,228.1	7.9%	2.7%
1-10kg	'000 Tonnes	182.9	188.4	205.4	207.6	223.3	361.6	5.1%	6.2%
Bakeries	'000 Tonnes	1,604.4	1,642.5	1,675.9	1,646.3	2,172.8	2,591.8	7.9%	2.2%
Food Manufacturers	'000 Tonnes	535.4	535.8	530.5	540.8	597.3	823.8	2.8%	4.1%
Retail	'000 Tonnes	189.8	200.7	226.4	217.9	226.9	328.6	4.6%	4.7%
HORECA	'000 Tonnes	313.6	308.4	277.3	305.6	403.5	618.1	6.5%	5.5%
Premium-70%	'000 Tonnes	271.3	276.8	279.5	279.0	350.3	441.6	6.6%	2.9%
Bakery-80%	'000 Tonnes	2,148.5	2,180.7	2,197.5	2,191.4	2,771.5	3,491.6	6.6%	2.9%
Whole Wheat-90-95%	'000 Tonnes	177.3	182.6	184.5	191.8	224.4	357.8	6.1%	6.0%
Others	'000 Tonnes	46.1	47.3	48.6	48.4	54.4	71.3	4.2%	3.4%

Source: Euromonitor estimates from expert interviews, secondary research, official national and international statistics such as GFSA, Trade Map, USDA GAIN reports, USDA IPAD platform. Note: All volume estimates captured above include sales from local production and imports.

Table (3.6): Retail market value for baked goods by value

Category	Data Type	2018G	2019G	2020G	2021G	2022G	2027G	CAGR 2018-22G	CAGR 2022-27G
Baked Goods	SAR Mn.	18,212	18,603	19,578	19,872	21,365	27,999	4.1%	5.6%

Source: Euromonitor International, Packaged Food Database, 2022

Table (3.7): Total animal wheat bran, in value and volume terms

Category	Data Type	2018G	2019G	2020G	2021G	2022G	2027G	CAGR 2018-22G	CAGR 2022-27G
Total Animal Wheat Bran consumption	Tons	784.9	758.8	779.7	668.5	737.6	925.5	(1.5%)	2.9%
Sales from local production	Tons	572.3	568.9	460.1	499.6	716.1	-	5.8%	-
Sales from imports	Tons	212.6	189.8	319.6	169.0	21.5*	-	-	-
Total Animal Wheat Bran consumption	SAR Mn.	556.0	539.4	555.0	619.6	669.6	704.3	4.8%	0.6%
Sales from local production	SAR Mn.	399.2	397.3	321.7	351.8	-	-	-	-
Sales from imports	SAR Mn.	156.8	142.1	233.3	267.8	-	-	-	-

Source: Euromonitor estimates from expert interviews, secondary research, official national and international statistics such as GFSA annual reports, Trade Map, USDA GAIN reports, USDA IPAD platform. Note: All values are calculated at manufacturer / importer selling price.

Note: *Imports for 2022 captured as reported by markets exporting animal wheat bran to Saudi Arabia since trade data is yet to be published for Saudi Arabia as of September 2023.

3.2.3 Competitive landscape

The four milling companies continue to hold a dominant position in the highly controlled wheat flour market in the Kingdom

In 2022G,

The four milling companies lead in supply of wheat flour to the Saudi wheat flour market. Modern Mills Company (MMC) registered the strongest year-on-year volume growth of 46.4% growing its volume market share from over 20% in 2021 to around 24% in 2022[72]. This was achieved through a combination of optimizing internal operations alongside both expanding and activating their existing customer base across regions. As a result, the value share of the company grew from around 18% in 2021G to 22% in 2022G. This was also actively supported by the introduction of their new portfolio of brands namely, Qamhati, Modern Mills and Qoot & Root and is backed by strong investments from the company's shareholders, Mada International Holding Company, Masafi Company Limited and Al Ghurair Foods Company Limited.

The First Mills Company (MC1) led the milling companies in both volume and value terms with a market share of 28% and 26% respectively[73]. Other entities which cumulatively held a volume share of 47% was led by The Second Milling Company (MC2), based in Riyadh, which focuses on a fortified product range and robust omnichannel distribution. The Fourth Milling Company (MC4) which recently acquired the FOOM brand, focuses mainly on the Eastern region and is poised for growth backed by its combined ownership by Abdullah Al-Othaim Markets Co., Allana International Company and United Feed Manufacturing Company[74].

Imported wheat flour, which represents just over 1% of the overall market size, is led by Kuwait Flour Mills & Bakeries Company, renowned for its extensive distribution network and diverse product portfolio and followed closely by IFFCO, a UAE-based manufacturer[75].

Table (3.8): Market volume share of leading players, 2021G and 2022G

Name of the Leading Player	2021G	2022G
The First Mills Company	33%	28%
Modern Mills Company	20%	24%
Other Milling companies (MC2 and MC4)	43%	47%
Imports	3%	1%

Source: Euromonitor estimates from expert interviews, secondary research and audited sales data shared (for Modern Mills Company). Value shares based on sales excluding VAT. Note: All value estimates captured above include sales from both local production and imports in variable price terms and equivalent to manufacturer importer selling prices.

Table (3.9): Market value share of leading players, 2022G

Name of the Leading Player	2021G	2022G
The First Mills Company	31%	26%
Modern Mills Company	18%	22%
Other Milling Companies (MC2 and MC4))	40%	45%
Imports	11%	7%

Source: Euromonitor estimates from expert interviews, secondary research and audited sales data shared (mainly for Modern Mills Company). Value shares based on sales excluding VAT. Note: All value estimates captured above include sales from both local production and imports in variable price terms and equivalent to manufacturer importer selling prices.

72 Euromonitor estimates based on audited sales data of Modern Mills Company
73 Euromonitor estimates based on primary and secondary research
74 Euromonitor estimates based on primary and secondary research
75 Ibid

3.3 Overview of total compound animal feed (livestock, poultry, fish, and others) industry in the Kingdom

3.3.1 Introduction

Total Compound animal feed (as defined in this prospectus) is an essential and nutritious feed supplement that is mixed with grains, forage and fibre content (e.g. animal wheat bran) to be fed to a wide variety of animal types.

In the Kingdom, animal feed falls into three main categories: traditional, total compound, and total mixed ration (TMR). Traditional feed, including alfalfa, barley, and grass hay, has been a staple for a decade, either given alone or mixed with other feeds. Total compound feed is made by grinding and compressing ingredients like pulses, maize, corn, soybean meal, and animal wheat/rice bran. Total mixed ration (TMR) combines various ingredients such as corn, maize, soybean, animal rice bran among others along with forages, supplements and other feed components to create balanced diets, particularly for dairy cattle.

Various animals have specific diets: Livestock (cattle, camels, sheep, goats) feed includes alfalfa, barley, and ruminant compound feed that mainly constitutes compounding of animal wheat bran, yellow corn and soybean meal amongst other nutrients. Poultry feed consists mainly of yellow corn and soybean meal. Fish consume fish meal, oils, soybean meal, and some wheat bran. Horses, milking ewes, pigeons, and small animals have diets combining compound feed and alfalfa/barley, based on fibre needs.

Total compound feed is mainly produced locally, with animal bran sourced from milling companies and other ingredients imported. These are finely processed with strict quality control, including contamination checks and nutrient monitoring. These ingredients are then finely ground for uniformity and improved digestibility. After grinding, they are thoroughly mixed to create a homogeneous blend. Depending on the animal›s needs, the mixture may be pelleted or powdered for easier handling and distribution.

Compound feed manufacturers are labelled "**Captive**" if the farm is vertically integrated, and they make feed for their own consumption. Manufacturers selling their animal feed products in the open market are labelled as "**Accessible**". There are an estimated over 30 accessible feed manufacturers in the Kingdom[76] that cater to manufacturing animal feed for livestock, poultry, fish, and other farms. As of 2022G, fish feed was the sole import, constituting less than 1% of total compound animal feed.

3.3.2 Consumption

Demand for total accessible compound animal feed (livestock, poultry, fish and others) is likely to be driven by the government's focus to localise production of poultry meat, combined with consistent demand for red meat.

In Saudi Arabia, demand for total compound animal feed in the accessible market surged by 16% in 2020G[77] due to increased local poultry and red meat production during the pandemic, to reach 3.69 million tonnes. In 2020G, subsidies on barley were removed, and the VAT rate was raised from 5% to 15%[78]. Direct financial assistance was introduced for small-scale livestock and poultry farmers with a maximum of 300 animals, promoting nutrient-rich total compound animal feed. As a result, value market size spiked by 20.6% to reach SAR4.27 billion in 2020[79]. However, in 2021G, the pandemic›s lingering effects and global rising costs led to a 10.8% decline in demand, forcing many small farmers out of the market. This resulted in the market dropping to 3.29 million tonnes with an equivalent value market size of SAR4.39 billion in 2021G[80].

76 Euromonitor estimates based on primary and secondary research
77 Euromonitor estimates based on primary and secondary research
78 BBC News (May 2020G). Saudi Arabia triples VAT to support coronavirus-hit economy
79 Euromonitor estimates based on primary and secondary research
80 Ibid

In 2022G, the poultry production market rebounded following the Saudi Food and Drug Administration›s ban on imports from 11 Brazilian poultry plants[81] and temporary bans on exports from countries with avian influenza outbreaks. Consequently, overall consumption of total compound animal feed increased by 6.9% to reach 3.52 million tonnes in 2022G, with the contribution of poultry feed increasing from 42% of the total volume market size in 2021G to 45% in 2022G[82]. Demand for fish feed increased at a 2.5% CAGR from 2018G to 2022G, reaching 43,000 tonnes.[83] The total compound animal feed for other animals (including racing camels, horses, milking ewes, pigeons and all small animals) declined by 0.3% CAGR to 104,900 tonnes in 2022G[84], primarily due to setbacks in the racing industry during the pandemic.

In 2022G, the livestock total compound animal feed market was valued at SAR2.30 billion, growing at a 23.3% CAGR since 2018. Rising demand for total compound animal feed and higher-quality variants from new mills doubled livestock feed prices from 2018G to 2022G. Due to the reliance on imported ingredients, manufacturers of total compound animal feed for poultry typically maintain competitive pricing within a narrow range. As a result, the total compound animal feed for poultry market surged from SAR1.35 billion in 2018 to SAR3.03 billion in 2022G, with a notable CAGR of 22.4%.[85]

However, fish feed production is cost-intensive. Formulated feed constitutes over 50% of aquaculture costs, with ingredients like fish-derived meals and oils making up about 40% of feed expenses.[86] As a result, market value sales grew at a 9.9% CAGR during 2018G-2022G to reach SAR0.11 billion in 2022G.[87] With the need for higher protein content in this animal feed, the average prices of feed for other animals are considerably higher than livestock, poultry and fish feed. As a result, the total compound animal feed market for other animals was estimated at SAR384 million in 2022 registering a strong CAGR growth of 9.6% for the period 2018-22 on the back of steep raw material price increases[88].

The accessible total compound animal feed market is projected to grow at a 4.7% CAGR to reach around 5.1 million tonnes by 2030G. MEWA aims for 80% local poultry meat production by 2025G, reaching 100% by 2030G.[89] As a result, the total compound animal feed market for poultry is expected to reach 2.89 million tonnes contributing to an estimated 57% of the total accessible compound feed market. Livestock feed will decrease to 39%, driven by increasing local poultry production and reducing import dependence due to rising demand for poultry meat. As a result, the accessible compound animal feed market for poultry is expected to grow at a CAGR of 7.7%, in volume terms, between 2022G and 2030G. Driven by movement in global commodity prices and rising demand, compound animal feed market for poultry is expected to register a growth of 5.8% in value terms, between 2022G and 2030G[90]. On the other hand, the compound animal feed market for livestock is expected to remain relatively flat growing at a CAGR of 1.4%, in volume terms and as a result, marginally declining at 0.6% in value terms for the period, 2022G and 2030G[91].

Saudi Arabia›s leading player in the aquaculture sector, NAQUA is vertically integrated to produce its own feed while other fish farms source feed from ARASCO and MARAM feed mills. By streamlining industry licenses and expediting permits, Saudi Arabia aims to draw private investors and targets 600,000 tonnes[92] of seafood production by 2030. Fish feed costs over 30% more than livestock and poultry feeds, leading to an anticipated 10.3% CAGR in value sales, totalling SAR237 million by 2030G.[93] Accessible total compound animal feed market for other animals is expected to register a steady CAGR growth of 2.9% to reach over 132,000 tonnes and 3.4%, in value terms to reach SAR0.50 billion by 2030G, led by pigeon feed and feed for racing animals (horses and camels).

As a result, the total compound animal feed accessible market is expected to grow at a 3.5% CAGR, reaching around SAR7.68 billion by 2030G.[94]

81 Reuters (May 2021). Saudi Arabia bans poultry from 11 Brazilian processing plants
82 Euromonitor estimates based on primary and secondary research
83 Euromonitor estimates based on primary and secondary research
84 Ibid
85 Euromonitor estimates based on primary and secondary research
86 Development of cost-efficient feeds – SEAFDEC/AQD
87 Euromonitor estimates based on primary and secondary research
88 Ibid
89 USDA (June 2021). Saudi Arabia Drastically Reduces Poultry Imports
90 Euromonitor forecasts based on expert interviews and secondary research
91 Euromonitor forecasts based on expert interviews and secondary research
92 Saudi Arabia Vision 2030 Aquaculture; Seafood Source (April 2023G). Cargill, ARASCO, NEOM join forces to expand Saudi Arabia's aquaculture capacity
93 Ibid
94 Euromonitor forecasts based on expert interviews and secondary research

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Table (3.10): Total compound animal feed (livestock, poultry, fish and others) consumption by type, in value and volume terms, 2018G-2030G

Category	Data Type	2018G	2019G	2020G	2021G	2022G	2030G	CAGR 2018-22G	CAGR 2022-30G
Total compound animal feed (Livestock, poultry, fish, and others) consumption	'000 Tonnes	2,680	3,194	3,689	3,291	3,519	5,065	7.0%	4.6%
Livestock	'000 Tonnes	1,547	1,821	1,944	1,761	1,777	1,968	3.5%	1.3%
Poultry	'000 Tonnes	988	1,214	1,584	1,389	1,594	2,890	12.7%	7.7%
Fish	'000 Tonnes	39	43	45	41	43	75	2.5%	7.2%
Others	'000 Tonnes	106	116	116	100	105	132	(0.3%)	2.9%
Total compound animal feed (Livestock, poultry, fish, and others) consumption	SAR Mn.	2,686	3,540	4,270	4,390	5,819	7,680	21.3%	3.5%
Livestock	SAR Mn.	994	1,389	1,586	1,842	2,297	2,183	23.3%	-0.6%
Poultry	SAR Mn.	1,351	1,744	2,388	2,199	3,029	4,757	22.4%	5.8%
Fish	SAR Mn.	75	84	91	100	109	237	9.9%	10.3%
Others	SAR Mn.	266	323	205	249	384	503	9.6%	3.4%

Source: Euromonitor estimates from expert interviews, secondary research, official national and international statistics such as GFSA, Trade Map, USDA GAIN reports, USDA IPAD platform. Note: All volume estimates captured above are based on overall consumption including sales from local production and imports. All value estimates exclude VAT. The impact of welfare subsidies given to small farms that have had an inflationary effect on feed prices has been included. The volume above refers to fodder that is blended and compounded from various raw materials mixed in specific proportion based on the target animal. The feed output is typically sold as pellets, crumbles, meals or fine powder and caters to livestock (all ruminant animals such as cattle, lamb, calf, camel and sheep), poultry, fish and others (includes pigeons, horse and other small animals). This excludes captive compound animal feed production used by vertically integrated farms and traditional feed, bulk blends, pre-mixes and fishmeal and other by-products of milling residues.

3.3.3 Competitive Landscape

Top three players held over 50% value share in a relatively consolidated total compound animal feed (livestock, poultry, fish and others) market in 2022G

ARASCO, UFMC, and FEEDCO are key players in Saudi Arabia›s animal feed market, providing tailored products for livestock, poultry, fish, and more. ARASCO Feed, with locations in Riyadh, Al Kharj, and Dammam, offers a strong supply chain, a diverse product range, and a strong focus on research and development of new products. Adaptability to market demand allowed the company to excel in the poultry segment in 2022, despite new competitors.

United Feed Manufacturing Company (UFMC), located in the King Fahad Industrial Port in Yanbu, focuses on livestock feed. It utilizes advanced cargo handling and storage technologies, making it a dominant player in the Western region›s livestock feed market. UFMC operates as the compound animal feed manufacturing arm of United Feed Co., one of the largest importers of barley and grains in the Kingdom thereby giving the company a strong distribution network across the Kingdom. The company aims to leverage this capability to expand its presence into other regions.

FEEDCO, headquartered in Dammam, has a strong nationwide presence through marketing offices, ensuring product availability. Known for high-quality feed adaptable to poultry and livestock, the company is expanding with a new facility in Jeddah, set to launch in late 2023G. FEEDCO also emphasizes animal health and nutrition through awareness initiatives.

Among the milling companies, Modern Mills Company, with the highest daily capacity of 1,400 tonnes among other milling companies, entered the market by offering compound animal feed for livestock in the accessible market but soon expanded its portfolio to include compound animal feed for the high-growth poultry category. This helped the company gain significant penetration in the accessible compound animal feed market, particularly in the Southern region. By investing in research and product development, the company has tailored its nutrient blends to meet regional demands, thereby achieving a 7% value share of the total compound animal feed market.[95] Modern Mills Company, like its peers, flexibly switches between livestock and poultry feed production to respond to changing market demands.

MC1 in Jeddah enjoys cost-saving advantages due to its proximity to a flour mill and primarily focuses on livestock feed. MC2 and MC4, with daily production capacities of 600 and 300 tonnes, respectively, also emphasize livestock feed, serving different regions.

Table (3.11): Market value share of total compound animal feed (livestock, poultry, fish and others), 2022G

Name of the Leading Player	2022G
ARASCO	31%
UFMC	11%
FEEDCO	9%
Modern Mills Co	7%
The First Mills Company	4%
Others	38%

Source: Euromonitor estimates from expert interviews, secondary research, and audited sales data shared (mainly for Modern Mills Company). Note: Value shares based on sales excluding VAT. All value share estimates captured above are based on overall consumption including sales from local production and imports. This applies to accessible total compound animal feed market and excludes captive compound animal feed production, traditional feeds, bulk blends, pre-mixes, fishmeal and other by products of milling residues used as animal feed. Please note that the value shares indicated include accessible total compound animal feed sales for livestock, poultry, fish and other animals. All value estimates exclude VAT. The impact of welfare subsidies given to small farms that have had an inflationary effect on feed prices has been included.

3.4 Competitive Positioning

Strategic portfolio and capacity expansion is likely to accelerate MMC's growth in wheat milling and compound animal feed categories.

The Modern Mills Company (MMC) held a total value share of 24% and 7% in the wheat flour market and the total compound animal feed (livestock, poultry, fish, and others) market respectively, in 2022G. The Company was founded with a clear mission: to enhance food security in the Kingdom and expand its presence within the local food industry. Over time, it has successfully achieved this goal through strategic initiatives and partnerships. In 2017, MMC began operating as an independent commercial entity, positioning itself for future privatisation. A significant milestone occurred in 2020 when the Company was acquired by a consortium consisting of Al Ghurair Foods Company Limited, Mada International Holding Company and Masafi Company Limited.

Modern Mills Company operates three strategically located mills across Saudi Arabia. The largest is in Khamis Mushait in the south, with an annual processing capacity of 528,000 tonnes. Al Jumum in the west has a capacity of 384,000 tonnes and Al Jouf in the north can process 192,000 tonnes. This comprehensive setup gives the Company a substantial combined wheat processing capacity of 1,104,000 tonnes of which the entire capacity was utilized in 2022G. Modern Milling Company's planned expansion of the Al Jumum plant by 2025G is likely to drive higher market penetration owing to rising demand during the Hajj and Umrah season.

95 Euromonitor estimates based on primary and secondary research

Focusing on its core of optimizing its operations, activating and engaging with its customer base, enhancing distribution and expanding its customer lists, Modern Mills Company increased its volume share from over 20% in 2021G to around 24% in 2022G[96].

Modern Mills Company›s involvement in total compound animal feed (livestock, poultry, fish, and others) production is a significant aspect of its operations. Among the milling companies, MMC is the only Company that expanded its focus on poultry as a sub-category under total compound animal feed market. Leveraging its stronghold in the Southern region, the company has expanded its sales portfolio split between livestock and poultry feed from 70%:30% to 50%:50% as of 2023[97]. This strategic pivot enabled Modern Mills Company to carve a strong position for itself, resulting in a 7% value share of the total compound animal feed market (poultry, livestock, fish, and others) in 2022G[98].

Another key strength for the Company is its strong financial backing from its ownership consortium comprising of MADA International Holding Company in KSA, Masafi Company Limited and UAE-based Al Ghurair group, which allows for investment in innovation and expansion into promising areas, such as poultry and retail packs of 1-10 kg wheat flour. By the end of 2023G, the Company aims to introduce a premium portfolio of ready mixes for cakes, pancakes and high-value-added flour. These products will be targeted at consumers as finished goods or supplied to the HORECA (hotels, restaurants and catering) sector.

In addition to expanding its product portfolio and strategic expansion into emerging sectors, MMC benefits from its state-of-the-art, automated mill in Al Jumum, consistently producing a higher-quality output (compared to other mills) preferred by customers. Its strategic location near regional religious tourism hubs of Makkah and Medina and development projects aligned with Vision 2030 provides a further competitive edge.

In the total compound animal feed (livestock, poultry, fish, and others) segment, the Company leverages its strong customer base built over the years and high quality of its compound feed formula to command a marginal premium over its competitors. An in-house R&D team continually refines the feed formulation for enhanced production. The company is well-positioned for growth with its shift in focus towards poultry aligning with the Vision 2030 goal of achieving 100% local poultry production.

Considering all these advantages, Modern Mills Company is well-positioned to capitalise on emerging growth opportunities in both the wheat flour and total compound animal feed (poultry, livestock, fish, and others) sectors, leveraging several economic and demographic developments in the Kingdom of Saudi Arabia.

96 Euromonitor estimates based on primary and secondary research
97 Euromonitor estimates based on primary and secondary research
98 Euromonitor estimates based on primary and secondary research

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4. THE COMPANY

4.1 Overview of the Company and its Business Activities

Modern Mills Company is a Saudi joint-stock company established under commercial registration no. 4030449122 dated 06/06/1443H (corresponding to 09/01/2022G) pursuant to ministerial resolution no. G/13 dated 11/01/1438H (corresponding to 12/10/2016G). The Company operates in accordance with the GFSA license no. 03 issued by a resolution of the board of directors of GFSA number 189 dated 09/03/1442H (corresponding to 26/10/2020G) pursuant to the council of ministers' resolution number 632 dated 17/10/1441H (corresponding to 30/05/2020G), as amended by the resolution of the board of directors of GFSA number 195 dated 19/04/1444H (corresponding to 13/11/2020G), the Conditional Secondary License No. 1-3 issued by a resolution of the board of directors of GFSA number 192 as amended by the resolution of the board or directors of GFSA number 195 dated 19/04/1444H (corresponding to 13/11/2022G). As listed in the commercial register, the Head Office of the Company is located in 2780, Mohammed Altaib Altunisi Street, Alkhalidiah, 6228, Jeddah. The current share capital of the Company is eighty-one million eight hundred and thirty-two thousand Saudi Riyals (SAR 81,832,000) divided into eighty-one million eight hundred and thirty-two thousand (81,832,000) Ordinary Shares with a fully paid-up nominal value of one Saudi Riyal (SAR 1) per share.

The Company was created to provide and produce flour products in designated areas in Saudi Arabia, and strengthen food security therein. Its main business activities include the production and storage of flour and feed. The Company produces flour products, feed, and other wheat derivatives. The Company was initially established under the Saudi Grains Organization in 1972G. The Company was then incorporated as MC3 in 2016G.

The Company was established to help the Kingdom strengthen its food security, by providing and producing flour products in different regions of the Kingdom. Its main business activities include the production and storage of flour, animal feed and bran. The Company produces flour products, feed, and animal bran and distribute them to numerous retail clients and companies.

The Company is headquartered in Jeddah and its production facilities are located in three regions across the Kingdom, in Al-Jumum, Khamis Mushait and Al-Jouf, with a current aggregate milling capacity of 3,450 tons per day and a feed plant capacity of 1,400 tons per day.

The Company is one of the leading producers of flour in the Kingdom. The Company has substantially grown its volume market share in recent years (from 20% in 2021G to 24% in 2022G, the largest gain among its competitors in the Kingdom). The Company is a leading producer of animal feed in the Kingdom, with a 7% market value share in 2022G, and has the largest animal feed production capacity among flour milling companies in the Kingdom.

The Company generated total revenue for the year ended 31 December 2022G of SAR 978 million, compared to SAR 555 million and SAR 435 million for the years ended 31 December 2021G and 2020G, respectively. The Company's profit for the year ended 31 December 2022G was SAR 233 million, compared to SAR 80 million and SAR 65 million for the years ended 31 December 2021G and 2020G, respectively.

The Company generated total revenue for the six-month period ended 30 June 2023G of SAR 452 million, compared to SAR 462 million for the six-month period ended 30 June 2022G. The Company's net profit for the six-month period ended 30 June 2023G was SAR 105 million, compared to SAR 108 million for the six-month period ended 30 June 2022G.

As of 30 June 2023G, the total number of employees of the Company reached 520.

4.2 Vision and Mission of the Company

4.2.1 Vision

The Company's vision is to be the most trusted nutrition company in Saudi Arabia, supporting the Kingdom's food security.

4.2.2 Mission

The Company's mission is to produce and distribute a range of products and end-to-end solutions while achieving profitable growth in a healthy and stimulating work environment.

4.3 Strengths and Competitive Advantages of the Company

The Company believes that it has developed strengths and competitive advantages which allow it to pursue available market opportunities that are in line with its vision and mission. The Company's main strengths and competitive advantages include the following:

4.3.1 Attractive Industry Fundamentals with Resilient and Protected Growth

Sizeable and Growing Flour, Animal feed and bran Markets in the Kingdom which are Supported by Favorable Local Demand Dynamics and Vision 2030

The Company is one of the leading producers of flour and animal feed in the Kingdom by volume and sales, with a flour market share by volume in 2022G of 24%, and an animal feed market value share in the same year of 7%.

Specifically, flour consumption in the Kingdom, estimated at approximately 3.4 million tons in 2022G, is expected to increase at a CAGR of 3.2% to approximately 4.4 million tons by 2030G. This growth is expected to be driven by population increase and increased tourism (including in the Southern and Western regions of the Kingdom where the Company operates), increased government investment in the sector, and infrastructure expansion. Flour sales are also expected to grow over the same period, from an estimated SAR 2.0 billion in 2022G to SAR 2.8 billion in 2030G, a CAGR of approximately 4.4%, reflecting increased sales volumes and an upward price impact on unregulated products driven by inflation. Flour consumption in the Kingdom is also expected to benefit from diversification of its uses across multiple growing channels, with approximately 60% of flour consumption in 2022G is attributable to bakeries, 20% to food manufacturing, 12% to HORECA and 8% to retail stores. All channels are expected to grow as a result of population increase and increased tourism, government investment, and rising disposable consumer incomes.

Animal feed consumption is expected to grow at a CAGR of 4.6% between 2022G and 2030G, driven primarily by Vision 2030 objective of increasing food self-sufficiency in the Kingdom through the continued expansion of poultry and livestock production, and consequently, animal feed production to support the increasing poultry and livestock industries. The Ministry of Environment Water and Agriculture ("**MEWA**") has set a target of local poultry production accounting for 80% of domestic poultry consumption by 2025G, and 100% by 2030G. In order to achieve this, MEWA is offering local poultry producers various incentives valued at up to USD 187 million per annum as direct production-based subsidies. The Company is well placed to capitalize on the increase in poultry and livestock and to upscale to meet the animal feed's increasing requirements.

The animal bran usage is also expected to grow at a CAGR of approximately 2.9% between 2022G and 2030G, in line with growing demand for poultry meat and consistent demand for livestock animal feed.

4.3.1.1 A Favorable Macroeconomic Environment in the Kingdom with GDP Expected to Grow, Driven by Population Growth, Government Policies and Investment

The current macroeconomic environment in the Kingdom is mainly driven by the objectives outlined in Vision 2030, a unique and transformative economic and social reform roadmap announced by the Kingdom's Government in 2016G. The primary themes around which the Vision 2030 is built are a vibrant society, a thriving economy and an ambitious nation.

A number of plans have been put in place to assist with the Vision 2030 goal of diversifying the Kingdom's economy and reducing the Kingdom's budget dependence on oil exports. These include increased public and private investment in non-oil sectors, including, but not limited to, infrastructure and tourism, with a view to becoming more competitive internationally, helping to spur economic growth and increasing non-oil exports, increased public and private investment in various food production sectors to achieve the target self-sufficiency with respect to food security by 2030G, and increased representation of women in the workforce.

In order to enhance the Kingdom's attractiveness as a tourist destination (with a target of attracting 100 million visitors to the Kingdom by 2030G), the Government plans to invest USD 810 billion in culture, leisure and entertainment projects over the coming decade. A number of leisure projects have already been announced, including, such as Amaala in the Western region of the Kingdom, which is expected to add 2,500 luxury hotel rooms and create more than 22,000 jobs by its targeted completion in 2028G, and Soudah Peaks in the Southern region. The Kingdom also plans to capitalize on religious tourism, with the number of Muslim travelers expected to increase to perform Hajj. These development projects, which predominantly fall in the Company's main geographic areas of operation (the Western and Southern regions of the Kingdom), have already resulted in population increases and increased tourism, particularly in Hajj and Umrah seasons, which in turn have increased demand in these areas for the Company's products.

The investments to generate non-oil based economic growth in the Kingdom are also aimed at attracting permanent residents to the Kingdom, with the population expected to increase at a CAGR of approximately 3.5% between 2022G and 2027G to reach 40 million by 2027G. It is intended that investments in a more diverse range of industries will have the effect of attracting higher skilled and high earning participants in the job market, resulting in an overall rise in disposable consumer income, which is expected to increase at a CAGR of approximately 4.2% between 2022G and 2027G. The increase in population will resultantly drive demand for food products, from which the Company will benefit. The investments in non-oil sectors, food production, and tourism industries, amongst others, are also driving strong away-from-home food fundamentals such as the need for higher disposable incomes and increased food variety, and the Company is well placed to capitalize on them.

The Company has also been faced with some challenges in the macroeconomic environment over the past few years, in particular, the impact of the COVID-19 pandemic, and the Russia-Ukraine conflict, which resulted in supply chain disruptions. However, the food and foodservice industry as a whole has shown strong resilience in the face of such challenges, with consumer expenditure on food increasing at a CAGR of 10.4% during the period between 2019G and 2022G, representing a higher rate than nominal GDP CAGR of 9.7% during the same period. In addition, the demand for flour and bread is relatively inelastic as these are considered food staples, demand for which is generally not significantly affected by external circumstances.

4.3.2 Leading Local Market Position

The Company is among the market leaders in the regions in which it currently operates, with a flour market share by volume in the Kingdom of approximately 24% in the year ended 31 December 2022G following a 46% year-on-year volume growth as compared to the year ended 31 December 2021G. This position is secured and protected by way of exclusive long-term ten-year regional flour milling contracts granted by GFSA, with flour consumption in the Kingdom expected to grow at a CAGR of approximately 3.2% between 2022G and 2030G. In addition, the Company benefits from a highly concentrated domestic wheat flour market, supported by high barriers to entry and minimal imports (which are also subject to Government levies), with the four incumbent milling companies estimated to account for over 98% of the total market share, creating a significant challenge to potential new market entrants.

The Company also holds a prominent position in the animal feed market (and has attained a leading market position in the poultry feed market) in the Kingdom, with a market value share of approximately 7% in the year ended 31 December 2022G. Additionally, the Company's market size increased by 52% from the Financial Year Ended 31 December 2021G until the financial year ended 31 December 2022G.

In addition to the success in the flour milling and animal feed markets, the Company has also experienced accelerated growth in the animal bran market, achieving a 16% animal bran sale market share by volume in 2021G, and 24% animal bran sale market share by volume in 2022G.

The Company has attained its prominent positions in the flour milling, animal feed and bran markets through a variety of initiatives that have been undertaken over the course of the past two years, including capital investments to enhance capacity utilization, improved customer engagement, and product improvement achieved through increased investment in research and development activities ("**R&D**"). Further, scale advantages help maintain and extend leadership in the various markets, with the Company utilizing a number of techniques to leverage its position, including offering a comprehensive range of branded products across a variety of price points, increasing investment in R&D in order to develop value-added and higher margin products and expand into new product categories, and developing a comprehensive pricing strategy which enables scale advantages with respect to price setting and distribution, planned distribution of capital expenditure and cost per drop levels.

4.3.3 Well-Diversified Operations at all Levels

The Company predominantly focuses on flour and animal feed products through all of the primary sales channels of the flour milling, animal feed and bran sectors to ensure that it maintains its prominent position in each of its markets. The Company sells more than 54 products, and transports these products to all regions of the Kingdom, with particular growth in sales experienced in the Western region of the Kingdom, which is driven predominantly by population growth and increased tourism in Hajj and Umrah. The Company's sales are not limited to the locations of its main branches, as the Company's products are present in other regions through sales and distribution warehouses of third party distributors. The Company has a well-established and long-standing relationship with its key supplier and local regulator, GFSA, and maintains positive long-standing relationships with its other suppliers. The relationships that the Company has with its suppliers, together with their close geographical proximity, significantly reduces the Company's supply chain risk, reduces transportation costs, and enables the Company to flexibly manage its raw materials and inventories. In particular, the Company's relationship with the GFSA ensures that the raw materials used in its production processes are of the highest quality standard. The Company has also built strong and long-standing relationships with appointed third party distributors and processors, which enables clear and scalable routes to both direct and indirect markets, with the Company planning to strengthen its distribution through the incorporation of a new distribution focused subsidiary, Hasad Al-Arabia for Trade, to manage the Company's distribution operations to service different channels across the Kingdom. Therefore, the Company believes that the diversity of its operations and the scope of its geographical presence represent one of its main strengths, which enables it to achieve the following:

- **Logistic Synergies and Efficiency:** Whilst operating three distinct product categories, the Company has identified synergies between the operational segments, with by-products and production derivatives from wheat production being utilized as animal feed.
- **High Flexibility to Changes in Consumer Trends:** During the course of the Company's operating history, the Company has developed a wealth of local market knowledge, and an understanding of consumer trends and behavior, which enables it to anticipate changing consumer needs and adapt accordingly. In addition, the Company has a flexible business model which enables the Company to align supply chains in order to provide products whose specifications meet the needs of differing customers while keeping pace with market changes, allowing the Company to adjust wheat, animal feed and bran production levels in order to keep pace and take into account changes in market demand.
- **Revenue Diversification:** The diversification of the Company's products offering across three distinct product categories reduces its revenue dependency on any single market, with revenue generation from each category being further diversified across geographical, segmental, product, channel and customer splits.
- **Platform for Expansion in the Local Market:** The strength of the Company's presence, knowledge, and awareness of flour and animal feed markets in each of its areas of presence consolidates its ability to expand its activities and offer other food products and categories in said regions in the future.

4.3.4 Best-in-Class Operations and Infrastructure

4.3.4.1 Plants

The Company operates three plants in the Kingdom: Al-Jumum (in the Western region), Khamis Mushait (in the Southern region), and Al-Jouf (in the Northern region). Each of the plants is long standing, with Al-Jumum being equipped with the latest research and production technologies in accordance with the highest industry standards. Al-Jumum is the closest flour milling plant serving the rapidly increasing flour demand in the Western region, which is predominantly driven by population increases and increased tourism in Hajj and Umrah.

The Company has a production capacity of 3,450 tons of wheat per day and 1,400 tons of animal feed per day, with a wheat silo storage capacity of 185 thousand tons.

4.3.4.2 Investments

Management has undertaken an investment program in recent years with the aim of increasing production capacities and plant utilization, reducing costs and improving efficiency.

The Company plans to provide ongoing investment in order to upscale production to meet increasing demand, with a particular focus on the Al-Jumum plant where significant capital expenditures have already been committed to increasing production capacity. It is expected that the further investment in the Al-Jumum plant will result in a doubling of its production capacity by 2025G by installing an additional milling line with a daily production capacity of 1,250 MT (which would be the largest in the Kingdom) and enabling the plant to cater for the increased food demand in the Western region of the Kingdom as a result of population growth and increased tourism in Hajj and Umrah.

In addition, the Company incorporated a new subsidiary, Hasad Al-Arabia for Trade, to serve as the Company's distribution arm to enable the Company to expand into different sales channels and geographies. Additionally, the Company purchased 14 trucks to enable direct distribution of products to customers.

The Company has also invested in an upgrade to its enterprise resource planning ("**ERP**") systems in order to streamline business and operational reporting, and key performance indicator ("**KPI**") tracking, and is continuing to invest in new internal systems which are currently in development or rollout phases. The Company also provided investment that enabled an increase in plant production days from 300 days to 320 days per annum.

4.3.4.3 Quality Control and ESG Credentials

The Company continuously strives to achieve success and excellence through the implementation of comprehensive quality management, with quality being considered one of the basic pillars on which the Company builds the reputation of its products in comparison with competing products. In order to measure product quality, the Company has adopted international standard quality control procedures and provides on-going staff training and development to ensure consistently high product quality. The Company's processes are ISO standard certified and/or compliant.

In addition to ensuring quality control, the Company is also focused on improving its ESG credentials, with the aim of appealing to a broader customer base. The Company has put in place ESG and health and safety targets (which include having a quality, health, safety and environment management team) on each site, developed auditable safety, health and environmental policies, improved energy, irrigation, and fumigation practices, and is participating in a food waste reduction initiative with GFSA in order to raise awareness.

4.3.4.4 Employee Base

The Company had approximately 520 employees as of 30 June 2023G, 528 employees for the financial year ended 31 December 2022G, and 729 employees for the financial year ended 31 December 2021G. The Company, within the framework of its personnel rationalization program, has adopted a strategic focus on employee training (such as the Miller Technical Program in Morocco and the Managerial Leadership Program in Saudi Arabia), develop efficiencies within the workforce, enhance the product's quality, and enable the Company to achieve high OHI Index scores.

The Company has also recognized the need for increased gender diversity in the workplace, and has put in place a target of 5% female employees in its workforce by 2027G, with the current representation of females in the workplace increasing from 0.0% in the financial year ended 31 December 2021G to 2.5% in the period ended 30 June 2023G. In addition, the Company has also put in place a target to increase Saudi national representation in the workplace, with a target of 51% of the workforce being Saudi nationals by 2027G, and has achieved a Platinum classification in its Saudization rate (42.3% as of 30 June 2023G) under the Nitaqat program.

4.3.5 Strong Financial Performance with Compounding Cash Generation

The Company maintains an attractive revenue growth profile, with outsize growth experienced across the financial years ending 31 December 2019G, 2020G, 2021G and 2022G, respectively, resulting in a CAGR growth of approximately 30% between 2019G and 2022G to SAR 978 million, or approximately 75% year-on-year. In addition, the Company has experienced both consistently high and improving EBITDA margins, reaching 33.1% in the financial year ended 31 December 2022G, with EBITDA growth of 120% year-on-year.

In addition to the above, the Company had a net debt to EBITDA ratio of 2.3x as of 30 June 2023G, which is low relative to its peers, and has experienced attractive returns on both earnings and capital.

Further, the Company operates a highly cash generative business model with a reliance on cash sales as a basic sales revenue, which ensures there is a minimal working capital requirement for future cash flows in the medium to long term, which in turn ensures both consistency and growth in dividends.

The Company experienced a significant increase in revenue and profitability in the financial year ended 31 December 2022G, with a 76.2% increase in revenue and a 193.0% increase in profitability compared to the previous year.

4.3.6 Transparent Growth Drivers and Clear Opportunities for Expansion

In order to ensure continued growth, the Company has identified two distinct growth channels that draw on the Company’s existing strengths to create and develop new opportunities.

The first channel will enable the Company to organically and sustainably grow its business by mobilizing its existing operations and relationships, whilst at the same time capturing additional market share in existing markets. By altering operational capacity depending on seasonal variations and consumer demand levels, and driving cost efficiencies through increased capital expenditure investment in R&D, the Company will be able to maintain competitive advantage, and build on existing customer relationships, by catering to customer needs at lower cost, whilst at the same time providing a superior customer experience. Further, by capitalizing on its existing relationships with its network of distributors, the Company can increase its market penetration through direct and indirect channels.

The second channel will enable the Company to grow its business by way of expansion, such as extending its market reach into adjacent product categories and improving margins in categories where the Company has first mover advantage by investing in R&D, focused branding to leverage the strength of existing brands, potential geographical expansion into new or underserved geographic markets, sales channel diversification, and strategic acquisitions.

4.3.7 Experienced and Highly Efficient Management Team and Robust Corporate Governance

The Company is led by chairman Dr. Ibrahim Al Rajhi, chief executive officer Osama Ashi and chief financial officer Amr Kamel. The management team has extensive experience in leading, managing and transforming listed local and international businesses in the consumer, food and adjacent sectors. The Company’s leadership adopts a practical methodology involving close monitoring of all Company business and divisions, with immediate support available and provided when required. The management team have a long track record of commercial successes, with significant operational improvements having been implemented and overseen as from 2021G, including:

- overhauling the business and ERP systems; and
- the establishment of employee training programs.

The Company also benefits from strong corporate governance practices, including a diversified board of directors with three independent board members with a wealth of multinational experience. In line with best practices in corporate governance, the board of directors has established an audit committee and a nomination and remuneration committee, each of which has an independent chairman. The Company has also established an internal audit and risk management function with a well-established risk management plan. For more information, see Section 5.2.2 ("**Audit Committee**").

4.4 Company Strategies

The Company's principal strategies to grow its business comprise the following:

The Company seeks to enhance and diversify its services and products to satisfy the needs of its existing customers and consumers, and gain more customers and consumers through additional services and products, while maintaining its leading market position. According to Euromonitor International Ltd., flour consumption in the Kingdom is expected to grow at a CAGR of 3.2% between 2022G and 2030G. The Company's vision is to be the most trusted nutrition company in the Kingdom, supporting its food security. Its mission is to produce and distribute a portfolio of ingredients and end-to-end solutions delivering profitable growth in a healthy corporate environment. To achieve this, the Company extensively studied the market and its needs including an analysis of the internal and external factors affecting the scope of the Company's business. Based on its studies, the Company has identified strategic avenues to ensure continued growth in order to achieve its vision and mission in the coming years. These avenues revolve around the following four pillars:

1- Elevating infrastructure capabilities, to contribute to food security and acquire a greater share in the flour and flour derivatives sectors.
2- Investing in people and technology, and strengthening the Company's ESG practices.
3- Expanding into new products and adjacent categories.
4- Accessing new geographic regions.

4.4.1 Elevating Infrastructure Capabilities, to Contribute to Food Security and Acquire a Greater Share in the Flour and Flour Derivatives Sectors

The Company is engaged in the production, packaging and selling of flour products, animal feed and bran. It relies on the best globally available milling equipment from top international suppliers such as Bühler in Switzerland and Ocrim in Italy. The Company's facilities are regulated by GFSA (regarding flour and wheat) and SFDA (regarding feed products), which inspect and approve the facilities on a regular basis, and whose approval is required for any increase or decrease in the facilities' production capacities.

The Company's operations are supported by strategically located, efficient production facilities in three regions, Al-Jumum, Khamis Mushait and Al-Jouf, of the Kingdom. A key part of the Company's strategy is to continue investing in the development of these existing facilities. As the efficiency of assets and operations is considered one of the most important pillars for the success of industrial companies globally, the Company undertakes various efforts and initiatives to raise efficiency and achieve operational excellence on a permanent and continuous basis at all its facilities.

The Al-Jumum facility is equipped with the latest research and production technology and is considered a 'gold-standard' milling operation. The facility's current capacity is fully accomodates the demand resulting fromby Hajj and Umrah demand. The Company plans to double the milling capacity at the Al-Jumum facility from 1,200 MT per day to 2,450 MT per day by 2025G by installing an additional milling line with a daily production capacity of 1,250 MT (which would be the largest in the Kingdom) in order to meet the increasing demand in the Western region of the Kingdom driven by Hajj and Umrah. This expansion will provide significant flexibility for the Company to grow and enable it to capture additional market share.

The Company also plans to increase productivity at its Khamis Mushait production facility through the upgrade of one of its three production lines with new, best-in-class equipment, which will raise its production capacity from 1,650 MT per day to 1,800 MT per day to support the growing population and tourism in the Southern region.

As a further part of its strategy of elevating infrastructure, the Company is also increasing its feed capacity utilization at its Khamis Mushait facility through improved plant efficiency, which will position the Company to gain market share in the animal feed sector, knowing that it already has a strong position in the market, as the facility is the largest animal feed mill in the region.

By adopting a 'customer-centric' approach as one of its key pillars, the Company seeks to raise its level of services and customer satisfaction in the flour and animal feed and bran markets. This will be achieved by focusing on providing the best services and product quality in order to maintain and develop relationships with existing customers. The Company makes an active effort through its sales teams to engage on a continuous basis with its main customers to understand their product and quality needs, and carries out focused research and development of new products to support address those needs. Further, the Company will utilize its extensive network of distributors to strengthen its presence and volume in existing channels, as well as expanding in new channels.

4.4.2 Investing in People and Technology, and Strengthening the Company's ESG Practices

The Company will continue to hire, train and empower an efficient workforce with a focus on Saudi national talent development from within the operational territories, as well as gender diversity and hiring females, where significant progress has already been made. By virtue of its position as a leading Saudi company, the Company plays a major role in sponsoring and empowering national personnel in line with Vision 2030 and in the implementation of the Saudization resolutions issued by the Ministry of Human Resources and Social Development. The Company's Saudization strategy is centered on nurturing and developing Saudi talents in the food and feed industry. To achieve this strategy, the Company has developed numerous initiatives in order to meet and exceed the required Saudization rate, achieving the Platinum classification under the Nitaqat program in 2022G, a significant achievement for an industrial business. The Company also puts significant emphasis on employing, empowering and providing a suitable and safe work environment for female nationals in all its departments with female hiring rate increasing from 0% of total hiring in 2021G to 2.9% of total hiring as of 30 June 2023G.

The Company's Health, Safety and Environment (**HSE**) practices aim to use more environmentally friendly materials, generate and treat waste, and comply with ISO standards. On the social front, the Company has developed initiatives aimed at raising food waste awareness in cooperation with GFSA. In terms of governance, the Company follows excellent corporate governance practices, including employing a diverse Board of Directors, which includes three (3) independent members with extensive international experience. In line with corporate governance best practices, the Board of Directors formed the Audit Committee and the Nomination and Remuneration Committee, and appointed an independent chairman for each. The Company also formed an Internal Audit and Risk Management Unit that adopted a well-established risk management plan.

The Company has also invested in an upgrade to its enterprise resource planning (**ERP**) systems in order to streamline business and operational reporting, and key performance indicator tracking, and is continuing to invest in new internal systems which are currently in development or rollout phases. The Company also provided investment that enabled an increase in plant production days from 300 days to 320 days per annum.

4.4.3 Expanding Into New Products and Adjacent Categories

The Company continues developing research and development capabilities to introduce new value-added products and a higher margin across categories. The Company aims to protect its core business and expand into new channels and categories. The Company aims to fully leverage its wheat processing capabilities and grow market share in the unregulated market by gaining nationwide distribution within the Kingdom and strengthening its brands, which has already helped drive the Company's flour market share growth from 20% in 2021G to 24% in 2022G.

The Company also intends to invest in a large industrial mixer that would allow the production of new innovations like ready-mixes. With these capabilities and other investments to further develop a robust R&D function, it is expected that the Al-Jumum facility will be a hub for innovation enabling the Company to develop new value-added products, particularly for the HORECA and retail market segments. As part of the upgrade, direct distribution capacity will be further enhanced through the purchase of a number of bulk tankers.

The Company aspires to introduce value-added food products in the medium to long term. Therefore, the Company will continue to build capabilities and propositions aligned with its values for further expansion in a deregulated market. This will include developing the final stages of milling and downstream production operations, in an effort to position the Company as the flour and flour mix supplier of choice and establish a strong foothold in attractive B2C and B2B categories. The Company will also aim to increase cash flows and decrease borrowing to pursue strategic partnerships locally and internationally which offer synergy, vertical integration, and downstream advantages. The Company has long term aspirations of becoming a multi-billion revenue company with strong financial performance and pursuing further category expansion to become a diversified regional food player, as well as international expansion.

4.4.4 Accessing New Geographic Regions

The Company has submitted an application to the GFSA to obtain a license to export flour, which will enable it to capture new international markets through the export of flour once it obtains the approval of this license The Company expects to be able to leverage the locations of its production facilities in regions close to the northern, western and southern borders of the Kingdom to provide it with a competitive cost advantage in exporting to nearby markets.

The Company also plans to extend its animal feed offering into international markets, after starting in 2023G exporting its animal feed products to the GCC region.

4.5 Key Developments of the Company since Establishment

The Company was established pursuant to the Ministerial Resolution No. 35 as a closed joint stock company owned by the Public Investment Fund, as a result of GFSA's privatization program launched in 2009G. The aim of the privatization was to increase operational efficiency, ensure food security, improve fiscal performance, support economic growth and enhance the Company's operational technology. In the late 1970s and 1980s, GFSA established multiple branches across the Kingdom, including in Al-Jumum, Khamis Mushait and Al-Jouf. In 2011G, the Saudi Council of Economic and Development Affairs (previously known as the Supreme Economic Council) approved the strategy of privatizing the milling companies by merging all of the milling operations into four companies. In 2017G, the Company commenced its operations as a standalone entity operating on a commercial basis, taking over operation of the milling facilities in Al-Jumum, Khamis Mushait and Al-Jouf in preparation for its privatization. At the end of 2020G, GFSA completed the sale to the consortium comprising Al Rajhi Holding, Masafi Co., and Al Ghurair Foods. The key milestones achieved in relation to the Company and its business since its establishment are summarized as follows:

Table (4.1): Key Developments of the Company since Establishment:

Year	Event/Development
1972G	GFSA was established by Royal Decree number M/14 dated 25/03/1392H (corresponding to 09/05/1972).
1982G	GFSA established a production facility in Khamis Mushait.
2008G	GFSA established a production facility in Al-Jouf.
2009G	GFSA launched the privatization program with an aim to raise the level of operational competency, improve monetary performance, support economic growth, and improve operational competency.
2011G	The Supreme Economic Council (currently, the Saudi Council of Economic and Development Affairs) approved the strategy of privatizing the milling companies, which stipulates merging all all operations of the mills in four companies, and for the Company it consisted of grouping of the branches of Al-Jumum, Khamis Mushait and Al-Jouf.
2013G	GFSA established a second production facility in Khamis Mushait, with a production capacity of 800 MT per day.
2015G	GFSA established a production facility in Al-Jumum.
2016G	The Council of Ministers issued its resolution No. 35 approving the Organization Privatization Program and establishing the Company as a closed joint stock company owned by the Public Investment Fund.
2017G	The Company commenced its commercial operations as a separate entity.
2020G	GFSA accepted a bid by a consortium comprising Al Rajhi Holding and Al Ghurair Foods for the acquisition of the Company.
2021G	The Company completed its merger with Mada Al Ghurair Limited Company, confirming the existing ownership structure.

Year	Event/Development
2022G	The Company established a subsidiary distribution company, Hasad Al-Arabia for Trade.
	The Company commenced the expansion of the Al-Jumum facility.
	The Company was rebranded as Modern Mills.
	The Company launched a dedicated B2B brand in its flour business, Modern Mills Professional.
	The Company launched capital expenditures related to standards improvements, SAP and machinery upgrade.
	The Company reduced operational expenses through programs aimed at increasing productivity and reducing costs.
2023G	The Company launched three retail brands in its flour business and commenced contracting with third party distributors to further penetrate the retail segment.
	The Company invested in technical training and personal skills.
	The Company launched ESG projects.

Source: the Company

4.6 Overview of the Company and Growth of its Capital

Modern Mills Company was incorporated as a Saudi closed joint-stock company in Khamis Mushait pursuant to Ministerial Resolution No. G/13, dated 11/01/1438H (corresponding to 12/10/2016G), under commercial registration No. 5855070277 dated 10/02/1438H (corresponding to 10/11/2016G), under the name "**Third Milling Company**" as a single-person closed joint-stock company wholly-owned by the PIF, pursuant to Ministerial Resolution No. G/228 dated 23/09/1437H (corresponding to 28/06/2016G), approving the incorporation of the Company, with a share capital of five hundred thousand Saudi Riyals (SAR 500,000), divided into fifty thousand (50,000) ordinary shares with a paid nominal value of one hundred and twenty-five thousand Saudi Riyals (SAR 125,000) at ten Saudi Riyals (SAR 10) per share. Set out below is the Company's ownership structure upon incorporation.

Table (4.2): The Company's Ownership Structure upon Incorporation

Shareholder	No. of shares	Value per Share	Total Value of Shares (SAR)	Shareholding (%)
The PIF	50,000	10	500,000	100%

Source: the Company

On 03/02/1441H (corresponding to 02/10/2019G), the General Assembly approved the increase of the Company's capital from five hundred thousand Saudi Riyals (SAR 500,000), divided into fifty thousand (50,000) ordinary shares, to eight hundred ninety-nine million six hundred sixty-six thousand five hundred and ninety Saudi Riyals (SAR 899,666,590), divided into eighty-nine million nine hundred sixty-six thousand six hundred and fifty-nine (89,966,659) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, through the transfer of eight hundred ninety-nine million one hundred sixty-six thousand five hundred and ninety Saudi Riyals (SAR 899,166,590) from the other reserves account to the capital account, and the issuance of eighty-nine million nine hundred sixteen thousand six hundred and fifty-nine (89,916,659) ordinary shares, and the transfer of seven Saudi Riyals (SAR 7) from the other reserves account to the retained earnings account. The amended bylaws issued by the Ministry of Commerce were approved on 12/05/1441H (corresponding to 07/01/2020G).

The following table sets out the Company's ownership structure following the aforementioned capital increase.

Table (4.3): The Company's Ownership Structure as of 03/02/1441H (corresponding to 02/10/2019G)

Shareholder	No. of shares	Value per Share	Total Value of Shares (SAR)	Shareholding (%)
The PIF	89,966,659	10	899,666,590	100%

On 17/10/1441H (corresponding to 09/06/2020G), pursuant to the Council of Ministers' Resolution No. 631, the PIF transferred all of its shares in the Company, totaling eighty-nine million nine hundred sixty-six thousand six hundred and fifty-nine (89,966,659) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to the NCP.

The following table sets out the Company's ownership structure following the aforementioned change in the shareholding.

Table (4.4): The Company's Ownership Structure as of 17/10/1441H (corresponding to 09/06/2020G)

Shareholder	No. of shares	Value per Share	Total Value of Shares (SAR)	Shareholding (%)
The NCP	89,966,659	10	899,666,590	100%

On 16/05/1442H (corresponding to 31/12/2020G), the NCP transferred all its shares in the Company, totaling eighty-nine million nine hundred sixty-six thousand six hundred and fifty-nine (89,966,659) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to Mada Al Ghurair Limited Company under a share purchase agreement entered into by and between the NCP and Mada Al Ghurair Limited Company executed on 29/01/1442H (corresponding to 17/09/2020G). The Company's Shareholders established Mada Al Ghurair Limited Company on 20/01/1442H (corresponding to 08/09/2020G) as a special purpose entity with the aim of meeting one of the privatization requirements, where each qualified bidder pledges to establish a legal entity in the Kingdom to acquire the Company. The Company's current Shareholders succeeded in acquiring the Company after winning a competitive tender that took place during the Company's privatization period. The Company's current Shareholders acquired the Company after the completion of the merger of Mada Al Ghurair Limited Company with the Company at a purchase price of SAR 818 million. The transaction cost amounted to SAR 76 million, including bank debt fees and a reserve account for debt service before financing, in addition to development costs and success fees. This acquisition was financed using debt representing 80% of the amount and cash representing 20% of the amount, which includes a loan amounting to SAR 714.8 million by a commercial bank at a SAIBOR rate in addition to the applicable margin and in accordance with certain guarantees, which include, but are not limited to, a pledge on the Company's Shares, and a guarantee by Shareholders to cover the debt until specific key performance indicators are met for two consecutive years (as the Shareholders of Mada Al Ghurair Limited Company obtained a loan of SAR 714.8 million and a loan of SAR 165.6 million from Shareholders in Mada Al Ghurair Limited Company). The capital of Mada Al Ghurair Limited Company before its merger with the Company amounted to one hundred thousand Saudi Riyals (SAR 100,000), divided into ten (10) Shares with a value of ten thousand Saudi Riyals (SAR 10,000) per share, with 50% owned by Mada International Holding Company, 45% by Al Ghurair Foods Company and 5% for Masafi Company.

The following table sets out the Company's ownership structure following the aforementioned change in the shareholding.

Table (4.5): The Company's Ownership Structure as of 29/01/1442H (corresponding to 17/09/2020G)

Shareholder	No. of shares	Value per Share	Total Value of Shares (SAR)	Shareholding (%)
Mada Al Ghurair Limited Company	89,966,659	10	899,666,590	100%

On 06/06/1443H (corresponding to 09/01/2022G), the Company's Head Office was relocated from Khamis Mushait to Jeddah, and a new commercial registration No. 4030449122 was issued for the Company in Jeddah dated 06/06/1443H (corresponding to 09/01/2022G).

On 29/03/1443H (corresponding to 04/11/2021G), the General Assembly approved the merger of Mada Al Ghurair Limited Company (the merged entity), a limited liability company established under commercial registration No. 1010652183, dated 20/01/1442H (corresponding to 08/09/2020G), including all its assets, rights, liabilities and obligations, into Modern Mills Company (the merging entity). Following this merger, the new ownership structure of the Company became as follows: Mada International Holding Company (50%), Al Ghurair Foods (45%), and Masafi Co. (5%). The amended bylaws issued by the Ministry of Commerce were approved on 17/06/1443H (corresponding to 20/01/2022G). It should be noted that Mada Al Ghurair Limited Company was established as a special purpose entity to meet one of the privatization requirements, namely that each qualified bidder shall undertake to establish a legal entity in Saudi Arabia to acquire Modern Mills Company.

The following table sets out the Company's ownership structure following the aforementioned merger.

Table (4.6): The Company's Ownership Structure as of 29/03/1443H (corresponding to 04/11/2021G)

Shareholder	No. of shares	Value per Share	Total Value of Shares (SAR)	Shareholding (%)
Mada International Holding Company	44,983,329.5	10	449,833,295	50%
Al Ghurair Foods	40,484,996.55	10	404,849,965.5	45%
Masafi Co.	4,498,332.95	10	44,983,329.5	5%
Total	**89,966,659**	**10**	**899,666,590**	**100%**

On 18/09/1443H (corresponding to 19/04/2022G), the General Assembly approved an increase in the Company's capital from eight hundred ninety-nine million six hundred sixty-six thousand five hundred and ninety Saudi Riyals (SAR 899,666,590), divided into eighty-nine million nine hundred sixty-six thousand six hundred and fifty-nine (89,966,659) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to eight hundred ninety-nine million, six hundred sixty-six thousand, six hundred Saudi Riyals (SAR 899,666,600), divided into eighty-nine million nine hundred sixty-six thousand, six hundred and sixty (89,966,660) fully paid cash ordinary shares with a nominal value of ten (10) Saudi Riyals per share. This change was made through a bank deposit, and one new share was issued to Mada International Holding Company. Additionally, the Company's name was changed from "Third Milling Company" to "Modern Mills Company". The amended bylaws issued by the Ministry of Commerce was approved on 08/11/1443H (corresponding to 07/06/2022G).

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The following table sets out the Company's ownership structure following the aforementioned capital increase.

Table (4.7): The Company's Ownership Structure as of 18/09/1443H (corresponding to 19/04/2022G)

Shareholder	No. of shares	Value per Share	Total Value of Shares (SAR)	Shareholding (%)
Mada International Holding Company	44,983,330	10	449,833,300	50%
Al Ghurair Foods	40,484,997	10	404,849,970	45%
Masafi Co.	4,498,333	10	44,983,330	5%
Total	**89,966,660**	**10**	**899,666,600**	**100%**

On 24/03/1444H (corresponding to 20/10/2022G), the General Assembly approved the reduction of the Company's capital from eight hundred ninety-nine million, six hundred sixty-six thousand, six hundred Saudi Riyals (SAR 899,666,600), divided into eighty-nine million, nine hundred and sixty-six thousand, six hundred and sixty (89,966,660) ordinary shares, to eighty-one million, eight hundred and thirty-two thousand Saudi Riyals (SAR 81,832,000), divided into eight million, one hundred and eighty-three thousand and two hundred (8,183,200) fully paid cash ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share, through the cancellation of the shares proportionate to such share capital reduction through writing off the deficit resulting from the merger of the Company with Mada Al Ghurair Limited Company, which amounted to eight hundred and seventeen million, eight hundred and thirty-five thousand, and sixty-four Saudi Riyals (SAR 817,835,064) after adjusting the amount by four hundred and sixty-four Saudi Riyals (SAR 464) from the retained earnings to eliminate the impact of fractional shares which amounted to eight hundred and seventeen million, eight hundred and thirty-four thousand, and six hundred Saudi Riyals (SAR 817,834,600). The amended bylaws issued by the Ministry of Commerce was approved on 22/04/1444H (corresponding to 16/11/2022G). The following table sets out the Company's ownership structure following the aforementioned capital reduction.

Table (4.8): The Company's Ownership Structure as of 24/03/1444H (corresponding to 20/10/2022G)

Shareholder	No. of shares	Value per Share	Total Value of Shares (SAR)	Shareholding (%)
Mada International Holding Company	4,091,600	10	40,916,000	50%
Al Ghurair Foods	3,682,440	10	36,824,400	45%
Masafi Co.	409,160	10	4,091,600	5%
Total	**8,183,200**	**10**	**81,832,000**	**100%**

On 19/03/1445H (corresponding to 04/10/2023G), the Extraordinary General Assembly approved the reduction of the nominal value of the Company's shares from ten Saudi Riyals (SAR 10) to one Saudi Riyal (SAR 1) by splitting each share into ten shares. As a result, the Company's capital became eighty-one million, eight hundred and thirty-two thousand Saudi Riyals (SAR 81,832,000), divided into eighty-one million, eight hundred and thirty-two thousand (81,832,000) fully paid ordinary shares with a nominal value of one Saudi Riyal (SAR 1) per share.

Table (4.9): The Company's Ownership Structure as of 19/03/1445H (corresponding to 04/10/2023G)

Shareholder	No. of shares	Value per Share	Total Value of Shares (SAR)	Shareholding (%)
Mada International Holding Company	40,916,000	1	40,916,000	50%
Al Ghurair Foods	36,824,400	1	36,824,400	45%
Masafi Co.	4,091,600	1	4,091,600	5%
Total	**81,832,000**	**1**	**81,832,000**	**100%**

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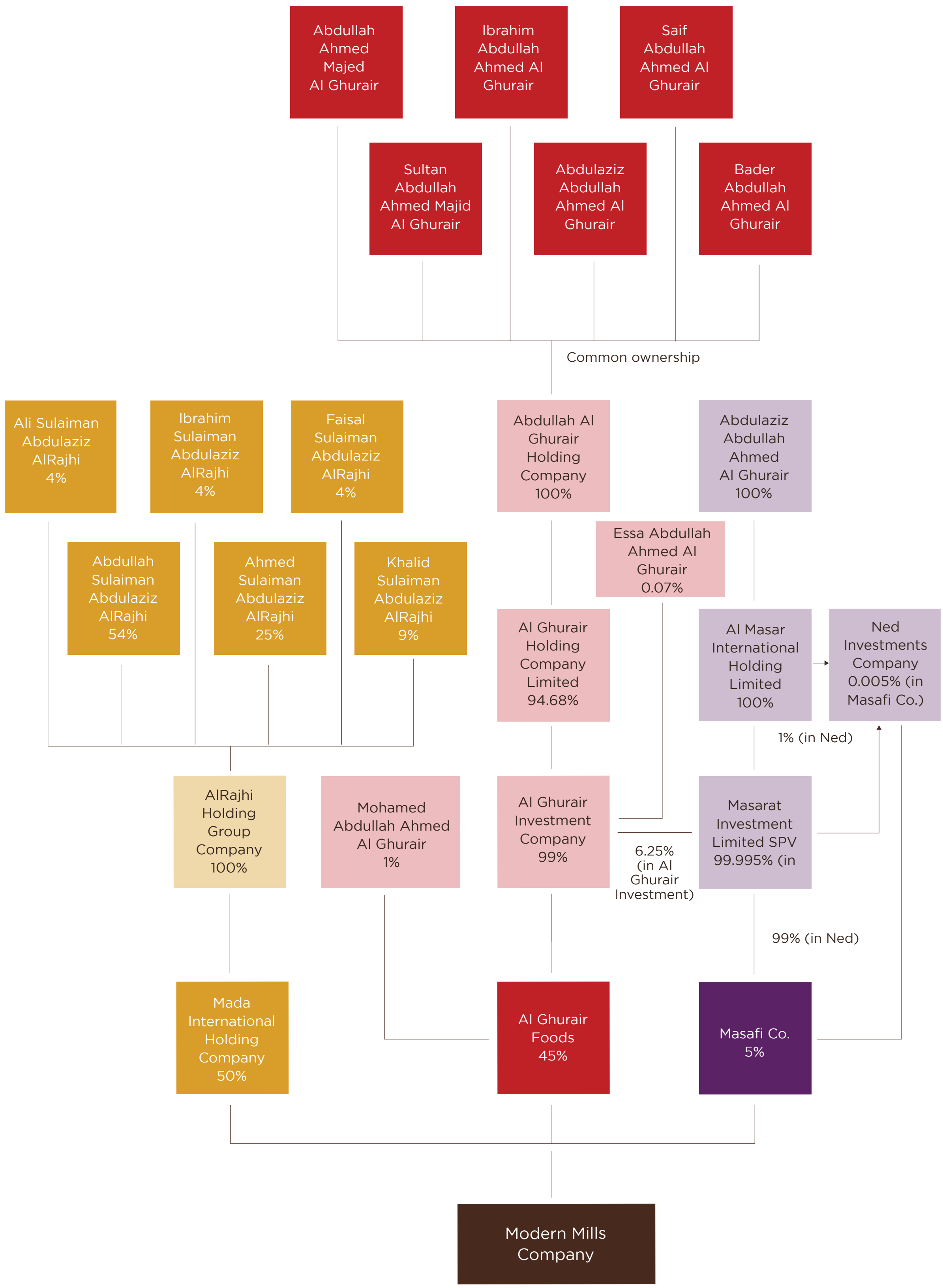
4.7 Overview of the Shareholders

The following chart sets out the ownership structure of the Company.



4.7.1 Mada International Holding Company (single-person limited liability company)

Mada International Holding Company (a single-person company) is a limited liability company, with a capital of one hundred thousand Saudi Riyals (SAR 100,000), divided into ten thousand (10,000) shares, of equal value of ten Saudi Riyals (SAR 10) each, registered under commercial registration No. 1010651022, dated 15/01/1442H (corresponding to 03/09/2020G), in Riyadh.

The main activities of Mada International Holding (single-person company) include financial and insurance activities.

The following table sets out the ownership structure of Mada International Holding Company, as of the date of this Prospectus.

Table (4.10): Ownership Structure of Mada International Holding Company (single-person company), as of the date of this Prospectus

Shareholder	Shareholding (%)	No. of Shares
AlRajhi Holding Group Company	100%	10,000
Total	**100%**	**10,000**

Source: the Company

4.7.1.1 AlRajhi Holding Group Company

AlRajhi Holding Group Company is a closed joint-stock company, with a capital of one hundred million Saudi Riyals (SAR 100,000,000), divided into ten million (10,000,000) shares, with a nominal value of ten Saudi Riyals (SAR 10) each, registered under commercial registration No. 1010231598, dated 04/04/1428H (corresponding to 22/04/2007G), in Riyadh.

The main activities of AlRajhi Holding Group Company include procurement and construction works; construction, operation, and maintenance of marketplaces and commercial centers; operation, maintenance, and cleaning of public buildings; marketing; import and export services for third parties; purchase of land to construct buildings thereon and to invest in the sale or lease thereof, for the Company's benefit; general contracting works; electrical works; electronic and mechanical works; and computer and communication services.

The following table sets out the ownership structure of AlRajhi Holding Group Company, as of the date of this Prospectus.

Table (4.11): Ownership Structure of AlRajhi Holding Group Company, as of the date of this Prospectus

Shareholder	Shareholding (%)	No. of Shares
Abdullah Sulaiman Abdulaziz AlRajhi	54%	5,400,000
Ahmed Sulaiman Abdulaziz AlRajhi	25%	2,500,000
Khalid Sulaiman Abdulaziz AlRajhi	9%	900,000
Ali Sulaiman Abdulaziz AlRajhi	4%	400,000
Ibrahim Sulaiman Abdulaziz AlRajhi	4%	400,000
Faisal Sulaiman Abdulaziz AlRajhi	4%	400,000
Total	**100%**	**10,000,000**

Source: the Company

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4.7.2 Al Ghurair Foods

Al Ghurair Foods is a limited liability company, with a capital of thirty-five million United Arab Emirates dirhams (AED 35,000,000), divided into thirty-five thousand (35,000) shares, of equal nominal value of one thousand United Arab Emirates dirham (AED 1,000), registered under industrial license No. 300101, dated 20/08/1412H (corresponding to 23/02/1992G), in Dubai.

The main activities of Al Ghurair Foods include the production of pasta, vermicelli, and the like; bird farming; manufacturing of organic fertilizers; trade of organic fertilizers and soil conditioners; manufacturing and refining vegetable oil; trade of egg; milling grains and crops; manufacturing of animal and bird feed; and trade of poultry.

The following table sets out the ownership structure of Al Ghurair Foods, as of the date of this Prospectus.

Table (4.12): Ownership Structure of Al Ghurair Foods, as of the date of this Prospectus

Shareholder	Shareholding (%)	No. of Shares
Al Ghurair Investment Company	99%	34,650
Mohammed Abdullah Ahmed Al Ghurair	1%	350
Total	**100%**	**35,000**

Source: the Company

4.7.2.1 Al Ghurair Investment Company

Al Ghurair Investment Company is a limited liability company, with a capital of six hundred ninety-two million three hundred thousand United Arab Emirates dirhams (AED 692,300,000), divided into six hundred ninety-two million three hundred thousand (692,300,000) shares, with a nominal value of one thousand United Arab Emirates dirhams (AED 1,000) each, registered under trade license No. 243808, dated 27/05/1417H (corresponding to 09/10/1996G), in Dubai.

The main activities of Al Ghurair Investment include kindergartens, primary schools, middle schools, and high schools; investment, establishment, and management of industrial projects; investment, establishment, and management of agricultural projects; and investment, establishment, and management of commercial projects.

The following table sets out the ownership structure of Al Ghurair Investment Company, as of the date of this Prospectus.

Table (4.13): Ownership Structure of Al Ghurair Investment Company, as of the date of this Prospectus

Shareholder	Shareholding (%)	No. of Shares
Al Ghurair Holding Company Limited	93.68%	648,506
Masarat Investment SPV Limited	6.25%	43,299
Essa Abdullah Ahmed Al Ghurair	0.07%	495
Total	**100%**	**692,300**

Source: the Company

4.7.2.2 Masarat Investment SPV Limited

Masarat Investment SPV Limited is a limited liability company with a capital of fifty thousand US dollars (USD 50,000), divided into fifty thousand (50,000) shares, with a nominal value of one US dollar (USD 1) each, registered under trade license No. CL2552, dated 02/12/1438H (corresponding to 24/08/2017G), in Dubai International Financial Center.

The main activities of Masarat Investment SPV Limited include working as an intermediate holding company.

The following table sets out the ownership structure of Masarat Investment SPV Limited, as of the date of this Prospectus.

Table (4.14): Ownership Structure of Masarat Investment SPV Limited, as of the date of this Prospectus

Shareholder	Shareholding (%)	No. of Shares
Al Masar International Holding Limited	100%	50,000
Total	**100%**	**50,000**

Source: the Company

4.7.2.3 Al Ghurair Holding Company Limited

Al Ghurair Holding Company Limited is a limited liability company, with a capital of fifty thousand US dollars (USD 50,000), divided into fifty thousand (50,000) shares, with a nominal value of one US dollar (USD 1) each, registered under trade license no. CL1267, dated 10/11/1433H (corresponding to 26/09/2012G), in the Dubai International Financial Center.

The main activities of Al Ghurair Holding include working as a holding company.

The following table sets out the ownership structure of Al Ghurair Holding Company Limited, as of the date of this Prospectus.

Table (4.15): Ownership Structure of Al Ghurair Holding Company Limited, as of the date of this Prospectus

Shareholder	Shareholding (%)	No. of Shares
Abdullah Al Ghurair Holding Company	100%	50,000
Total	**100%**	**50,000**

Source: the Company

4.7.2.4 Abdullah Al Ghurair Holding Company

Abdullah Al Ghurair Holding is a limited liability company, with a capital of fifty thousand US dollars (USD 50,000), divided into fifty thousand (50,000) shares, with a nominal value of one US dollar (USD 1) per share, registered pursuant to the laws of the United Kingdom under trade license No. CL1260, dated 26/10/1433H (corresponding to 13/9/2012G), in the Dubai International Financial Center.

The main activities of Abdulla Al Ghurair Company include working as a holding company.

The shares in Abdulla Al Ghurair Holding Company are jointly held by: Sultan Abdullah Ahmed Majed Al Ghurair, Abdulaziz Abdullah Ahmed Al Ghurair, Bader Al Ghurair, Abdullah Ahmed Majed Al Ghurair, Ibrahim Abdullah Ahmed Al Ghurair, and Saif Al Ghurair.

4.7.3 Masafi Co.

Masafi Co. is a limited liability company, with a capital of twenty million United Arab Emirates dirhams (AED 20,000,000), divided into twenty thousand (20,000) shares, with a nominal value of one thousand United Arab Emirates dirhams (AED 1,000) each, registered under trade license No. 8218, dated 24/06/1409H (corresponding to 31/01/1989G), in Ras Al Khaimah.

The main activities of Masafi Co. include general trading.

The following table sets out the ownership structure of Masafi Co., as of the date of this Prospectus.

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Table (4.16): ownership structure Masafi Co., as of the date of this Prospectus

Shareholder	Shareholding (%)	No. of Shares
Masarat Investment SPV Limited	99,995%	19,999
Ned Investments Company	0.005%	1
Total	**100%**	**20,000**

Source: the Company

4.7.3.1 Masarat Investment SPV Limited

For more information about Masarat Investment SPV Limited, see Section 4.7.3.1of this Prospectus.

4.7.3.2 Al Masar International Holding Limited

Masar International Holding Limited is a limited liability company with a capital of fifty thousand US dollars (USD 50,000), divided into fifty thousand (50,000) shares, with a nominal value of one US dollar (USD 1) each, registered under trade license No. CL1897, dated 20/09/1436H (corresponding to 07/07/2015G), in the Dubai International Financial Center.

The main activities of Masar International Holding Limited include working as a holding company.

The following table sets out the ownership structure of Al Masar International Holding Limited, as of the date of this Prospectus.

Table (4.17): Ownership Structure of Al Masar International Holding Limited, as of the date of this Prospectus

Shareholder	Shareholding (%)	No. of Shares
Abdulaziz Abdullah Ahmed Al Ghurair	100%	50,000
Total	**100%**	**50,000**

Source: the Company

4.7.3.3 Ned Investments Company

Ned Investments Company is a limited liability company with a capital of ten million United Arab Emirates dirhams (AED 10,000,000), divided into ten thousand (10,000) shares, with a nominal value of one thousand United Arab Emirates dirhams (AED 1,000) each, registered under commercial registration No. 518203, dated 28/01/1421H (corresponding to 03/05/2000G), in Dubai.

The main activities of Ned Investments Company include investment, establishment, and management of agricultural projects; and investment, establishment, and management of commercial projects.

The following table sets out the ownership structure of Ned Investments Company, as of the date of this Prospectus.

Table (4.18): Ownership Structure of Ned Investments Company, as of the date of this Prospectus

Shareholder	Shareholding (%)	No. of Shares
Masarat Investment SPV Limited	99%	9,900
Al Masar International Holding Limited	1%	100
Total	**100%**	**10,000**

Source: the Company

4.7.3.4 Masarat Investment SPV Limited

For more information about Masarat Investment SPV Limited, see Section 4.7.3.1 of this Prospectus.

4.7.3.5 Al Masar International Holding Limited

For more information about Al Masar International Holding Limited, see Section 4.7.3.2 of this Prospectus.

4.8 Subsidiaries

The Company has one subsidiary, Hasad Al-Arabia for Trade (single-person company), located in Saudi Arabia. Hasad Al-Arabia for Trade is a limited liability company registered in Jeddah under commercial registration no. 4030480278, dated 05/01/1444H (corresponding to 03/08/2022G), with a capital of SAR 100,000. Hasad Al-Arabia for Trade was established in 2022G. Its revenues amounted to SAR 3,331,000 for the six-month period ended 30 June 2023G, or about 0.74% of the Company's total revenues.

Under its commercial register, the activities of Hasad Al-Arabia for Trade include: wholesale of seeds (except barley), wholesale of fruits and oleaginous fruits; wholesale of agricultural seedlings; wholesale of livestock feed with pharmaceutical feed additives; wholesale of feed and non-pharmaceutical feed additives; wholesale of fruits; wholesale of vegetables; wholesale of dates; wholesale of dairy products; wholesale of eggs and egg products; wholesale of oils and animal greases; wholesale of vegetable oils; wholesale of meat; wholesale of meat products; wholesale of fish products; wholesale of frozen meat and poultry; wholesale of sugar and sugar products; wholesale of chocolate and cocoa, wholesale of coffee and tea products; wholesale of spices; wholesale of honey; wholesale of bakery products; wholesale of bottled water of all kinds; wholesale of carbonated water and juices; wholesale of ice; wholesale of food and beverages; distribution centers for food and beverages; wholesale of food and feed for pets; central markets for food and consumer goods; grocery stores; catering; retail sale of preserved and ready meals; retail sale of beverages in specialty stores; retail sale of food and beverages in kiosks and markets; retail sale through vending machines, including coffee, juices, etc.; land transport of goods; heavy transport of goods and equipment; light transport; operation of storage facilities for all types of goods (except foodstuffs); refrigerated foodstuff warehouses; animal feed warehouses; storage in silo warehouses of grain, flour, and agricultural products; storage in ports, customs, or free zones; dry food warehouses; vehicle transport and towing services; and development of technical reports for oil leaks or any other pollutants at sea.

4.9 Overview of the Company's Main Activities

The Company is engaged in the production, packaging and selling of flour products, animal feed and bran. Its operations are supported by strategically located, efficient production facilities in three regions of the Kingdom, namely Makkah Region, Jouf Region, and Asir Region.

The Company generates its revenue from the sale of its products to its customers, which then either use or sell Company's products to indirect customers. Direct flour customers are primarily wholesalers and distributors, but also include, to a lesser extent, large bakeries, food manufacturers and key retail accounts. Indirect flour customers consist of bakeries, hotels, restaurants, cafes and retail customers. Sales of flour are also distinguished between clients purchasing flour from the Company in "regulated" packs of 45 kg and in bulk, and clients purchasing flour from the Company in "unregulated" packs between 1 kg and 10 kg.

An increasingly significant part of the Company's business is the sale of animal feed products to livestock and poultry farms and feed wholesalers, which, in turn, sell animal feed products to livestock and poultry farms. The Company also sells animal bran products to distributors, or to feed producers directly.

4.9.1 Key Performance Indicators

The following table sets forth the Company's key performance operating metrics, which Management consider to be its key performance indicators for the past three financial years and the six-month period ended 30 June 2023G.

Table (4.19): The Company's Key Performance Indicators:

Key Performance Indicator	FY20G	FY21G	FY22G	Period ended 30 June 2023G
Financial				
Revenue (in SAR million)				
Flour	281	279	402	206
Animal Feed	92	198	400	187
Animal Bran	63	77	176	59
Revenue growth (%)	(3%)	28%	76%	(2%)
EBITDA (in SAR million)	117	137	324	159
EBITDA Margin (%)	27%	25%	33%	35%
Non-financial				
Production (in thousand tons)	805	897	1,345	622
Flour	526	538	818	391
Animal Feed	108	168	244	171
Animal Bran	171	191	282	114
Production growth (%)	(7%)	11%	50%	6%
Sales volume (in thousand tons)				
Flour	531	547	802	392
Animal Feed	109	161	246	114
Animal Bran	107	109	178	71
Volume growth (%)	(8)%	10%	50%	(4%)
Revenue per ton (SAR)	583	678	797	783

Source: the Company

4.9.2 Products

4.9.2.1 Overview

The Company produces flour products, animal feed products and animal bran products. Sales of flour products comprised 41% and 46% of the Company's total revenues for FY22G and the period ended 30 June 2023G, respectively. Revenue from sales of flour products grew by 43% between 2020G and 2022G, reflecting the result of the increase of quantities sold in various branches, following the enhancement of the market share in the sales areas during the Hajj and Umrah season and the return to school starting from the third quarter of FY21G.

Sales of animal feed products comprised 41% and 41% of the Company's total revenues for FY22G and the period ended 30 June 2023G, respectively. Revenue from sales of animal feed products grew by 336% between 2020G and 2022G, reflecting the improvement of the Company's market share in the poultry feed market, in line with the Company's adoption of new strategies focusing on new recipes to attract more customers, and the increase of feed revenue per ton, as a result of the newly adopted pricing mechanism.

Sales of animal bran products comprised 18% and 13% of the Company's total revenues for FY22G and the period ended 30 June 2023G, respectively. Revenue from sales of animal bran products grew by 182% between 2020G and 2022G, as a result of a rise in the prices of barley (an alternative to animal bran in the feed industry) during the month of April of FY21G, which prompted the administration to review prices to be in line with market prices, in addition to reduced rainfall over the same period.

4.9.2.2 Flour Products

The Company produces flour products designed to assist attaining food security in the Kingdom and targets demand primarily among large bakeries and food manufacturers, HORECA and retail consumers. The Company has also developed a portfolio of flour product brands that also covers all tiers within the retail market. The Company's flour products are offered in the form of packs and in bulk, with the packs ranging in size from 1 kg to 45 kg.

The Company categorizes its flour products by the intended end user of the product:

- **Industrial & B2B:** this category comprises products intended for commercial use by large businesses that use flour in their operations, such as industrial manufacturers and large bakeries. These products include bakery flour, superior flour, whole wheat flour and superior whole wheat flour under the Modern Mills Professional brand in packs of 45 kg and larger bulk amounts.
- **Bakeries and HORECA:** this category comprises products which are intended for use by commercial customers, including businesses in the hospitality, restaurant and café (HORECA) sector, as well as smaller bakeries. These products include bakery flour, superior flour, whole wheat flour and superior whole wheat flour under the Modern Mills Professional brand, typically in 10 kg and 45 kg packs.
- **Household:** these comprise the Company's range of products under its suite of retail brands intended for household use. These products include patent flour, brown flour, superior and bakeries flour in packs from 1 kg to 10 kg as well as peeled wheat and crushed wheat in packs of 1 kg.

The following table sets out the percentage of the Company's total flour sales represented by each of the above categories for the periods indicated.

Table (4.20): Breakdown of flour sales by product segment:

Product type	Percentage of Total Flour Sales			
	FY20G	FY21G	FY22G	period ended 30 June 2023G
Industrial & B2B	6.5%	6.1%	2.4%	3.1%
Bakeries and HORECA	86.2%	88.9%	90.1%	88.1%
Household	7.2%	5.0%	7.6%	8.9%

Source: the Company information

For more information, please see Section 4.9.4 ("**Sales and Distribution**").

In January 2023G, the Company launched a set of retail brands, Qamhati, Modern Mills and Qoot & Root under its Household category. The Qamhati brand is the Company's top-tier flour brand offering a premium quality flour that produces professional grade baking results and showcases the quality of the Company's products, as well as yielding the highest margins of the Company's flour products. Modern Mills is the Company's mid-tier flour brand, which the Company believes generates brand recognition for its flour products in the retail market. Qoot & Root is the Company's lower tier flour brand offering good quality at a lower price for everyday use.

In addition to its current products, the Company is also working to develop other value-added and higher margin products adjacent to its current product range, such as ready mixes and gluten-free flour, and to expand into additional product categories.

Sales of flour products comprised 41% and 46% of the Company's total revenues for FY22G and the six months period ended 30 June 2023G, respectively.

Since 2021G, the Company has experienced significant growth in its flour market share by volume (from 20% in 2021G to 24% in 2022G, the largest gain among its competitors in the Kingdom, and narrowing the gap with the market leader) as a result of the successful implementation of strategic initiatives including proactive marketing, improvement of quality consistency, leveraging seasonality, organizational efficiencies, improved customer engagement.

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4.9.2.3 Animal Feed Products

The Company believes that it has established a leading position amongst other milling companies in the animal feed market, both in terms of quality and production capacity, under the established feed brand name Premier. The Company prides itself on formulating high quality animal feed products with animal productivity and health as a top priority without compromising feed ingredients or quality. These products perform a great synergetic role in the offerings of the Company as it utilizes identical capabilities through similar manufacturing processes and utilizing byproducts of flour production (e.g., wheat bran) as feedstock for its production of animal feed (primarily livestock feed).

The Company produces a range of specialty poultry and livestock animal feed:

- Poultry feed:
  - Broiler feed, aimed at chickens raised for meat
  - Layer feed, targeted to hens laying eggs
  - Breeder feed, formulated to assist with poultry breeding (e.g., farms that produce eggs for hatching rather than for consumption)
- Livestock feed:
  - Sheep
  - Camels
  - Cows

Animal feed is typically sold in large packs of 40kg and 50kg to wholesalers and poultry farms, and in bulk via tankers to larger farms. Because of the flexibility of its capabilities, the Company's mix of poultry and livestock animal feed can be changed to maintain sales in response to fluctuations in demand.

The pricing of animal feed products is not regulated, and the Company believes that by offering a superior quality product, it has been able to achieve higher prices which has yielded superior profit margins, including an increase in feed margin by 40% between FY21G and FY22G, and 8% between FY22G and FY23G.

Sales of animal feed products comprised 41% and 41% of the Company's total revenues for FY22G and the six-month period ended 30 June 2023G, respectively.

4.9.2.4 Animal Bran Products

Animal bran is produced as a by-product of the flour milling process. The Company produces wheat bran for animal use in large packs of 40kg and in bulk. The Company uses the majority of produced bran in internal animal feed production and sells the remaining part to appointed distributors, who then sell animal bran products to small livestock farms, and feed producers.

The pricing of animal bran products is not regulated, and the Company believes it has been successful in recent years in testing the conventional price of bran in Saudi Arabia and leading the market in the price correction to international levels in the animal bran market.

Sales of animal bran products comprised 18% and 13% of the Company's total revenues for FY22G and the six-month period ended 30 June 2023G, respectively.

4.9.3 Operations and Production

4.9.3.1 Supplier

4.9.3.1.1 Overview of the Company's Suppliers

The primary raw material used in the production of the Company's products is wheat, which the Company purchases from the GFSA at subsidized prices under the terms of its Wheat Supply Agreement. GFSA purchases the wheat from local farmers in the Kingdom according to a set price, and imports additional wheat from international suppliers in order to meet demand. GFSA is responsible for delivering the wheat directly to the Company's mills at the times and quantities required. Wheat purchases from the GFSA comprised 42% and 42% of the Company's total raw material costs for FY22G and the six-month period ended 30 June 2023G, respectively.

The Company sources other raw materials, particularly for its animal feed products, from local and international sources, including yellow corn, barley, and soybean meal, which is used in the production of animal feed and comprised 53% and 54% of the Company's total raw material costs for FY22G and the six-month period ended 30 June 2023G, respectively. Other materials used in animal feed production, such as vegetable/palm oil and vitamins, are typically sourced locally or imported. In FY22G and the six-month period ended 30 June 2023G, the Company imported 58% and 58%, respectively, of its total raw material costs (other than wheat), while the remainder from sources located in the Kingdom. The Company sources primary packaging materials such as bags made of food grade plastic and standup pouches primarily from suppliers in the Kingdom.

The Company maintains a certain amount of reserve stock of raw materials at its facilities to cover production requirements for a specified period. The quantity of such backup stock varies among the raw materials according to forecasts and actual consumption. In addition, the Company is not required to maintain large reserves of wheat in its facilities, since GFSA regulates and manages the available wheat stocks, and therefore the Company has access to additional quantities from the GFSA when needed.

4.9.3.1.2 Standard supply terms

Wheat is supplied by the GFSA in accordance with a long term Wheat Supply Agreement under which the GFSA commits to supply wheat for a period of 25 years, subject to amendment in line with governmental and regulatory reforms. The purchase price of the wheat from the GFSA is pegged to the price of the resulting flour sold to customers, resulting in a specified profit margin for the Company on those products and effectively providing a subsidy on the wheat purchase price compared to the open market price of wheat.The Company acquires feed grains and flour additives at market prices, approaching suppliers on a regular basis with the goal of maintaining a safety stock of raw materials, although it maintains the flexibility to purchase more if market conditions are favorable.

For more information on the terms of supply contracts with Key Suppliers, please see Section 12.5.1 ("**Material Supply Contracts with Key Suppliers**").

4.9.3.2 Production

4.9.3.2.1 Overview

The production of flour is a multi-stage process which starts with the transfer of wheat grains to large silos, where scaling, sieving, magnet and moisture control occur. Following this process, the different varieties of wheat are tested and often blended to improve flour quality. During the pre-cleaning step, all non-wheat related items, as well as light dust and chaff, are removed with various aspiration equipment and scourers. Larger items (stones, stalks, seeds) are removed with state-of-the-art color sorters and separators. Once the wheat has been cleaned water is added to enable control over the wheat in allowing the opening of each kernel in order to remove the endosperm and make the different types of flour.

The wheat is processed at the first break roll where wheat is broken open, releasing semolina (granular sizes of endosperm). The wheat particles are then moved to large sifters for sorting into various sizes, either as flour to be removed immediately or sent to the next passage for further processing. The remaining wheat particles may either go through a purifier using the principles of specific size and surface area, or bypass the purifier and continue directly to further refinement on the rollers. Throughout this process and at each stage flour is taken and added to the flour collecting conveyors and sorted into different flour bins. Once the products have reached the relevant bins, the products are packed after being subject to any further refinement or blend optimization.

Throughout this process hundreds of samples are taken (automatically and manually) to monitor, e.g., gluten, protein, moisture, granulation, and other tests in order to ensure that the flour is at the highest quality and standard.

Animal bran is processed using finer rolls and animal bran finishers until the maximum amount of endosperm is taken from it and then sent on to the animal bran bins. The animal bran is packed into bags or placed onto bulk truck and either shipped off to farmers directly for feed or directed to a feed mill where feed nutritional values are calculated and recipes are formulated based on customer needs. Based on this recipe, other raw materials are sourced worldwide and brought to the feed mill and rigorously tested before offloading. The recipe is placed into a computer and the equipment makes sure the exact quantities of raw materials are properly introduced into the mix. The resulting product is either delivered to a finished product bin as mash, or further processed into pellets, which are used for livestock and poultry and have different sizes for different animals. After palletizing the pellets are cooled and sent to the packing bins.

The Company has three long standing production facilities in operation, located in Al-Jumum, Khamis Mushait and Al-Jouf, Saudi Arabia. The following table provides an overview of the Company's mills:

Table (4.21): Overview of the Company's Production Facilities (as of 30 June 2023G):

Total	Al-Jumum Facility	Khamis Mushait Facility	Al Jouf Facility	Total
Year Established	2015G	1982G	2008G	
Daily Wheat Production Capacity (tons)	1,200	1,650	600	3,450
Silo Capacity (tons)	125,000	40,000	20,000	185,000
Wheat milling (tons per annum)	348,000	528,000	192,000	1,104,000
Daily Feed Production Capacity (tons)	-	1,400	-	1,400
Feed Milling (tons per annum)	-	368,000	-	368,000

The Company relies on the best globally available milling equipment from top international suppliers such as Bühler in Switzerland and Ocrim in Italy. The Company's facilities are regulated by GFSA (regarding flour and wheat) and SFDA (regarding feed products), which inspect and approve the facilities on a regular basis, and whose approval is required for any increase or decrease in the facilities' production capacities.

4.9.3.2.2 Al-Jumum Facility

The Al-Jumum facility commenced its commercial operations in 2015G, and is capable of producing all flour products in the Company's range. Al-Jumum facility is strategically located in the Western region of Saudi Arabia and primarily serves markets in the Makkah region. Al-Jumum facility is equipped with the latest research and production technology and is considered a 'gold-standard' milling operation.

The Al-Jumum facility has two flour milling lines with a combined, daily production capacity of 1,200 MT. Milled wheat is stored in the facility's silos, which have a combined storage capacity of 125,000 MT. The Al-Jumum facility also has warehouse storage for finished products with a capacity of almost 16,000 MT.

The Company plans to double the milling capacity at the Al-Jumum facility from 1,200 MT per day to 2,450 MT per day by 2025G by installing an additional milling line with a daily production capacity of 1,250 MT (which would be the largest in the Kingdom) in order to meet increasing demand in the Western region which driven by Hajj and Umrah. The facilities current capacity is fully absorbed by Haj and Umrah demand. The Company also intends to invest in a large industrial mixer that would allow the production of new innovations like ready-mixes. With these capabilities, it is expected that the Al-Jumum facility will be a hub for innovation enabling the Company to develop new value-added products, particularly for the HORECA and retail market segments. As part of the upgrade, direct distribution capacity will be further enhanced with the purchase of a number of bulk tankers.

The Al-Jumum facility complies with regulatory norms, including SFDA, GFSA and has received Quality System Management (ISO) certifications.

4.9.3.2.3 Khamis Mushait Facility

The Company's oldest and largest production facility is located in Khamis Mushait. This facility opened in 1982G, and, being equipped with a feed production plant, is capable of producing all products in the Company's range.

The Khamis Mushait facility primarily serves markets in the Southern region of Saudi Arabia. The facility's strategic location in the South, means that it is well positioned to meet demand for animal feed and bran which the Company believes is currently underserved.

The Khamis Mushait facility has three flour milling lines with a combined, daily production capacity of 1,650 MT. Milled wheat is stored in the facility's silos, which have a combined storage capacity of 40,000 MT. The Khamis Mushait facility also has warehouse storage for finished products with a capacity of approximately 21,000 MT. The Company plans to increase productivity at its Khamis Mushait facility by upgrading of one of its mills with new, best-in-class equipment, which will raise its production capacity from 1,650 MT per day to 1,800 MT per day.

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The Khamis Mushait facility also has two animal feed plants with a total aggregate daily production capacity of 1,400 MT, the highest animal feed production capacity of any milling company in the Kingdom.

The Khamis Mushait facility complies with regulatory norms, including SFDA, GFSA and has received Quality System Management (ISO) certifications.

4.9.3.2.4 Al-Jouf Facility

The Al-Jouf facility commenced its commercial operations in 2008G, and primarily serves the market in the Northern region of Saudi Arabia. The Al-Jouf facility is smaller than the Company's other facilities, and is capable of producing all flour products in the Company's range.

The Al-Jouf facility has a single milling line with a daily production capacity of 600 MT. Milled wheat is stored in the facility's silos, which have a combined storage capacity of 20,000 MT. The Al-Jouf facility also has warehouse storage for finished products with a capacity of approximately 5,000 MT.

The Al-Jouf facility complies with regulatory norms, including SFDA, GFSA and has received Quality System Management (ISO) certifications.

4.9.4 Sales and Distribution

4.9.4.1 Geographic regions

The Company's most significant sales are in the regions in which its production facilities are located, in the Northern, Western and Southern regions of the Kingdom.

4.9.4.2 Flour products

The sale processes for subsidized flour (exceeding 10 kg) are regulated by the GFSA, who must pre-approve every industrial or commercial customer to whom the Company sells flour in packs of 45 kg or above, as well as the price at which the flour can be sold to those customers. Potential new customers in this category must register with the GFSA and undergo an assessment process that includes site visits to the customer's facilities, assessments of the customer's production lines and capacity and assessments of the products in which the flour is to be used. The completed assessment is then submitted to GFSA for approval.

In contrast, sales of flour in packs equal to or smaller than 10 kg are not regulated by GFSA, providing the Company with the flexibility to set prices in line with market demand for products intended for use in its Household segment and (to some extent) its Bakeries and HORECA segment and achieve larger profit margins. Consequently, the Company recently launched the Qamhati, Modern Mills and Qoot & Root retail brands, and has commenced contracting with third party distributors to further penetrate the retail and HORECA segments.

The Company's sales channels are generally aligned with its product categories. Sales within the Company's Household segment are generally made to third party distributors, who purchase the products and then on-sell to retailers. Customers in the Bakeries and HORECA segment are wholesalers such as flour traders and large and small wholesalers, who purchase the Company's products and on-sell them to other customers. Sales within the Industrial & B2B are made directly to the customer or via a third-party distributor.

The Company's top 10 flour customers contributed 31% of the Company's flour sales for FY22G and 33% of the Company's flour sales for the six-month period ended 30 June 2023G

The following table below shows the Company's top 10 flour customers based on revenue contribution for FY22G and the six-month period ended 30 June 2023G:

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Table (4.22): Top 10 Flour Customers of the Company for FY22G:

Customer	Customer Segment	Products Purchased	Period of relationship	Sales (SAR thousand)	% of total flour sales
Customer 1	Bakeries & HORECA	Flour	40 Gregorian years	16,208.2	4%
Customer 2	Bakeries & HORECA	Flour	8 Gregorian years	15,640.2	4%
Customer 3	Bakeries & HORECA	Flour	40 Gregorian years	15,151.9	4%
Customer 4	Bakeries & HORECA	Flour	40 Gregorian years	13,571.7	3%
Customer 5	Bakeries & HORECA	Flour	8 Gregorian years	12,373.7	3%
Customer 6	Bakeries & HORECA	Flour	8 Gregorian years	11,809.5	3%
Customer 7	Industrial & B2B	Flour	8 Gregorian years	11,794.8	3%
Customer 8	Bakeries & HORECA	Flour	8 Gregorian years	10,738.0	3%
Customer 9	Bakeries & HORECA	Flour	40 Gregorian years	9,912.0	2%
Customer 10	Bakeries & HORECA	Flour	8 Gregorian years	9,005.4	2%

Source: the Company

Table (4.23): Top 10 Flour Customers of the Company for the period ended 30 June 2023G:

Customer	Customer Segment	Products Purchased	Period of relationship	Sales (SAR thousand)	% of total flour sales
Customer 1	Bakeries & HORECA	Flour	41 Gregorian year	13,469.3	6%
Customer 2	Bakeries & HORECA	Flour	9 Gregorian years	11,102.1	5%
Customer 3	Bakeries & HORECA	Flour	41 Gregorian year	7,489.2	4%
Customer 4	Bakeries & HORECA	Flour	9 Gregorian years	6,929.3	3%
Customer 5	Bakeries & HORECA	Flour	9 Gregorian years	6,973.3	3%
Customer 6	Bakeries & HORECA	Flour	9 Gregorian years	6,891.3	3%
Customer 7	Industrial & B2B	Flour	9 Gregorian years	6,052.4	3%
Customer 8	Bakeries & HORECA	Flour	9 Gregorian years	5,074.8	2%
Customer 9	Bakeries & HORECA	Flour	41 Gregorian year	4,017.1	2%
Customer 10	Bakeries & HORECA	Flour	41 Gregorian year	3,549.2	2%

Source: the Company

The Company's GFSA regulated customers have specified weekly quotas assigned to them by the GFSA and generally visit an assigned Company production facility to collect their weekly quota of product. These sales are conducted as pure cash business, with no purchase orders or customer contracts in place. Instead, customers transfer the invoiced amount directly to the Company's account ahead of the scheduled pick-up or pay on site. The Company has entered into a limited number of customer agreements with customers, however, this does not account for a material portion of the Company's business given that none of these customers rank as top 10 customers disclosed above.

4.9.4.3 Animal Feed and Bran Products

The Company's sale of animal feed and bran products is unregulated. As a result, the Company is able to set prices for these products according to demand which the Company believes is growing due to government incentives for agricultural producers to scale up poultry and livestock production to improve self-sufficiency in the Kingdom. The Company has increased its efforts to capture this demand and offer customers, such as poultry farms in the Southern Region, high quality feed aimed at improving productivity and output.

The Company classifies its customer portfolio for its animal feed and bran products into two sales channels:

- **B2B:** Customers in this sales channel are generally large farms or livestock and poultry enterprises that purchase large quantities of feed directly from the Company.
- **Wholesalers:** Customers on this sales channel are wholesalers who purchase the Company's animal feed and bran products and on-sell them to other customers, including smaller farmers.

The Company's top 10 animal feed and bran customers contributed 54% of the Company's animal feed and bran sales for FY22G and 65% of the Company's animal feed and bran sales for the six-month period ended 30 June 2023G

The following table below shows the Company's top 10 animal feed and bran customers based on revenue contribution for FY22G and the six-month period ended 30 June 2023G:

Table (4.24): Top 10 Animal Feed and Bran Customers of the Company for FY22G:

Customer	Sales Channel	Products Purchased	Period of relationship	Sales (SAR thousand)	% of total feed and bran sales
Customer 1	B2B	Animal Feed and Bran	12 Gregorian years	241,197.3	42%
Customer 2	B2B	Animal Feed and Bran	8 Gregorian years	18,040.7	3%
Customer 3	Wholesale	Animal Feed and Bran	21 Gregorian years	13,512.1	2%
Customer 4	Wholesale	Animal Feed and Bran	1 Gregorian year	8,213.2	1%
Customer 5	Wholesale	Animal Feed and Bran	8 Gregorian years	8,073.3	1%
Customer 6	Wholesale	Animal Feed and Bran	8 Gregorian years	7,654.6	1%
Customer 7	Wholesale	Animal Feed and Bran	1 Gregorian year	7,487.3	1%
Customer 8	Wholesale	Animal Feed and Bran	10 Gregorian years	7,486.0	1%
Customer 9	Wholesale	Animal Feed and Bran	16 Gregorian years	7,401.4	1%
Customer 10	Wholesale	Animal Feed and Bran	8 Gregorian years	7,271.5	1%

Source: the Company

Table (4.25): Top 10 Animal Feed and Bran Customers of the Company for the period ended 30 June 2023G:

Customer	Sales Channel	Products Purchased	Period of relationship	Sales (SAR thousand)	% of total feed and bran sales
Customer 1	B2B	Animal Feed and Bran	13 Gregorian years	121,188.9	49%
Customer 2	B2B	Animal Feed and Bran	9 Gregorian years	9,094.3	4%
Customer 3	Wholesale	Animal Feed and Bran	9 Gregorian years	5,970.5	2%
Customer 4	Wholesale	Animal Feed and Bran	22 Gregorian years	5,284.5	2%
Customer 5	Wholesale	Animal Feed and Bran	1 Gregorian year	4,172.6	2%
Customer 6	Wholesale	Animal Feed and Bran	2 Gregorian years	4,062.5	2%
Customer 7	Wholesale	Animal Feed and Bran	4 Gregorian years	3,541.9	1%
Customer 8	Wholesale	Animal Feed and Bran	2 Gregorian years	3,133.6	1%
Customer 9	Wholesale	Animal Feed and Bran	17 Gregorian years	2,802.5	1%
Customer 10	B2B	Animal Feed and Bran	9 Gregorian years	2,557.0	1%

Source: the Company

4.9.4.4 Distribution

Historically, most purchases have been picked up directly by the customers from the Company's production facilities (sales handed over on the production facilities premises). Products in the Bakeries and HORECA segment are made to GFSA-approved wholesalers who have the transportation capabilities to distribute regulated flour to the GFSA-approved list of customers.

Sales in the Household segment (as well as to some HORECA customers) are typically delivered to customers using third-party distributors with their own fleet of vehicles.

In 2022G, the Company incorporated a new subsidiary, Hasad Al-Arabia for Trade, to facilitate the distribution of the Company's branded products and serve as its distribution arm, supporting the Company's expansion into branded and retail sales segments. Additionally, the Company purchased 14 trucks to enable direct distribution of products to customers.

Sales in the Industrial & B2B segment are delivered to customers directly via the Company's own fleet of vehicles as well as third-party transport services. Similarly, deliveries of animal feed and bran within the B2B sales channel are usually delivered directly to customers using animal feed-specific tankers and third-party transport services.

4.9.4.5 Sales

The Company employs a dedicated sales team for each product category and each geographic region. Every team is responsible for generating sales forecasts and setting and implementing the Company's pricing and promotions strategy with respect to its products. In doing so, the sales force takes into account the market positioning of the Company's products and the features of each product category. The sales team continually monitors the current market trends and implements appropriate adjustments for its products and promotions as and when necessary. In addition, the sales team is responsible for coordinating with the Company's customers and ensuring that all orders are satisfied.

4.10 Marketing

The Company's marketing & innovation team has three focus areas, flour, animal feed and research, with the latter serving both flour and feed functions. In developing new products, the Company takes well informed and calculated decisions based on extensive research, including engaging renowned third party consultant, to identify new opportunities in product development and innovation.

4.10.1 Flour

The Company's efforts on marketing and product development are tailored to the type of customer:

- **B2C:** the Company focuses on product development, communication platforms, advertising tools and content. The marketing team identifies opportunities to introduce new value added and innovative products to further develop categories and offer more variety of unique and affordable choices to consumers. This includes products such as ready mixes and gluten-free products, which are not being served by local market players and where the Company has the first mover advantage. This is in a direct contrast with B2B segment where the Company collaborates with its customers to develop products.
- **B2B:** Within the B2B segment the focus is on product development, which helps to best serve specific customers with specific applications or requirements. The Company uses relationships with customers to support product development and to better understanding their needs and price points. Based on this insight, the Company understands gaps in the market and fills those gaps.

4.10.2 Animal Feed

The animal feed marketing process is similar to the flour B2B marketing, in that to develop the products, the marketing team engages with the Company's customers which are mainly poultry businesses, livestock farmers and wholesalers. In implementing this marketing strategy, the Company builds on the strength of its Premier animal feed brand through communications and social media accounts on different platforms. It seeks to distinguish the Premier brand from brands of the other animal feed manufacturers and demonstrate supreme quality to justify the price premium.

The Company continues to work with its customers in developing potential new offerings. The Company currently offers different animal feed products, including poultry feed helping chickens grow faster, lay more eggs or breed better as well as lamb, camel, horse and beef animal feed.

4.11 Quality Assurance and Control

Quality is at the heart of the Company's operations, and is centered in its production facilities. The Company is ethically bound to the development, production and release of a quality product, apart from its legal obligations. It has not only adopted GFSA, SFDA, ISO and food safety standards, as well as GCC standards governing flour specifications, but has also developed its own standards to ensure that its products are consistently developed to predefined standards.

The Company applies an integrated quality management system based on international ISO standards, which ensures that quality control measures and good manufacturing practices are adhered to during all operational processes. The Company has obtained ISO 45001 and ISO 14001 certifications for all of its production facilities.

The Company's advanced quality control testing facility, which is in line with international standards, provides a wide range of support for ensuring the compliance of its products and facilities. The quality control section conducts tests on the wheat, bulk, finished products and packaging materials. In addition, a well-equipped team ensures the validation of facilities, equipment, process, product and method.

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In addition to skilled and trained staff, the Company has the latest state-of-the-art analysis equipment. To ensure the highest standards of compliance and quality, various tests are conducted at different stages from raw materials up to finished products. This is achieved by using wide range of analytical techniques to determine the protein content, level of moisture, starch damage and existence of impurities of the raw materials.

The Company's advanced production facilities are in line with domestic and international standards, and provides a wide range of support for ensuring the compliance of the Company's products and facilities. This is achieved by employing well trained staff and state-of-the-art equipment.

4.12 Intellectual Property

As of the date of this Prospectus, the Company has 11 trademarks, for the names and logos of its brands, registered in Saudi Arabia. For further information, please refer to Section 12.10 ("**Intellectual Property**") of this Prospectus.

As of the date of this Prospectus, the Company holds the following trademarks on which it relies as brands for its respective business:

- Modern Mills Trademark (Registration number 1444006930)
- Modern Millings Trademark (Registration number 1443024062)
- Qamhati Trademark (Registration number 1443023310)
- Qamhati Trademark (Registration number 1444017162)
- Qoot & Root Trademark (Registration number 1443024075)
- Qoot & Root Trademark (Registration number 1444006862)
- Qoot & Root Trademark (Registration number 1444006866)
- Milling Company 3 Trademark (Registration number 1438014042)
- Premier Trademark (Registration number 1444018332)
- Premier Trademark (Registration number 1441006513)
- Premier Trademark (Registration number 1444018342)

4.13 Health, Safety and Environment

The Company's operations are conducted in a way that they have a minimal impact on the environment. The Company is committed to excellence in Health, Safety and Environment (HSE) by operating in a way that ensures peoples' safety and protects the environment and making it an integral part to its business processes, planning and decision making. The Company has adopted comprehensive systems and procedures for responsible and ethical management of HSE aspects in all its activities to ensure safe conditions for employees, visitors and contractors. The Company's HSE management systems comply with world class standards and the Company is ISO 14001 (Environmental management) and ISO 45001 (Occupational health and safety management systems) certified.

The HSE function is responsible for overseeing the Company's HSE systems and procedures, and follows a risk-based approach for the prevention of injury and illness to employees, visitors and contractors, as well as environmental protection. This proactive approach helps to identify the controls and procedures to avoid any injury, ill-health or environmental damage. The Company is also conscious of the environmental footprint from its activities and operations. The HSE function is responsible for overseeing and ensuring compliance with procedures that have been established to deal with emissions, effluent and solid waste at the source to ensure that there is minimal impact on the environment.

4.14 Employees

As of 30 June 2023G, the Company had 520 employees, of whom 220 were Saudi nationals. As at the same date the Company's Saudization Rate was 42.3%, which is classified under the Platinum category under the Nitaqat program, the highest classification. The following table sets out the distribution of employees per department as of 31 December 2020G, 2021G, 2022G and the six-month period ended 30 June 2023G.

Table (4.26): Overview of the Company's Employees:

	Department	Number of Employees											
		FY20G			FY21G			FY22G			Period Ended 30 June 2023G		
		Total No. of Employees	Saudi Employees	Non-Saudi Employees	Total No. of Employees	Saudi Employees	Non-Saudi Employees	Total No. of Employees	Saudi Employees	Non-Saudi Employees	Total No. of Employees	Saudi Employees	Non-Saudi Employees
Head Office	Marketing & Product Innovation	2	2	0	1	1	0	4	3	1	5	4	1
	Sales (Feed)	0	0	0	1	0	1	1	0	1	1	0	1
	Sales (Flour)	4	4	0	2	0	2	13	3	10	16	4	12
	Human Capital & Admin	31	23	8	4	4	0	12	10	2	8	7	1
	Finance	11	9	2	4	0	4	12	4	8	16	6	10
	Legal Affairs	0	0	0	0	0	0	1	1	0	1	1	0
	Product Supply	19	15	4	2	1	1	16	5	11	15	5	10
Al-Jumum Production Facility		183	68	115	142	35	107	140	60	80	133	60	73
Khamis Mushait Production Facility		283	89	194	223	51	172	218	79	139	217	79	138
Al-Jouf Production Facility		195	67	128	134	34	100	112	55	57	108	54	54
Total		728	277	451	513	126	387	529	220	309	520	220	300

Branch	Saudization ratio	Saudization ratio	Saudization ratio	Saudization ratio
Head Office	38%	25%	42%	42%

Source: the Company

4.15 Saudization Strategy

The Saudization Program "Nitaqat" was adopted by virtue of His Excellency the Minister of Labor's Decision No. 4040 dated 12/10/1432H (corresponding to 10/09/2011G), pursuant to Council of Ministers' Resolution No. 50 dated 21/5/1415H (corresponding to 27/10/1994G). The "Nitaqat" program was implemented on 12/10/1432H (corresponding to 10/09/2011G), with the Ministry of Human Resources and Social Development beginning the implementation of the Nitaqat program to encourage institutions to employ Saudi citizens. Through the "Nitaqat" program, the performance of any Company is evaluated based on specific categories (classifications), namely the platinum category, the green category (subdivided, into low, middle and high) and the red category. Companies in the platinum or green categories are deemed to have met Saudization requirements and are therefore entitled to a number of benefits, such as: obtaining and renewing work visas or otherwise changing the occupations of its non-Saudi workers (except for professions exclusively reserved for Saudi nationals). Companies in the red category (due to their non-compliance with specific requirements), are deemed to have violated Saudization requirements and may be subject to certain punitive measures, such as limiting their ability to renew non-Saudi employees' work visas or completely prohibiting non-Saudi employees from obtaining or renewing work visas.

In addition, the Company's Saudization strategy includes attracting new graduates and training them for 6 months through the Tamheer program, replacing non-Saudis with qualified Tamheer cadres, and introducing Saudi female talents.

For more information about the Company's classification under the "**Nitaqat**" Program, please refer to 4.13 ("**Employees**").

4.16 Business Activities or Assets in Other Jurisdictions

In 2023G, the Company began exporting its animal feed products in the GCC region. As of the date of this Prospectus, the Company has no other commercial activities or assets in other jurisdictions beyond the Kingdom.

4.17 Corporate Social Responsibility

Food waste is one of the prime issues affecting food security in the Kingdom. Therefore, the Company - as part of its efforts to raise awareness about food waste in the Kingdom and educate consumers on this topic - is currently negotiating a two-year agreement with the GFSA. Under this agreement, the Company engages in food waste campaigns, both on its own and in cooperation with the GFSA, to proactively raise awareness and encourage engagement.

4.18 Certifications

The Company has been awarded the following ISO certifications, for its head office and each of its branches:

- ISO 14001:2015
- ISO 22000:2018
- ISO 9001:2015
- ISO 45001:2018

4.19 Company Departments

The Company operates its business through several different departments and functions centrally managed from its Head Office, as follows:

4.19.1 Sales (Feed)

The Sales (Feed) team supervises the day-to-day operations of the Company's animal feed sales business, managing customer payments and coordinating schedules and appointments to the branch's feed customers for receiving products. The team also manages the Company's feed business sales records, coordinating with the marketing team on market demand forecasts and providing sales forecasts to the production and warehousing divisions to ensure appropriate production and storage levels across the Company.

4.19.2 Marketing & Product Innovation

The Marketing & Product Innovation team is responsible for analyzing market demand for the Company's products, setting marketing policies, processes and strategies and overseeing the development of promotional material, publications and advertisements for the Company's products.

See Section 4.11 ("**Marketing**").

4.19.3 Sales and Distribution (Flour)

The Sales (Flour) team supervises the day-to-day operations of the Company's flour sales business, managing customer payments and coordinating schedules and appointments to the branch's feed customers for receiving products; managing the Company's flour business sales records; coordinating with the marketing team on market demand forecasts and customer quotas; and providing sales forecasts to the production and warehousing divisions to ensure appropriate production and storage levels.

4.19.4 Finance

The Finance department is responsible for managing the financial resources of the Company, including:

- developing financial forecasts for the Company based on its investment plans, planning and structuring funding options so that adequate funds are made available to support strategic objectives;
- monitoring and controlling the budgeting process;
- monitoring financial performance versus the budget to anticipate costs/revenues, identify areas of unsatisfactory performance and capitalize on potential performance improvement opportunities;
- providing advice and guidance to the CEO and the board of directors concerning the long-term capital structuring of the business;
- on the basis of current financial performance and anticipated commercial/operational developments, developing and reporting financial trends over a strategic timescale so that the Company is aware of anticipated revenues and cash flows to capitalize on financial opportunities and assimilate capital plans on the basis of anticipated cash availability; and
- directing the execution of all treasury activities to ensure that all remittances are accounted for and that the Company optimizes remittances from investments while also reporting and projecting Company cash flows.

4.19.5 Information Technology (IT)

The IT Department develops and implements operational solutions to support the Company's business needs. This Department is also responsible for implementing the Company's digital transformation and digital transformation strategy, which includes:

- Adopting and implementing building information management systems to enable effective management of Company assets;
- Designing a business intelligence and analytics system to support and enhance the digitization process across the Company's departments and implement a maintenance plan to ensure that the system is up and running;
- Developing opportunities to support the implementation of the Company's digital transformation and change management processes.

4.19.6 Human Capital & Administration

The primary duties of the Human Capital & Administration function encompass the formulation and execution of strategies aimed at upholding the Company's integrity in the realms of human resource management and administration. This includes the establishment of policies and procedures designed to facilitate the efficient governance, enhancement, and utilization of the Company's human resources and management functions. Additionally, this group is responsible for overseeing the implementation and assessment of the Company's organizational structure and job roles.

Furthermore, the Human Capital & Administration function plays a pivotal role in the creation and review of a comprehensive framework pertaining to job classifications, salary structures, compensation packages, and related allowances. It also fosters a performance-driven and empowerment-oriented culture that inspires individuals to attain both personal and organizational objectives. Lastly, this group ensures the proficient recruitment and development of employees.

4.19.7 Legal Affairs

The Legal Affairs function provides support and advice to the Company's CEO and other internal stakeholders on legal and contractual issues. This includes providing input, interpretations and advice on new and existing laws, reviewing board of directors decisions from a legal perspective, coordinating the registration and protection of company's intellectual property with external stakeholders, representing the Company in all legal matters and judicial claims in which the company is a party, as well as reviewing complaints, leading internal administrative inquiries on issues submitted to Legal Affairs and reporting violations of the Company's internal policies and procedures. The Legal Affairs function is also responsible for drafting and assessing official documents and contracts, as well as government correspondence, and directs the compliance of all relevant safety, quality and environmental management policies, procedures and controls.

4.19.8 Product Supply

The Product Supply function is responsible for setting the direction for operational services and enhancing productivity and efficiency for all resources, food plants and operational support functions, including responsibility for the organizational structure, assets, operating budget and capital expenditures. The objectives of the Product Supply Department are to maximize growth and profitability while controlling costs, in addition to providing daily leadership and management as per the Company's strategy and in accordance with the Company's policies and procedures.

4.20 Business Continuity

The Board of Directors declares that there has been no suspension or interruption in the Company's or Hasad Al-Arabia for Trade's business during the twelve-month period preceding the date of this Prospectus which would affect or have a significant impact on the Company's or Hasad Al-Arabia for Trade's financial position. The Board of Directors further declares that the Company has no intention of making material change to the Company's or Hasad Al-Arabia for Trade's activities in the future.

5. ORGANIZATIONAL STRUCTURE AND CORPORATE GOVERNANCE

The organizational structure of the Company consists of the Board of Directors (the "**Board of Directors**" or "**Board**") and the Board Committees; namely the Audit Committee and the Nomination and Remuneration Committee. The Board is ultimately responsible for directing, supervising and the general oversight of the Company and its executive management team.

The following figure illustrates the organizational structure of the Company, as at the date of this Prospectus.

Figure (5.1): The Company's Organizational Structure as at the date of this Prospectus

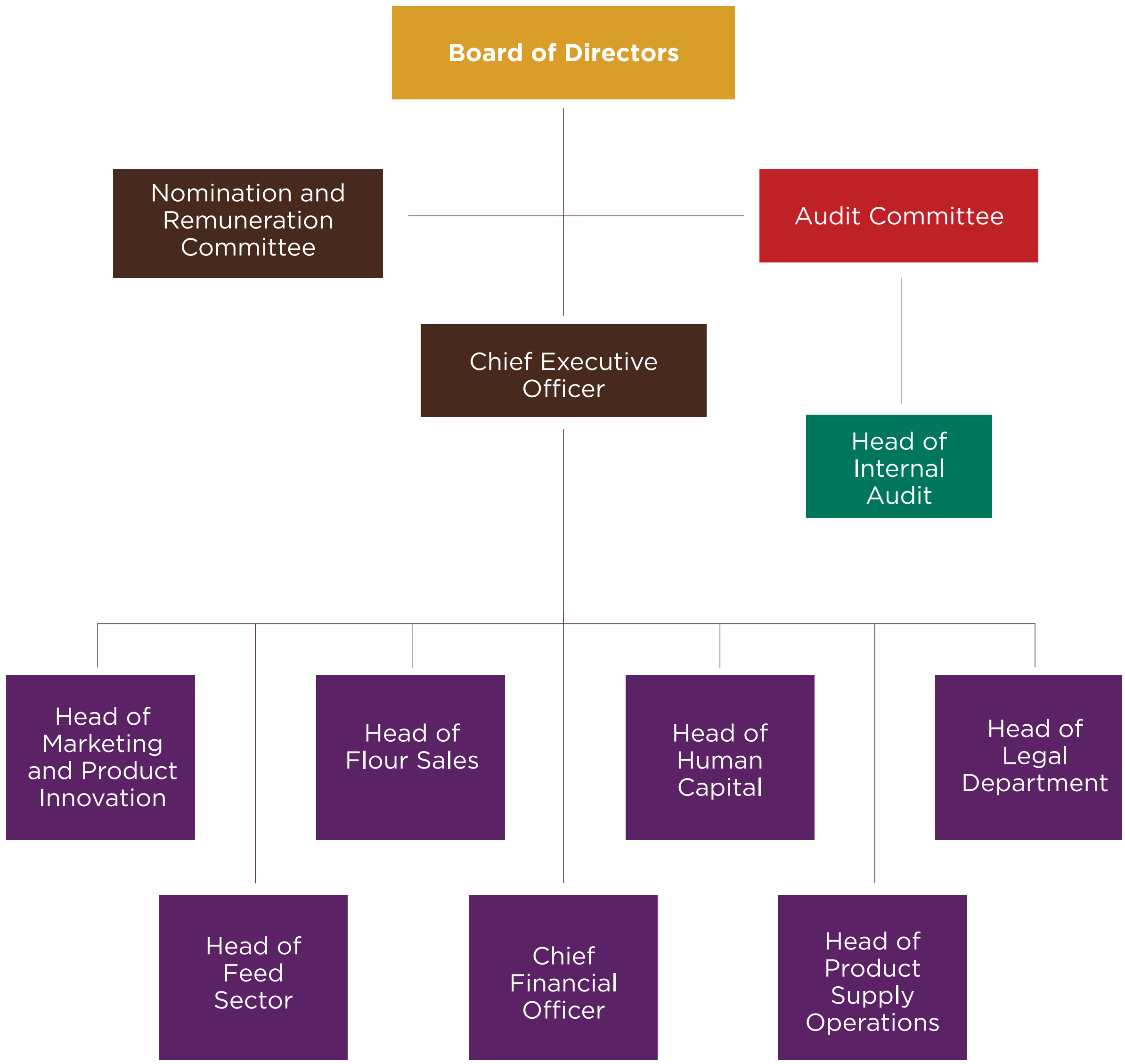

Table (5.1): The Company's Ownership Structure Pre- and Post-Offering:

Shareholder Name	Shareholding (Pre-Offering)			Shareholding (Post-Offering)		
	No. of Shares	Par Value (SAR)	Direct Ownership	No. of Shares	Par Value (SAR)	Direct Ownership
Mada International Holding Company	40,916,000	40,916,000	50%	28,232,040	28,232,040	34.50%
Al Ghurair Foods Company	36,824,400	36,824,400	45%	25,408,836	25,408,836	31.05%
Masafi Company	4,091,600	4,091,600	5%	2,823,204	2,823,204	3.45%
Treasury Shares*	-	-	-	818,320	818,320	1%
Public	-	-	-	24,549,600	24,549,600	30%
Total	**81,832,000**	**81,832,000**	**100%**	**81,832,000**	**81,832,000**	**100%**

*The Company will hold 818,320 treasury shares after the Offering through buying 687,389 shares (representing 84% of treasury shares) based on the final Offer Price and the award of 130,931 shares (representing 16% of treasury shares) by the Selling Shareholders, in conjunction with completing the Offering process to use them for the purposes of the Company's employee stock program. For more details, please refer to section 5.8.1 ("**Employee Share Program**").

Source: the Company

5.1 Board Members and Secretary

5.1.1 Composition of the Board of Directors

Pursuant to the Company's Bylaws, the Board of Directors shall be comprised of seven (7) members to be appointed by the Shareholders' Ordinary General Assembly. The Companies Law, the Corporate Governance Regulations, the Company's Bylaws and the Company's Corporate Governance Manual define the duties and responsibilities of the Board of Directors. The maximum term of office of each member, including the Chairman, shall be four (4) years.

As at the date of this Prospectus, the Board of Directors is comprised of seven (7) members appointed for a period not exceeding four years in accordance with the Issuer's Bylaws. The Company's General Assembly appointed the current Board of Directors for a period of four (4) years, starting from 29/01/1445H (corresponding to 16/08/2023G) until 13/03/1449H (corresponding to 15/08/2027G).

The following table sets out the names of the Board members and other information related thereto, as on the date of issue of this Prospectus:

Table (5.2): The Company's Members of the Board of Directors:

No.	Name	Position	Nationality	Status	Date of Appointment	Direct Ownership		Indirect Ownership	
						Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
1	Ibrahim Sulaiman Abdulaziz Alrajhi*	Chairman	Saudi	Non-Executive	26/02/1445H (corresponding to 11/09/2023G)	-	-	2.0%	1.38%
2	John Gregory Iossifidis	Vice Chairman	Australian	Non-Executive	26/02/1445H (corresponding to 11/09/2023G)	-	-	-	-
3	Martin Heinrich Theodor Reintjes	Board Member	German	Non-Executive / Independent	19/03/1445H (corresponding to 04/10/2023G)	-	-	-	-
4	Abdulrahman Saud Hamad Alowais	Board Member	Saudi	Non-Executive / Independent	26/02/1445H (corresponding to 11/09/2023G)	-	-	-	-

No.	Name	Position	Nationality	Status	Date of Appointment	Direct Ownership		Indirect Ownership	
						Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
5	Abdulmohsen Abdallah Abdulmohsen Al Bazie	Board Member	Saudi	Non-Executive	26/02/1445H (corresponding to 11/09/2023G)	-	-	-	-
6	Djamal Djouhri	Board Member	Algerian	Non-Executive	26/02/1445H (corresponding to 11/09/2023G)	-	-	-	-
7	Majid Mazen Rasheed Nofal	Board Member	Jordanian	Non-Executive / Independent	26/02/1445H (corresponding to 11/09/2023G)	-	-	-	-

Source: the Company

* Mr. Ibrahim Sulaiman Abdulaziz Alrajhi has a 2.0% indirect ownership pre-Offering, as a result of a 4% ownership in the capital of Al Rajhi Holding Group, which in turn owns 100% of the capital of Mada International Holding Company, which in turn owns 50% of the Issuer's Shares pre-Offering. Mr. Ibrahim Sulaiman Abdulaziz Alrajhi will have a 1.38% indirect ownership post-Offering, as a result of a 4% ownership in Al Rajhi Holding Group Company, which in turn owns 100% of the capital of Mada International Holding Company, which in turn owns 34.50% of the Issuer's Shares post-Offering.

5.1.2 Responsibilities of the Board of Directors:

The responsibilities of the Chairman, members and Secretary of the Board shall include the following:

a- Board of Directors:

The Company's Board of Directors shall assume responsibility for supervising the Company's management. The Board shall bear the main responsibility before the Shareholders and shall work to achieve their interests through directing and controlling the Company's works and affairs. The Board shall act carefully and loyally when managing the Company. The Board of Directors shall be responsible for approving the general strategic approach of the Company and for laying the Company's general policy. The Board shall undertake such responsibility by supervising the Company's management. The Board may authorize committees, bodies, or individuals to exercise some of its powers. In all cases, the Board of Directors may not issue general or unlimited authorizations. Members of the Board of Directors shall be honest, diligent, and serious, at all times, in accordance with the laws governing the Company and shall act, at all times, in accordance with the Company-related policies.

With due consideration to the powers reserved for the Ordinary and Extraordinary General Assemblies, the Board of Directors shall have all powers and authorities to manage the Company's affairs in accordance with the Company's Bylaws and the Company's Corporate Governance Manual and shall have, more specifically, the following responsibilities:

- Represent the Company in its relationship with third parties and before all government entities, Chambers of Commerce and Industry, all companies, establishments, commercial banks, public treasuries, government funds, and financial institutions of all types; enter into all types of contracts, agreements, and documents, including (without limitation) commercial registers and articles of association of companies in which the Company owns shares, including any amendments thereto, and annexes thereof, and liquidation resolutions; sign contracts, instruments, and declarations before the notary public and other official authorities; participate in tenders on behalf of the Company; enter into loan agreements, guarantees, pledges, mortgages, leases, bills of sale and purchase, title transfer of land and real property, and all other contracts and agreements; and delegate and authorize any person(s) to exercise one or all of the foregoing powers, pursuant to an official power of attorney or any other written authorization.
- Contracting loans with maturity dates falling before the expiry of the Company's term or the remainder thereof, provided that:
  - The Board shall specify in its resolution the uses and repayment method of such loans.
  - The terms of the loans and the guarantees provided thereunder shall not harm the Company, its Shareholders, or the general guarantees of its creditors.

- Purchase and accept purchases; pay the price; mortgage the Company's and its Subsidiaries' assets, properties, and movables; redeem mortgages; sell, assign, receive the price of, and handover valuables, provided that: the Board resolution shall set forth the reasons and justifications for such sale, the sale price shall be a fair price, to be established in accordance with the applicable accounting principles, the payment of such price shall not be in credit, except where necessary and with sufficient guarantees, and the sale shall not cause harm to the Company, the suspension of some of its activities, or the introduction of other liabilities due to the conditions of sale or the mortgage.
- Reconcile, waive, enter into contracts, undertake commitments, and enter into engagements in the name of and on behalf of the Company; litigate on behalf of the Company; collect the debts of the Company; accept reconciliation and arbitration, subject to the relevant applicable laws.
- Delegate and authorize the Chairman, any Board member(s), or third parties to carry out certain task(s) or action(s) that fall under its powers.
- Prepare and approve the Company's internal regulations, including financial, administrative, and technical regulations, investment policies, internal control, and audit regulations, accounting regulations, procurement regulations, contracting regulations for business activities and services, and employee-related policies and regulations.
- Establish subsidiaries and participate in other companies, in accordance with the Company's interest; determine the capital thereof; approve the sale of shares and stocks therein; and amend the articles of association thereof.
- Release the Company's debtors from their obligations, as dictated by the Company's interests, and in accordance with the accounting standards observed for writing off debts, provided that the Board meeting minutes shall include the reasons for such decision, and the release shall be subject to the following:
  - The debts may be released only after one full year, as a minimum, from the date on which the debt arose.
  - The release shall be for a set maximum amount per year for each debtor.
  - The release of debts shall be an exclusive right of the Board of Directors, and may not be delegated.
- Open, close, and operate bank accounts; make withdrawals and deposits; invest, manage, and move the Company's funds; receive and write cheques; sign receipts, settlements, releases, declarations, bills of exchange, promissory notes, and any negotiable instruments; and carry out all banking transactions and approve the banking powers matrix.
- Insure the Company's assets and activities.
- Appoint and dismiss the Company's senior officers, and determine their duties, powers, and entitlements.
- Delegate to those responsible for managing the Company the authority to sign on behalf of the Company, subject to the rules set by the Board of Directors.
- Establish permanent and temporary committees and approve charters and remuneration thereof.
- Use the services of Saudi and non-Saudi advisors and experts and determine their remuneration and financial entitlements.
- Appoint, determine the remuneration of, and dismiss the Board Secretary.
- Determine the Company's business plan, and approve the Company's operational plans, and annual capital expenditure budget.

The Board of Directors must obtain the approval of the General Assembly for the sale of Company assets the value of which exceeds fifty percent (50%) of the value of its total assets, whether the sale is made through one transaction, or more. In such a case, the transaction which leads to the sale of more than fifty percent (50%) of the value of assets shall require the General Assembly's approval. Said percentage shall be calculated from the date on which the first transaction is concluded within the previous twelve (12) months.

The Board of Directors may delegate one or more of its members or of third parties to undertake a specific action(s) that falls under its powers.

b- Chairman of the Board of Directors

Pursuant to Article twenty-five (25) of the Company's Bylaws, the Board of Directors shall appoint from among its members a Chairman and a Vice Chairman. It shall not be permissible for a member to occupy concurrently the office of the Chairman and any executive position in the Company. The Chairman shall have all the powers set forth under Article twenty-five (25) of the Company's Bylaws, including the power to represent the Company in its relationship with third parties and before all government entities, companies, individuals, all courts of all levels and classes. Under the Corporate Governance Regulations, the main responsibilities of the Chairman of the Board of Directors shall include the following:

- Call for and preside over meetings of the Board.
- Represent the Company in its relationship with third parties and before all government entities, companies, individuals, courts of all levels and classes, the notary public, the Board of Grievances, Offices of Adjudication of Disputes pertaining to Negotiable Instruments, Boards of Arbitration, and Chambers of Commerce and Industry of all levels and classes.
- Plead and defend on behalf of the Company; submit evidence and documents; conclude settlements, waivers, and releases; deny, acknowledge, and declare; request an oath to be taken, as per the resolutions issued by the Board; receive judgments; initiate claims in cassation; appeal and enforce judgments.
- Follow up with the Ministry of Commerce and the Ministry of Investment; apply for, make additions to and deletions from, request copies in lieu of lost, amend, write off, and cancel commercial registers and licenses.
- Sign the articles of association of companies established by the Company or in which the Company participates in the establishment thereof, including capital increases thereof, as well as other contracts, instruments, and title deed transfers before the notary public as well as public and private authorities.
- Sign contracts, loan agreements, other financial agreements, mortgages, and leases as per the Board resolutions.
- Delegate or authorize third parties, pursuant to a written resolution, to perform certain task(s) that fall under his powers.

c- Vice-Chairman

In the absence of the Chairman, the Vice-Chairman shall assume the duties of the Chairman of the Board of Directors and shall have the powers delegated thereto in writing by the Chairman.

d- Board Secretary

The Board of Directors shall appoint a Secretary selected from among its members or from others, and shall determine the duties, powers and fees thereof in the appointment resolution. The Secretary may be dismissed only pursuant to a Board resolution.

The responsibilities of the Secretary include the following:

- Documenting Board meetings and preparing minutes therefor, which shall include the discussions and deliberations carried during such meetings, as well as the place, date and times on which such meetings commenced and concluded, and recording the decisions of the Board and voting results and retaining them in a special and organized register, and including the names of the attendees and any reservations they expressed (if any). Such minutes shall be signed by the meeting's chairperson, all of the attending Directors, and the Board Secretary.
- Retaining reports submitted to, and prepared by, the Board.
- Providing the members of the Board with an agenda, working papers, documents and information related thereto, and additional documents or information requested from the members related to the issues and topics on the agenda.
- Ensuring compliance of Board members with the procedures approved by the Board of Directors.
- Notifying the Board members of the dates of the Board's meetings within sufficient time prior to the date specified for the meeting.

- Presenting the draft meeting minutes to the Directors for their views before signing them.
- Ensuring that the members promptly obtain a complete copy of the meeting minutes, as well as information and documents related to the Company.
- Coordinating between the members of the Board.
- Preparing the disclosure record of the Board and Executive Management.

e- Managing Director

The Managing Director (if appointed) shall be vested with the powers determined by the Board of Directors. He shall carry out the tasks as directed by the Board of Directors.

5.1.3 Remuneration of Directors

The Company has entered into three service contracts with three members of the Company's Board of Directors, who are independent members, on 19/10/2023G and 23/10/2023G. The remuneration of Directors is set out in the Remuneration Policy as amended on 11/04/1445H (corresponding to 19/10/2023G).

The below table shows the main details of the service contracts concluded with the independent members:

No.	Name	Position	Date of Contract Conclusion	Date of Contract Expiration
1	Martin Heinrich Theodor Reintjes	Board Member	19/10/2023G	Until the end of the Board membership term, or in case of resignation or termination of membership
2	Abdulrahman Saud Hamad Alowais	Board Member	23/10/2023G	Until the end of the Board membership term, or in case of resignation or termination of membership
3	Majid Mazen Rasheed Nofal	Board Member	19/10/2023G	Until the end of the Board membership term, or in case of resignation or termination of membership

Board members receive their remuneration in accordance with the provisions of the Company's Bylaws and the Corporate Governance Regulations, in a manner that does not conflict with the statutory controls issued in this regard. Board members have also been appointed pursuant to the resolutions of the General Assembly issued on the dates shown in Section 5.1.4 ("**Biographies of the Members and Secretary of the Board**") of this Prospectus. For more details, please refer to Section 5.4 ("**Remuneration of Directors and Senior Executives**") contained in this section.

5.1.4 Biographies of the Members and Secretary of the Board

Overview of the experiences, qualifications, and current and previous positions of each member of the Board of Directors and the Secretary of the Board.

a- Ibrahim Sulaiman Abdulaziz Alrajhi

Age:	53 years
Nationality:	Saudi
Current Position:	Chairman of the Board of Directors - Non-Executive
Independency:	Non-independent
Date of Appointment:	11/09/2023G
Academic Qualifications:	• PhD in Human Resources from London Metropolitan University, London, 2008G. • Master of Administrative Science from Hult International Business School (formerly Arthur D. Little School of Management), USA, 1996G. • Bachelor's degree of Systems Engineering (Industrial Engineering) from King Fahd University of Petroleum and Minerals, Dhahran, 1994G.
Current Executive Positions:	N/A

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Previous Executive Positions:	• Project General Manager, Al-Watania Poultry Company, a limited liability company engaging in the field of poultry, from 1999G until 2008G. • Deputy General Manager, Al-Watania Poultry Company, a limited liability company engaging in the field of poultry, from 1996G until 1999G. • General Manager, Fursan Travel & Tourism Company, a limited liability company engaging in the field of travel and tourism, from 1994G until 1995G.
Current Memberships:	• Board Member, The National Center for Family Business, a non-profit consulting organization engaging in the field of consultancy, since 2023G. • Board Member, ACWA Power Company, a listed company engaging in the field of water and energy business, since 2022G. • Supervisory Board Chairman, Awqaf Sulaiman bin Abdulaziz Al-Rajhi Company, the highest legislative authority in endowments of Sheikh Mohammed bin Abdulaziz Al-Rajhi, engaging in the field of performing supervisory and regulatory functions on the endowment and its entities, since 2022G. • Vice Chairman, Hessah bint Ibrahim Al Qubaisi Program, a non-profit scientific program engaging in the field of science, since 2018G. • Board Member, Family Business Council Gulf in Dubai, a non-profit consulting organization engaging in the field of consultancy, since 2018G. • Advisory Council Member, School of Business at Alfaisal University, a university engaging in the field of education, since 2017G. • Trustees Board Member, Nama Al-Rajhi Humanity Establishment, a humanitarian establishment engaging in the field of charitable and humanitarian non-profit work, since 2016G. • Chairman, Tibah Airports Development Company, a closed joint stock company engaging in the field of operating and developing airports, since 2015G. • Supervisory Board Member, Endowments of Hessah bint Ibrahim Al Qubaisi, a non-profit endowment foundation, since 2015G. • Chairman, Tibah Airports Operating Company, a limited liability company engaging in the field of operating and developing airports, since 2012G.
Previous Memberships:	• Chairman, Arabian Cement Company, a listed company engaging in the field of cement and clinker production, from 2016G until 2020G. • Board Member, Arabian Cement Company, a listed company engaging in the field of cement and clinker production, from 1999G until 2016G. • Board Member, Al Rajhi Group Holding Company, a closed joint stock company engaging in the field of investment and company ownership, from 2009G until 2021G. • Board Member, ACWA Power Company, a listed company engaging in the field of water and energy business, from 2018G until 2020G. • Board Member, Awqaf Sulaiman bin Abdulaziz Al-Rajhi Holding Company, a limited liability company engaging in the field of investment and real estate, from 2012G until 2018G. • Executive Committee Member, Awqaf Sulaiman bin Abdulaziz Al Rajhi Holding Company, a limited liability company engaging in the field of investment and real estate, from 2011G until 2018G. • Board Member, Al-Watania Poultry Company, a limited liability company engaging in the field of poultry, from 2011G until 2017G. • Board Member, Sulaiman bin Abdulaziz Al Rajhi Real Estate Investments Company, a limited liability company engaging in the field of real estate investments, from 2012G until 2017G. • Board Member, Al-Ajial Holding Company, a closed joint stock company engaging in the field of investment and company ownership, from 2014G until 2017G. • Chairman, Projects and Trading Limited Company, a limited liability company engaging in the field of contracting, from 2008G until 2017G. • Board Member, Al-Arrab Contracting Company, a limited liability company engaging in the field of contracting, from 2012G until 2017G. • Chairman, Mada Infrastructure Holding Company, a limited liability company engaging in the field of investment, from 2012G until 2016G.

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b- John Gregory Iossifidis

Age:	61 years
Nationality:	Australian
Current Position:	Vice Chairman - Non-Executive
Independency:	Non-independent
Appointment Date:	11/09/2023G
Academic Qualifications:	• Diploma in Corporate Governance from the Institute of Corporate Governance, Ireland, 2022G. • MBA from Monash University, Australia, 1992G. • Bachelor's degree in Accounting from Monash University, Australia, 1984G.
Current Executive Positions:	CEO of Al Ghurair Investment Group, a limited liability company engaging in the field of investments, since 2020G.
Previous Executive Positions:	• CEO, Noor Bank PJSC, a listed company engaging in the field of banking services, from 2017G until 2020G. • Executive Vice President, Al-Mashreq Bank PJSC, a listed company engaging in the field of corporate and investment banking, from 2015G to 2017G. • Managing Director, Standard Chartered Bank PLC, a listed company engaging in the field of banking services, from 2003G until 2009G. • Regional President, corporate and customer coverage department, MENAP region at Standard Chartered Bank PLC, a listed company engaging in the field of banking services, from 2003G until 2009G.
Other Current Memberships:	• Board Member, Al-Mashreq Bank PJSC, a listed company engaging in the field of banking services, since 2021G. • Board Member, Hellenic Bank Public Company Limited, a limited liability company engaging in the field of banking services, since 2021G. • Member, Australian Institute of Company Directors, a non-profit institute focused on governance and professional development and engaged in the field of corporate governance, since 2019G. • Member, Australian Business Council, a non-profit council engaging in the field of business, since 2015G. • Member and fellow, Australian Institute of Bankers, an institute focused on the field of financial services and engaging in the field of banking, since 1988G.
Other Previous Memberships:	• Board Member, Noor Takaful Company, a listed company engaging in the field of providing sharia-based public, personal and medical life insurance products, from 2017G until 2020G. • Board Member - Non-Executive, Al-Mashreq capital (DIFC) Limited Company, a limited liability company engaging in the field of money management services, from 2013G until 2020G. • Vice Chairman - Non-Executive, Digital Financial Services Company LLC, a limited liability company engaging in the field of e-wallets and digital payments, from 2018G until 2020G. • Board Member - Non-Executive, Makaseb investment funds Company BSC, a limited liability company engaging in the field of money management services, from 2009G until 2017G.

c- Martin Heinrich Theodor Reintjes

Age:	61 years
Nationality:	German
Current Position:	Board Member - Non-Executive
Independency:	Independent
Appointment Date:	04/10/2023G
Academic Qualifications:	• PhD in Business and Economics from Bocconi University (Università L. Bocconi), Italy, 1998G. • Master's degree in Business and Economics from Bocconi University (Università L. Bocconi), Italy, 1987G.
Current Executive Positions:	N/A
Previous Executive Positions:	N/A

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Other Current Memberships:	• Advisory Board Member, Dr. Oetker Company, a limited liability company engaging in the field of branded food supplies, since 2022G.
Other Previous Memberships:	• Board Member, GS1 Global Company, a non-profit company engaging in the field of industrial standards, from 2018G until 2023G. • Board Member, Dr. Oetker Company, a limited liability company engaging in the field of branded food supplies, from 2010G until 2022G.

d- Abdulrahman Saud Hamad Alowais

Age:	40 years
Nationality:	Saudi
Current Position:	Board Member - Non-Executive - Independent
Independency:	Independent
Appointment Date:	11/09/2023G
Academic Qualifications:	• Professional Certificate, in Senior Management, from IESE Business School, Spain, 2022G. • MBA from the University of Manchester, UK, 2021G. • Bachelor's degree in English Literature from Imam Muhammad Bin Saud Islamic University, Kingdom of Saudi Arabia, 2005G.
Current Executive Positions:	• CEO Advisor, Salic Company, a closed joint stock company engaging in the field of investment in agriculture, animal production and supply chains, since 2021G.
Previous Executive Positions:	• Undersecretary, Ministry of Finance, a government body, engaging in the financial sector, from 2020G until 2021G. • Vice President for joint services, the National Water Company, a closed joint stock company engaging in the field of water and sanitation infrastructure, from 2017G until 2020G. • General Manager for the Eastern Province, Almarai Company, a listed company engaging in the field of the manufacture and sale of dairy products, bakery products, juices and poultry, from 2005G until 2017G.
Other Current Memberships:	• Board Chairman, Saudi Fisheries Company, a listed company engaging in the field of production, processing, and distribution of fish and shrimp, since 2022G. • Executive Committee Chairman, Saudi Fisheries Company, a listed company engaging in the field of production, processing, and distribution of fish and shrimp, since 2022G. • Chairman, National Grain Company, a closed joint stock company engaging in the field of grain import and distribution, since 2022G. • Board Member, Minerva Australia Company, a closed joint stock company engaging in the field of meat production, processing and distribution, since 2021G. • Board Member, Alkhorayef Water and Power Company, a listed company engaging in the field of infrastructure, operation, and maintenance of water and sanitation, since 2020G. • Nomination and Remuneration Committee Chairman, Alkhorayef Water and Power Company, a listed company engaging in the field of infrastructure, operation, and maintenance of water and sanitation, since 2020G.
Other Previous Memberships:	N/A

e- Abdulmohsen Abdallah Abdulmohsen Al-Bazie

Age:	35 years
Nationality:	Saudi
Current Position:	• Board Member • Nomination and Remuneration Committee Member
Independency:	Non-independent
Appointment Date:	11/09/2023G
Academic Qualifications:	Bachelor's degree in Finance from King Fahd University of Petroleum and Minerals, Dhahran, 2011G.

Current Executive Positions:	CEO, Mada International Holding, a limited liability company, engaged in the field of investing in infrastructure sectors, since 2017G.
Previous Executive Positions:	Structural Finance Sector Chairman, Saudi National Bank (formerly known as the National Commercial Bank), a listed joint stock company engaging in the field of banking services, from 2019G until 2022G.
Other Current Memberships:	• Chairman, City Airport Hotel Company, a closed joint stock company engaging in the field of hospitality, since 2023G. • Board Member, Tibah Company, a closed joint stock company engaging in the field of operating and developing airports, since 2022G. • Board Member, City Cool for Air Conditioning Contracting Company, a limited liability company engaging in the field of air conditioning contracting, since 2022G.
Other Previous Memberships:	N/A

f- Djamal Djouhri

Age:	67 years
Nationality:	Algerian
Current Position:	Board Member
Independency:	Non-independent
Appointment Date:	11/09/2023G
Academic Qualifications:	• Master's degree in Business Administration from San Diego State University, USA, 1983G. • Bachelor's degree in Economics from Algiers University, Algeria, 1979G.
Current Executive Positions:	• Executive Director, Al Ghurair Food Company, a limited liability company engaging in the field of flour milling and the production of eggs, oats, and animal feed, since 2019G. • Executive Director, Al Ghurair Resources International Company, a limited liability company engaging in the field of food and grain supply chain such as flour, since 2019G.
Previous Executive Positions:	• Executive Director, Al Ghurair Resources International Company, a limited liability company engaging in the field of food and grain supply chain such as flour, corn, wheat, barley, and oil seeds, from 2009G until 2019G. • Vice President, Al Ghurair Resources International Company, a limited liability company engaging in the field of food and grain supply chain such as flour, corn, wheat, barley, and oil seeds, from 2004G until 2009G. • Marketing Manager, Gulf Import & Export Company, a limited liability company engaging in the field of grain trade, from 1990G until 2004G. • Head of Treasury and Investment Department, Al-Mashreq Bank for foreign exchange trading and Capital Markets, a listed company engaging in the field of banking services, from 1983G until 1988G.
Other Current Memberships:	• Board Member, Reem Rice Mills Company, a private limited liability company engaging in the field of rice, since 2021G. • Board Member, Serendib Flour Mills Company, a private limited liability company engaging in the field of wheat milling and flour production, since 2021G. • Canadian Business Council Member, a council of the companies and professionals related to Canada who establish or operate business engaging in the field of business, since 2012G. • Board Member, Big Mills of the South Company, a closed joint stock company engaging in the field of wheat milling and flour production, since 1999G.
Other Previous Memberships:	• U.S. Wheat Associates Member, an organization for the development of the export market for the American wheat industry engaging in the field of business, since 2012G. • Canadian Wheat Board (CWB) Member, a marketing board for wheat and barley in Canada, since 2012G. • Global Grain Association (GGA) Member, a global association engaging in the field of grain, since 2012G. • Grain and Feed Trade Association (GAFTA) Member, a trade association engaging in the field of grain and feed, since 2012G. • U.S. Soybean Export Council (USSEC) Member, which is the united soybean council engaging in the field of soybean export, since 2012G.

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g- Majid Mazen Rasheed Nofal

Age:	52 years
Nationality:	Jordanian
Current Position:	Board Member
Independency:	Independent
Appointment Date:	11/09/2023G
Academic Qualifications:	Bachelor's degree in Administrative Sciences (Accounting Major) from King Saud University, KSA, 1992G.
Current Executive Positions:	• CEO, Takween Advanced Industries Company, a listed joint stock company engaging in the field of plastic industries, since 2023G.
Previous Executive Positions:	• CEO, Daily Food Company, a limited liability company engaging in the field of fast-food restaurants, from 2021G until 2022G. • CEO, Pure Beverages Industry Company, a limited liability company engaged in the field of manufacture and sale of bottled water, from 2020G until 2021G. • CEO, Almarai Company, a listed company engaged in the field of manufacture and sale of dairy products, bakery products, juices and poultry, from 2019G until 2020G.
Other Current Memberships:	N/A
Other Previous Memberships:	• Chairman, International Company for Agro-Industrial Projects in Egypt, a closed joint stock company engaged in the field of manufacture and sale of dairy products and juices, from 2019G until 2020G. • Chairman, International Company for Agro-Industrial Projects in UAE, a limited liability company engaged in the field of manufacture and sale of dairy products and juices, from 2019G until 2020G. • Chairman, Taiba Investments Company, a limited liability company, engaged in the manufacture and sale of dairy products and juices, from 2019G until 2020G.

h- Hattan Jamil Abdulaziz Malki (Secretary of the Board)

Age:	44 years
Nationality:	Saudi
Current Position:	• Secretary of the Board • Director of Human Capital and Administrative Affairs Department • Secretary of the Nominations and Remunerations Committee
Appointment Date:	01/04/2021G
Academic Qualifications:	Bachelor's degree in Human Resources Management and Organization from King Abdulaziz University, Jeddah, 2007G.
Current Executive Positions:	N/A
Previous Executive Positions:	• CEO for the Human Resources and Administrative Affairs Department, Al-Sunbulah Group, a limited liability company engaging in the field of pastry, honey, and meat production and retail sale, from 2018G until 2021G. • CEO for the Human Resources and Administrative Affairs Department, Mohammed Yousef Naghi Group, a limited liability company engaging in the field of retail sales and maintenance of cars and commercial vehicles, from 2012G until 2018G. • Human Resources Management Director, Philips Company, a limited liability company engaging in the field of retail sale of medical devices, lighting and electrical appliances, from 2010G until 2012G. • Operations and Training Manager for Human Resources, SADAFCO Company, a listed company engaging in the field of the production of dairy and food products and retail sale, from 2009G until 2010G.
Other Current Memberships:	N/A
Other Previous Memberships:	N/A

5.2 Company and Board Committees

The Board of Directors shall form committees in order to better run the Company. Each Committee shall have its own charter which determines the Committee's roles, responsibilities, and powers. The Committees shall periodically hold meetings for the purpose of carrying out the tasks entrusted thereto. These Committees comprise the Nomination and Remuneration Committee and the Audit Committee formed by the Company General Assembly.

Both the amended Charter of the Nomination and Remuneration Committee and the amended Charter of the Audit Committee were approved on 04/04/1445H (corresponding to 19/10/2023G) by the General Assembly to be in line with the Corporate Governance Regulations.

The following is a summary of the structure, responsibilities and current members of each permanent Committee:

5.2.1 Nomination and Remuneration Committee

The main function of the Nomination and Remuneration Committee is to determine the policies and procedures related to the nomination of the members of the Board, its Committees, and the Executive Team, and to determine the policies and procedures related to their remunerations. The amended Charter of the Nomination and Remuneration Committee was approved by the General Assembly on 04/04/1445H (corresponding to 19/10/2023G). The Committee's scope of work includes all duties designed to enable it to fulfil its functions, including:

- Suggesting clear policies and standards for membership in the Board and the Executive Management.
- Identifying individuals qualified to become Board members and recommending nominees for Board membership to the Board of Director in the annual General Assembly meeting, pursuant to the approved policies and procedures.
- Recommending to the Board the Director nominees for membership in each committee of the Board.
- Overseeing the evaluation of the Board and Executive Management.
- Overseeing all matters relating to the compensation of the members of the Board of Directors and the Executive Management.
- Reviewing Board succession plans.
- Evaluating the Board's performance.
- Setting out the Directors' remuneration and incentive policies.
- Recommending the remuneration packages of the Executive Management.
- Setting out recruitment, retention, and termination policies for Executive Managers.
- Determining the incentive schemes.
- Preparing the retirement arrangements.
- Determining the remuneration framework for Directors.

The Nomination and Remuneration Committee shall be composed of at least four (4) members and no more than five (5) members appointed by the Company's Board of Directors for a period of four (4) years. The Nomination and Remuneration Committee term of office shall not exceed the term of the Board of Directors. The membership of a Nomination and Remuneration Committee member, that is also a Board member, ends with the end of such member's term in the Board or by voluntary resignation from the Nomination and Remuneration Committee. The Board may dismiss any member in the Nomination and Remuneration Committee.

Subject to the conditions to be met by the Members of the Nomination and Remuneration Committee, the Board of Directors shall appoint members of the Nomination and Remuneration Committee for a period of four (4) years. The Board of Directors shall take the necessary measures to enable the Committee to carry out the tasks entrusted thereto, including granting the Committee access to, without any restrictions, all data, information, reports, records, correspondences, or other matters that the Committee deems important to have access to.

The following Members were appointed to the Nomination and Remuneration Committee pursuant to a Board Resolution dated 04/04/1445H (corresponding to 19/10/2023G).

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Table (5.3): Nomination and Remuneration Committee Members

	Name	Position
1	Majid Mazen Rasheed Nofal	Chairman of the Committee
2	Abdulmohsen Abdallah Al Bazie	Member
3	John Gregory Iossifidis	Member
4	Ayman Ahmed Saleh Al Ghamdi	Member

Source: the Company

The following is a brief overview of the Members of Nomination and Remuneration Committee:

a- Majid Mazen Rasheed Nofal

Please refer to Section 5.1.4 ("**Biographies of the Members and Secretary of the Board**") for further details regarding the experience, and current and previous positions of Majid Mazen Rasheed Nofal.

b- Abdulmohsen Abdallah Al Bazie

Please refer to Section 5.1.4 ("**Biographies of the Members and Secretary of the Board**") for further details regarding the experience, and current and previous positions of Abdulmohsen Abdallah Al Bazie.

c- John Gregory Iossifidis

Please refer to Section 5.1.4 ("**Biographies of the Members and Secretary of the Board**") for further details regarding the experience, and current and previous positions of John Gregory Iossifidis.

d- Ayman Ahmed Saleh Al Ghamdi

Age:	41 years
Nationality:	Saudi
Current Position:	Nomination and Remuneration Committee Member
Appointment Date:	19/10/2023G
Academic Qualifications:	• MBA from the Open University Malaysia, Malaysia, 2009G. • Bachelor's degree in Mechanical Engineering from King Abdulaziz University, Jeddah, KSA, 2004G.
Current Executive Positions:	• CEO for Human Resources at Cruise Saudi Company, a company fully owned by the Public Investment Fund and engaging in the field of operating ships and tourist ports, since 2023G.
Previous Executive Positions:	• Vice President for Human Resources at the Saudi Ground Services Company, a listed joint stock company engaging in the field of ground handling services at all airports in the Kingdom, from 2019G until 2023G.
Other Current Memberships:	• Nomination and Remuneration Committee Member, Asfar Tourism Investment Company, a company fully owned by the Public Investment Fund and engaging in the field of tourism investment, since 2021G.
Other Previous Memberships:	• Nomination and Remuneration Committee Member, Jeddah Healthcare Cluster, a company owned by the Ministry of Health and engaging in the field of health, from 2021G until 2023G.

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5.2.2 Audit Committee

Ensuring that an effective internal control system is in place is one of the responsibilities entrusted to the Board of Directors. The main task of the Audit Committee is to monitor the Company's business and verify the safety and integrity of the Company's reports, financial statements and internal control systems. In particular, the Audit Committee's tasks are to verify the adequacy and effective implementation of the internal control system and to make any recommendations to the Board of Directors that would actuate and develop the system to achieve the Company's objectives The Committee is also responsible for approving risk management policies and procedures and reviewing risk assessment activities and risk mitigation plans before presenting the same to the Board of Directors. The Committee is responsible for ensuring compliance with the Company's Corporate Governance Regulations and Practices issued by the CMA and the Company's Corporate Governance Manual. The amended Charter of the Audit Committee was approved by the General Assembly on 04/04/1445H (corresponding to 19/10/2023G). The scope of the Committee's work shall include all actions that enable it to fulfil its functions, including:

Financial Reports:

- Analyzing the Company's interim and annual financial statements before presenting them to the Board and providing its opinion and recommendations thereon to ensure their integrity, fairness and transparency.
- Providing its technical opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced, understandable, and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model, and strategy.
- Analyzing any important or unusual issues contained in the financial reports.
- Meticulously investigating any issues raised by the Company's CFO or any person assuming their duties or the Company's compliance officer or auditor.
- Examining the accounting estimates in respect of material issues contained in the financial reports.
- Examining the accounting policies followed by the Company and providing its opinion and recommendations thereon to the Board.

Internal Audit:

- Examining and reviewing the Company's internal, financial, and risk management systems.
- Reviewing the Internal Audit reports, and pursuing the implementation of the corrective measures in respect of the notes included therein.
- Monitoring and overseeing the performance and activities of the Internal Auditor and the Company's Internal Audit Department, if any, to ensure the availability of the necessary resources and their effectiveness in performing the assigned tasks and duties. If the Company does not have an Internal Auditor, then the Audit Committee shall submit its recommendation to the Board on whether there is a need for appointing one.
- Recommending to the Board of Directors the appointment of the head of the Internal Audit Unit or Department, or an internal auditor, and proposing the remuneration thereof.

Risk Management:

- Overseeing and bolstering the Company's risk management framework.
- Identifying and monitoring the key risks faced by the Company, assessing the management of such risks, and aligning risk management activities with the Company's general objectives and policies.
- Ensuring that risks are taken within acceptable limits, taking into consideration the Company's business objectives, size, workload, ratios, and its short-term and long-term outlook.
- Adopting risk management policies and procedures that define the proper stages for approving decisions, as well as other risk management controls, budgets, and restrictions, as well as establishing requirements for risk reporting at the administrative level.
- Periodically reviewing key risk assessment activities.
- Reviewing the Company's business continuity plan.

Auditor:

- Recommending to the Board of Directors to nominate, dismiss, determine the remuneration, and evaluate the performance of the auditors, after verifying their independence and reviewing the scope of their work and the terms of their contracts.
- Verifying the auditors' independence, objectivity and fairness, and the effectiveness of auditing activities, taking into account relevant rules and standards.
- Reviewing the plan and work of the Company's auditors, and ensuring that they do not provide any technical or administrative works that are beyond the scope of auditing work, and expressing its opinions thereon.
- Responding to the queries of the Company's auditors.
- Reviewing the auditors' report and notes on the financial statements and following up on actions taken in their regard.

Compliance:

- Reviewing the findings of the supervisory authorities' reports and ensuring that the Company has taken the necessary measures in that regard.
- Verifying that the Company complies with the relevant laws, regulations, policies and instructions.
- Reviewing the contracts and transactions which are recommended to be concluded between the Company and Related Parties, and presenting comments thereon to the Board of Directors.
- Reporting to the Board any issues it deems necessary to take action thereon, and providing recommendations as to the procedures that should be taken.

Arrangements for Providing Observations:

- The Audit Committee shall establish a mechanism that allows Company's employees to confidentially submit their observations regarding any irregularity in financial or other reports.
- The Audit Committee shall ensure that such mechanism is implemented by conducting an independent investigation commensurate with the size of the error or irregularity and employing appropriate follow-up procedures.

Professional Conduct:

- Committee members shall act professionally and ethically, while taking into account the following:
- A Committee member shall perform his/her duties in a manner that protects the Company's interests and increases its value.
- A Committee member shall give priority to the Company's interests over his/her own interests.
- A Committee member shall represent all Shareholders in the Company and take all measures that are in the interest of the Company and its Shareholders.
- Preventing members of the Board of Directors or Executive Management from exploiting their positions for personal gain or for the benefit of others.

The Audit Committee shall consist of at least four (4), and at most, five (5) non-executive Board members to be appointed by the Board of Directors for a period of not more than four (4) years, provided that the Committee shall include at least one (1) independent member as well as a competent member in financial and accounting affairs.

Subject to the requirements to be met by members of the Audit Committee, the Committee shall be formed pursuant to a resolution passed by the Board of Directors for a period of not more than four (4) years. The Board shall take the necessary measures to enable the Committee to carry out its functions, including granting the Committee access to, without any restrictions, of all data, information, reports, records, correspondences or other matters that the Committee deems important to have access to.

The following members were appointed to the Audit Committee pursuant to the Resolution of the Board of Directors on 04/04/1445H (corresponding to 19/10/2023G).

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Table (5.4): Audit Committee Members

No.	Name	Position
1	Ehsan Amanullah Makhdoum	Chairman of the Audit Committee
2	Lisa Meeks	Member
3	Mohammed Abdelhafez	Member
4	Abdulrahman Saud Hamad Alowais	Member

Source: the Company

The following is a brief summary of the Members of the Audit Committee:

a- Ehsan Amanullah Makhdoum

Age:	50 years
Nationality:	Saudi
Current Position:	Audit Committee Chairman
Appointment Date:	07/04/2021G
Academic Qualifications:	• Diploma (Board Directorship) from the GCC Board Directors Institute, 2022G. • Certificate (Board Directorship) from the GCC Board Directors Institute, 2021G. • Fellowship of the American Institute of Certified Public Accountants (AICPA), 2009G. • Fellowship of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), 2005G. • Fellowship of the Saudi Organization for Chartered and Professional Accountants (SOCPA), 2001G • Bachelor's degree in Accounting from King Fahd University of Petroleum and Minerals, Dhahran, KSA, 1997G.
Current Executive Positions:	N/A
Previous Executive Positions:	• Managing Partner, Deloitte & Touche - Chartered Accountants, a limited liability company engaging in the field of accounting, from 2016G until 2019G.
Other Current Memberships:	• Audit Committee Member, Noon Investment Company, a closed joint stock company engaging in the field of electronic commerce, since 2023G. • Audit Committee Member, Saudia Cargo Company, a closed joint stock company engaging in the field of air cargo, since 2023G. • Audit Committee Member, Al-Wadi Development Company, a closed joint stock company engaging in the field of real estate development, since 2022G. • Audit Committee Member, Rayan Advanced Industrial Company, a closed joint stock company engaging in the field of plastic packaging products, since 2022G. • Audit Committee Member, Middle East Fiber Cable Manufacturing Company, a closed joint stock company engaging in the field of fiber cables production, since 2022G. • Audit Committee Member, Saudi Lime Industries Company, a listed company engaging in the field of supplying lime and limestone products, since 2021G. • Audit Committee Member, Roshn Company, a joint stock company engaging in the field of real estate development, since 2021G. • Board Member, Crédit Agricole CIB Arab Financial Company, a joint stock company engaging in the field of financial services, since 2021G. • Audit Committee Chairman, Crédit Agricole CIB Arab financial Company, a joint stock company engaging in the field of financial services, since 2021G. • Audit Committee Member, Etihad Atheeb Telecom Company, a listed company engaging in the field of providing telecommunications services, since 2021G. • Audit Committee Member, Tawuniya Insurance Company, a listed company engaging in the field of insurance, since 2020G. • Audit Committee Member, Saudi Downtown Company, a closed joint stock company engaging in the field of real estate development, since 2020G.
Other Previous Memberships:	• Audit Committee Chairman, Dammam Pharma Company, a limited liability company engaging in the field of manufacturing and marketing of medicines, from 2020G until 2021G.

b- Lisa Meeks

Age:	58 years
Nationality:	British
Current Position:	Audit Committee Member
Appointment Date:	28/12/2022G
Academic Qualifications:	• Master's degree in Computer Science from University College London, UK, 1997G. • Certified Public Accountant Certificate (States of New York and California - inactive), Certified Information Systems Auditor (CISA), Certified Fraud Examiner (CFE), Certified Anti-Money Laundering Specializt (CAMS) (States of New York and California), USA, 1990G. • Bachelor's degree in Accounting Sciences, State University of New York at Albany – Albany State University, New York, USA, 1987G.
Current Executive Positions:	N/A
Previous Executive Positions:	• Head of Internal Audit, Al Ghurair Investment Company, a limited liability company engaging in the field of investments, from 2022G until 2022G.
Other Current Memberships:	N/A
Other Previous Memberships:	• Audit Committee Chairman, AG Melco Elevator Company, a limited liability company engaging in the field of elevators, from 2022G until 2023G. • Board Member, Albany (Arts Center in London, England), a charity funded by Arts Council England and Lewisham Council, engaging in the field of art, from 2001G until 2002G.

c- Mohammed Abdelhafez

Age:	38 years
Nationality:	Egyptian
Current Position:	Audit Committee Member
Appointment Date:	19/04/2022G
Academic Qualifications:	• Fellowship of the Association of Chartered Accountants, USA, 2016G. • Bachelor's degree in Commerce in English from Cairo University, Egypt, 2007G.
Current Executive Positions:	• Internal Audit Department Chairman, Al Rajhi Holding Group, a closed joint stock company engaging in the field of investment and ownership of companies, since 2021G.
Previous Executive Positions:	• Internal Audit Department Chairman, Al-Issa Holding Group, a closed joint stock company engaging in the field of automotive trading, from 2015G until 2021G.
Other Current Memberships:	• Audit Committee Member, Fursan Travel & Tourism Company, a limited liability company engaging in the field of tourism and travel, since 2022G. • Audit Committee Member, Tibah Airports Operating Company, a closed joint stock company engaging in the field of operating and developing airports, since 2022G. • Audit Committee Member, Elsewedy Cables Company, a limited liability company engaging in the field of electrical cables, since 2022G. • Audit Committee Member, Tahweel Holding Company, a closed joint stock company engaging in the field of manufacturing industries, since 2022G. • Internal Audit Committee Chairman, Al Rajhi Holding Group, a closed joint stock company engaging in the field of investment and ownership of companies, since 2021G
Other Previous Memberships:	• Audit Committee Member, Lightweight Construction Company (Siporex), a limited liability company engaging in the field of production of structural cellular concrete from prefabricated reinforced panels, from 2019G until 2022G.

d- Abdulrahman Saud Hamad Alowais

Please refer to Section 5.1.4 ("**Biographies of the Members and Secretary of the Board**") for further details regarding the experience, and current and previous positions of Abdulrahman Saud Hamad Alowais.

5.3 Senior Management

5.3.1 Overview of the Senior Management

The Company's Senior Management is comprised of qualified Saudi and non-Saudi members with significant local and international expertise in the food and feed sectors. The primary responsibility of the Chief Executive Officer is to manage the Company's business and supervise its performance in line with the objectives and guidance of the Board of Directors and Shareholders.

The Senior Management team currently consists of nine (9) members, as set out in the table below:

Table (5.5): Senior Management Details

Name	Position	Appointment Date to the Current Position	Nationality	Age	Number of Shares held Pre-Offering	Number of Shares Post-Offering	Indirect Ownership Ratios	
							Pre-Offering	Post-Offering
Osama Hamadato Abdelrahim Ashi	Chief Executive Officer	01/08/2021G	Saudi	50	-	-	-	-
Amr Osama Kamel	Chief Financial Officer	02/01/2022G	Egyptian	50	-	-	-	-
Ahmed Abdelkarim Hijazi	Head of Feed Sector	01/11/2021G	Jordanian	44	-	-	-	-
Hattan Jamil Abdulaziz Malki	Head of Human Capital Department and Administrative Affairs / Board Secretary	01/04/2021G	Saudi	44	-	-	-	-
Stefan Anthony Futich	Head of Product Supply Operations	14/02/2022G	South African	51	-	-	-	-
Fares Saleh Muhammad Al-Qaryouti	Head of Flour Sales	01/10/2021G	Jordanian	52	-	-	-	-
Ramy Adel Fahmy Baher	Head of Marketing and Product Innovation	01/06/2022G	Egyptian	41	-	-	-	-
Abdullah Sulaiman Abdullah Al-Zughaibi	Head of Legal Department	01/09/2021G	Saudi	38	-	-	-	-
Oleg Kozlov	Head of Internal Audit	04/10/2022G	American	38	-	-	-	-

Source: the Company

5.3.2 Biographies of Senior Executives

The following is a brief overview of the experiences, academic qualifications, as well as current and previous positions of each Member of Senior Management:

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a- Osama Hamadato Abdelrahim Ashi

Age:	50 years
Nationality:	Saudi
Current Position:	CEO
Appointment Date:	01/08/2021G
Academic Qualifications:	Bachelor's degree in Engineering from King Abdulaziz University, KSA, 1994G.
Current Executive Positions:	N/A
Previous Executive Positions:	• General Manager in the KSA, Gulf, and Levant Regions, Savola Foods Company, a listed company engaging in the field of food business and food security, from 2013G until 2022G. • Vice President for KSA business, Economic Cities Company, a listed company engaged in the field of economic development and city development, from 2010G until 2012G. • Regional Marketing Manager for the Middle East and Pakistan, Procter & Gamble Company, a listed company engaging in the field of consumer-packaged goods, from 1995G until 2010G.
Other Current Memberships:	N/A.
Other Previous Memberships:	N/A.

b- Amr Osama Kamel

Age:	50 years
Nationality:	Egyptian
Current Position:	Chief Financial Officer
Appointment Date:	02/01/2022G
Academic Qualifications:	• Certified Public Accountant Certificate from the California Board of Accountancy, USA, 2003G. • Bachelor's degree in Accounting from Alexandria University, Egypt, 1993G
Current Executive Positions:	N/A
Previous Executive Positions:	• Vice President of financial affairs, Arabian Cement Company, a listed company engaging in the field of cement and clinker production, from 2018G until 2021G. • Senior Financial Manager, at Basamh Trading & Industries Group, a limited liability company engaging in the field of production and distribution of consumer goods, from 2012G until 2018G. • Senior Internal Audit Manager, Savola Group, a joint stock company engaging in the field of production and distribution of consumer goods, from 2006G until 2008G. • Senior Financial Manager, United Sugar Company, a closed joint stock company engaging in the field of production and distribution of consumer goods, from 2008G until 2012G.
Other Current Memberships:	N/A.
Other Previous Memberships:	• Board Member, Readymix Concrete Company, a joint stock company engaging in the field of building materials made of ready-mix concrete mixtures, from 2019G until 2021G. • Audit Committee Member, Readymix Concrete Company, a joint stock company engaging in the field of building materials made of ready-mix concrete mixtures, from 2019G until 2021G. • Audit Committee Member, Qatrana Cement Company, a limited liability company engaging in the field of manufacture of cement for building materials, from 2018G until 2021G.

c- Ahmed Abdelkarim Hijazi

Age:	44 years
Nationality:	Jordanian
Current Position:	Head of the Feed Sector
Appointment Date:	01/11/2021G
Academic Qualifications:	• Master's degree in Business Administration from the University of Leicester, UK, 2007G. • Certificate of Agricultural Sciences from the Jordan University of Science and Technology, Jordan, 2000G.
Current Executive Positions:	N/A
Previous Executive Positions:	• General Manager for poultry, feed, and oats, Al Ghurair Foods, a limited liability company engaging in the field of flour milling, and the production of eggs, oats, and animal feed, from 2016G until 2020G. • Head of Sales for poultry, feed, and oats, Al Ghurair Foods, a limited liability company engaging in the field of flour milling, and the production of eggs, oats, and animal feed, from 2012G until 2016G. • Business Unit Director, Tanmiah Food Company, a listed company engaging in the field of manufacture and distribution of food and agricultural products, from 2008G until 2012G. • Product Manager, Tanmiah Food Company, a listed company engaging in the field of manufacture and distribution of food and agricultural products, from 2003G until 2008G.
Other Current Memberships:	N/A.
Other Previous Memberships:	Board Member, Modern Mills Company, a closed joint stock company engaging in the field of food business and food security, from 2021G until 2022G.

d- Hattan Jamil Abdulaziz Malki

Please refer to Section 5.1.4 ("**Biographies of the Members and Secretary of the Board**") for further details regarding the experience, and current and previous positions of Hattan Jamil Abdulaziz Malki.

e- Stefan Anthony Futich

Age:	51 years
Nationality:	South African
Current Position:	Head of Product Supply Operations
Appointment Date:	14/02/2022G
Academic Qualifications:	• National Diploma of the fifth level from the Technical College, Bloemfontein, South Africa, 1995G.
Current Executive Positions:	N/A
Previous Executive Positions:	• Group Operations Manager, Pollux Group, a limited liability company engaging in the field of food and beverages, from 2015G until 2018G. • Technical Director, Matola Industrial Company, a limited liability company engaging in the field of food and beverages, from 2014G until 2015G. • Technical Director, Merrick Industries Company, a limited liability company engaging in the field of food and beverages, from 2011G until 2013G. • Technical Director, National Foods Company, a listed company engaging in the field of food and beverages, from 2009G until 2011G.
Other Current Memberships:	N/A.
Other Previous Memberships:	N/A

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f- Fares Saleh Muhammad Al-Qaryouti

Age:	52 years
Nationality:	Jordanian
Current Position:	Head of Flour Sales
Appointment Date:	01/10/2021G
Academic Qualifications:	• BA in English literature with a specialization in marketing, from Philadelphia University, USA, 1997G.
Current Executive Positions:	N/A
Previous Executive Positions:	• Head of Sales and Marketing, Astra Farms Company, a limited liability company engaging in the field of Agriculture and manufacturing of dairy products, cheeses, chicken, quail and fruits, from 2018G until 2021G. • Executive General Sales Manager for Gulf countries, NADEC Dairy Company, a listed company engaging in the field of production and distribution of dairy and milk products, from 2011G until 2017G. • Commercial Development Director, Kraft Foods Company, a listed company engaging in the field of manufacture and distribution of processed cheese products, biscuits, juice powder (Tang) and Cadbury Chocolate, from 2008G until 2011G. • Executive Commercial Director, Clorox Company, a limited liability company engaging in the field of manufacturing, production and distribution of detergents, from 2003G until 2008G. • Regional Manager, Arabian Food Supplies Company, a limited liability company engaging in the distribution of Reckitt Benckiser and California Garden products, from 2000G until 2003G.
Other Current Memberships:	N/A
Other Previous Memberships:	N/A

g- Ramy Adel Fahmy Baher

Age:	41 years
Nationality:	Egyptian
Current Position:	Director of Marketing and Product Innovation
Appointment Date:	01/06/2022G
Academic Qualifications:	• Bachelor's degree in Economics and a secondary major in Business Administration and Philosophy from the American University in Cairo, Egypt, 2004G. • Master's degree in Business Administration in the Marketing track from the American University in Cairo, Egypt, 2010G.
Current Executive Positions:	N/A
Previous Executive Positions:	• National Head of Local Sales, Red Bull Company, a limited liability company engaging in the field of energy drinks, from 2020G until 2022G. • Marketing Manager, Red Bull Company, a limited liability company engaging in the field of energy drinks, from 2018G until 2020G. • Marketing Manager, Danone Company, a listed company engaging in the field of dairy products, from 2017G until 2018G. • Regional Marketing Manager for the Middle East, North Africa and Pakistan, SC Johnson Company, a closed joint stock company engaging in the field of air care, pest control and house cleaning, from 2014G until 2017G. • Trademark Manager, Red Bull Company, a limited liability company engaging in the field of energy drinks, from 2008G until 2014G. • Trademark Manager, Kraft Foods Company, a listed company engaging in the field of biscuits, chocolates and spices, from 2004G until 2008G.
Other Current Memberships:	N/A
Other Previous Memberships:	N/A

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h- Abdullah Sulaiman Abdullah Al-Zughaibi

Age:	38 years
Nationality:	Saudi
Current Position:	Head of Legal Department
Appointment Date:	01/09/2021G
Academic Qualifications:	• Master's degree in International Trade and Business Law from the University of East Anglia, UK, 2011G. • Bachelor's degree in Judiciary from Umm Al-Qura University, 2008G.
Current Executive Positions:	N/A
Previous Executive Positions:	• Legal Department Manager, Al-Majal G4S Company, a limited liability company engaging in the field of support services, maintenance and operation, and security and safety systems, from 2012G until 2021G.
Other Current Memberships:	N/A
Other Previous Memberships:	N/A

i- Oleg Kozlov

Age:	38 years
Nationality:	American
Current Position:	Head of Internal Audit
Appointment Date:	04/10/2022G
Academic Qualifications:	• Bachelor of Commerce degree in Accounting from Cairo University, Egypt, 2007G. • Master's degree in Business Administration from the University of Houston Clear Lake, USA, 2010G. • Certified Public Accountant Certificate, State of Texas, USA. • Methodology of Lean Six Sigma Green Belt Certificate from Florida International University.
Current Executive Positions:	N/A
Previous Executive Positions:	• Regional Controller for Australia and New Zealand, Fortive Company, a listed joint stock company engaging in the field of global manufacturing and distribution of medical devices, from 2021G until 2022G. • General Manager for operations in Russia, Fortive, a listed joint stock company engaging in the field of global manufacturing and distribution of medical devices, from 2020G until 2021G. • Global Director for over-the-counter drugs, Fortive, a listed joint stock company engaging in the field of global manufacturing and distribution of medical devices, from 2018G until 2020G. • Internal Accounts Audit Manager, Holcim Company, a listed company engaging in the field of cement and aggregates, from 2014G until 2018G.
Other Current Memberships:	N/A
Other Previous Memberships:	N/A

5.3.3 Employment Contracts with Senior Executives

The Company concluded employment contracts with all the Senior Management members of the Company. These contracts stipulate their salaries and bonuses according to their qualifications and experience, and include a number of benefits such as a monthly transportation allowance, housing allowance, or both. These contracts are renewable and subject to the Saudi Labor Law.

The table below briefly describes the employment contracts in question.

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Table (5.6): Summary of Employment Contracts with Senior Management

No.	Name	Position	Appointment Date	Contract Date	Contract Termination Date
1	Osama Hamadato Abdelrahim Ashi	Chief Executive Officer	01/08/2021G	01/08/2021G	31/07/2022G Renewable for identical period(s) unless either party notifies the other, in writing, of its desire not to renew 60 days prior to the contract expiry.
2	Amr Osama Kamel	Chief Financial Officer	02/01/2022G	02/11/2022G	01/11/2023G Renewable for identical period(s) unless either party notifies the other, in writing, of its desire not to renew 60 days prior to the contract expiry.
3	Ahmed Abdelkarim Hijazi	Head of Feed Sector	01/11/2022G	02/11/2022G	01/11/2023G Renewable for identical period(s) unless either party notifies the other, in writing, of its desire not to renew 60 days prior to the contract expiry.
4	Hattan Jamil Abdulaziz Malki	Head of Human Capital and Administrative Affairs / Board Secretary	01/04/2021G	01/04/2021G	31/03/2022G Renewable for identical period(s) unless either party notifies the other, in writing, of its desire not to renew 60 days prior to the contract expiry.
5	Stefan Anthony Futich	Head of Product Supply Operations	14/02/2022G	08/11/2022G	07/11/2023G Renewable for identical period(s) unless either party notifies the other, in writing, of its desire not to renew 60 days prior to the contract expiry.
6	Fares Saleh Muhammad Al-Qaryouti	Head of Flour Sales	01/10/2021G	02/11/2022G	01/11/2023G Renewable for identical period(s) unless either party notifies the other, in writing, of its desire not to renew 60 days prior to the contract expiry.
7	Ramy Adel Fahmy Baher	Head of Marketing and Product Innovation	01/06/2022G	03/11/2022G	02/11/2023G Renewable for identical period(s) unless either party notifies the other, in writing, of its desire not to renew 60 days prior to the contract expiry.
8	Abdullah Suleiman Abdullah Al-Zughaibi	Head of Legal Department	01/09/2021G	01/12/2021G	30/11/2022G Renewable for identical period(s) unless either party notifies the other, in writing, of its desire not to renew 60 days prior to the contract expiry.
9	Oleg Kozlov	Head of Internal Audit	04/10/2022G	01/02/2023G	31/01/2024G Renewable for identical period(s) unless either party notifies the other, in writing, of its desire not to renew 60 days prior to the contract expiry.

Source: the Company

5.4 Remuneration of Directors and Senior Executives

Subject to the Company's Bylaws, remunerations of the Board of Directors shall be determined by the Ordinary General Assembly in accordance with the relevant official decisions and instructions issued by the Ministry of Commerce, and within the provisions of the Companies Law and any other relevant supplementary laws. The attendance and transportation allowances shall be determined by the Board according to the applicable laws, decisions, and instructions applicable in the Kingdom, as determined by the competent entities.

Pursuant to the Company's Bylaws, neither the Directors nor the Senior Executives have the authority to vote on their remuneration or indemnities. The remuneration of Senior Executives shall be determined by virtue of each respective employment contract in accordance with the Company's remuneration policy.

Furthermore, neither the Directors nor the Senior Executives have powers to borrow from the Company or vote on a contract or an arrangement in which they have a material interest.

It should be noted that no in-kind benefits have been paid to the Board members and Senior Management. The following table shows the remunerations of the Board of Directors and the top five Senior Executives (including the CEO and the CFO) for the financial years ended 31 December 2020G, 2021G, and 2022G and the period ended 30 June 2023G.

Table (5.7): Remuneration of Board Members and Senior Executives

SAR	31 December 2020G	31 December 2021G	31 December 2022G	[30 June 2023G]
Board Members	955,058	200,000	200,000	-
Audit Committee	-	100,000	100,000	-
Nomination and Remuneration Committee	-	60,000	60,000	-
Senior Executives (5 employees)	2,090,439	2,970,913	6,060,614	3,063,609

Source: the Company

5.5 Corporate Governance

5.5.1 Overview

The key sources of corporate governance for the Company are the Corporate Governance Regulations issued by the CMA, certain provisions of the Companies Law, and corporate governance best practices in the Kingdom.

The framework under the Corporate Governance Regulations regulates the various relationships between the Board, Executive Directors, Shareholders and other stakeholders, by establishing rules and procedures to facilitate decision-making processes with the objective of protecting the rights of Shareholders and other stakeholders and promoting the values of credibility, fairness, competitiveness, and transparency in the Company's conduct on the Exchange and in the business environment.

These regulations, which entail the implementation of a clear and transparent disclosure process, ensure that the Board acts in the best interests of the Shareholders and presents a clear and fair view of the financial condition of the Company and the results of its operations.

The Company's policy is to adopt high standards of corporate governance. On 04/04/1445H (corresponding to 19/10/2023G), the General Assembly approved the Corporate Governance Manual and policies, the Audit Committee Charter and the Nomination and Remuneration Committee Charter in line with the Corporate Governance Regulations.

5.5.2 Key Corporate Governance Requirements

The key corporate governance requirements that the Company complies with are set out in the Corporate Governance Regulations. These cover the following broad areas:

- General shareholder rights (Articles 4 to 9);
- Rights relating to General Assembly Meetings (Articles 10 to 15);
- The Board of Directors: formation, responsibilities, competencies, procedures, and training (Articles 16 to 39);
- Conflicts of interest (Articles 40 to 46);
- Company Committees (Articles 47 to 69); and
- Internal controls, external auditors, company reports and policies, and various other matters (Articles 70 to 95).

5.5.3 Corporate Governance Manual and Internal Charters

On 04/04/1445H (corresponding to 19/10/2023G), the Company's Ordinary General Assembly approved the amended Corporate Governance Manual of the Company and the following amended internal charters:

- Audit Committee Charter;
- Nomination and Remuneration Committee Charter;
- Board of Directors Charter;
- Code of Conduct and Ethics;
- Disclosure and Transparency Policy;
- Whistleblowing Policy;
- Conflicts of Interest and Competing Business Policy;
- Stakeholder Relation Policy;
- Dividend Distribution Policy;
- Remuneration Policy; and
- Risk Management Policy.

5.5.4 Corporate Governance Compliance

The Board of Directors declare that the Company is currently complying with the majority of the Corporate Governance Regulations and will fully comply with the Corporate Governance Regulations from the date of Listing.

In particular, a majority of the Company's Board of Directors, which currently consists of seven (7) Directors, are non-executive members and amongst the Board members are three (3) independent Directors. In addition, the Shareholders adopted the cumulative voting method in relation to the appointment of Directors. This method of voting gives each Shareholder voting rights equivalent to the number of Shares he/she holds. Each Shareholder has the right to use all of his/her voting rights for one nominee or to divide their voting rights between his/her selected nominees without any duplication of votes.

Pursuant to the provisions of the Corporate Governance Regulations, the Board of Directors formed the Audit Committee on 04/04/1445H (corresponding to 19/10/2023G). The Audit Committee consists of four (4) non-executive members. The Board of Directors also formed the Nomination and Remuneration Committee on 04/04/1445H (corresponding to 19/10/2023G). The Nomination and Remuneration Committee consists of four (4) members. The Extraordinary General Assembly of the Company approved the amended charters of the Audit Committee and the Nomination and Remuneration Committee in its session held on 04/04/1445H (corresponding to 19/10/2023G).

Furthermore, the Company has put in place measures to comply with provisions that deal with conflicts of interest and competing interests (Article 71 of the Companies Law, Article 12 of the Implementing Regulations to the Companies Law, and Articles 42 and 44 of the Corporate Governance Regulations). The Company has obtained the approval of the General Assembly for transactions with Related Parties, as set out in Section 12.7 ("**Transactions and Contracts with Related Parties**").

Pursuant to the Corporate Governance Regulations, each Board Member is prohibited from voting on a decision taken by the Board or the General Assembly with respect to transactions and contracts that are executed for the Company's account, if he/she has a direct or indirect interest in those transactions or contracts (Article 42(a-2)). The Companies Law sets out similar requirements to the effect that a Director, without prior authorization from the Ordinary General Assembly, may not have any direct or indirect interest in transactions or contracts made for the account of the Company. The Director also has an obligation to inform the Board of Directors of any personal interest he may have in such transactions or contracts and may not participate in voting on resolutions to be adopted in this respect by the Board of Directors or shareholder assemblies. The Chairman of the Board of Directors must inform the General Assembly of any transactions and contracts in which any Director has a direct or indirect personal interest and accompany that with a special report from the Company's external auditor.

The Corporate Governance Regulations also provide that if a Board Member wishes to engage in a business that may compete with the Company or any of its activities, he/she must notify the Board of any project that could compete with the Company's business, and abstain from voting on the related decision in the board meetings and general assemblies; the Chairman of the Board must inform the Ordinary General Assembly of the competing businesses that the Board Member proposes to be engaged in; and the prior authorization of the Company's General Assembly must be obtained for the Board Member to engage in the competing business. The Companies Law sets out similar requirements.

The Company currently complies with the mandatory governance requirements that apply to Saudi public joint stock companies, excluding some provisions mandatory only with respect to listed companies, which the Company is not currently in compliance as the Company's shares are not currently listed on the Exchange, as follows:

- Paragraph (A) of Article 8 relating to the announcement on Tadawul's website about the information of candidates for membership of the Board of Directors upon publishing or inviting for the General Assembly's meeting.
- Paragraph (B) of Article 8 relating to limit the voting of the General Assembly to candidates whose information are announced pursuant to Paragraph (A) of Article (8).
- Paragraph (D) of Article 13 relating to the publication of the invitation to the General Assembly on Tadawul website and the Company's website.
- Paragraph (C) of Article 14 relating to the availability of information concerning the items of the General Assembly of Shareholders through the Tadawul website and the Company's website and obtaining information related to the items on the General Assembly's agenda, especially the report of the Board of Directors, the auditor, the financial statements, and the Audit Committee report.
- Paragraph (E) of Article 15 relating to the announcement to the public and notification of the Authority and Tadawul of the results of the General Assembly immediately after its conclusion.
- Paragraph (D) of Article 17 relating to notifying the Authority of the Directors' names and their membership status within five business days from the commencement date of the Board's term or from the date of their appointment, whichever is closer, as well as any changes that may affect their membership within five business days from the occurrence of such changes.
- Article 54 relating to the Audit Committee convening periodically, provided that at least four meetings are held during the Company's financial year.
- Article 65 relating to the publication of the Company's announcement of nomination for Board membership on the Company's website and Tadawul website in order to invite persons wishing to run for Board membership, provided that the nomination period shall remain open for at least a month from the date of the announcement.

5.6 Conflict of Interest

Neither the Company's Bylaws nor any of the Company's internal regulations and policies grant any Director or the CEO the power to vote on any contract or proposal in which he has a direct or indirect interest, in accordance with Article 71 of the Companies Law, which states that a Member of the Board shall not have any direct or indirect interest in the transactions and contracts conducted on behalf of Company, except with the authorization of the Ordinary General Assembly, and in accordance with the controls set forth by the competent authority.

Pursuant to said Article, a Board Member must inform the Board of Directors of any personal interest he may have in the transactions and contracts made on behalf of the Company. The Chairman of the Board of Directors shall inform the General Assembly, when it convenes, of the transactions and contracts in which any Board Member has a personal interest. Such communication shall be accompanied by a special report from the auditor. Such declaration must be recorded in the minutes of the Board meeting, and the interested member shall not participate in voting on the resolution to be adopted in this respect.

Based on the foregoing, the Directors undertake to comply with the following:

- Complying with the provisions of Articles 27, 71, and 72 of the Companies Law and the provisions of Chapter sixof Part three of the Corporate Governance Regulations.
- Refraining from voting on General Assembly resolutions pertaining to contracts entered into with the Company where the Director has a direct or indirect interest in such contract.
- Avoiding participating in any business that competes with that of the Company, unless such member has authorization from the Ordinary General Assembly.
- All future Related Party transactions shall be made on an arm's length basis in accordance with the terms of the Related Party Transactions Policy.

5.7 Direct and Indirect Interest of Directors, Board Secretary, and Senior Executives

The Board of Directors declares that there is no conflict of interest for any of the Board Members, Executive Management, Board Secretary, Senior Executives, nor any of their Relatives, and that they do not hold direct or indirect interests in the shares and debt instruments of the Company and its subsidiaries, if any, or otherwise any interest in another matter that may affect the operations of the Company, except as disclosed in Section 12.7 ("**Transactions and Contracts with Related Parties**") of this Prospectus. All transactions are conducted on an arm's length basis. Additionally, as at the date of this Prospectus, the Board of Directors are not engaging in any similar or competing activities to the Company's through their memberships in the boards of other companies. The following table sets out the details of transactions with Related Parties in which any of the Board Members has an interest.

As at the date of this Prospectus, all of the Company's transactions and contracts with Related Parties were approved at the General Assembly Meeting held on 19/03/1445H (corresponding to 04/10/2023G) in accordance with the requirements of Article seventy-one (71) of the Companies Law.

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Table (5.8): Details of Related Parties' Transactions in which a Board Member has an Interest*

Related Party	Nature of Transaction	Interested Party	Nature of Relationship	(SAR) Value of Transactions during FY20G	Value of Transactions during FY21G	Value of Transactions during FY22G	Value of Transactions during the period ended 30 June 2023G
Al Ghurair Resources International Company	Ongoing transactions with Al Ghurair Resources International Company for the provision of raw materials (corn and soybean)	John Gregory Iossifidis and Djamal Djouhri	Each a director in the Related Party	None	None	None	38,123,940
AlRajhi Group Holding Company (closed joint-stock company)	Office Lease Agreement	Dr. Ibrahim Sulaiman Alrajhi	Relationship with a company directly owned by a Board Member	None	None	499,400	249,700
Fursan Travel & Tourism Company	Agreement for the provision of travel services	Dr. Ibrahim Sulaiman Alrajhi	Brother of a shareholder in the Related Party	None	None	None	None

Source: the Company

*This table shows the Related Parties Transactions, based on the definition of the Companies Law, which only includes the transactions in which the Board members have an interest. Accordingly, there is a difference between the information contained in this table and that contained in the table under Section 12.7, which includes the Related Parties Transactions based on the definition of the Corporate Governance Regulation issued by the Authority. This table includes the effective amounts of the transactions and not the value provided for under the agreements. Therefore, the obvious difference between the transaction value and the contract value – as shown in the table hereabove – results from the inclusion of the paid amounts and not the contract value. Moreover, the numbers in this table do not include the Value-Added Tax. Transactions with the related parties were approved during the Extraordinary General Assembly held on 19/03/1445H (corresponding to 04/10/2023G).

5.8 Employees

Employee Share Program

On 04/04/1445G (corresponding to 19/10/2023G), the Company's Extraordinary General Assembly approved an employee-share program, which aims to provide additional incentives to employees whose contributions are considered necessary for the Company's growth and success; it also authorized the Board of Directors to determine the terms of this program, including the allocation price for each share offered to employees for a fee, in accordance with the relevant regulations. The Company will hold 818,320 treasury shares after the Offering (representing 1% of the Company's total shares) through buying 687,389 shares (representing 84% of treasury shares) from the Selling Shareholders based on the final Offer Price and the award of 130,931 shares (representing 16% of treasury shares) by the Selling Shareholders. Shares will be purchased after the completion of the book-building process and the designation of the final Offer Price, to be used in the Company's employee share-program. It is worth noting that these shares are not part of the Offer Shares. The Employee Share Program will be implemented after determining the appropriate mechanism post-listing.

5.8.1 Other Arrangements

Except as disclosed in this section, the Company does not have any other arrangements involving employees in the Company's capital.


المطاحن الحديثة
MODERN MILLS
دقيق المعجنات
دقيق فاخر
دقيق بر
SUPERIOR FLOUR
دقيق مخابز
BAKERIES FLOUR

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6. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

6.1 Introduction

This section represents Management's Discussion and Analysis ("**MD&A**") of the financial results of the Company for the years ended 31 December 2020G ("**2020G**"), 2021G ("**2021G**") and 2022G ("**2022G**") and the six-month periods ended 30 June 2022G and 2023G.

The financial information presented in this section has been derived from (1) the audited financial statements for the year ended 31 December 2021G with the comparative financial information for the financial year ended 31 December 2020G and (2) the consolidated audited financial statements for the year ended 31 December 2022G with the comparative financial information for the financial year ended 31 December 2021G and (3) the reviewed condensed consolidated interim financial statements for the six-month period ended 30 June 2023G with the comparative financial information for the six-month period ended 30 June 2022G, prepared by the Group and audited in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia for the years ended 31 December 2020G, 2021G and 2022G and prepared by the Group and reviewed in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia for the six-month period ended 30 June 2023G. The Group's financial statements were audited by Ernst & Young for the year ended 31 December 2020G, by Aldar Audit Bureau - Abdullah Al Basri and Co. for the year ended 31 December 2021G and by KPMG for the year ended 31 December 2022G in accordance with the International Accounting Standards Board ("**IFRS**") adopted in the Kingdom of Saudi Arabia, in addition to other standards approved by the Saudi Organization for Chartered and Professional Accountants ("**SOCPA**"), referred to as the "**International Financial Reporting Standards approved in the Kingdom**" of the Saudi Arabia for the audited financials. The reviewed condensed consolidated interim financial statements for the six-month period ended 30 June 2023G were audited by KPMG in accordance with IAS 34 Interim Financial Reporting which is endorsed in the Kingdom of Saudi Arabia.

The financial information for the financial year ended 31 December 2020G was extracted from the comparative financial information presented in the audited financial statements for the year ended 31 December 2021G. The financial information for the financial years ended 31 December 2021G and 2022G was extracted from the comparative financial information presented in the consolidated audited financial statements for the year ended 31 December 2022G. The financial information for the six-month periods ended 30 June 2022G and 2023G were extracted from the financial information presented in the reviewed condensed consolidated interim financial statements for the six-month period ended 30 June 2023G. During 2022G, the Group restated certain amounts and balances included in the financial statements for the 2021G to reflect appropriate accounting treatment and classification. For more details about the restatements, refer to Section 6-10 ("**Correction of errors**").

Neither the auditors Ernst and Young Professional Services ("**EY**"), Aldar Audit Bureau - Abdullah Al Basri and Co. and KPMG nor any of its subsidiaries or employees (forming part of the team working for the Group) have any stake or interest of any kind in the Group that would impair their independence as at the date of the audited financial statements and the reviewed condensed consolidated interim financial statements. Moreover, the auditors gave their written consent and did not withdraw regarding the publication of their name, logo and statements in this prospectus as auditors for the Group for the above-mentioned years.

All financial information in this section has been presented in Saudi Riyals unless otherwise stated. The amounts and percentages have been rounded to the nearest decimal number, and accordingly, if the numbers mentioned in the tables are summed, their sum may not correspond to the totals mentioned in those tables or to the Group's financial statements.

6.2 Board of Directors' declaration for financial information

- The members of the Board of Directors declare that the financial information presented in this section is extracted without material adjustment from the audited financial statements for the years ended 31 December 2021G (which have been audited by Aldar Audit Bureau - Abdullah Al Basri and Co.) and 2022G (which have been audited by KPMG) and the accompanying notes, which were prepared by the Group in accordance with International Financial Reporting Standards (IFRS) as endorsed in KSA and the reviewed condensed consolidated interim financial statements for the six-month period ended 30 June 2023G (which have been reviewed by KPMG) and the accompanying notes, which were prepared by the Group in accordance with IAS 34 Interim Financial Reporting that is endorsed in the Kingdom of Saudi Arabia.
- The members of the Board of Directors declare that the Group has working capital sufficient for a period of at least 12 months from the date of this Prospectus.
- The members of the Board of Directors declare that there has been no restructuring in the Group in the three financial years directly preceding the date of the application for the registration and offer of securities subject to this Prospectus, in addition to the end of period covered in the Auditor's report until the date of this Prospectus, except what's has been disclosed in Section 6-9-2-3 ("**Equity**").
- The members of the Board of Directors declare that no material change has been made in the Group's accounting policies.
- The members of the Board of Directors declare that there have been no material adverse changes to the Group's financial or business position in the three financial years directly preceding the date of the application for the registration and offer of securities subject to this Prospectus, in addition to the end of period covered in the Auditors report until the date of issuing this Prospectus.
- The members of the Board of Directors declare that all material facts related to the Group and its financial performance have been disclosed in this Prospectus, and that there are no other information, documents, or facts, the omission of which would make any statement herein misleading.
- The members of the Board of Directors declare that there are no holdings, including holdings in contractually based securities or other assets whose value may be subject to fluctuations or be difficult to ascertain with certainty, significantly affecting the assessment of the financial position.
- The members of the Board of Directors declare that the external auditors' report on the consolidated financial statements of the issuer for any of the last three financial years immediately preceding the application for registration and offer of securities that are subject to this prospectus has not been qualified.
- The members of the Board of Directors declare that there is no intention to introduce any material changes to the nature of the Group's activity.
- The members of the Board of Directors confirm that operations have not discontinued in a way that could affect or has affected the Group's financial position materially during the past 12 months.
- The members of the Board of Directors declare that the Group has provided comprehensive details in this section of all fixed assets and investments, including contractual financial securities or other assets, which may be subject to fluctuations in value or may be difficult to estimate.
- The members of the Board of Directors confirm that the Group has not granted any commissions, discounts, brokerage fees or other non-cash compensation during the three years directly preceding the date the application for admission and offering of the securities subject to this Prospectus was submitted.
- The members of the Board of Directors confirm that the Group's capital is not under option right.
- The members of the Board of Directors confirm that the Group is not aware of any seasonal factors or economic cycles related to the business that may have an effect on the Group's businesses or its financial position, except what had been disclosed in Section 2 ("**Risk Factors**").
- The members of the Board of Directors declare that the properties of the Group are not subject to any mortgages, rights, or encumbrances as of the date of this Prospectus, except what has been disclosed in Section 6-9-2-4-1 ("**Long Term Loans**"), Section 6-9-3 ("**Capital commitments and contingencies**") and Section 2 ("**Risk Factors**") of this Prospectus.
- The members of the Board of Directors declare that they do not have any shareholding or interest of any kind in the Group, and nor do any relatives of theirs, except what's has been disclosed in Section 5-1-1 ("**Composition of the Board of Directors**").

- The members of the Board of Directors declare that the Group does not have any loans or any other liabilities either covered by personal guarantee or non-personal guarantee or covered by mortgage or not including overdraft from bank accounts, nor guaranteed liabilities, liabilities under acceptance, acceptance credits, or any hire purchase commitments as at 30 June 2023G, except what has been disclosed in Section 6-9-2-4-1 ("**Long Term Loans**"), Section 6-9-3 ("**Capital commitments and contingencies**") and Section 2 ("**Risk Factors**") of this Prospectus.
- The members of the Board of Directors declare that they do not have any shareholding or interest of any kind in the Group, and nor do any relatives of theirs, except what's has been disclosed in Section 5-1-1 ("**Composition of the Board of Directors**").
- The members of the Board of Directors declare that there are no mortgages, rights, burdens, or costs on the Group properties as of the date of this Prospectus, except for what has been disclosed in Section 6-9-2-4-1 ("**Long Term Loans**"), and Section 2 ("**Risk Factors**") of this Prospectus.
- The members of the Board of Directors acknowledge that the Group has not made any capital adjustments within the three years immediately preceding the date of this Prospectus, with the exception of (1) the reducing of the Company's capital on 21 July 2022G from SAR 899.7 million to SAR 81.8 million, through offsetting the merger deficit reserve of SAR 817.8 million against the capital that was approved by the members of the Extraordinary General Assembly on 20 October 2022G (For further information, please refer to Section 4-6 ("**Overview of the Group and its Capital Growth**") and Section 6-9-2-3-1 ("**Share Capital**") of this Prospectus.
- The members of the Board of Directors declare that the Group has no information about any governmental, macroeconomic, financial, monetary, or political policies or any other factors that have affected or could materially affect (directly or indirectly) the operations of the Company except as disclosed in Section 2 ("**Risk Factors**") of this Prospectus.
- The members of the Board of Directors declare that the Group does not have any significant assets under lease.
- The members of the Board of Directors declare that the Group has no contingent liabilities or guarantees, except for what has been disclosed in Section 6-9-3 ("**Capital commitments and contingencies**").

6.3 Key Factors Affecting the Group's Operations

Below is a discussion of the most important factors that have affected or are expected to affect the Group's business, its financial position, and the results of operations thereof. These factors are based upon the information currently available to the Group and may not represent all the factors that could affect the Group's business. For further information please refer to Section 2 ("**Risk Factors**") and section ("**Important Notice**") in page (i) of this Prospectus.

6.3.1 Government subsidies

The Group purchases its principal raw material, wheat, from its Key Supplier, the General Food Security Authority, which is the competent regulator in KSA that sells wheat to milling companies at a subsidized price. Under the terms of the Group's purchase arrangements with GFSA, the Group can buy the wheat at subsidized prices on better terms than would be available for wheat purchases on the open market.

The Group cannot predict whether any restrictions or reforms related to these subsidies would be introduced that will reduce the Group's margins or adversely affect its ability to introduce new products profitably. Changes in the market could also force the Group to alter its approach to selling, marketing, distributing, and servicing the Group's customer base. Any of the factors above would have a material adverse effect on the Group's business, results of operations, financial condition, and prospects.

For more details about the risks related to government subsidies, please refer to Section 2-1-1 ("**Risks related to Government Subsidies and the Company's Reliance on GFSA for the Supply of Wheat**") of this Prospectus.

6.3.2 The Group's Strategy

The Group's future performance and profitability depend on its ability to implement its strategy as highlighted in the Section 4-4 ("**Group Strategy**") of this Prospectus. However, there can be no assurance the Group will be successful in this regard. The successful implementation of the Group's plans will depend on several factors including, most importantly, the Group's ability to obtain the required approvals for its products and customers, or to meet the requirements to obtain such approvals from GFSA and the competition that the Group faces from incumbent and new players in its product segments among other factors.

As a result of the above factors, the Group's revenues may not grow at the same rate as in the past, or the Group may incur costs without benefiting from the expected revenues of expansion plans. Accordingly, the Group's results of operations may be negatively affected if any of these factors significantly delay, prevent, or hinder the Group from achieving its strategy.

For further information please refer to Section 2-1-18 ("**Risks Related to the Company's Strategy**") of this Prospectus.

6.3.3 Covid-19 pandemic and the threat of pandemics

The outbreak of an infectious disease, such as Middle East Respiratory Syndrome (MERS), H1N1, SARS and, most recently, the Covid-19 in the Middle East will have a materially negative impact on the Kingdom's economy and business operations of the Group.

Following the outbreak of Covid-19, the Saudi Government implemented a range of precautionary containment measures in response to the outbreak, including travel restrictions or mandatory quarantine measures on international travelers and on residents within cities, regions or provinces of certain countries; the temporary suspension of visas to foreign religious tourists intending to visit Makkah and Madinah for Hajj and Umrah; the temporary restriction on all Saudi residents Hajj and Umrah pilgrims from visiting Makkah and Madinah; and the temporary suspension of all flights (international and domestic) and inter-urban bus, taxi, and train service.

Although Covid-19 and the Saudi Government's response thereto did not affect the Group in any material adverse way, it is difficult to estimate the potential impact a further increase in the spread of Covid-19 or another infectious disease might have on the Kingdom's economy and the business operations of the Group and could make the Group vulnerable to risks of business interruption. Furthermore, there can be no assurance that any containment measures (such as those outlined above) would be effective in stopping or curtailing future outbreaks in the Kingdom. Moreover, it is likely that any containment measures will have a material and adverse effect on the Saudi economy and investor and business confidence to an extent difficult to predict. This would, in turn, materially and adversely affect the Group's business, results of operation, financial position, and prospects.

For further information please refer to Section 2-1-22 ("**Risks Relating to the Outbreak of Infectious Diseases or Other Serious Public Health Concerns, including the Continuing Global Spread of Covid-19**") of this Prospectus.

6.3.4 Risks Related to the Seasonality of Revenues

The revenues of the Group are subject to seasonal variations. In general, flour sales are highest in the period leading up to Ramadan, back-to-school, and Hajj seasons, and lowest in the period after Ramadan and the summer. The Group will not be able to anticipate such seasonal variations in sales, which may affect the consistency of the Group's revenues.

Moreover, the ingredients of feed products produced by the Group may also be affected by seasonal variations. For example, bad weather conditions (such as natural disasters, floods, torrential rains, droughts, etc.) may affect the production process and cost of such products. Accordingly, the Group may have difficulty planning its business, which in turn could limit the Group's ability to accurately forecast its future revenues or set an accurate budget for its operational costs, which would adversely and materially affect the Group's business, results of operations, financial condition, and prospects.

For further information please refer to Section 2-1-19 ("**Risks Related to the Seasonality of Revenues**") of this Prospectus.

6.4 Group information

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

The Company was formed by the Public Investment Fund (the "**PIF**") pursuant to the resolution of the Council of Ministers No. (35) of 9 November 2015G (corresponding to 27 Muharram 1437H) approving the adoption of the necessary actions to establish four Joint Stock Milling Companies according to the proposed geographical distribution. The Public Investment Fund, in coordination with the General Food Security Authority ("**GFSA**") previously known as Saudi Grains Organization (the "**SAGO**"), shall do so in accordance with Royal Decree No. (62) dated 31 July 2014G (corresponding to 4 Shawwal 1435H). The Company is selling various products of flour, feed and animal bran out of which the selling prices of only the flour products weighing 45 KGs and above are determined by the GFSA.

On 9 June 2020G (corresponding to 17 Shawwal 1441H), Cabinet Resolution No. (631) was issued to transfer the ownership of the company to the National Center for Privatization (the "**NCP**") and for the NCP to carry out the tasks assigned to the Public Investment Fund by Cabinet Resolution No. (118) and dated 30 October 2018G (corresponding to 21 Safar 1440H). The Company's shares were wholly sold to Mada Al Ghurair Limited Company on 31 December 2020G (corresponding to 16 Jumada Al Awal 1442H).

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

The Company has entered into a subsidized and unsubsidized wheat supply agreement with GFSA dated 15/04/1442H (corresponding to 30/11/2020G), as GFSA imports wheat to Saudi Arabia for the purpose of producing subsidized flour. This agreement was entered into force on 1 January 2017G (corresponding to 3 Rabi Al Thani 1438H). The agreement stipulates that the purchase price of the subsidized wheat is calculated according to the monetary value per metric ton of subsidized wheat specified by the Government of the Kingdom of Saudi Arabia at SAR 180 per metric ton since 2017G. The Company also has an option to import the wheat directly or to source it from the open market, after obtaining GFSA's approval.

On 30 November 2020G (corresponding to 15 Rabi Al Thani 1442H) the wheat purchase agreement was extended, and it will be in force until the date of expiry of the Company's milling operating license, subject to an automatic extension of the contract term to match the term of the Company's license. This license shall remain valid for a period of twenty-five (25) Gregorian years, counted from the date of completion of the transfer of ownership of all shares of the licensee to the private sector that was completed on 31 December 2020G (corresponding to 16 Jumada Al Awal 1442H).

The registered address of the Company is as follows:

Alkhalidiah

Mohammed Altaib Altunisi Street,

Jeddah 2780 - 6228

Kingdom of Saudi Arabia

On 27 April 2022G, the Board of Directors of the Company approved and formed an IPO committee to define the consultant's scope of work and recommend timelines/actions required to go for listing.

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

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The Company is the ultimate controlling party of the Group. As at 30 June 2023G, the Company has investment in the following subsidiary:

Subsidiary name	Country of incorporation	Principal business activity	Effective ownership interest (%) 31 December 2021G	Effective ownership interest (%) 31 December 2022G	Effective ownership interest (%) 30 June 2023G
Operating subsidiary					
Hassad Al-Arabia	Saudi Arabia	Distribution	-	100%	100%

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

Branch Name	Date	Commercial Registration
Khamis Mushait	28 March 2017G (corresponding to 29 Jumada Al Thani 1438H)	5855070707
Al Jumum	28 March 2017G (corresponding to 29 Jumada Al Thani 1438H)	4622099376
Al Jawf	28 March 2017G (corresponding to 29 Jumada Al Thani 1438H)	3400020077

6.5 Basis of Preparation

6.5.1 Statement of compliance

The financial statements for the financial years ended 31 December 2020G and 2021G and the consolidated financial statements for the financial year ended 31 December 2022G have been prepared in accordance with the International Financial Reporting Standards ("**IFRS**") and other standards and pronouncements that are endorsed in the Kingdom of Saudi Arabia issued by the Saudi Organization for Chartered and professional Accountants ("**SOCPA**") collectively referred to as "**IFRS**" as endorsed in Kingdom of Saudi Arabia.

The condensed consolidated interim financial statements do not include all the information and disclosures required to prepare a complete set of annual consolidated financial statements in accordance with the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia. However, selected accounting policies and explanatory notes have been included to explain the events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements. In addition, the results for the six-month period ended 30 June 2023G are not necessarily indicative of the results that may be expected for the year ending 31 December 2023G.

The condensed consolidated interim financial statements for the six-month periods ended 30 June 2022G and 2023G are prepared by the management for internal reporting and external reporting to be used as the latest financial information for filing an application to the Capital Market Authority requesting approval for an Initial Public Offering and for consultants for their respective review.

6.5.2 Basis of measurement

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

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

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

6.5.3 Basis of consolidation

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

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

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

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

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

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

6.5.4 Functional and presentation currency

The consolidated financial statements are presented in Saudi Arabian Riyals (SAR) which is the functional and presentation currency of the Group. All amounts have been rounded to the nearest SAR in 000s, unless otherwise stated.

6.6 Significant accounting judgments, estimates and assumptions

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

Estimates and assumptions

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

6.6.1 Useful lives of property, plant and equipment and intangible assets

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

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

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

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

6.6.3 Leases - Estimating the incremental borrowing rate

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

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6.6.4 Provision for slow moving and obsolete inventory items

The management makes a provision for slow moving and obsolete inventory items. In order to identify the slow moving and obsolete inventory items, the Group performs a review exercise at each reporting date. The Group is considering all inventory which are more than a year old without moving as slow-moving inventory. Inventory identified as slow moving and obsolete is provided for as and when identified and disposed of in accordance with Group's policy for disposal of obsolete inventories. All write-offs are approved by the Board of Directors. In addition to that, the Group has a policy of maintaining 25% as provision for the value of their spare parts. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the financial position date to the extent that such events confirm conditions existing at the end of year.

6.6.5 Allowance for expected credit losses

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

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

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

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

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

6.6.6 Defined benefit plans

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

6.6.7 Impairment of non-financial assets

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

6.6.8 Going concern

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

6.7 Significant Accounting Policies

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

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022G, except for the adoption of new standards, interpretations and amendments effective as at 1 January 2023G. The Group has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective.

6.7.1 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when it is:

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

The Group classifies all other liabilities as non-current.

6.7.2 Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

6.7.3 Property, plant and equipment

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

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

Assets Categories	Useful lives
Buildings	Shorter of the useful life and lease term
Plant and equipment	10-25 years
Motor vehicles	5 years
Furniture and fittings	6.67- 10 years
Strategic spare parts	15 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 recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

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.

6.7.4 Leases

6.7.4.1 Right-of-use assets

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

6.7.4.2 Lease liabilities

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

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

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

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

6.7.5 Intangible assets

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

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

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization 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 amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, 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 derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income.

Computer software

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

6.7.6 Financial instruments

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

6.7.6.1 Financial assets

6.7.6.1.1 Classification, initial recognition, and measurement

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

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

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

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

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

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

a- Financial assets at amortized cost

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

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

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

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

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

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

c- Financial assets at fair value through profit or loss

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

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

6.7.6.1.4 Financial assets: Business model assessment

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

6.7.6.1.5 Subsequent measurement and gains and losses

a- Financial assets at amortized cost

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and are subject to an insignificant risk of changes in value.

Trade receivable and other current financial assets

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

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

Debt investments at FVOCI

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

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

Equity investments at FVOCI

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

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

c- Financial assets at fair value through profit or loss

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

Derecognition

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

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

  1- the Group has transferred substantially all the risks and rewards of the asset; or

  2- the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

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

6.7.6.2 Financial liabilities

6.7.6.2.1 Initial recognition, and measurement

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

The Group's financial liabilities include trade payables, other payables, loans, lease liabilities and due to related parties. At 31 December 2022G and 30 June 2023G, all the Group's financial liabilities are classified at amortised cost.

6.7.6.2.2 Subsequent measurement

a- Financial liabilities at fair value through profit or loss

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

b- Financial liabilities at amortized cost

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

Loans

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

6.7.6.2.3 Derecognition

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

6.7.6.2.4 Offsetting of financial instruments

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

6.7.7 Inventories

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

Cost is measured as follows:

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

The following table presents the aging of inventories (spare parts and raw material) as at 30 June 2023G:

SAR in 000s	0 to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 6 years	6 to 7 years	Total
Gross inventories - spare parts	13,437	6,931	4,515	6,177	4,203	2,929	21,210	59,402
Gross inventories - raw material	22,272	3,967	740	-	-	-	-	26,979
Total	**35,710**	**10,898**	**5,255**	**6,177**	**4,203**	**2,929**	**21,210**	**86,381**

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

6.7.8 Cash and cash equivalents

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

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

6.7.9 Employees' defined benefit obligations

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

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

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

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

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

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

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

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

6.7.10 Impairment of non-financial assets

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

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

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation decrease.

6.7.11 Revenue from contracts with customers

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

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

The following five steps are followed:

- Step 1 - Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2 - Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3 - Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. When determining the transaction price, the Group considers the impact of factors such as variable consideration, existence of significant financing component, non-cash consideration and consideration payable to the customer.

- Step 4 - Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5 - Recognize revenue when (or as) the Group satisfies a performance obligation.

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

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

6.7.11.1 Variable consideration

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

Rights of return

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

6.7.11.2 Significant financing component

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

6.7.12 Provisions General

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

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

6.7.13 Zakat and taxes

6.7.13.1 Zakat

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

6.7.13.2 Withholding tax

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

6.7.13.3 Value added tax "VAT"

Expenses and assets are recognized 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 recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of value added tax included.

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

6.7.14 Statutory reserve

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

6.7.15 Foreign currencies

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

Transactions and balances

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of nonmonetary 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 recognized in OCI or profit or loss are also recognized 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 Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

6.7.16 Operating profit

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

6.7.17 Selling, distribution, general and administrative expenses

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

6.7.18 Finance costs

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

6.8 New standards, interpretation, and amendments

6.8.1 New standards, interpretations and amendments adopted

Several amendments and interpretations apply for the first time in 2022G, which are effective for annual periods beginning on or after 1 January 2022G which do not have a material effect on the financial statements. This table lists the recent changes to the Standards that are required to be applied for an annual period beginning after 1 January 2023G and that are available for early adoption in annual periods beginning on 1 January 2023G.

Standards, amendments, interpretations	Description	Effective from periods beginning on or after the following date
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	1 January 2023G
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	1 January 2023G
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	1 January 2023G

6.8.2 Standards, interpretations and amendments issued but not yet effective

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the condensed consolidated interim financial statements as at 30 June 2023G are disclosed below. The Group intends to adopt these standards, where applicable, when they become effective.

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

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

6.9 Results of operations

6.9.1 Statement of profit and loss and other comprehensive income

Table (6.1): Statement of profit and loss and other comprehensive income for the financial years ended 31 December 2020G, 2021G and 2022G and the six-month periods ended 30 June 2022G and 2023G

SAR in 000s	2020G (Audited)	2021G (Audited)	2022G (Audited)	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G -2022G	Six-month period ended 30 June 2022G (Reviewed)	Six-month period ended 30 June 2023G (Reviewed)	Variance 30 June 2022G - 30 June 2023G
Revenue	435,280	555,012	978,001	27.5%	76.2%	49.9%	461,633	451,979	(2.1%)
Cost of revenue	(297,393)	(392,552)	(611,994)	32.0%	55.9%	43.5%	(299,523)	(279,723)	(6.6%)
Gross profit	137,887	162,459	366,007	17.8%	125.3%	62.9%	162,110	172,256	6.3%
Selling and distribution expenses	(5,169)	(10,922)	(27,868)	111.3%	155.2%	132.2%	(4,409)	(18,744)	325.1%
General and administrative expenses	(62,197)	(63,037)	(68,626)	1.4%	8.9%	5.0%	(33,874)	(23,430)	(30.8%)
Expected credit loss on trade receivables	-	-	(103)	na	na	na	(10)	-	(100.0%)
Other income (operating)*	2,923	106	697	(96.4%)	557.5%	(51.2%)	42	-	(100.0%)
Operating Profit	**73,443**	**88,606**	**270,107**	**20.6%**	**204.8%**	**91.8%**	**123,858**	**130,081**	**5.0%**
Finance Costs	(9,402)	(6,920)	(35,815)	(26.4%)	417.6%	95.2%	(14,387)	(23,636)	64.3%
Finance income*	892	205	1,344	(77.0%)	555.6%	22.7%	253	1,403	454.5%
Profit before Zakat	64,934	81,891	235,636	26.1%	187.7%	90.5%	109,724	107,848	(1.7%)
Zakat expense	-	(2,378)	(2,627)	na	10.5%	0.0%	(1,386)	(2,612)	88.5%
Profit for the year	**64,934**	**79,513**	**233,009**	**22.5%**	**193.0%**	**89.4%**	**108,338**	**105,236**	**(2.9%)**
Remeasurements of defined benefit liability	-	-	44	na	na	na	-	-	na
Total comprehensive income for the year	**64,934**	**79,513**	**233,053**	**22.5%**	**193.1%**	**89.4%**	**108,338**	**105,236**	**(2.9%)**
As a % of revenue					**Ppt.**		**As a % of revenue**		**Ppt.**
Gross profit margin	31.7%	29.3%	37.4%	(2.4)	8.1	5.7	35.1%	38.1%	3.0

SAR in 000s	2020G (Audited)	2021G (Audited)	2022G (Audited)	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G -2022G	Six-month period ended 30 June 2022G (Reviewed)	Six-month period ended 30 June 2023G (Reviewed)	Variance 30 June 2022G - 30 June 2023G
Operating profit margin	16.9%	16.0%	27.6%	(0.9)	11.6	10.7	26.8%	28.8%	2.0
Margin of net income before zakat	14.9%	14.8%	24.1%	(0.1)	9.3	9.2	23.8%	23.9%	0.1
Net income margin	14.9%	14.3%	23.8%	(0.6)	9.5	8.9	23.5%	23.3%	(0.2)

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

*Other income was reclassified in 2020G and the six-month period ended 30 June 2022G, according to the type of income, between financing income and other operating income, to be consistent with the classification approved in the consolidated audited financial statements for the financial year ended 31 December 2022G.

Revenue

Revenue was generated from the Group's milling business operating in 3 production locations, Khamis Mushait, Al Jumum, and Al Jawf, which produced flour, feed, and animal bran products. During the six-months period ended 30 June 2023G, the Group recorded revenue from its fully owned operating subsidiary, Hassad Al-Arabia ("**Hassad**"), established in August 2022G which serves as the distribution arm of MMC.

Flour revenue included four types of flour products: bakery 80%, superior 70%, and wholewheat 95%, in addition to other flour products, whereby the revenue of each type represented 79.3%, 15.4%, 6.4%, and 0.3%, respectively, of the total flour revenue for 2022G, and 74.3%, 19.4%, 6.0%, and 0.2%, respectively, for the six-month period ended 30 June 2023G.

Feed sales included two types of feed products: poultry and feed, with revenue of each type representing, respectively, about 61.1% and 38.9% of the total feed sales for 2022G, and 65.8% and 34.2%, respectively, in the six-month period ended 30 June 2023G.

The Group also sells packed and bulk animal bran, and the percentage of revenue for each type reached 65.7% and 34.3% respectively, of the total revenue of animal bran for 2022G, and 83.9% and 16.1%, respectively, for the six-month period ended 30 June 2023G.

Revenue increased by 27.5% from SAR 435.3 million in 2020G to SAR 555.0 million in 2021G, mainly on the back of the growth in feed revenue by SAR 106.6 million, which was driven by both higher demand (+52.4 thousand tons) and an increase in average revenue per ton (+SAR 387 per ton), largely attributable to the strategic initiatives which included the improvement of feed recipes and a change in the feed pricing strategy. To a lesser extent, the increase in revenue also came from animal bran due to a price increase following the increase in barley prices (gross average revenue per ton increased by +SAR 126 per ton).

Revenue increased further by 76.2% from SAR555.0m in 2021G to SAR 978.0 million in 2022G due to:

- The full-year effect of the transformation strategies that were adopted by the Group and which included:

  1- Hiring of new management starting the third quarter of the financial year 2021G and throughout the financial year 2022G;

  2- Returning the seconded employees from GFSA;

  3- Establishing Hassad Al-Arabia; and

  4- Rebranding the Company's products and launching marketing promotional campaigns in the financial years 2021G and 2022G.

This was coupled with:

- The drop in rainfall during the period which resulted in a shortage of natural pasture for animals, prompting farmers to procure supplemental feed to meet the animals' nutritional needs.

This was evident across the three different products where total revenue increased by SAR 423.0 million, including feed (+SAR 201.5 million), flour (+SAR 122.9 million) and bran (+SAR 98.6 million).

Revenue dropped by 2.1% from SAR 461.6 million in the six-month period ended 30 June 2022G to SAR452.0 million in the six-month period ended 30 June 2023G, mainly from the drop in animal bran by SAR 24.5 million due to the high rainfall in 2023G and the expansion of green spaces where cattle can graze. This has negatively affected the demand for bran used in feed production and was coupled with additional discounts granted on animal bran products.

Cost of revenue

Cost of revenue consisted of cost of raw material consumed, salaries and other benefits, depreciation of property, plant and equipment, utilities, maintenance expenses, an allowance for slow-moving inventory for spare parts and raw materials, insurance, and finished goods.

Cost of revenue increased by 32.0% from SAR 297.4 million in 2020G to SAR 392.6 million in 2021G in line with the increase in production level from 813.7 thousand tons to 862.4 thousand tons which resulted in a corresponding increase in the cost of raw material consumed by SAR 87.2 million over the same period.

Cost of revenue further increased by 55.9% from SAR 392.6 million in 2021G to SAR 612.0 million in 2022G, mainly attributed to (i) higher raw material consumption (+SAR 182.3 million) as a result of the increase in production, which led to a substantial rise in wheat and feed mill utilization from 66.0% to 99.7% and from 45.8% to 66.4%, respectively, in line with the growth in revenue, coupled with (ii) the increase in maintenance expenses by SAR 11.2 million, and (iii) the increase in utilities by SAR 8.5 million during this period.

Cost of revenue subsequently dropped by 6.6% from SAR 299.5 million in the six-month period ended 30 June 2022G to SAR279.7 million in the six-month period ended 30 June 2023G, mainly on the back of lower cost of raw materials consumed (-SAR 10.0 million) in line with the slow-down in operations over the same period, which was evident as volumes sold dropped by 21.4 thousand tons, in addition to a decrease in salaries and other benefits by SAR 5.8 million and maintenance expenses by SAR 2.1 million during this period.

Gross profit margin

Gross profit increased by 17.8% from SAR 137.9 million in 2020G to SAR 162.5 million in 2021G, on the back of an increase in revenues by 27.5% from SAR 435.3 million to SAR 555.0 million, mainly as a result of the increase in feed revenues of SAR 106.6 million due to the higher quantities sold (by 52.4 thousand tons) and the increase in the rate of revenue per ton (by SAR 387). This was offset by an increase in the cost of revenue from SAR 297.4 million to SAR 392.6 million in line with the increase in production.

Gross profit further increased by 125.3% from SAR 162.5 million in 2021G to SAR 366.0 million in 2022G, on the back of the significant increase in revenue of SAR 423.0 million, which reflects the full impact of the strategies that were adopted by the Group, as this was evident through the increase in sales of the three different products, in addition to a higher fixed cost absorption in line with the increase in the utilization from 61.3% to 91.9%.

Gross profit increased by 6.3% from SAR 162.1 million in the six-month period ended 30 June 2022G to SAR 172.3 million in the six-month period ended 30 June 2023G as a result of a decrease in the cost of revenue by SAR 19.8 million on the back of a decrease in the cost of raw materials by SAR 10.0 million and salaries and other benefits by SAR 5.8 million. This was offset by a decrease in revenue by SAR 9.7 million.

Selling and administrative expenses

Selling and administrative expenses comprised salaries and other benefits, freight and shipment, marketing and promotion, and maintenance amongst others.

Selling and distribution expenses increased by 111.3% from SAR 5.2 million in 2020G to SAR 10.9 million in 2021G due to higher freight and shipment expenses (+SAR 4.2 million) primarily driven by the increased demand on feed from Khamis Mushait, which necessitated the transportation of animal bran from other branches to meet the growing feed demand.

Selling and distribution expenses further increased by 155.2% from SAR 10.9 million in 2021G to SAR27.9 million in 2022G, mainly driven by the introduction of a marketing and promotion campaign to promote flour products (+SAR 8.1 million) as part of the transformation strategy, coupled with an increase in salaries and other benefits (+SAR 8.0 million) and maintenance (+SAR 1.8 million).

Selling and distribution expenses increased by 325.1% from SAR 4.4 million in the six-month period ended 30 June 2022G to SAR 18.7 million in the six-month period ended 30 June 2023G mainly driven by an increase in (i) salaries and other benefits (+SAR 5.7 million) coupled with (ii) marketing and promotion (+SAR 3.6 million) as marketing initiatives were launched, and (iii) other expenses (+SAR 3.4 million).

General and administrative expenses

General and administrative expenses consisted of salaries and other benefits, depreciation on property, plant and equipment, right-of-use assets and intangible assets, and professional and consulting fees, amongst others.

General and administrative expenses remained relatively stable during 2020G and 2021G amounting to SAR 62.2 million and SAR 63.0 million, respectively, as the increase in subscription expenses of SAR 1.3 million and maintenance expenses of SAR 0.3 million was offset by a decrease in insurance expenses (by SAR 0.8 million), board and committees' expenses and allowances (by SAR 0.6 million), salaries and other benefits (by SAR 0.4 million), and professional and consulting fees expenses (by SAR 0.3 million).

General and administrative expenses increased by 8.9% from SAR 63.0 million in 2021G to SAR 68.6m in 2022G largely attributed to recording a provision of SAR 6.8 million against a claim raised by GFSA, coupled with higher salaries and other benefits (+SAR 5.4 million), partially offset by a drop in professional and consulting fees (-SAR 5.3 million) and depreciation on property and equipment (-SAR 2.4 million).

General and administrative expenses dropped by 30.8% from SAR 33.9 million in the six-month period ended 30 June 2022G to SAR 23.4 million in the six-month period ended 30 June 2023G, largely impacted by a significant drop in salaries and other benefits by SAR 8.9 million, coupled with the decrease in professional and consulting fees by SAR 4.8 million, and subscription fees by SAR 0.7 million.

Expected credit loss on trade receivable ("ECL")

The allowance for expected credit loss on trade receivables amounted to SAR 103 thousand in 2022G and SAR 10 thousand during the six-month period ended 30 June 2022G, with the introduction of credit sales during this year.

Other income (operating)

Other income mainly included gain on disposal of property plant and equipment, and liabilities written back amongst others.

Other operating income amounted to SAR 2.9 million in 2020G and related to income through re-recorded liabilities amounting to SAR 1.0 million, relating to BoD fees that were not paid out, in addition to other revenues related to spare parts granted to the Group from the GFSA and penalties imposed on customers. Other income decreased to SAR 106 thousand in 2021G.

Other operating income increased to SAR 0.7 million in 2022G on the back of the Group's sale of equipment in the Khamis Mushait branch.

Other operating income amounted to SAR 42 thousand in the six-month period ended 30 June 2022G, and nil in the six-month period ended 30 June 2023G.

Finance costs

Finance costs related to finance costs on senior Murabaha facilities, finance costs on lease liabilities, and amortization of the loan transaction cost.

Finance costs decreased by 26.4% from SAR 9.4 million in 2020G to SAR 6.9 million in 2021G due to a modification of the lease terms, which were extended by an additional 4 years in November 2020G and resulted in lower finance costs on leases in 2021G.

Finance costs increased by 417.6% from SAR 6.9 million in 2021G to SAR 35.8 million in 2022G which was attributable to the long-term loan being transferred from the former ultimate parent company (Mada Al Ghurair Limited) following the merger on 27 December 2021G, which resulted in an increase from SAR 175 thousand in 2021G to SAR 28.6 million in 2022G due to the full-year impact of recognizing finance cost on loans (12 months in 2022G vs. 4 days in 2021G). It should be noted that the balance of finance cost on long term loans for the year ended 31 December 2021G was restated from SAR 16.8 million, as disclosed in the audited financial statements for the financial year ended 31 December 2021G, to SAR 175 thousand, as disclosed in the consolidated audited financial statements for the financial year ended 31 December 2022G. This restatement was attributed to the merger of the ultimate Parent Company and the Company on 27 December 2021G, whereby the results of operations of the ultimate Parent Company were recognized in the statement of profit or loss of the Company during the period extending from 1 January 2021G to 27 December 2021G instead of accounting from the date of merger transaction. This resulted in an overstatement of finance cost and did not conform with the requirements of applicable financial reporting framework. For more information on the adjustment, please refer to Section 6-10 ("**Correction of Errors**").

Finance costs increased by 64.3% from SAR 14.4 million in the six-month period ended 30 June 2022G to SAR 23.6 million in the six-month period ended 30 June 2023G due to a surge in SAIBOR rates from an average of 1.6% to 5.5% over the same period, resulting in higher finance costs on long-term loans (+SAR 9.3 million).

Finance income

Finance income represented interest income on short-term deposits with a maturity period of up to 30 days and an interest rate of around 2% per annum. Finance income amounted to SAR 0.9 million in 2020G and SAR 0.2 million in 2021G due to lower deposits made during the period as dividends were paid out. The subsequent increase to SAR 1.3 million in 2022G was mainly due to higher deposits made during the period coupled with higher interest rates in line with the increase in SAIBOR.

Finance income increased from SAR 0.3 million in the six-month period ended 30 June 2022G to SAR 1.4 million in the six-month period ended 30 June 2023G due to the higher deposits and interest rates during the period.

Zakat

During 2020G, the Parent Company was exempted from taxes given that its share capital was derived from public funds. Zakat amounted to SAR 2.4 million in 2021G and SAR 2.6 million in 2022G. The Group got exemption from Zakat, Tax and Customs Authority (ZATCA) from submitting the zakat return for the year ended 31 December 2020G. The parent company has filed for zakat in 2022G and obtained an unrestricted zakat certificate valid up to 30 April 2024G.

Zakat increased by 88.5% from SAR 1.4 million in the six-month period ended 30 June 2022G to SAR 2.6 million in the six-month period ended 30 June 2023G.

Profit for the year

Profit for the year increased by 22.5% from SAR 64.9 million in 2020G to SAR 79.5 million in 2021G, mainly as a result of the increase in revenues by SAR 119.7 million during the period, offset by an increase in various expenses including cost of revenues (+SAR 95.2 million during the period) and selling and distribution expenses (+SAR 5.8 million). The net income margin stabilized during this period, as the Group recorded margins of 14.9% and 14.3% during 2020G and 2021G, respectively.

Profit for the year further increased by 193.0% from SAR 79.5 million in 2021G to SAR 233.0 million in 2022G, mainly as a result of the improvement in the Group's operations, as the total profit increased by 125.3% from SAR 162.5 million to SAR 366.0 million during this period. This was offset by higher selling and distribution expenses (+ SAR 16.9 million) and finance costs (+SAR 28.9 million). The net income margin increased during this period from 14.3% to 23.8%, respectively.

Profit for the year decreased by 2.9% from SAR 108.3 million in the six-month period ended 30 June 2022G to SAR 105.2 million in the six-month period ended 30 June 2023G, in line with the decrease in sales volume during the period, as the total profit decreased by SAR 10.1 million, in addition to the increase in finance costs from SAR 14.4 million to SAR 23.6 million during the period. The net income margin stabilized during this period, as the Group recorded margins of 23.5% and 23.3%, respectively.

6.9.1.1 Revenue

Table (6.2): Revenue by type for the financial years ended 31 December 2020G, 2021G and 2022G and the six-month periods ended 30 June 2022G and 2023G

SAR in 000s	2020G (Audited)	2021G (Audited)	2022G (Audited)	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G	Six-month period ended 30 June 2022G (Management information	Six-month period ended 30 June 2023G (Management information)	Variance 30 June 2022G - 30 June 2023G
Sales of Goods	435,280	555,012	978,001	27.5%	76.2%	49.9%	461,633	448,649	(2.8%)
Hassad	-	-	-	na	na	na	-	3,331	na
Total	**435,280**	**555,012**	**978,001**	**27.5%**	**76.2%**	**49.9%**	**461,633**	**451,979**	**(2.1%)**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

6.9.1.1.1 Revenue by product

Table (6.3): Revenue by product for the financial years ended 31 December 2020G, 2021G and 2022G and the six-month periods ended 30 June 2022G and 2023G

SAR in 000s	2020G (Management information)	2021G (Management information)	2022G (Management information)	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G	Six-month period ended 30 June 2022G (Management information)	Six-month period ended 30 June 2023G (Management information)	Variance 30 June 2022G - 30 June 2023G
Net revenue									
Flour from mills	281,012	279,156	402,046	(0.7%)	44.0%	19.6%	186.970	202.414	8.3%
Flour from Hassad	-	-	-	na	na	na	-	3.331	na
Flour	281,012	279,156	402,046	(0.7%)	44.0%	19.6%	186.970	205,745	10.1%
Feed	91,767	198,356	399,902	116.2%	101.6%	108.8%	191,387	187,338	(2.1%)

SAR in 000s	2020G (Management information)	2021G (Management information)	2022G (Management information)	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G	Six-month period ended 30 June 2022G (Management information)	Six-month period ended 30 June 2023G (Management information)	Variance 30 June 2022G - 30 June 2023G
Animal Bran	62,501	77,500	176,054	24.0%	127.2%	67.8%	83,377	58,897	(29.4%)
Net revenue	435,280	555,012	978,001	27.5%	76.2%	49.9%	461,633	451,979	(2.1%)
Discounts as a % of gross revenue	0.0%	1.1%	2.1%	1.1	0.9	2.1	4.4%	5.1%	0.7
Volumes sold (in tons)									
Flour	530,839	547,475	802,945	3.1%	46.7%	23.0%	386,387	395,989	2.5%
Feed	109,096	161,457	246,001	48.0%	52.4%	50.2%	124,108	114,268	(7.9%)
Animal Bran	107,290	109,400	177,799	2.0%	62.5%	28.7%	88,414	70,954	(19.7%)
Total volumes sold	**747,226**	**818,331**	**1,226,746**	**9.5%**	**49.9%**	**28.1%**	**598,909**	**581,210**	**(4.2%)**
Gross average revenue per ton (“GARPT”) (in SAR)									
Flour	529	510	501	(3.6%)	(1.8%)	(2.7%)	484	520	7.4%
Feed	841	1,229	1,626	46.1%	32.3%	39.0%	1,542	1,639	6.3%
Bran	583	708	990	21.4%	39.8%	30.3%	943	830	(12.0%)
Total	**583**	**678**	**797**	**16.3%**	**17.6%**	**16.9%**	**771**	**783**	**1.6%**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

The Group typically sells goods based on the receipt of purchase orders from the customers, against advance receipts. Revenue is then recognized at a point in time when control of the goods is transferred from the warehouses to the customers. Revenue increased by 27.5% from SAR 435.3 million in 2020G to SAR 555.0 million in 2021G. Revenue further increased by 76.2% from SAR 555.0 million in 2021G to SAR 978.0 million in 2022G. Revenue decreased by 2.1% from SAR 461.6 million in the six-month period ended 30 June 2022G to SAR 452.0 million in the six-month period ended 30 June 2023G.

Flour

Flour revenue remained stable, amounting to SAR 281.0 million in 2020G and SAR 279.2 million in 2021G on the back of the slight decrease in GARPT from SAR 529 to SAR 510 due to discounts provided during the period. This was partially offset by the increase in volumes from 530.8 thousand tons to 547.5 thousand tons following transformation strategies which were aimed at expanding the Group’s presence and operations in the targeted sales areas in the third quarter of 2021G.

Flour revenue increased by 44.0% from SAR 279.2 million in 2021G to SAR 402.0 million in 2022G, mainly driven the increase in volumes sold from 547.5 thousand tons to 802.9 thousand tons across the different branches attributable to enhancing market share in the Group’s sales areas in addition to the resumption of hajj and umrah starting the third quarter of 2021G and the back-t-school period. This was partially offset by the decrease in GARPT from SAR 510 to SAR 501 as a result of the higher discounts by 221.7% during the period.

Flour revenue increased by 10.1% from SAR 186.9 million in the six-month period ended 30 June 2022G to SAR 205.7 million in the six-month period ended 30 June 2023G, mainly driven a higher GARPT following lower discounts by 72.3% while volumes sold slightly increased from 386.4 thousand tons in the six-month period ended 30 June 2022G to 396.0 thousand tons in the six-month period ended 30 June 2023G.

Feed

Feed revenue increased by 116.2% from SAR 91.8 million in 2020G to SAR 198.4 million in 2021G, mainly driven by the increase in volumes sold by 52.4 thousand tons from an improvement in market share for poultry following the adoption of a new strategy focusing on improved recipes to attract more customers, in addition to the increase in GARPT by SAR 387 per ton on the back of the change in feed pricing strategy.

The further increase in feed revenue by 101.6% to SAR 399.9 million in 2022G was largely attributable to higher volumes sold (+84.5 thousand tons) aligned with the Group's continuous efforts to expand market share. Volumes grew by 84.5 thousand tons following the Group's focus on selling directly to wholesalers of feed, and average revenue per ton increased from SAR 1.2 thousand per ton to SAR 1.6 thousand per ton influenced by the Ukraine war and global inflation in commodity prices.

Feed revenue slightly dropped by 2.1% from SAR 191.4 million in the six-month period ended 30 June 2022G to SAR 187.3 million in the six-month period ended 30 June 2023G, mainly impacted by the decrease in volumes sold by 9.8 thousand tons, resulting from excessive rainfall in 2023G and the expansion of green spaces where cattle can graze, partially offset a higher GARPT which increased from SAR 1.5 thousand per ton to SAR 1.6 thousand per ton.

Animal Bran

The increase in animal bran revenue by 24.0% from SAR62.5 million in 2020G to SAR 77.5 million in 2021G was driven by the increase in GARPT from SAR 583 to SAR 708 following the increase in barley prices (a substitute of animal bran in feed production) starting April 2021G which led to the revision of selling prices in alignment of the market prices.

Animal bran revenue further increased by 127.2% from SAR 77.5 million in 2021G to SAR 176.1 million in 2022G, mainly driven by higher demand during the period which increased volumes from 109.4 thousand tons to 177.8 thousand tons mainly due to the lack of rainfall which resulted in a shortage of natural pasture for animal and the need to procure more bran for feed production to meet the animals' nutritional requirements. This was coupled with the increase in GARPT from SAR 708 per ton to SAR 990 per ton due to the price alignment with the market whereby prices were increased as of September 2021G.

Animal bran revenue decreased by 29.4% from SAR83.4 million in in the six-month period ended 30 June 2022G to SAR 58.9 million in the six-month period ended 30 June 2023G mainly driven by lower demand which was translated to a drop in volumes sold from 88.4 thousand tons to 71.0 thousand tons due to higher rainfall in 2023G, and higher discounts in the six-month period ended 30 June 2023G. This resulted in a decrease in the GARPT from SAR 943 to SAR 830.

6.9.1.1.2 Revenue by branch

Table (6.4): Revenue by branch for the financial years ended 31 December 2020G, 2021G and 2022G and the six-month periods ended 30 June 2022G and 2023G

SAR in 000s	2020G (Management information)	2021G (Management information)	2022G (Management information)	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G	Six-month period ended 30 June 2022G (Management information)	Six-month period ended 30 June 2023G (Management information)	Variance 30 June 2022G - 30 June 2023G
Khamis Mushait	222,776	319,781	585,125	43.5%	83.0%	62.1%	277,607	276,683	(0.3%)
Al Jumum	162,249	185,526	275,555	14.3%	48.5%	30.3%	133,062	127,560	(4.1%)

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SAR in 000s	2020G (Management information)	2021G (Management information)	2022G (Management information)	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G	Six-month period ended 30 June 2022G (Management information)	Six-month period ended 30 June 2023G (Management information)	Variance 30 June 2022G - 30 June 2023G
Al Jawf	50,255	49,705	117,320	(1.1%)	136.0%	52.8%	50,964	44,405	(12.9%)
Hassad Al-Arabia Company	-	-	-	na	na	na	-	3,331	na
Total revenue	435,280	555,012	978,001	27.5%	76.2%	49.9%	461,633	451,979	(2.1%)
As of % of revenue					**Ppt.**		**As of % of revenue**		**Ppt.**
Khamis Mushait	51.2%	57.6%	59.8%	6.4	2.2	8.6	60.1%	61.2%	1.1
Al Jumum	37.3%	33.4%	28.2%	(3.9)	(5.3)	(9.1)	28.8%	28.2%	(0.6)
Al Jawf	11.5%	9.0%	12.0%	(2.5)	3.0	0.5	11.0%	9.8%	(1.2)
Hassad Al-Arabia Company	0.0%	0.0%	0.0%	na	na	na	0.0%	0.7%	0.7

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

The Group is engaged in the sale of its products through 3 branches: Khamis Mushait, Al Jumum and Al Jawf.

Khamis Mushait

Revenue from Khamis Mushait increased from SAR 222.8 million in 2020G to SAR 319.8 million in 2021G on the back of higher feed revenue (+SAR 106.6 million) following the increase in gross average revenue per ton from SAR 841 per ton to SAR 1.2 thousand per ton coupled with the increase in volumes sold by 52.4 thousand tons stemming from the Group's efforts to increase market share. This was slightly offset by a drop in animal bran (-SAR 4.7 million) and flour (-SAR 3.0 million).

Subsequently in 2022G, revenue in Khamis Mushait further increased by 83.0% to SAR 585.1 million largely due to the increase in (i) flour revenue by SAR 51.8 million due to higher sales of 45KG package size (ii) feed revenue (+SAR 201.5 million) which was price driven as GARPT increased from SAR 1.2 thousand to SAR 1.6 thousand influenced by the Ukraine war and global inflation in commodity prices, and demand driven whereby volumes sold increased by 84.5 thousand tons.

Over the six-month periods ended 30 June 2022G and 2023G, revenue from Khamis Mushait remained relatively stable amounting to SAR 277.6 million and SAR 276.7 million respectively.

Al Jumum

Revenue from Al Jumum increased by 14.3% from SAR 162.2 million in 2020G to SAR 185.5 million in 2021G mainly driven by the increase in (i) animal bran revenue (+SAR 17.3 million) driven by a higher GARPT from SAR 574 per ton to SAR 703 per ton following the increase in barley prices, coupled with an increase in volumes sold by 11.3 thousand tons to accommodate for the higher demand for feed mills in the region, and (ii) flour revenue (+SAR 9.7 million).

Al Jumum revenue further increased in 2022G by 48.5% to SAR 275.6 million, in line with the growth in (i) animal bran revenue (+SAR 48.5 million) and (ii) flour revenue (+SAR 46.4 million), which led to the increase in the utilization of Al Jumum branch from 87.5% to 112.2% during the period.

Revenue from Al Jumum dropped by 4.1% from SAR 133.1 million in the six-month period ended 30 June 2022G to SAR 127.6 million in the six-month period ended 30 June 2023G, mainly on the back of the drop in animal bran revenue by SAR 10.5 million in line with the decline in the supply of feed following the excessive rainfalls in 2023G.

Al Jawf

Revenue from Al Jawf remained stable amounting to SAR 50.3 million in 2020G and SAR 49.7 million in 2021G, and subsequently increased by 136.0% in 2022G to SAR 117.3 million driven by the increase in the utilization from 45.3% in 2021G to 99.8% in 2022G, in line with Management's efforts to capture new market share in addition to the higher prices during the period.

Revenue from Al Jawf dropped by 12.9% from SAR 51.0 million in the six-month period ended 30 June 2022G to SAR 44.4 million in the six-month period ended 30 June 2023G mainly driven by a drop in bran revenue by SAR 8.3 million attributed to the unusually high rainfall experienced in 2023G and which resulted in the expansion of extensive green areas where cattle can graze. This led to reduced demand for animal bran and feed and consequently led to extending higher discounts and rebates during the period.

Hassad Al-Arabia Company

Hassad Al-Arabia Company was established in 2022G as the distribution arm of the Company. The transaction between the Company and Hassad Al-Arabia Company is conducted on a commercial basis whereby the Company sells its products to Hassad at prevailing market prices. This intercompany transaction is subsequently eliminated during the consolidation. The total revenue generated from Hassad Al-Arabia Company amounted to SAR 3.3 million in the six-month period ended 30 June 2023G.

6.9.1.2 Cost of revenue

Table (6.5): Cost of revenue for the financial years ended 31 December 2020G, 2021G and 2022G and the six-month periods ended 30 June 2022G and 2023G

SAR in 000s	2020G (Audited)	2021G (Audited)	2022G (Audited)	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G	Six-month period ended 30 June 2022G (Reviewed)	Six-month period ended 30 June 2023G (Reviewed)	Variance 30 June 2022G - 30 June 2023G
Raw material consumed	191,905	279,098	461,440	45.4%	65.3%	55.1%	225,821	215,833	(4.4%)
Salaries and other benefits	44,653	45,236	50,581	1.3%	11.8%	6.4%	24,326	18,489	(24.0%)
Depreciation on property, plant and equipment*	32,800	36,496	40,057	11.3%	9.8%	10.5%	20,141	21,036	4.4%
Depreciation on right-of-use assets*	8,064	10,285	10,285	27.5%	0.0%	12.9%	5,686	5,142	(9.6%)
Professional and consulting fees	-	-	2,328	na	na	0.0%	-	708	na
Utilities	9,275	10,469	19,010	12.9%	81.6%	43.2%	8,573	9,208	7.4%
Provision for slow moving inventories	3,196	3,949	9,756	23.6%	147.0%	74.7%	(1,170)	(1,428)	22.1%
Insurance	1,396	2,883	3,849	106.5%	33.5%	66.0%	2,293	1,255	(45.3%)
Maintenance Expenses	3,404	2,322	13,520	(31.8%)	482.3%	99.3%	7,712	5,569	(27.8%)

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SAR in 000s	2020G (Audited)	2021G (Audited)	2022G (Audited)	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G	Six-month period ended 30 June 2022G (Reviewed)	Six-month period ended 30 June 2023G (Reviewed)	Variance 30 June 2022G - 30 June 2023G
Other expenses	580	3,322	8,547	472.8%	157.3%	283.9%	6,487	5,231	(19.4%)
Total goods manufactured during the year	295,273	394,060	619,373	33.5%	57.2%	44.8%	299,870	281,042	(6.3%)
Finished goods at the beginning of the year	14,008	11,889	13,397	(15.1%)	12.7%	(2.2%)	13,397	20,776	55.1%
Finished goods available for sale	309,282	405,949	632,769	31.3%	55.9%	43.0%	313,266	301,817	(3.7%)
Finished goods at the end of the year	(11,889)	(13,397)	(20,776)	12.7%	55.1%	32.2%	(13,743)	(22,094)	60.8%
Cost of goods sold	**297,393**	**392,552**	**611,994**	**32.0%**	**55.9%**	**43.5%**	**299,523**	**279,723**	**(6.6%)**
As of % of revenue					**Ppt.**		**As of % of revenue**		**Ppt.**
Raw material consumed	44.1%	50.3%	47.2%	6.2	(3.1)	3.1	48.9%	47.8%	(1.1)
Salaries and other benefits	10.3%	8.2%	5.2%	(2.1)	(3.0)	(5.1)	5.3%	4.1%	(1.2)
Depreciation on property, plant and equipment	7.5%	6.6%	4.1%	(0.9)	(2.5)	(3.4)	4.4%	4.7%	0.3
Depreciation on right-of-use assets	1.9%	1.9%	1.1%	0.0	(0.8)	(0.8)	1.2%	1.1%	(0.1)
Professional and consulting fees	0.0%	0.0%	0.2%	0.0	0.2	0.2	0.0%	0.2%	0.2
Utilities	2.1%	1.9%	1.9%	(0.2)	0.0	(0.2)	1.9%	2.0%	0.1
Provision for slow moving inventories	0.7%	0.7%	1.0%	0.0	0.3	0.3	(0.3%)	(0.3%)	0.0
Insurance	0.3%	0.5%	0.4%	0.2	(0.1)	0.1	0.5%	0.3%	(0.2)
Maintenance Expenses	0.8%	0.4%	1.4%	(0.4)	1.0	0.6	1.7%	1.2%	(0.5)
Other expenses	0.1%	0.6%	0.9%	0.5	0.3	0.8	1.4%	1.2%	(0.2)
Total goods manufactured during the year	67.8%	71.0%	63.3%	3.2	(7.7)	(4.5)	65.0%	62.2%	(2.8)

SAR in 000s	2020G (Audited)	2021G (Audited)	2022G (Audited)	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G	Six-month period ended 30 June 2022G (Reviewed)	Six-month period ended 30 June 2023G (Reviewed)	Variance 30 June 2022G - 30 June 2023G
Finished goods at the beginning of the year	3.2%	2.1%	1.4%	(1.1)	(0.7)	(1.8)	2.9%	4.6%	1.7
Finished goods available for sale	71.1%	73.1%	64.7%	2.0	(8.4)	(6.4)	67.9%	66.8%	(1.1)
Finished goods at the end of the year	(2.7%)	(2.4%)	(2.1%)	0.3	0.3	0.6	(3.0%)	(4.9%)	(1.9)
Cost of goods sold	**68.3%**	**70.7%**	**62.6%**	**2.4**	**(8.1)**	**(5.7)**	**64.9%**	**61.9%**	**(3.0)**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

*The depreciation of property, machinery and equipment was separated from the depreciation of right-of-use assets in 2020G in order to compare with the numbers in the audited financial statements for the financial years ended 31 December 2021G and 2022G.

Cost of revenue consisted of cost of raw material consumed, salaries and other benefits, depreciation of property, plant and equipment, utilities, maintenance expenses, an allowance for slow-moving inventory for spare parts and raw materials, insurance, and finished goods.

Cost of revenue increased by 32.0% from SAR 297.4 million in 2020G to SAR 392.6 million in 2021G in line with the increase in production level from 813.7 thousand tons to 862.4 thousand tons which resulted in a corresponding increase in the cost of raw material consumed by SAR 87.2 million over the same period.

Cost of revenue further increased by 55.9% from SAR 392.6 million in 2021G to SAR 612.0 million in 2022G, mainly attributed to (i) higher raw material consumption (+SAR 182.3 million) in line with the implementation of the new strategy and the appointment of new management during the second half of the 2021G, which led to a substantial rise in wheat and feed mill utilization from 66.0% to 99.7% and from 45.8% to 66.4%, respectively, in line with the growth in the Group's revenue coupled with (ii) the increase in maintenance expenses by SAR 11.2 million, and (iii) the increase in utilities by SAR 8.5 million during this period.

Cost of revenue subsequently dropped by 6.6% from SAR 299.5 million in the six-month period ended 30 June 2022G to SAR 279.7 million in six-month period ended 30 June 2023G, mainly on the back of lower cost of raw materials consumed (-SAR 10.0 million) in line with the slow-down in operations over the same period, which was evident as volumes sold by MMC dropped by 21.4 thousand tons, in addition to a decrease in salaries and other benefits by SAR 5.8 million and maintenance expenses by SAR 2.1 million during this period.

Raw material consumed

Raw materials consumed consist of production costs related to the Group's products, which mainly include wheat consumed and feed ingredients such as corn, soybean meal, barley, and other feed ingredients, in addition to packing materials.

Raw material consumed increased by 45.4% from SAR 191.9 million in 2020G to SAR 279.1 million in 2021G mainly driven by (i) the increase in the cost of soybean meal by SAR 30.4 million on the back of higher volumes consumed (+SAR 13.9 thousand tons), and the increase in average cost of per ton from SAR 1.5 thousand per ton to SAR 1.9 thousand per ton during the period, in addition to (ii) an increase in the average cost of barley by an amount of SAR 24.9 million, as the Group began using barley during 2021G due to the change in the feed composition coupled with the increase in corn prices, which prompted the Group to resort to barley in feed products.

Raw materials consumed increased by 65.3% from SAR 279.1 million in 2021G to SAR 461.4 million in 2022G mainly due to (i) the increase in cost of wheat consumed by SAR 65.7 million as a result of higher volumes consumed, which grew from 707.1 thousand tons to 1.1 million tons in line with the growth in demand for various products, especially in flour products, and (ii) the increase in the cost of corn consumed by SAR 57.6 million as a result of higher production as feed products witnessed an increase in volumes sold by 84.5 thousand tons during the period, coupled with the increase in average cost per ton from SAR 1.0 thousand per ton to SAR 1.4 thousand per ton, influenced by the global increase in commodity prices, particularly due to the Ukraine war. The increase was also due to the increase in (iii) the cost of barley by an amount of SAR 27.6 million and (iv) the cost of feed additives by SAR 16.9 million.

Raw material consumed decreased by 4.4% from SAR 225.8 million in the six-month period ended 30 June 2022G to SAR 215.8 million in the six-month period ended 30 June 2023G, in line with the slow-down in operations over the same period as a result of lower demand across all products (which was evident by the decrease in revenue during this period by SAR 9.7 million), whereby the decrease in cost is mainly attributed to the drop in cost of barley from SAR 23.3 million to nil during this period and the cost of wheat consumed from SAR 95.6 million to SAR 90.6 million.

Salaries and other benefits

Salaries and other benefits included within the cost of goods sold pertained to the costs of direct production-related employees.

Salaries and other benefits remained stable and amounted to SAR 44.7 million in 2020G and SAR 45.2 million in 2021G.

Salaries and other benefits increased by 11.8% from SAR 45.2 million in 2021G to SAR 50.6 million in 2022G driven by higher monthly average cost per employee from SAR 7.1 thousand to SAR 10.2 thousand, offset by a drop in headcount during the period following the return of the seconded employees to GFSA and replaced by employees with experience in the field of flour milling and feed manufacturing. The employees were seconded from GFSA to the Group pursuant to administrative decisions from GFSA, as a number of the Saudi seconded employees fall within the category of civil service employees and have the option of remaining as employees of the government instead of moving to the Group upon the end of the contract, and the remaining seconded Saudi and non-Saudi employees are subject to social insurance, and the Group has the right to terminate their employment contracts at any time.

Salaries and other benefits dropped by 24.0% from SAR 24.3 million in the six-month period ended 30 June 2022G to SAR 18.5 million in the six-month period ended 30 June 2023G, on the back of the drop in headcount, which decreased from 466 to 341 employees due to the adjustments in cost centers during the months of June and August in 2022G (following the implementation of SAP) which led to the transfer of 33 employees to general and administrative and 70 employees to selling and distribution, while the average monthly cost per employee remained relatively stable at SAR 8.9 thousand over the same period.

Depreciation on property, plant, and equipment

Depreciation on property, plant, and equipment was calculated based on the straight-line method over the estimated useful life of the assets except for buildings for which depreciation was calculated based on the shorter of the useful life or lease term of the leased land on which the buildings are built.

Depreciation increased by 11.3% from SAR 32.8 million in 2020G to SAR 36.5 million in 2021G, impacted by the restatement of depreciation during 2021G.

The balance increased by 9.8% from SAR 36.5 million in 2021G to SAR 40.1 million in 2022G due to the reclassification of depreciation of buildings categorized as non-technical and historically classified under general and administrative and selling and distribution to cost of revenue.

Depreciation expenses amounted to SAR 20.1 million in the six-month period ended 30 June 2022G and SAR 21.0 million in the six-month period ended 30 June 2023G.

Depreciation on right-of-use assets

Depreciation on right-of-use assets pertained to the silos and lands in Khamis Mushait, Al Jumum and Al Jawf leased from the GFSA.

Depreciation on ROU increased from SAR 8.1 million in 2020G to SAR 10.3 million in 2021G and 2022G due to correcting the depreciation amount in 2021G following the lease modification in November 2020G.

Depreciation on right-of-use assets amounted to SAR 5.7 million in the six-month period ended 30 June 2022G and SAR 5.1 million in the six-month period ended 30 June 2023G.

Professional and consulting fees

Professional and consulting fees amounted to SAR 2.3 million in 2022G (as compared to nil in 2020G and 2021G), primarily pertained mainly to fees paid for ISO certifications.

Professional and consulting fees amounted to SAR 0.7 million in the six-month period ended 30 June 2023G, primarily pertained to fees paid to for management consultancy charges.

Utilities

Utilities were primarily related to the costs associated with electricity consumption at the Group's production facilities, in addition to water expenses, sewage charges and fuel expenses.

Utilities balance remained stable and amounted to SAR 9.3 million and SAR 10.5 million in 2020G and 2021G, respectively.

Utilities subsequently increased by 81.6% from SAR 10.5 million in 2021G to SAR 19.0 million in 2022G in line with the growth in the Group's operations as revenue grew from SAR 555.0 million in 2021G to SAR 978.0 million in 2022G.

Utilities slightly increased by 7.4% from SAR 8.6 million in the six-month period ended 30 June 2022G to SAR 9.2 million in the six-month period ended 30 June 2023G despite the drop in revenue mainly on the back of the high electricity expenses in Al Jawf due to meter-related issues, resulting in unusually low electricity invoices prior to the six-month period ended 30 June 2023G.

Provision for slow moving inventory

Provision for slow moving inventory of spare parts and raw materials amounted to SAR 3.2 million and SAR 3.9 million in 2020G and 2021G, respectively, and pertained in full to spare parts.

The expense increased by 147.0% from SAR 3.9 million in 2021G to SAR 9.8 million in 2022G to SAR9.8m mainly due to the identification of obsolete items that were no longer needed.

During the six-month periods ended 30 June 2022G and 2023G, the Group recorded reversals to provision for the slow-moving inventory of SAR 1.2 million and SAR 1.4 million, respectively, in line with the drop in value of spare parts due to consumption.

Insurance expenses

Insurance expenses related to property insurance on the Group's production facilities and medical insurance for direct employees.

Insurance expenses increased over the period by 106.5% from SAR 1.4 million in 2020G to SAR 2.9 million in FY21 and further by 33.5% to SAR 3.8 million in 2022G following a change in the policy premium from being accounted for based on the replacement value of the assets to net book value.

Insurance expenses dropped by 45.3% from SAR 2.3 million in the six-month period ended 30 June 2022G to SAR 1.3 million in the six-month periods ended 30 June 2023G due to reclassification from cost of revenue to general and administrative and selling and distribution expenses.

Maintenance expenses

Maintenance expenses were associated with planned and unplanned downtime for maintenance purposes. While maintenance work in 2020G and 2021G was conducted on an ad-hoc basis, the Group introduced a new policy in 2022G which enforced one major scheduled preventive maintenance a year, supported with additional smaller scheduled maintenance work during the year.

Maintenance expenses dropped by 31.8% from SAR 3.4 million in 2020G to SAR 2.3 million in 2021G as minimal maintenance work was conducted and attributed to the transitional period until the new policy was implemented.

The balance increased significantly by 482.3% from SAR 2.3 million in 2021G to SAR 13.5 million in 2022G as additional work was needed to obtain the ISO certifications.

Maintenance expenses dropped by 27.8% from SAR 7.7 million in the six-month period ended 30 June 2022G to SAR 5.6 million in the six-month period ended 30 June 2023G, following the completion of most of the ISO-related work in 2022G.

Other expenses

Other expenses are related mainly to inventory expenses, licensing fees and other general expenses. Other expenses increased by 472.8% from SAR 580 thousand in 2020G to SAR 3.3 million in 2021G, mainly on the back of milling license fees amounting to SAR 1.7 million which the Group started recording in 2021G post-acquisition.

Other expenses increased further by 157.3% from SAR 3.3 million in 2021G to SAR 8.5 million in 2022G, mainly due to higher inventory expenses (+SAR 2.2 million).

Other expenses dropped by 19.4% from SAR 6.5 million in the six-month period ended 30 June 2022G to SAR 5.2 million in the six-month period ended 30 June 2023G mainly due to recording lower expenses associated with the wooden pallets used for loading and storage (-SAR 2.3 million), partly offset by higher quality expenses (+SAR 0.6 million) and milling license fees (+SAR 0.6 million).

6.9.1.3 Selling and distribution expenses

Table (6.6): Selling and distribution expenses for the financial years ended 31 December 2020G, 2021G and 2022G and the six-month periods ended 30 June 2022G and 2023G

SAR in 000s	2020G (Audited)	2021G (Audited)	2022G (Audited)	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G	Six-month period ended 30 June 2022G (Management information)	Six-month period ended 30 June 2023G (Management information)	Variance 30 June 2022G - 30 June 2023G
Salaries and other benefits	3,528	3,731	11,690	5.8%	213.3%	82.0%	2,320	8,032	246.2%
Freight and shipment	-	4,185	2,403	na	(42.6%)	na	-	899	na
Marketing and promotion	113	230	8,304	103.5%	3,510.4%	757.2%	848	4,403	419.2%
Maintenance	-	-	1,770	na	na	na	1	413	41200.0%
Depreciation on property, plant and equipment	1,131	1,163	641	2.8%	(44.9%)	(24.7%)	148	185	25.0%
Depreciation on right-of-use assets	-	-	-	na	na	na	-	137	na
Fuel and power	320	361	430	12.8%	19.1%	15.9%	378	29	(92.3%)

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SAR in 000s	2020G (Audited)	2021G (Audited)	2022G (Audited)	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G	Six-month period ended 30 June 2022G (Management information)	Six-month period ended 30 June 2023G (Management information)	Variance 30 June 2022G - 30 June 2023G
Professional and consulting fees	-	-	71	na	na	na	-	394	na
Insurance	36	316	332	777.8%	5.1%	203.7%	186	367	97.3%
Others	42	936	2,228	2,128.6%	138.0%	628.3%	528	3,886	636.0%
Total selling and distribution expenses	**5,169**	**10,922**	**27,868**	**111.3%**	**155.2%**	**132.2%**	**4,409**	**18,744**	**325.1%**
As of % of revenue					**Ppt.**		**As a % of revenue**		**Ppt.**
Salaries and other benefits	0.8%	0.7%	1.2%	(0.1)	0.5	0.4	0.5%	1.8%	1.3
Freight and Shipment	0.0%	0.8%	0.2%	0.8	(0.6)	0.2	0.0%	0.2%	0.2
Marketing and promotion	0.0%	0.0%	0.8%	0.0	0.8	0.8	0.2%	1.0%	0.8
Maintenance	0.0%	0.0%	0.2%	0.0	0.2	0.2	0.0%	0.1%	0.1
Depreciation on property, plant and equipment	0.3%	0.2%	0.1%	(0.1)	(0.1)	(0.2)	0.0%	0.0%	0.0
Depreciation on right-of-use assets	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0%	0.0%	0.0
Fuel and power	0.1%	0.1%	0.0%	0.0	(0.1)	(0.1)	0.1%	0.0%	(0.1)
Professional and consulting fees	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0%	0.1%	0.1
Insurance	0.0%	0.1%	0.0%	0.1	(0.1)	0.0	0.0%	0.1%	0.1
Others	0.0%	0.2%	0.2%	0.2	0.0	0.2	0.1%	0.9%	0.8
Total selling and distribution expenses	**1.2%**	**2.0%**	**2.8%**	**0.8**	**0.8**	**1.6**	**1.0%**	**4.1%**	**3.1**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

Selling and distribution expenses comprised salaries and other benefits, freight and shipment, marketing and promotion, and maintenance, amongst others.

Selling and distribution expenses increased by 111.3% from SAR 5.2 million in 2020G to SAR 10.9 million in 2021G due to higher freight and shipment expenses (+SAR 4.2 million) primarily driven by higher demand on feed from Khamis Mushait, which necessitated the transportation of animal bran from other branches to meet the growing feed demand.

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Selling and distribution expenses further increased by 155.1% from SAR 10.9 million in 2021G to SAR 27.9 million in 2022G, mainly driven by the introduction of a marketing and promotion campaigns to promote flour products (+SAR 8.1 million) as part of the transformation strategy, coupled with an increase in salaries and other benefits (+SAR 8.0 million) related to the new employees who were hired to implement this strategy and to deliver products to customers as well as the increase maintenance (+SAR 1.8 million), in addition to reclassifying a number of employees from the cost of revenue to selling and distribution expenses.

Selling and distribution expenses increased significantly by 325.1% from SAR 4.4 million during the six-month period ended 30 June 2022G to SAR 18.7 million during the six-month period ended 30 June 2023G mainly driven by an increase in (i) salaries and other benefits (+SAR 5.7 million) in line with the market, (ii) marketing and promotion (+SAR 3.6 million) as marketing initiatives were put in place in line with the new strategy, and (iii) other expenses (+SAR 3.4 million).

Salaries and other benefits

Salaries and other benefits pertaining to the employees in sales, marketing and promotion departments, comprised of basic salary, staff incentive/bonus, and transportation allowance, amongst others.

Salaries and other benefits remained relatively stable, amounting to SAR 3.5 million in 2020G and SAR 3.7 million in 2021G. Salaries and other benefits subsequently increased by 213.3% from SAR 3.7 million in 2021G to SAR11.7 million in 2022G, mainly due to higher average monthly cost due to the replacement of the previous team with new highly experienced/higher paid individuals in line with the market. The salaries of key position holders were also aligned with private sector employees, which were higher compared to the average salaries paid before privatization.

Salaries and other benefits increased by 246.2% from SAR 2.3 million during the six-month period ended 30 June 2022G to SAR 8.0 million in during the six-month period ended 30 June 2023G mainly on the back of the reclassification of 70 employees from cost of revenue to selling and distribution cost centers coupled with the hiring of a new sales team. This was partially offset by a slight drop in basic monthly salaries per employee by SAR 1.7 thousand per employee and a significant drop in average monthly cost per employee, mainly on the back of a drop in monthly employee leave encashment (-SAR 5.3 thousand), among other benefits.

Freight and shipment

Freight and shipment pertained to the local transportation of finished goods between branches.

Freight and shipment increased from nil in 2020G to SAR 4.2 million in 2021G, primarily driven by the increased demand for feed from Khamis Mushait, which necessitated the transportation of animal bran from other branches to be used in feed production.

Freight and shipment subsequently decreased by 42.6% from SAR 4.2 million in 2021G to SAR 2.4 million in 2022G as a result of high flour and animal bran production in Khamis Mushait, limiting the need for transporting animal bran from other branches.

Freight and shipment amounted to SAR 0.9 million during the six-month period ended 30 June 2023G as compared to nil during the six-month period ended 30 June 2022G as the balance was allocated the 2022G balance under revenue.

Marketing and promotion

Marketing and promotion expenses were related to marketing campaigns initiated under the transformation strategy.

Marketing and promotion expenses increased by 103.5% from SAR 113 thousand in 2020G to SAR 230 thousand in 2021G, and further increased to SAR 8.3 million in 2022G with the implementation of the marketing strategy as part of the transformation which started in 2021G.

Marketing and promotion expenses increased by 419.2% from SAR 848 thousand during the six-month period ended 30 June 2022G to SAR 4.4 million during the six-month period ended 30 June 2023G, in line with the new strategy and the transformation.

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Maintenance

Maintenance expenses related to motor vehicles, forklifts, and assets pertaining to Hassad Al-Arabia Company.

Maintenance expenses increased from nil in 2020G and 2021G to SAR 1.8 million in 2022G on the back of a reclassification made from general and administrative expenses to selling and distribution expenses.

Similarly, maintenance expenses increased from SAR 1 thousand in the six-month period ended 30 June 2022G to SAR 413 thousand in the six-month period ended 30 June 2023G, as the reclassification of the 2022G balance to selling and distribution expenses only took place at year-end.

Depreciation on property, plant and equipment

Depreciation on property, plant and equipment related mainly to motor vehicles.

Depreciation on property plant and equipment remained stable and amounted to SAR 1.1 million and SAR 1.2 million in 2020G and 2021G respectively.

Depreciation on property plant and equipment dropped by 44.9% from SAR 1.2 million in 2021G to SAR 641 thousand in 2022G due to reclassification to cost of revenue and general and administrative expenses.

Depreciation on property plant and expenses remained relatively stable, amounting to SAR 148 thousand and SAR 185 thousand during the six-month period ended 30 June 2022G and 2023G, respectively.

Depreciation of right-of-use assets

The depreciation of right-of-use assets amounted to SAR 137 thousand in the six-month period ending 30 June 2023G in relation to the rent of the warehouse for Hassad Al-Arabia Company.

Fuel and power

Fuel and power expenses were used for vehicles.

Fuel and power expenses remained relatively stable at an average of SAR 0.3 million in 2020G and 2021G. Fuel and power expenses then increased by 19.1% to SAR 0.4 million in 2022G, driven by the growth in operations.

Fuel and power expenses decreased significantly by 92.3% from SAR 0.4 million in the six-month period ended 30 June 2022G to SAR 29 thousand in the six-month period ended 30 June 2023G due to reclassification from selling and distribution to cost of revenue and general and administrative expenses.

Professional and consulting fees

Professional and consulting fees amounted SAR 71 thousand in 2022G and SAR 394 thousand during the six-month period ended 30 June 2023G in relation to marketing consulting charges, which commenced during the second half of 2022G.

Insurance

Insurance expenses included medical insurance for sales employees and their families. Insurance expenses increased by 777.8% from SAR 36 thousand in 2020G to SAR 0.3 million in 2021G and 2022G due to reclassification from general and administrative expenses.

Insurance expenses amounted to SAR 186 thousand and SAR 367 thousand in the six-month periods ended 30 June 2022G and 2023G, respectively.

Other expenses

Other expenses comprised mainly bank charges, rent, and advertisement expenses, among others.

Other expenses increased from SAR 42 thousand in 2020G to SAR 936 thousand in 2021G as a result of the increase in customer shipment and transportation expenses, erroneously classified under selling and distribution instead of costs under revenue.

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Other expenses subsequently increased by 138.0% from SAR 936 thousand in 2021G to SAR 2.2 million in 2022G, mainly due to bank charges amounting to SAR 1.8 million in 2022G compared to nil in 2021G. This was partially offset by a drop in customer transportation from SAR 0.9 million to nil during the period.

Other expenses increased significantly from SAR 528 thousand in the six-month period ended 30 June 2022G to SAR 3.9 million in the six-month period ended 30 June 2023G, mainly due to truck rentals for Hassad Al-Arabia to deliver goods.

6.9.1.4 General and administrative expenses

Table (6.7): General and administrative expenses for the financial years ended 31 December 2020G, 2021G and 2022G and the six-month periods ended 30 June 2022G and 2023G

SAR in 000s	2020G (Audited)	2021G (Audited)	2022G (Audited)	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G	Six-month period ended 30 June 2022G (Management information)	Six-month period ended 30 June 2023G (Management information)	Variance 30 June 2022G - 30 June 2023G
Salaries and other benefits	39,860	39,456	44,881	(1.0%)	13.7%	6.1%	23,777	14,885	(37.4%)
Depreciation on property, plant and equipment	4,280	4,367	1,953	2.0%	(55.3%)	(32.4%)	297	1,692	469.7%
Depreciation on right-of-use assets	-	-	436	na	na	na	-	230	na
Amortization of intangible assets	-	-	168	na	na	na	-	197	na
Professional and consulting fees	8,150	7,834	2,524	(3.9%)	(67.8%)	(44.3%)	6,085	1,293	(78.8%)
Subscriptions	116	1,445	1,724	1,145.7%	19.3%	285.5%	1,273	555	(56.4%)
Utilities	1,110	1,305	1,333	17.6%	2.1%	9.6%	-	642	na
Communication	1,034	1,043	546	0.9%	(47.7%)	(27.3%)	-	644	na
Insurance	3,919	3,149	1,161	(19.6%)	(63.1%)	(45.6%)	708	1,520	114.7%
Maintenance	904	1,209	39	33.7%	(96.8%)	(79.2%)	485	515	6.2%
Board and committees' expenses and allowances	955	360	360	(62.3%)	0.0%	(38.6%)	-	180	na
Fines and penalties	-	-	6,831	na	na	na	-	-	na
Others	1,870	2,870	6,669	53.5%	132.4%	88.8%	1,250	1,078	(13.8%)
Total general and administrative expenses	**62,197**	**63,037**	**68,626**	**1.4%**	**8.9%**	**5.0%**	**33,874**	**23,430**	**(30.8%)**
As a % of revenue					**Ppt.**			**As a % of revenue**	**Ppt.**
Salaries and other benefits	9.2%	7.1%	4.6%	(2.1)	(2.5)	(4.6)	5.2%	3.3%	(1.9)

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SAR in 000s	2020G (Audited)	2021G (Audited)	2022G (Audited)	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G	Six-month period ended 30 June 2022G (Management information)	Six-month period ended 30 June 2023G (Management information)	Variance 30 June 2022G - 30 June 2023G
Depreciation on property, plant and equipment	1.0%	0.8%	0.2%	(0.2)	(0.6)	(0.8)	0.1%	0.4%	0.3
Depreciation on right-of-use assets	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0%	0.1%	0.1
Amortization of intangible assets	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0%	0.0%	0.0
Professional and consulting fees	1.9%	1.4%	0.3%	(0.5)	(1.1)	(1.6)	1.3%	0.3%	(1.0)
Subscriptions	0.0%	0.3%	0.2%	0.3	(0.1)	0.2	0.3%	0.1%	(0.2)
Utilities	0.3%	0.2%	0.1%	(0.1)	(0.1)	(0.2)	0.0%	0.1%	0.1
Communication	0.2%	0.2%	0.1%	0.0	(0.1)	(0.1)	0.0%	0.1%	0.1
Insurance	0.9%	0.6%	0.1%	(0.3)	(0.5)	(0.8)	0.2%	0.3%	0.1
Maintenance	0.2%	0.2%	0.0%	0.0	(0.2)	(0.2)	0.1%	0.1%	0.0
Board and committees' expenses and allowances	0.2%	0.1%	0.0%	(0.1)	(0.1)	(0.2)	0.0%	0.0%	0.0
Fines and penalties	0.0%	0.0%	0.7%	0.0	0.7	0.7	0.0%	0.0%	0.0
Others	0.4%	0.5%	0.7%	0.1	0.2	0.3	0.3%	0.2%	(0.1)
Total general and administrative expenses	**14.3%**	**11.4%**	**7.0%**	**(2.9)**	**(4.4)**	**(7.3)**	**7.3%**	**5.2%**	**(2.1)**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

General and administrative expenses consisted of salaries and other benefits, depreciation on property, plant and equipment, right-of-use assets and intangible assets, professional and consulting fees, and subscriptions amongst other general and administrative expenses.

General and administrative expenses remained relatively stable and amounted to SAR 62.2 million in 2020G and SAR 63.0 million in 2021G as the increase in subscription expenses by SAR 1.3 million and maintenance expenses by SAR 0.3 million was offset by a decrease in insurance expenses (by SAR 0.8 million), board and committees' expenses and allowances (by SAR 0.6 million), salaries and other benefits (by SAR 0.4 million), and professional and consulting fees expenses (by SAR 0.3 million).

General and administrative expenses increased by 8.9% from SAR 63.0 million in 2021G to SAR 68.6 million in 2022G largely attributed to recording a provision of SAR 6.8 million against a claim raised by GFSA, coupled with higher salaries and other benefits (+SAR 5.4 million), partially offset by a drop in professional and consulting fees (-SAR5.3 million) and depreciation on property and equipment (-SAR 2.4 million).

General and administrative expenses dropped by 30.8% from SAR 33.9 million in the six-month period ended 30 June 2022G to SAR 23.4 million in the six-month period ended 30 June 2023G, largely impacted by a significant drop in salaries and other benefits by SAR 8.9 million, coupled with the decrease in professional and consulting fees by SAR 4.8 million, and subscription fees by SAR 0.7 million.

Salaries and other benefits

Salaries and other benefits consisted of the remunerations of all the staff classified under general and administrative cost center.

Salaries and other benefits amounted on average to SAR 39.7 million over the 2020G and 2021G period. Salaries and other benefits increased by 13.7% to SAR 44.9 million in 2022G, mainly driven by a higher average monthly cost per employee following the layoff of the seconded employees to GFSA and replacing them with more experienced and higher-paid employees in line with the private sector salary scale, coupled with higher staff incentive/bonus in 2022G. This was partially offset by the decrease in the number of employees during the period. Also, the salaries of the key position holders have been aligned with those of the private sector, which were high compared to the average salaries that were paid before privatization.

Salaries and other benefits dropped by 37.4% from SAR 23.8 million in the six-month period ended 30 June 2022G to SAR14.9 million in the six-month period ended 30 June 2023G due to the lower benefits extended during the periods, mainly staff incentives and bonuses (-SAR 3.8 million), normal overtime (-SAR 2.8 million), and government fees (-SAR 2.7 million).

Depreciation on property, plant and equipment

Depreciation on property and equipment related to head office furniture and fixtures.

Depreciation on property, plant and equipment amounted to SAR 4.3 million in 2020G and SAR 4.4 million in 2021G.

Depreciation on property, plant and equipment decreased by 55.3% to SAR 2.0 million in 2022G following the reclassification of depreciation expense on buildings considered non-technical assets to cost of revenue as they were historically categorized under general and administrative expenses.

Depreciation on property and equipment increased by 469.7% from SAR 0.3 million in the six-month period ended 30 June 2022G to SAR 1.7 million in the six-month period ended 30 June 2023G following the reclassification again from cost of revenue to general and administrative expenses.

Depreciation on right-of-use assets

Depreciation on right-of-use assets amounted to SAR 0.4 million in 2022G compared to nil in 2020G and 2021G, and related to the head office, which the Group started leasing in February 2022G.

Depreciation on ROU assets amounted to SAR 0.2 million in the six-month period ended 30 June 2023G compared to nil in the six-month period ended 30 June 2022G, as the Group first recognized the head office contract in its books by the end of 2022G.

Amortization of intangible assets

Amortization of intangible assets for assets with finite lives calculated based on estimated useful life and pertaining to the Group's computer programs and software, amounted to SAR 168 thousand in 2022G as compared to nil in 2020G and 2021G as the system was still in the development phase over those periods and had not yet been put into active use.

Amortization of intangible assets amounted to SAR 197 thousand in the six-month period ended 30 June 2023G compared to nil in the six-month period ended 30 June 2022G as the software was launched in the second half of 2022G.

Professional and consulting fees

Professional and consulting fees related to consultancy and audit fees.

Professional and consulting fees amounted to SAR 8.2 million and SAR 7.8 million during 2020G and 2021G respectively, associated with the merger that was finalized during the third quarter of 2021G. Professional and consulting fees decreased by 67.8% to SAR 2.5 million in 2022G mainly as a result of the drop in consultancy fees following the completion of the merger.

Professional and consulting fees dropped by 78.8% from SAR 6.1 million in the six-month period ended 30 June 2022G to SAR 1.3 million in the six-month period ended 30 June 2023G mainly driven by training expenses (-SAR 6.1 million), recorded by Management in anticipation of an expected training event subsequently cancelled. This was partially offset by software and professional charges recorded in the six-month period ended 30 June 2023G (+SAR 1.0 million).

Subscriptions

Subscriptions were mainly IT and ERP related.

Subscriptions increased by 1,145.7% from SAR 116 thousand in 2020G to SAR 1.4 million in 2021G mainly due to additional fees incurred by the Group to extract specific financial reports from E-smart, coupled with the shift to cloud, which resulted in additional license fees.

Subscription fees increased further by 19.3% from SAR 1.4 million in 2021G to SAR 1.7 million in 2022G following the transition to SAP.

Subscriptions dropped by 56.4% from SAR 1.3 million in the six-month period ended 30 June 2022G to SAR 0.6 million in the six-month period ended 30 June 2023G in relation to timing differences as invoices were not yet received as of June 2023G.

Utilities

Utilities expenses related to the costs incurred on water, electricity, and fuel consumption at the head office, remained relatively stable amounting to SAR 1.1 million in 2020G, and SAR 1.3 million in 2021G and 2022G respectively.

Utilities expenses amounted to SAR 642 thousand in the six-month period ended 30 June 2023G compared to nil in the six-month period ended 30 June 2022G due to a timing difference in recording expenses in 2022G following delays in receiving the invoices.

Communication

Communication expenses related to telephone and internet charges, among others. Communication expenses remained stable during 2020G and 2021G at SAR 1.0 million.

Communication expenses dropped by 47.7% from SAR 1.0 million in 2021G to SAR 546 thousand in 2022G as the Group negotiated better terms with new service providers.

Communication expenses amounted to SAR 644 thousand in the six-month period ended 30 June 2023G as compared to nil in the six-month period ended 30 June 2022G due to the timing difference in recording expenses in 2022G.

Insurance

Insurance expenses related to medical and property insurance for the head office and administrative employees.

Insurance expenses remained relatively stable amounting to SAR 3.9 million in 2020G and SAR 3.1 million in 2021G, then declined by 63.1% to SAR 1.2 million in 2022G following reclassifications between general and administrative, selling and distribution and cost of revenue in 2022G.

Similarly, insurance expenses increased significantly by 114.7% from SAR 708 thousand in the six-month period ended 30 June 2022G to SAR 1.5 million in the six-month period ended 30 June 2023G, due to further reclassifications made during the period.

Maintenance

Maintenance expenses related to offices and plant landscaping that are not directly related to the production facilities.

Maintenance expenses amounted to SAR 0.9 million in 2020G and SAR 1.2 million in 2021G, subsequently dropping by 96.8% to SAR 39 thousand in 2022G as lower maintenance work was required during the period.

Maintenance expenses remained relatively stable at SAR 0.5 million over the six-month periods ended 30 June 2022G and 2023G.

Board and committees' expenses and allowances

Board and committees' expenses decreased by 62.3% from SAR 1.0 million in 2020G to SAR 360 thousand in 2021G and 2022G due to a change in board composition and the Group's policy in relation to board remuneration, as historical practices involved providing sitting fees to all board members whereas the expenses and allowances recorded in 2021G and 2022G pertained to 3 independent members.

Board and committees' expenses and allowances amounted to SAR 180 thousand in the six-month period ended 30 June 2023G compared to nil in the six-month period ended 30 June 2022G as these expenses were recorded at year-end in 2022G.

Fines and penalties

Fines and penalties amounted to SAR 6.8 million in 2022G pertaining to a provision booked in response to a claim filed by GFSA claiming that the Group had not adhered to specific terms and regulations with respect to the sale to approved customers by GFSA and the sale above the quota allowed per registered customer. This provision was a precautionary measure to address the potential financial liabilities associated with the claim and did not reflect the full claim balance.

After 30 June 2023G, on 2 October 2023G, the Group received response from GFSA with a revised claim amounting to SAR 4,356,536. The Group and GFSA both have the right to appeal the decision to the administrative court within 60 days from the date of notification of the decision, in accordance with the provisions of paragraph three of article twenty-seven of The Flour Mills Regulations.

Others

Others consisted of provisions for write-offs, non-recoverable VAT, and computer and printers' consumables, amongst others.

Other expenses amounted to SAR 1.9 million in 2020G and SAR 2.9 million in 2021G and increased by 132.4% to SAR 6.7 million in 2022G mainly due to a provision of SAR 4.0 million in relation to the write-off of the unsuccessful implementation trials of SAP, partly offset by a drop in decoration expenses (-SAR 433 thousand) over the same period.

Other expenses remained relatively stable at SAR 1.2 million over the six-month periods ended 30 June 2022G and 2023G.

Expected credit loss on trade receivables

Expected credit loss on trade receivables will be covered in detail in Section 6-9-2-2-2 ("**Trade Receivables**").

6.9.1.5 Other income (operating)

Table (6.8): Other Income for the financial years ended 31 December 2020G, 2021G and 2022G and the six-month periods ended 30 June 2022G and 2023G

SAR in 000s	2020G (Audited)	2021G (Audited)	2022G (Audited)	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G	Six-month period ended 30 June 2022G (Management information)	Six-month period ended 30 June 2023G (Management information)	Variance 30 June 2022G - 30 June 2023G
Gain on disposal of property, plant and equipment	-	-	665	na	na	na	-	-	na
Liabilities written back	1,010	-	-	(100.0%)	na	(100.0%)	-	-	na
Other income	1,912	106	32	(94.5%)	(69.8%)	(87.1%)	42	-	(100.0%)
Total other income (operating)	**2,923**	**106**	**697**	**(96.4%)**	**557.5%**	**(51.1%)**	**42**	**-**	**(100.0%)**
As of % of revenue					**Ppt.**		**As of % of revenue**		**Ppt.**
Gain on disposal of property, plant and equipment	0.0%	0.0%	0.1%	0.0	0.1	0.1	0.0%	0.0%	0.0
Liabilities written back	0.2%	0.0%	0.0%	(0.2)	0.0	(0.2)	0.0%	0.0%	0.0
Other income	0.4%	0.0%	0.0%	(0.4)	0.0	(0.4)	0.0%	0.0%	0.0
Total other income (operating)	**0.7%**	**0.0%**	**0.0%**	**(0.7)**	**0.0**	**(0.7)**	**0.0%**	**0.0%**	**0.0**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

Gain on disposal of property, plant and equipment

Gain on disposal of property, plant and equipment amounted to SAR 665 thousand in 2022G and pertained to the sale of old equipment in Khamis Mushait.

Liabilities written back

Liabilities written back amounted to SAR 1.0 million in 2020G and related to reversals in relation to BoD fees that were not paid out.

Other income

Other income amounted to SAR 1.9 million in 2020G and comprised SAR 1.3 million for spare parts received from GFSA. Other income decreased to SAR 106 thousand and SAR 32 thousand in 2021G and 2022G, respectively.

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6.9.1.6 Finance costs

Table (6.9): Finance costs for the financial years ended 31 December 2020G, 2021G and 2022G and the six-month periods ended 30 June 2022G and 2023G

SAR in 000s	2020G (Audited)	2021G (Audited)	2022G (Audited)	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G	Six months period ended 30 June 2022G (Reviewed)	Six months period ended 30 June 2023G (Reviewed)	Variance 30 June 2022G - 30 June 2023G
Finance cost on long term loans	-	175	28,582	na	16,386.9%	na	10,811	20,093	85.9%
Finance cost on lease liabilities	9,402	6,745	6,641	(28.3%)	(1.5%)	(16.0%)	3,279	3,247	(1.0%)
Amortization of loan transaction cost	-	-	592	na	na	na	296	296	0.0%
Bank charges	-	-	-	na	na	na	-	0	na
Total	**9,402**	**6,920**	**35,815**	**(26.4%)**	**417.6%**	**95.2%**	**14,387**	**23,636**	**64.3%**
As a % of revenue					**Ppt.**		**As a % of revenue**		**Ppt.**
Finance cost on long term loans	0.0%	0.0%	2.9%	0.0	2.9	2.9	2.3%	4.4%	2.1
Finance cost on lease liabilities	2.2%	1.2%	0.7%	(1.0)	(0.5)	(1.5)	0.7%	0.7%	0.0
Amortization of loan transaction cost	0.0%	0.0%	0.1%	0.0	0.1	0.1	0.1%	0.1%	0.0
Bank charges	0.0%	0.0%	0.0%	na	na	na	0.0%	0.0%	na
Total	**2.2%**	**1.2%**	**3.7%**	**(1.0)**	**2.5**	**1.5**	**3.1%**	**5.2%**	**2.1**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

Finance cost on long term loans

Finance cost on long-term loans relates to the long-term loan representing a senior Murabaha facility taken from a commercial bank in two tranches and carrying a rate of SAIBOR plus an applicable margin. The facility will be repaid in quarterly installments starting from 31 March 2021G until 31 December 2038G. This loan was transferred from the Parent Company, following the merger during November 2021G.

Finance cost on long-term loan increased from SAR 175 thousand in 2021G to SAR 28.6 million in 2022G due to the full-year impact of recognizing finance cost. It should be noted that the balance of finance cost on long term loans for the year ended 31 December 2021G was restated from SAR 16.8 million, as disclosed in the audited financial statements for the financial year ended 31 December 2021G, to SAR 175 thousand, as disclosed in the consolidated audited financial statements for the financial year ended 31 December 2022G. This restatement was attributed to the merger of the ultimate Parent Company and the Company on 27 December 2021G, whereby the results of operations of the ultimate Parent Company were recognized in the statement of profit or loss of the Company during the period extending from 1 January 2021G to 27 December 2021G instead of accounting from the date of merger transaction. This resulted in an overstatement of finance cost and did not conform with the requirements of applicable financial reporting framework. Consequently, this impacted the profit before zakat in the consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 December 2021G, profit for the year and total comprehensive income for the year in the consolidated statement of changes in equity for the financial year ended 31 December 2021G, and profit before zakat, finance cost on long term loans and interest paid in the consolidated statement of cash flows for the financial year ended 31 December 2021G. For more information on the adjustment, please refer to Section 6-10 ("**Correction of errors**").

Finance cost on long-term loans increased from SAR 10.8 million in the six-month periods ended 30 June 2022G to SAR 20.1 million in six-month periods ended 30 June 2023G as SAIBOR rates increased during the period from an average of 1.6% to an average of 5.5% during the period.

Finance cost on lease liabilities

Finance cost on lease liabilities related to the leased silos, lands and head office leased by the Group. Finance cost on lease liabilities decreased by 28.3% from SAR 9.4 million in 2020G to SAR 6.7 million in 2021G due to the impact of the lease modification of the silos and lands dated 30 November 2020G. The modification extended the lease term by an additional 4 years, which resulted in a cost saving of SAR 2.4 million in finance costs in 2021G. Finance cost on lease liabilities remained relatively stable and amounted to SAR 6.6 million in 2022G.

Finance cost on lease liabilities remained relatively stable and amounted to SAR 3.3 million and SAR3.2 million during the six-month periods ended 30 June 2022G and 2023G, respectively.

Amortization of loan transaction cost

Amortization of loan transaction cost related to the amortization of the upfront fee paid on the acquisition of the loan facilities, amortized on a quarterly basis over the term of the loan. Amortization of loan transaction amounted to SAR 592 thousand in 2022G and SAR 296 thousand in the six-month periods ended 30 June 2022G and 2023G.

6.9.1.7 Finance income

Table (6.10): Finance income for the financial years ended 31 December 2020G, 2021G and 2022G and the six-month periods ended 30 June 2022G and 2023G

SAR in 000s	2020G (Audited)	2021G (Audited)	2022G (Audited)	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G	Six months period ended 30 June 2022G (Management information)	Six months period ended 30 June 2023G (Management information)	Variance 30 June 2022G - 30 June 2023G
Finance income on bank deposits	892	205	1,344	(77.0%)	555.6%	22.7%	253	1,403	454.5%
Total	892	205	1,344	(77.0%)	555.6%	22.7%	253	1,403	454.5%
As a % of revenue					**Ppt.**		**As a % of revenue**		**Ppt.**
Finance income on bank deposits	0.2%	0.0%	0.1%	(0.2)	0.1	(0.1)	0.1%	0.3%	0.2
Total	**0.2%**	**0.0%**	**0.1%**	**(0.2)**	**0.1**	**(0.1)**	**0.1%**	**0.3%**	**0.2**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

*Other income was reclassified in 2020G and the six-month period ended 30 June 2022G, according to the type of income, between financing income and other operating income, to be consistent with the classification approved in the consolidated audited financial statements for the financial year ended 31 December 2022G.

Finance income represented interest income on short-term deposits with a maturity period of up to 30 days and an interest rate of around 2% per annum. Finance income amounted to SAR 0.9 million in 2020G and SAR 0.2 million in 2021G due to lower deposits made during the period as dividends were paid out. The subsequent increase to SAR 1.3 million in 2022G was mainly due to higher deposits made during the period coupled with higher interest rates in line with the increase in SAIBOR.

Finance income increased from SAR 0.3 million in the six-month period ended 30 June 2022G to SAR 1.4 million in the six-month period ended 30 June 2023G due to the higher deposits and interest rates during the period.

6.9.2 Statement of Financial Position

Table (6.11): Statement of Financial Position as at 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G

SAR in 000s	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
Assets				
Non-current assets				
Property, plant and equipment (6)	733,845	707,410	694,825	681,011
Right-of-use assets (1) (6)	169,250	236,692	228,143	226,738
Intangible assets	3,485	4,254	2,890	2,781
Total non-current assets	**906,581**	**948,356**	**925,858**	**910,531**
Current assets				
Inventories (6)	111,721	92,738	92,538	98,718
Trade receivables	-	-	87	1,557
Prepayments and other current assets	6,974	36,898	15,575	39,529
Cash and cash equivalents	345,406	94,134	118,161	96,984
Total current assets	**464,100**	**223,769**	**226,360**	**236,788**
Total assets	**1,370,681**	**1,172,125**	**1,152,218**	**1,147,318**
Equity and Liabilities				
Equity				
Share capital	899,667	899,667	81,832	81,832
Merger deficit reserve	-	(817,835)	-	-
Statutory reserve (6)	6,643	13,445	24,550	24,550
Retained earnings (6)	231,915	2,562	72,046	107,282
Total equity	**1,138,225**	**97,838**	**178,428**	**213,664**
Liabilities				
Non-current liabilities				
Long term loans	-	680,577	535,976	508,850
Lease liabilities (6)	181,350	242,972	237,278	228,632
Employees' defined benefit obligations	496	782	3,101	4,874
Total non-current liabilities	**181,846**	**924.331**	**776.355**	**742.356**
Current liabilities				
Trade and other payables (6)	12,854	46,085	44,708	24,588
Accrued expenses and other liabilities	16,287	42,186	72,109	76,500
Current portion of long term loans	-	11,758	44,588	49,717
Current portion of lease liabilities (6)	4,518	13,684	14,172	15,194
Advance from customers	6,013	8,971	12,579	16,432
Due to related parties	10,938	24,895	-	-
Provision for penalties	-	-	6,425	6,425

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SAR in 000s	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
Zakat payable	-	2,378	2,854	2,442
Total current liabilities	**50,611**	**149,957**	**197,435**	**191,298**
Total liabilities	**232,456**	**1,074,287**	**973,790**	**933,654**
Total equity and liabilities	**1,370,681**	**1,172,125**	**1,152,218**	**1,147,318**
Key performance indicators				
Average days of inventory (days) (2)	61	41	28	35
Average accounts payable days (days) (3)	23	56	32	18
Average days of accounts receivable (days) (based on total revenue) (4)	-	-	0.0	0.3
Average days of accounts receivable (days) (based on credit revenue which represents less than 1% of total revenue) (4)	-	-	20	36
Return on average assets*	4.7%	6.8%	20.2%	20.0%
Return on average equity**	5.7%	81.3%	130.6%	107.6%
Key performance indicators following the restatement of the opening balance for 2021G (as disclosed in the audited financial statements for the financial year ended 2022G)				
Average days of inventory (days) (2)	61	na	na	na
Average accounts payable days (days) (3)	18	na	na	na
Return on average assets*	4.5%	na	na	na
Return on average equity**	5.7%	na	na	na
Current ratio***	7.9	na	na	na

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

(1) The balance of property, plant and equipment as at 31 December 2020G, extracted from the audited financial statements for the financial year ended 31 December 2021G, includes the balance of right-of-use assets that we reclassified and presented as a separate line item for the purpose of comparison with the remaining periods.

(2) Average inventory balance less net raw materials at the end of the period / cost of revenues for the period * number of days in the period

(3) Average accounts payable during the period / average cost of revenues (excluding salaries, depreciation, and an allowance for slow-moving inventory) for the period * number of days in the period

(4) Net trade receivables during the period / average value of total revenues for the period * number of days for the period

(5) Average value of net trade receivables during the period / average value of total revenues Credit for the period * number of days for the period

(6) The opening balance for 2021G for the following accounts was adjusted as part of the correction of errors that occurred in 2022G: Property, plant and equipment, right-of-use assets, inventories, retained earnings, statutory reserve, lease liabilities, and trade and other payables. Accordingly, the balances as at 31 December 2020G were extracted from the audited financial statements for the 2021G, that is, before the impact of the restatements, and the balances as at 31 December 2021G were extracted from the consolidated audited financial statements for 2022G, that is, after the effect of the restatements. For more information about these modifications, refer to Section 6-10 ("**Correction of errors**").

*Return on assets is calculated based on net income for the year divided by total assets. For the six-month period ended 30 June 2023G, it is calculated using the last twelve months net income.

**Return on equity is calculated based on net income for the year divided by total equity. For the six-month period ended 30 June 2023G, it is calculated using the last twelve months net income.

***Current ratio is calculated based on current assets divided by current liabilities.

Assets

Total assets decreased from SAR 1,370.7 million as at 31 December 2020G to SAR 1,172.1 million as at 31 December 2021G, mainly from current assets which decreased from SAR 464.1 million as at 31 December 2020G to SAR 223.8 million as at 31 December 2021G a drop in cash and cash equivalents by SAR 251.3 million, which was partially offset by higher non-current assets from SAR 906.6 million to SAR 948.4 million, following the increase in right-of-use assets by SAR 67.4 million as the carrying value of the leases was adjusted during the year ended 31 December 2022G. It is worth noting that the opening balance of the assets account for the financial year ended 2021G, (i.e. the balance as at 31 December 2020G), was restated from SAR 1,370.7 million as disclosed in the audited financial statements for the financial year 2021G, that is, before the impact of the restatements, to SAR 1,434.1 million as disclosed in the consolidated audited financial statements for the financial year 2022G, that is, after the impact of the restatements. This is due to the (1) increase in the balance of right-of-use assets by SAR 77.7 million, (2) reduction in the balance of inventories by SAR 12.2 million, and (3) reduction in the balance of property, plant and equipment account by SAR 2.1 million, please refer to Section 6-10 ("**Correction of errors**").

Total assets also decreased from SAR 1,172.1 million as at 31 December 2021G to SAR 1,152.2 million as at 31 December 2022G from non-current assets which decreased from SAR 948.4 million as at 31 December 2021G to SAR 925.9 million as at 31 December 2022G due to the decrease in property, plant and equipment (-SAR 12.6 million) and right-of-use assets (-SAR 8.5 million). This was partially offset by the increase in the current assets from SAR 223.8 million as at 31 December 2021G to SAR 226.4 million as at 31 December 2022G, from cash and cash equivalents which grew by SAR 24.0 million, in line with the growth in the Group's operations during the period.

The subsequent decrease in total assets to SAR 1,147.3 million as at 30 June 2023G was due to non-current assets which decreased from SAR 925.9 million as at 31 December 2022G to SAR 910.5 million as at 30 June 2023G, driven by a lower balance of property, plant and equipment by SAR 13.8 million. This was partially offset by current assets which grew from SAR 226.4 million as at 31 December 2022G to SAR 236.8 million as at 30 June 2023G, mainly from the increase in prepayments and other current assets by SAR 24.0 million during the period.

Equity

Total equity decreased from SAR 1,138.2 million as at 31 December 2020G to SAR 97.8 million as at 31 December 2021G, as a result of the merger that took place during the year 2021G between the partners of Mada Al Ghurair Company Limited (the parent company) and its wholly owned subsidiary, Modern Mills Company. This resulted in a merger deficit reserve of SAR 817.8 million, in addition to the dividend distribution amounting to SAR 442.1 million. It is worth noting that the opening balance of the equity account for the financial year ended 2021G, (i.e. the balance as at 31 December 2020G), was restated from SAR 1,138.2 million as disclosed in the audited financial statements for the financial year 2021G, that is, before the impact of the restatements, to SAR 1,126.7 million as disclosed in the consolidated audited financial statements for the financial year 2022G, that is, after the impact of the restatements. This is due to the (1) reduction in the balance of the retained earnings account by SAR 10.3 million and (2) reduction in the balance of the statutory reserve account by SAR 1.1 million. For more information about these restatements, please refer to Section 6-10 ("**Correction of errors**").

Total equity increased from SAR 97.8 million as at 31 December 2021G to SAR 178.4 million as at 31 December 2022G, as a result of the increase in retained earnings of SAR 69.5 million with the improvement in the Group's operations and an increase in profit for the year from SAR 79.5 million in the year ended 31 December 2021G to SAR 233.0 million in the year ended 31 December 2022G. This was offset by the dividend distribution amounting to SAR 152.5 million during the period.

Total equity increased from SAR 178.4 million as at 31 December 2022G to SAR 213.7 million as at 30 June 2023G, as a result of an increase in retained earnings by SAR 35.2 million, offset by the dividend distribution amounting to SAR 70.0 million during the period.

Liabilities

Total liabilities increased from SAR 232.5 million as at 31 December 2020G to SAR 1,074.3 million as at 31 December 2021G due to the significant increase in non-current liabilities from SAR 181.8 million to SAR 924.3 million from the long-term loans amounting to SAR 680.6 million as following the merger. Current liabilities further increased during the same period from SAR 50.6 million to SAR 150.0 million due to the increase in trade payables by SAR 33.2 million and accrued expenses and other liabilities by SAR 25.9 million. It is worth noting that the opening balance of

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the liabilities account for the financial year ended 2021G, (i.e. the balance as at 31 December 2020G), was restated from SAR 232.5 million as disclosed in the audited financial statements for the financial year 2021G, that is, before the impact of the restatements, to SAR 307.4 million as disclosed in the consolidated audited financial statements for the financial year 2022G, that is, after the impact of the restatements. This is due to the (1) increase in the balance of lease liabilities by SAR 77.7 million and (2) reduction in the balance of trade and other payables by SAR 2.8 million. For more information about these restatements, please refer to Section 6-10 (“**Correction of errors**”).

Total liabilities decreased from SAR 1,074.3 million as at 31 December 2021G to SAR 973.8 million as at 31 December 2022G as a result of the decrease in non-current liabilities from SAR 924.3 million to SAR 776.4 million due to the decrease in the balance of long-term loans (current and non-current) by SAR 111.8 million as payments were made during the period.

Total liabilities decreased from SAR 973.8 million as 31 December 2022G to SAR 933.7 million as at 30 June 2023G as a result of the decrease in non-current liabilities from SAR 776.4 million to 742.4 million due to a decrease in the balance of long-term loans (the non-current portion) by SAR 27.1 million, in addition to a decrease in current liabilities from SAR 197.4 million as at 31 December 2022G to SAR 191.3 million as at 30 June 2023G, mainly due to the decrease in trade and other payables by SAR 20.1 million, offset by an increase in the current portion of long-term loans by SAR 5.1 million.

6.9.2.1 Non-Current Assets

Table (6.12): Non-Current Assets as at 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G

SAR in 000s	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
Property, plant and equipment	733,845	707,410	694,825	681,011
Right-of-use assets*	169,250	236,692	228,143	226,738
Intangible assets	3,485	4,254	2,890	2,781
Total non-current assets	**906,581**	**948,356**	**925,858**	**910,531**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

*The balance of property, plant and equipment and right-of-use assets has been separated for comparability purposes.

Note: The opening balance for 2021G for the following accounts was adjusted as part of the correction of errors that occurred in 2022G: Property, plant and equipment, and right-of-use assets. Accordingly, the balances as at 31 December 2020G were extracted from the audited financial statements for the financial year 2021G, that is, before the impact of the restatements, and the balances as at 31 December 2021G were extracted from the consolidated audited financial statements for 2022G, that is, after the effect of the restatements. For more information about these modifications, refer to Section 6-10 (“**Correction of errors**”).

Non-current assets increased from SAR 906.6 million as at 31 December 2020G to SAR 948.4 million as at 31 December 2021G, mainly driven by the increase in right-of-use assets by SAR 67.4 million as the term of lease contracts for lands and silos were extended for a period of four years in November 2020G. This was partially offset by the decrease in property plant and equipment by SAR 26.4 million due to depreciation expenses amounting to SAR 42.0 million partly offset by the additions of property plant and equipment amounting to SAR 17.7 million, most of which are related to capital work in progress (an increase of SAR 15.6 million) during the year. It is worth noting that the opening balance of the non-current assets account for the financial year 2021G, (i.e. the balance as at 31 December 2020G), was restated from SAR 906.6 million as disclosed in the audited financial statements for the financial year 2021G, that is, before the impact of the restatements, to SAR 982.2 million as disclosed in the consolidated audited financial statements for 2022G, that is, after the impact of the restatements. This is due to the (1) increase in the balance of right-of-use assets by SAR 77.7 million and (2) reduction in the balance of property, plant and equipment by SAR 2.1 million. For more information about these restatements, please refer to Section 6-10 (“**Correction of errors**”).

Non-current assets decreased from SAR 948.4 million as at 31 December 2021G to SAR 925.9 million as at 31 December 2022G, driven by the decrease in the balance of property, plant and equipment by SAR 12.6 million and right-of-use assets by SAR 8.5 million, mainly as a result of depreciation expenses. This was offset by additions amounting to SAR 31.7 million mainly relating to capital work in progress (SAR 23.1 million).

Non-current assets further decreased from SAR 925.9 million as at 31 December 2022G to SAR 910.5 million as at 30 June 2023G due to the decrease in property, plant and equipment amounting to SAR 13.8 million driven by depreciation expenses during the period (SAR 22.9 million), partially offset by additions of SAR 9.2 million during the period.

6.9.2.1.1 Property, plant and equipment

Table (6.13): Property, plant and equipment as at 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G

SAR in 000s	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
Buildings (1)	342,338	317,800	304,673	298,554
Plant and equipment	366,989	348,353	354,986	361,636
Furniture and fittings	6,834	3,278	4,387	4,387
Motor vehicles	4,060	3,056	2,278	2,988
Strategic spare parts (1)	-	11,742	10,734	10,205
Capital work in progress	13,625	23,180	17,767	3,242
Net book value	**733,845**	**707,410**	**694,825**	**681,011**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information.

*The opening balance as at 01 January 2021G differs from the closing balance as at 31 December 2020G due to the adjustments made during 2022G, which were retroactively reflected in the audited financial statements for 2022G.

** The balance of property, plant and equipment as at 31 December 2020G and extracted from the audited financial statements year ended December 31, 2021, includes a balance of right-of-use assets which we have reclassified the as a separate line item for comparability purposes with the remaining periods.

(1) The opening balance was adjusted in 2021G for the property, plant and equipment. Accordingly, the balances as at 31 December 2020G were extracted from the audited financial statements for 2021G, that is, before the impact of the restatements, and the balances as at 31 December 2021G were extracted from the consolidated audited financial statements for 2022G, that is, after the effect of the restatements. For more information about these modifications, refer to Section 6-10 (“**Correction of errors**”).

Buildings

Buildings are constructed on leased land from GFSA with an annual rental fee of SAR 3.2 million and lease terms extending to 25 years commencing from 1 January 2017G and renewable for a similar period. In FY20, the lease term was extended for 4 additional years to become 25 years starting 2020G.

Buildings included the Group’s manufacturing plants, employee's accommodation and offices across all 3 branches.

The net book value of buildings decreased from SAR 342.3 million as at 31 December 2020G to SAR 317.8 million as at 31 December 2021G, mainly due to the restatement of accumulated depreciation by SAR 14.8 million as a result of an adjustment to the useful life of the buildings to the shorter of the economic life ranging between 25 and 50 years (previously) and the lease term life of the lands on which the buildings are built. The related depreciation was adjusted accordingly in line with the requirements of the applicable financial reporting framework based on the adjusted useful life extending per the lease term of the land. This was coupled with a depreciation expense of SAR 15.4 million, of which SAR 2.3 million was restated and related to the adjustment in useful life. The decline in building net book value was partly offset by a reclassification amounting to SAR 3.1 million pertaining to the correction of cost and accumulated depreciation due to a mathematical error, and a transfer from capital work in progress of SAR 2.6 million in relation to leasehold improvement on the sales office in Al Jawf.

The buildings balance as at 31 December 2020G, previously disclosed in the audited financial statements for the financial year 2021G, was reduced by an amount of SAR 14.8 million, as disclosed in the consolidated audited financial statements for the financial year 2022G. Management discovered that the useful life of leasehold improvements in prior periods was incorrectly based on the economic life of the leasehold improvements rather than the term of the lease. As a result, the carrying value of the leasehold improvements was overstated and the related accumulated depreciation was understated.

The net book value of buildings further decreased from SAR 317.8 million as at 31 December 2021G to SAR 304.7 million as at 31 December 2022G and SAR 298.6 million as at 30 June 2023G mainly due to depreciation expenses amounting to SAR 15.3 million and SAR 7.7 million, respectively, partly offset by transfers from capital work in progress of SAR 2.1 million as at 31 December 2022G and SAR 1.6 million as at 30 June 2023G.

Plant and equipment

Plant and equipment related to the equipment at the plants in Khamis Mushait, Al Jumum and Al Jawf and comprised mills and packaging equipment used in the manufacturing and production operations carried out by the Group in the normal course of business.

Plant and equipment net book value decreased from SAR 367.0 million as at 31 December 2020G to SAR 348.4 million as at 31 December 2021G as a result of the depreciation charge during the year amounting to SAR 23.1 million, partly offset by transfers made from capital work in progress of a total value of SAR 3.3 million in relation to security cameras, infrastructure work in Khamis Mushait, particularly pertaining to the server system in the feed factory, and other capex invested to modernize the automatic control system in Al Jawf Mill as part of improvements to the mills.

Plant and equipment increased to SAR 355.0 million as at 31 December 2022G driven by improvement projects which included (i) transfers from capital work in progress amounting to SAR 26.1 million in connection with a civil defence project across the Group's 3 operational branches to renew CR and manufacturing licenses as per the requirement set by the municipality regulations, (ii) additions of SAR 5.6 million in relation to several roller mills, food mixers, and a firefighting system, partially offset by depreciation expenses recorded during the year amounting to SAR 24.1 million.

Plant and equipment further increased to SAR 361.6 million as at 30 June 2023G, following the completion of work in progress amounting to SAR 15.0 million for the upgrade and replacement of the existing assets in addition to PLC maintenance work across the branches, coupled with additions totalling SAR 5.1 million over the same period.

Furniture and fittings

Furniture and fittings in the Group's mills as well as the offices amounted to SAR 6.8 million as at 31 December 2020G and decreased to SAR 3.3 million as at 31 December 2021G mainly driven by a reclassification of SAR 3.7 million pertaining to the correction of cost and accumulated depreciation.

Furniture and fittings subsequently increased to SAR 4.4 million as at 31 December 2022G and 30 June 2023G mainly due to additions which were partly offset by the depreciation expense over each period.

Motor vehicles

Motor vehicles amounted to SAR 4.1 million as at 31 December 2020G and decreased to SAR 3.1 million as at 31 December 2021G due to depreciation expenses amounting to SAR 1.0 million.

Motor vehicles subsequently decreased to SAR 2.3 million as at 31 December 2022G due to depreciation expense amounting to SAR 1.2 million and net disposals of SAR 364 thousand, offset by additions made during the period amounting to SAR 790 thousand.

Motor vehicles increased to SAR 3.0 million as at 30 June 2023G, mainly due to additions of trucks and vehicles acquired for Hassad Al-Arabia, partly offset by depreciation expense of SAR 646 thousand over the same period.

Spare parts

Spare parts pertained to repair parts used for the maintenance of the machinery and production facilities. The assets meet the requirements of IAS16 and thus the classification under PPE.

Spare parts amounted to SAR 11.7 million as at 31 December 2021G following the restatement of spare parts historically classified by the auditor under inventory to PPE. The spare parts balance as at 31 December 2020G, previously disclosed in the audited financial statements for the financial year 2021G, was reduced by an amount of SAR 12.7 million, as disclosed in the consolidated audited financial statements for the financial year 2022G. Management discovered that certain spare parts with the useful life of more than one year and meeting the definition of property, plant and equipment as per the requirement of IAS 16, 'Property, Plant and Equipment' were erroneously classified and accounted for as inventory in the prior periods. Consequently, the carrying value of property, plant and equipment and the related depreciation were understated and the carrying value of inventories and related provision for slow moving inventory were overstated.

Spare parts decreased from SAR 11.7 million as at 31 December 2021G to SAR 10.7 million as at 31 December 2022G and SAR 10.2 million as at 30 June 2023G as a result of depreciation expenses of SAR 1.0 million and SAR 528 thousand, respectively.

Capital work in progress

Capital work in progress amounted to SAR 3.2 million as at 30 June 2023G and related to the expansion of the mills in Al Jumum to meet higher market demand. The project is approximately budgeted to cost SAR 240 million and is expected to be completed in Q1-25.

Capital work in progress amounted to SAR 13.6 million, SAR 23.2 million, and SAR 17.8 million as at 31 December 2020G, 2021G and 2022G, respectively, which mainly included:

- Safety project (SAR 16.5 million as at 31 December 2022G): A civil defense project in connection with the installation of fire alarms and sprinklers, amongst others, for obtaining a civil defense license as required by the municipality. The project started in 2020G and was completed during the six-month period ended 30 June 2023G;
- Maintenance of automated control rooms (PLCs) in Khamis Mushait which was completed in 2021G; and
- Construction of Al Jawf sales building which was completed in 2021G.

Capital commitments related to these projects amounted to SAR 84.1 million as at 30 June 2023G. While the balance has fluctuated constantly over the historical period, the Group continues to renovate its buildings, facilities and technical assets, recognizing the balance and transferring it to the relevant asset class upon capitalization.

6.9.2.1.2 Right-of-use assets

Table (6.14): Right-of-use assets as at 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G

SAR in 000s	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
Silos (1)	121,561	174,134	166,503	162,688
Land (1)	47,690	62,558	59,904	58,577
Buildings	-	-	1,736	5,473
Net book value	**169,250**	**236,692**	**228,143**	**226,738**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

(1) The opening balance was adjusted in 2021G for the right-of-use assets. Accordingly, the balances as at 31 December 2020G were extracted from the audited financial statements for 2021G, that is, before the impact of the restatements, and the balances as at 31 December 2021G were extracted from the consolidated audited financial statements for 2022G, that is, after the effect of the restatements. For more information about these modifications, refer to Section 6-10 ("**Correction of errors**").

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

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Silos

Silos are leased from the GFSA with a lease term of 25 years extending from 1 January 2017G and renewable for a similar period. On 30 November 2020G, a lease modification took place whereby the lease term was extended by an additional four years. The Group's lease agreements restrict from entering sub lease arrangements.

The net book value of silos increased from SAR 121.6 million as at 31 December 2020G to SAR 174.1 million as at 31 December 2021G, following the retrospective net adjustments from the lease extension amounting to SAR 58.4 million, partially offset by depreciation for the year amounting to SAR 5.8 million. The silos' balance as at 31 December 2020G, previously disclosed in the audited financial statements for the financial year 2021G, was restated and increased by SAR 60.2 million as disclosed in the consolidated audited financial statements for the financial year 2022G. Management discovered that the lease modification (increase in lease term and increased lease payment) for lands and silos with GFSA on 30 November 2020G was erroneously not accounted for in accordance with the requirements of IFRS 16, 'Leases'. Consequently, the carrying values of the right-of-use assets and lease liabilities and related depreciation and finance cost were understated. Management corrected the carrying values of lease liabilities and right-of-use assets and the resulting depreciation and finance costs on lease liabilities by restating each of the affected financial statement line items for the prior periods.

The net book value of silos decreased from SAR 174.1 million as at 31 December 2021G to SAR 166.5 million as at 31 December 2022G due to depreciation for the year amounting to SAR 7.6 million. The net book value of silos decreased from SAR 166.5 million as at 31 December 2022G to SAR 162.7 million as at 30 June 2023G as a result of depreciation for the period amounting to SAR 3.8 million.

Land

The Group leases land for its three branches: Khamis Mushait, Al Jumum, and Al-Jawf. The lands are leased from GFSA with a lease term of 25 years, extending from 1 January 2017G. The Group's lease agreements restrict from entering sub lease arrangements.

The net book value of land increased from SAR 47.7 million as at 31 December 2020G to SAR 62.6 million as at 31 December 2021G, following the net lease modifications to the contracts which amounted to SAR 17.1 million, partially offset by depreciation for the year amounting to SAR 2.3 million.

The land balance as at 31 December 2020G, previously disclosed in the audited financial statements for the financial year 2021G, was restated and increased by SAR 17.5 million as disclosed in the consolidated audited financial statements for the financial year 2022G. Management discovered that the lease modification (increase in lease term and increased lease payment) for lands and silos with GFSA on 30 November 2020G was erroneously not accounted for in accordance with the requirements of IFRS 16, 'Leases'. Consequently, the carrying values of the right-of-use assets and lease liabilities and related depreciation and finance cost were understated. Management corrected the carrying values of lease liabilities and right-of-use assets and the resulting depreciation and finance costs on lease liabilities by restating each of the affected financial statement line items for the prior periods.

The net book value of land decreased from SAR 62.6 million as at 31 December 2021G to SAR 59.9 million as at 31 December 2022G as a result of depreciation for the year amounting to SAR 2.7 million. The net book value of land decreased to SAR 59.9 million as at 31 December 2022G and SAR 58.6 million as at 30 June 2023G, as a result of depreciation for the period amounting to SAR 2.7 million and SAR 1.3 million, respectively.

Buildings

The Group rents buildings for its head office. The lease term for the main office building is 5 years, with the option to renew the lease after that date. On 23 May 2023G, the Group began leasing a Hassad Al-Arabia warehouse in the city of Jeddah for a period of 5 years, with the option to renew the lease after that date. The Group's lease agreements restrict from entering sub lease arrangements.

The net book value of buildings increased from nil as at 31 December 2020G and 31 December 2021G to SAR 1.7 million as at 31 December 2022G, with additions amounting to SAR 2.2 million related to the addition of the new main office lease, partially offset by depreciation for the year amounting to SAR 436 thousand.

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The net book value of the buildings increased from SAR 1.7 million as at 31 December 2022G to SAR 5.5 million as at 30 June 2023G, as a result of additions related to the Hassad Al-Arabia Company warehouse, which the Group started leasing during the year 2023G.

6.9.2.1.3 Intangible Assets

Table (6.15): Intangible Assets as at 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G

SAR in 000s	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
Software	-	-	2,890	2,781
Software under development	3,485	4,254	-	-
Net book value	**3,485**	**4,254**	**2,890**	**2,781**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

Intangible assets include computer software and software under development in connection with the Group's enterprise resource planning (ERP) system, which was successfully implemented in 2022G after two unsuccessful attempts in the previous year.

Intangible assets increased from SAR 3.5 million as at 31 December 2020G to SAR 4.3 million as at 31 December 2021G due to additions of software under development related to payments made to the third-party vendor and consultant to implement SAP, which amounted to SAR 769 thousand and was completed in 2022G.

Intangible assets decreased from SAR 4.3 million as at 31 December 2021G to SAR 2.9 million as at 31 December 2022G following the write-off of SAR 4.0 million related to the two unsuccessful attempts to implement the SAP system. The written-off balance was recorded as a provision under accumulated depreciation, pending board approval during 2022G. This was partially offset by software under development of SAR 2.2 million. Approval occurred later during January 2023G.

The balance for intangible assets slightly decreased from SAR 2.9 million as at 31 December 2022G to SAR 2.8 million as at 30 June 2023G due to amortization expense of SAR 197 thousand during the period.

6.9.2.2 Current Assets

Table (6.16): Current Assets as at 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G

SAR in 000s	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
Inventories (1)	111,721	92,738	92,538	98,718
Trade receivables	-	-	87	1,557
Prepayments and other current assets	6,974	36,898	15,575	39,529
Cash and cash equivalents	345,406	94,134	118,161	96,984
Total current assets	**464,100**	**223,769**	**226,360**	**236,788**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

(1) The opening balance was adjusted in 2021G for inventories. Accordingly, the balances as at 31 December 2020G were extracted from the audited financial statements for the 2021G, that is, before the impact of the restatements, and the balances as at 31 December 2021G were extracted from the consolidated audited financial statements for 2022G, that is, after the effect of the restatements. For more information about these modifications, refer to Section 6-10 ("**Correction of errors**").

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Current assets decreased from SAR 464.1 million as at 31 December 2020G to SAR 223.8 million as at 31 December 2021G, primarily as a result of a decrease in cash and cash equivalents by SAR 251.3 million, partially offset by an increase in prepayments and other current assets by SAR 29.9 million, mainly from advances to suppliers for SAR 23.9 million. It is worth noting that the opening balance for the current assets account for the financial year ended 2021G, (i.e. the balance as at 31 December 2020G), was restated from SAR 464.1 million as disclosed in the audited financial statements for the financial year 2021G, that is, before the impact of the restatements, to SAR 451.9 million as disclosed in the consolidated audited financial statements for the financial year 2022G, that is, after the impact of the restatements. This is due to the reduction in the balance of inventories account by SAR 12.2 million attributable to the restatements. For more information about these restatements, please refer to Section 6-10 ("**Correction of errors**").

Current assets slightly increased from SAR 223.8 million as at 31 December 2021G to SAR 226.4 million as at 31 December 2022G, due to the increase in cash and cash equivalents amounting to SAR 24.0 million during the period. This was offset by a decrease in prepayments and other current assets by SAR 21.3 million mainly due to lower advances paid to suppliers.

Current assets increased further from SAR 226.4 million as at 31 December 2022G to SAR 236.8 million as at 30 June 2023G due to an increase in prepayments and other current assets by SAR 24.0 million, on the back of higher advances to suppliers by SAR 21.2 million as well as inventories by SAR 6.2 million. This was partially offset by a decrease in cash and cash equivalents of SAR 21.2 million.

6.9.2.2.1 Inventories

Table (6.17): Inventories as at 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G

SAR in 000s	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
Spare parts – reported previously	86,175	85,855	-	-
Impact of restatements	-	(15,707)	-	-
Spare parts - restated	**86,175**	**70,148**	**61,646**	**59,402**
Raw materials	26,369	24,509	25,788	26,979
Finished goods	11,889	13,397	20,776	23,218
Goods in transit	964	683	-	-
Packing material	7,898	3,807	7,640	10,594
Others – inventory	2,694	1,801	1,340	1,747
Gross inventory	**135,988**	**114,343**	**117,189**	**121,941**
Less: allowance for slow moving inventories	(24,268)	(21,606)	(24,651)	(23,223)
Net inventories	**111,721**	**92,738**	**92,538**	**98,718**
Key performance indicators				
Average days of inventory (days)*	61	41	28	35
Key performance indicators following the restatement of the opening balance for 2021G (as disclosed in the consolidated audited financial statements for the financial year ended 2022G)				
Average days of inventory (days)	61	na	na	na

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

(1) The opening balance was adjusted in 2021G for inventories. Accordingly, the balances as at 31 December 2020G were extracted from the audited financial statements for 2021G, that is, before the impact of the restatements, and the balances as at 31 December 2021G were extracted from the consolidated audited financial statements for 2022G, that is, after the effect of the restatements. For more information about these modifications, refer to Section 6-10 ("**Correction of errors**").

* Average inventory balance less net raw materials at the end of the period / cost of revenues for the period * number of days in the period

Spare parts

Spare parts comprised replacement parts used to maintain and upkeep the Group's machinery and production facilities.

Spare parts decreased from SAR 86.2 million as at 31 December 2020G to SAR 70.1 million as at 31 December 2021G following the reclassification of inventories amounting to SAR 15.7 million which had a useful life of more than one year and met the definition of property plant and equipment as per the requirement of IAS16 to property plant and equipment. The spare parts balance as at 31 December 2020G, previously disclosed in the audited financial statements for the financial year 2021G, was reduced by an amount of SAR 15.7 million, as disclosed in the consolidated audited financial statements for 2022G. Management discovered that certain spare parts with the useful life of more than one year and meeting the definition of property, plant and equipment as per the requirement of IAS 16, 'Property, Plant and Equipment' were erroneously classified and accounted for as inventory in the prior periods. Consequently, carrying value of property, plant and equipment and the related depreciation were understated and the carrying value of inventories and related provision for slow moving inventory were overstated.

Spare parts further decreased to SAR 61.6 million as at 31 December 2022G and SAR 59.4 million as at 30 June 2023G due to consumption impacted by the change in the frequency of maintenance, which was historically on demand and updated in 2022G to scheduled maintenance, coupled with Management's plan to lower this stock balance.

Raw materials

Raw materials relate to corn, wheat, flour and feed additives, soybean meal, and barley.

The balance of raw materials decreased from SAR 26.4 million as at 31 December 2020G to SAR 24.5 million as at 31 December 2021G, mainly due to corn, which decreased by SAR 3.7 million driven the shift in consumption and purchasing to barley (the supplementary / substitute product), which had lower purchase cost during that period as compared to corn, in addition to the decrease in soybean meal by SAR 1.9 million. This was partially offset by higher barley balances of SAR 3.8 million compared to nil as at 31 December 2020G, as barley was used as a substitute for corn and soybean meal in feed production.

The balance of raw materials increased to SAR 25.8 million as at 31 December 2022G, mainly in line with corn by SAR 5.8 million, in addition to higher feed additives as a result of securing a favorable deal with competitive rates during the period, resulting in higher purchases of this ingredients. This was partially offset by a lower wheat balance of SAR 4.1 million, in line with the higher demand and consumption of flour during the period.

Raw materials further increased to SAR 27.0 million as at 30 June 2023G, on the back of higher flour additives by SAR 3.2 million, and wheat by SAR 1.3 million in line with the improvement in efficiency and lower production during the period. This was offset by a decrease in the corn (SAR 2.0 million) and feed additives (SAR 1.1 million) during the period.

Finished goods

Flour represents a fine powder resulting from grinding wheat and is primarily used in the production of bread and other baked goods. The inventory balance of flour decreased from SAR 11.2 million as at 31 December 2020G to SAR 6.0 million as at 31 December 2021G, mainly volume driven as demand was higher in the last quarter of 2021G as compared to 2020G, which resulted in a decrease in inventory levels. Flour increased to SAR 13.9 million as at 31 December 2022G in preparation for Ramadan as there was a stock-up on flour to be sold in the subsequent months during 2023G. The subsequent decrease to SAR 11.5 million as at 30 June 2023G was a result of timing differences and seasonality impact.

Feed included a mixture of corn and soya bean meal, among other feed ingredients mixed in specific proportions based on formulas determined by the Group. Feed significantly increased from SAR 554 thousand as at 31 December 2020G to SAR 5.5 million as at 31 December 2021G in line with the pick-up in sales, which increased production. Feed further increased to SAR 6.1 million as at 31 December 2022G due to higher commodity prices influenced by the Ukraine War. The balance subsequently increased to SAR 9.8 million as at 30 June 2023G as a result of the slowdown in demand for feed during the second quarter of 2023G due to excessive rainfall and the creation of large green areas where livestock can graze which led to stock build-up in line with the decrease in the demand for feed.

Animal bran is typically a by-product of flour production and was either sold to the market in bulk or packs or used in various feed products. The balance increased from SAR 179 thousand as at 31 December 2020G to SAR 1.9 million as at 31 December 2021G in line with the increase in sales and operations during the period. The balance subsequently decreased to SAR 0.8 million as at 31 December 2022G due to stock consumption to meet the high feed demand of the neighboring mills. As at 30 June 2023G, animal bran piled up in stock due to lower demand.

Goods in transit

Goods in transit amounted to SAR 964 thousand as at 31 December 2020G and SAR 683 thousand as at 31 December 2021G, then decreased to nil as at 31 December 2022G and 30 June 2023G.

Packing material

Packing materials are mainly used in the packing of finished goods. Packing material decreased from SAR 7.9 million as at 31 December 2020G to SAR 3.8 million as at 31 December 2021G and subsequently increased to SAR 7.6 million as at 31 December 2022G. This was mainly due to a timing difference whereby inventory replenishment took place in January 2022G instead of December 2021G.

Packing materials then increased to SAR 10.6 million as at 30 June 2023G, mainly due to the impact of higher crude oil prices during the period.

Others – inventory

Other inventories mainly comprised general items like lubricants, stationery, chemicals, oil and fuel. Other inventories amounted to SAR 2.7 million as at 31 December 2020G, SAR 1.8 million as at 31 December 2021G, SAR 1.3 million as at 31 December 2022G and SAR 1.7 million 30 June 2023G.

Table (6.18): Movement in allowance for slow moving inventories as at 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G

SAR in 000s	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
At the beginning of the year – reported previously	21,071	24,268	25,269	24,651
Impact of restatements	-	(3,510)	(3,663)	-
At the beginning of the year - restated	**21,071**	**20,758**	**21,606**	**24,651**
Provision during the year – reported previously	3,196	4,102	-	-
Impact of restatements	-	(154)	-	-
Provision during the year – restated	**3,196**	**3,949**	**-**	**-**
Provision during the year	-	-	9,756	-
Reversal of provision during the period	-	-	-	(1,428)
Write off during the year	-	(3,101)	(6,710)	-
At the end of the year / period	**24,268**	**21,606**	**24,651**	**23,223**

Source: The audited financial statements for the financial year ended 31 December 2021G, consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

(1) The opening balance was adjusted in 2021G for allowance for slow moving inventories. Accordingly, the balances as at 31 December 2020G were extracted from the audited financial statements for 2021G, that is, before the impact of the restatements, and the balances as at 31 December 2021G were extracted from the consolidated audited financial statements for 2022G, that is, after the effect of the restatements. For more information about these modifications, refer to Section 6-10 ("**Correction of errors**").

Provision for slow-moving inventories decreased from SAR 24.3 million as at 31 December 2020G to SAR 21.6 million as at 31 December 2021G, mainly impacted by a restatement of SAR 3.5 million pertaining to the spare parts reclassified to property, plant and equipment as per the requirement of IAS16, in addition to write-offs of old spare parts during the year amounting to SAR 3.1 million, relating to old stock that is not expected to be used. This was offset by provision on spare parts amounting to SAR 3.9 million in line with the provisioning policy. The provision for slow-moving inventories of spare parts as at 31 December 2020G, previously disclosed in the audited financial statements for the financial year 2021G, was reduced by an amount of SAR 3.5 million, as disclosed in the consolidated audited financial statements for the financial year 2022G. Management discovered that certain spare parts with the useful life of more than one year and meeting the definition of property, plant and equipment as per the requirement of IAS 16, 'Property, Plant and Equipment' were erroneously classified and accounted for as inventory in the prior periods. Consequently, carrying value of property, plant and equipment and the related depreciation were understated and the carrying value of inventories and related provision for slow moving inventory were overstated.

Provision for slow-moving inventories increased subsequently to SAR 24.7 million as at 31 December 2022G mainly from provision on raw materials of SAR 8.5 million, in addition to a provision on spare parts amounting to SAR 1.2 million. This was offset by the write-offs made during the year amounting to SAR 6.7 million in relation to old spare parts.

Provision for slow-moving inventories decreased to SAR 23.2 million as at 30 June 2023G, driven by the reversal of provision amounting to SAR 1.4 million in line with the decrease in spare parts' balance during the period.

6.9.2.2.2 Trade receivables

Table (6.19): Trade receivables as at 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G

SAR in 000s	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
Trade receivables	-	-	190	1,660
Allowance for expected credit loss on trade receivables	-	-	(103)	(103)
Net trade receivables	**-**	**-**	**87**	**1,557**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

Historically, the Group's transactions were all made on a cash basis. The Group began selling on credit on a limited basis to some customers. Net receivables amounted to nil as at 31 December 2020G and 2021G and increased to SAR 87 thousand as at 31 December 2022G, in line with the Group's initiative to sell on credit. Net trade receivables increased to SAR 1.6 million as at 30 June 2023G, on the back of higher trade receivables from SAR 190 thousand to SAR 1.7 million, most of which are related to Hassad Al-Arabia Company sales. The credit terms for these trade receivables range between 30 and 75 days with promissory notes against these trade receivables.

Table (6.20): Movement of allowance for expected credit losses as at 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G

SAR in 000s	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
At the beginning of the year / period	-	-	-	103
Provision during the year / period	-	-	103	-
At the end of the year / period	**-**	**-**	**103**	**103**

Source: The audited financial statements for the financial year ended 31 December 2021G, consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

The Group applied the simplified approach in calculating its expected credit losses (“**ECL**”), whereby changes in credit risk were not tracked. Instead, loss allowance was calculated based on lifetime ECLs at each reporting date. Accordingly, ECL amounted to SAR 103 thousand as at 31 December 2022G and 30 June 2023G.

6.9.2.2.3 Prepayments and other current assets

Table (6.21): Prepayments and other current assets as at 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G

SAR in 000s	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
Advance to suppliers	2,245	26,158	9,536	30,706
Prepayments	1,880	3,183	3,067	6,055
Advance against letters of guarantee and letters of credit	2,052	4,232	2,939	2,702
VAT receivables	-	1,647	-	-
Other receivables	796	1,677	33	66
Total	**6,974**	**36,898**	**15,575**	**39,529**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

Advance to suppliers

Advances to suppliers related to advance payments made to suppliers of raw material, spare parts and packaging material, amongst others.

Advances to suppliers increased from SAR 2.2 million as at 31 December 2020G to SAR 26.2 million as at 31 December 2021G mainly attributed to (i) a purchase order placed in 2021G amounting to SAR 17.8 million and relating to feed raw material, (ii) an advance to a contractor of SAR 4.0 million in relation to the civil defense.

Advances to suppliers decreased to SAR 9.5 million as at 31 December 2022G as there was a change in the credit arrangement in 2022G as advance payments were no longer required, and instead, payments became due within 15 days of receipt of goods.

The subsequent increase in advances to suppliers to SAR 30.7 million as at 30 June 2023G was mainly driven by an advance made to one of the feed suppliers.

Prepayments

Prepayments mainly included properties insurance, mill operations license and medical insurance, amongst others.

Prepayments increased from SAR 1.9 million as at 31 December 2020G to SAR 3.2 million as at 31 December 2021G, mainly driven by other prepayments (+SAR 948 thousand) relating to SAP licenses. Prepayments remained relatively stable at SAR 3.1 million as at 31 December 2022G.

Prepayments increased to SAR 6.1 million as at 30 June 2023G driven by higher prepayment for properties insurance (+SAR1.6m) and mill operation license (+SAR1.4m) both of which are attributable to a timing difference in recording prepayment during mid-year.

Advance against letters of guarantee and letters of credit

Advances against letters of guarantee and letters of credit pertained to financial arrangements in which the Group provided funds in advance to local banks (else called cash margin) in exchange for the issuance of letter of guarantee and letter of credits to import goods from foreign suppliers. The balance amounted to SAR 2.1 million as at 31 December 2020G and increased to SAR 4.2 million as at 31 December 2021G and subsequently decreased to SAR 2.9 million as at 31 December 2022G and SAR 2.7 million as at 30 June 2023G as the guarantee in favor of one of the suppliers matured.

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VAT receivables

VAT receivable increased from nil as at 31 December 2020G to SAR 1.6 million as at 31 December 2021G as result of the acquisition of the senior Murabaha facility during the year. VAT receivable amounted to nil as at 31 December 2022G and 30 June 2023G as the Group was in a net payable position during this period.

Other receivables

Other receivables increased from SAR 796 thousand as at 31 December 2020G to SAR 1.7 million as at 31 December 2021G mainly as a result of prepaid VAT (+SAR 421 thousand) coupled with cash deposits from customers amounting to SAR 340 thousand as at 31 December 2021G.

Other receivables subsequently dropped to SAR 33 thousand as at 31 December 2022G and SAR 66 thousand as at 30 June 2023G due to a drop in the deposit balance by SAR 1.6 million.

6.9.2.2.4 Cash and cash equivalents

Table (6.22): Cash and cash equivalents as at 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G

SAR in 000s	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
Cash on hand	-	-	112	361
Cash at banks	345,406	94,134	118,049	96,623
Total	**345,406**	**94,134**	**118,161**	**96,984**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

Cash and cash equivalents decreased from SAR 345.4 million as at 31 December 2020G to SAR 94.1 million as at 31 December 2021G, primarily due to dividends paid of SAR 404.0 million during the year. The Group acquired cash and cash equivalents amounting to SAR 24.6 million as a result of the merger during the same period.

Cash and cash equivalents increased from SAR 94.1 million as 31 December 2021G to SAR 118.2 million as at 31 December 2022G, with profit before zakat increasing by SAR 153.7 million.

Cash and cash equivalents decreased to SAR 97.0 million as at 30 June 2023G, driven by dividends paid during the six-month period ended 30 June 2023G amounting to SAR 70.0 million, partially offset by the Group's profits of SAR 105.2 million.

6.9.2.3 Equity

Table (6.23): Equity as at 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G

SAR in 000s	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
Share capital	899,667	899,667	81,832	81,832
Merger deficit reserve	-	(817,835)	-	-
Statutory reserve (1)	6,643	13,445	24,550	24,550
Retained earnings (1)	231,915	2,562	72,046	107,282
Total equity	**1,138,225**	**97,838**	**178,428**	**213,664**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

(1) The opening balance was adjusted in 2021G for retained earnings and statutory reserve. Accordingly, the balances as at 31 December 2020G were extracted from the audited financial statements for 2021G, that is, before the impact of the restatements, and the balances as at 31 December 2021G were extracted from the consolidated audited financial statements for 2022G, that is, after the effect of the restatements. For more information about these modifications, refer to Section 6-10 ("**Correction of errors**").

Total equity decreased from SAR 1,138.2 million as at 31 December 2020G to SAR 97.8 million as at 31 December 2021G, as a result of the merger that took place during the year 2021G between the partners of Mada Al Ghurair Company Limited (the parent company) and its wholly owned subsidiary, Modern Mills Company. This resulted in a merger deficit reserve of SAR 817.7 million, in addition to the dividend distribution amounting to SAR 442.1 million.

Total equity increased from SAR 97.8 million as at 31 December 2021G to SAR 178.4 million as at 31 December 2022G, as a result of the increase in retained earnings of SAR 69.5 million with the improvement in the Group's operations and an increase in profit for the year from SAR 79.5 million in the year ended 31 December 2021G to SAR 233.0 million in the year ended 31 December 2022G. This was offset by the dividend distribution amounting to SAR 152.5 million during the period.

Total equity increased from SAR 178.4 million as at 31 December 2022G to SAR 213.7 million as at 30 June 2023G, as a result of an increase in retained earnings by SAR 35.2 million, offset by the dividend distribution amounting to SAR 70.0 million during the period.

6.9.2.3.1 Share capital

On 1 November 2021G, a merger agreement was signed between the partners of Mada Al Ghurair Limited (the ultimate parent company) and its wholly owned subsidiary, Modern Mills Company (the "**Company**"), pursuant to which all assets, liabilities, rights and obligations of the ultimate parent company were transferred to the Company, provided that the legal procedures are completed.

The Board of Directors of the ultimate parent company and the company decided in their meeting held on 2 November 2021G to call for an extraordinary general assembly meeting to approve the merger process. Accordingly, the extraordinary general assembly meeting was held on 4 November 2021G (corresponding to 29 Rabi' 1443) during which the merger agreement was approved. After completing the necessary legal procedures and regulatory approvals, the merger took place on 27 December 2021G.

The assets, liabilities and equity of the ultimate parent company were transferred to the Group and were accounted for as a legal merger (a group of entities) under Joint control and was implemented at the parent company's book values on 27 December 2021G.

The net adjustment was recorded to transfer the parent company's assets, liabilities and equity balances into the company's equity as a merger deficit reserve.

No consideration has been paid and as a result of the merger process, the ultimate parent company's investment was derecognized amounting to SAR 817.9 million through equity, which resulted in a merger deficit reserve of SAR 817.9 million, which was recognized as a separate item within equity. The capital of the ultimate parent company, amounting to SAR 100 thousand, was also adjusted against the merger deficit reserve. As of the reporting date, the total merger deficit reserve amounted to SAR 817.8 million.

The merger deficit reserve thus created was adjusted against the Group's share capital during the year.

The authorized, issued and fully paid-up share capital of the Parent Company as at 31 December 2022G amounted to SAR 81.8 million (31 December 2021G: SAR 899.7 million) consists of 8,183,200 shares (31 December 2021G: 89,966,659 shares) at SAR 10 each share.

The Company's Board of Directors has proposed to decrease the share capital on 21 July 2022G from SAR 899.7 million to SAR 81.8 million, through offsetting the merger deficit reserve of SAR 817.8 million against the share capital which was approved by the members of the Extraordinary General Assembly on 20 October 2022G. The merger deficit reserve was adjusted by an amount of SAR 464 against retained earnings and one new share was issued in favor of Mada International Holding Company to remove the effect of share fractions and to maintain the same proportion of ownership of shareholders before and after the capital reduction.

The Company completed the legal procedures of share capital reduction, and the commercial register and the amended by-laws were issued on 20 November 2022G and 16 November 2022G respectively.

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

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

6.9.2.3.2 Merger deficit reserve

On 20 October 2022G on recommendation of Board of Directors, the shareholders of the Company through the Extraordinary General Assembly approved to decrease the Company's capital from SAR 899.7 million to SAR 81.8 million by share cancellations to set off the merger deficit amounting to SAR 817.8 million arising out of the merger between Mada Al Ghurair Company (the Ultimate Parent Company) and the Company on 27 December 2021G.

Merger deficit reserve represented (i) a derecognition of the investment of the ultimate parent company in the company given that no consideration has been paid and (ii) an adjustment of the share capital of the ultimate parent company amounting to SAR 100 thousand.

6.9.2.3.3 Statutory reserve

As at 18 October 2023G, in accordance with the Company's By-Laws, the Company must transfer at least 10% of its net income in each year to the statutory reserve. As per the Company's By-Laws, the Company may resolve to discontinue such transfers when the reserve equals 30% of the capital. This reserve is not available for distribution. It is worth noting that the Company has amended the bylaws on 18 October 2023G and canceled the policy related to the statutory reserve in accordance with the Companies Law, and therefore the Company is not required to form any statutory reserve as of the date of this prospectus.

The increase in statutory reserve from SAR 6.6 million as at 31 December 2020G to SAR 13.4 million as at 31 December 2021G represented the transfer of 10% of 2021G net income (SAR 79.5 million) offset by a restatement to 31 December 2020G balance of SAR 1.1 million mainly pertaining to the correction of the useful life of buildings. It is worth noting that the opening balance of the statutory reserve account for the financial year ended 2021G, (i.e. the balance as at 31 December 2020G), was restated from SAR 6.6 million as disclosed in the audited financial statements for the financial year 2021G, that is, before the impact of the restatements, to SAR 5.5 million as disclosed in the consolidated audited financial statements for the financial year 2022G, that is, after the impact of the restatements. This is due to a decrease in the balance of buildings by an amount of SAR 1.5 million, offset by an increase in (1) the balance of property, plant, equipment and inventory by an amount of SAR 51 thousand, (2) the balance of other payables amounting to SAR 134 thousand and (3) the balance of trade payables amounting to SAR 143 thousand. For more information about these restatements, please refer to Section 6-10 ("**Correction of errors**").

Statutory reserve subsequently increased from SAR 13.4 million as at 31 December 2021G to SAR 24.6 million as at 31 December 2022G and 30 June 2023G equivalent to 30% of its share capital.

6.9.2.3.4 Retained earnings

Retained earnings decreased from SAR 231.9 million as at 31 December 2020G to SAR 2.6 million as at 31 December 2021G, mainly as a result of dividend distributions to shareholders amounting to SAR 442.1 million, partially offset by net profits for the year (adjusted) of SAR 79.5 million. It is worth noting that the opening balance of the retained earnings account for the financial year ended 2021G, (i.e. the balance as at 31 December 2020G), was restated from SAR 231.9 million as disclosed in the audited financial statements for the financial year 2021G, that is, before the impact of the restatements, to SAR 221.6 million as disclosed in the consolidated audited financial statements for the financial year 2022G, that is, after the impact of the restatements. This is due to a decrease in the balance of buildings amounting to SAR 13.3 million, offset by an increase in (1) the balance of property, plant, and equipment and inventory by SAR 459 thousand, (2) the balance of other payables amounting to SAR 1.2 million and (3) the balance of trade payables amounting to SAR 1.3 million. For more information about these restatements, please refer to Section 6-10 ("**Correction of errors**"). Profit for the year and the total comprehensive income for the year for the financial year ended 31 December 2021G were also restated by SAR 20.6 million, as disclosed in the consolidated audited financial statements for the financial year ended 31 December 2022G. This is due to the merger of the ultimate Parent Company and the Company on 27 December 2021G, as the results of operations of the Ultimate Parent Company were recognized in the statement of profit or loss of the Company from 1 January 2021G to 27 December 2021G instead of accounting from the date of the merger transaction. This resulted in overstatement of finance cost and did not conform with the requirements of applicable financial reporting framework. For more information about these restatements, please refer to Section 6-10 (“**Correction of errors**”).

Subsequently, the balance increased to SAR 72.0 million as at 31 December 2022G, mainly driven by net profit for the year (adjusted) of SAR 233.0 million, partially offset by a dividend distribution of SAR 152.5 million.

The balance increased to SAR 107.3 million as at 30 June 2023G, mainly driven by net profits for the period of SAR 105.2 million, partially offset by dividend distribution of SAR 70.0 million.

6.9.2.4 Non-current liabilities

Table (6.24): Non-current liabilities as at 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G

SAR in 000s	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
Long term loans	-	680,577	535,976	508,850
Lease liabilities	181,350	242,972	237,278	228,632
Employees’ defined benefit obligations	496	782	3,101	4,874
Total non-current liabilities	**181,846**	**924,331**	**776,355**	**742,356**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

The opening balance was adjusted in 2021G for the lease liabilities. Accordingly, the balances as at 31 December 2020G were extracted from the audited financial statements for 2021G, that is, before the impact of the restatements, and the balances as at 31 December 2021G were extracted from the consolidated audited financial statements for 2022G, that is, after the effect of the restatements. For more information about these modifications, refer to Section 6-10 (“**Correction of errors**”).

Non-current liabilities increased from SAR 181.8 million as at 31 December 2020G to SAR 924.3 million as at 31 December 2021G due to long-term loans amounting to SAR 680.6 million as a result of the merger, in addition to a higher lease liabilities amounting to SAR 61.6 million as a result of extending the contract period by four years. It is worth noting that the opening balance of the non-current liabilities account for financial year ended 2021G, (i.e. the balance as at 31 December 2020G), was restated from SAR 181.8 million as disclosed in the audited financial statements for the financial year 2021G, that is, before the impact of the restatements, to SAR 250.4 million as disclosed in the consolidated audited financial statements for the financial year 2022G, that is, after the impact of the restatements. This is due to the increase in the balance related to the lease liabilities by SAR 68.6 million. For more information about these restatements, please refer to Section 6-10 (“**Correction of errors**”).

Non-current liabilities decreased from SAR 924.3 million as at 31 December 2021G to SAR 776.4 million as at 31 December 2022G due to the decrease in the balance of long-term loans by SAR 144.6 million as a result of payments during the period.

Non-current liabilities further decreased from SAR 776.4 million as at 31 December 2022G to SAR 742.4 million as at 30 June 2023G, due to a decrease in the balance of long-term loans amounting to SAR 27.1 million.

6.9.2.4.1 Long term loans

Table (6.25): Long term loans as at 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G

SAR in 000s	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
Long term loans	-	702,406	590,044	567,750
Less: unamortized transaction cost	-	(10,072)	(9,479)	(9,183)
Total long term loans	**-**	**692,335**	**580,565**	**558,567**
Non-current portion	-	680,577	535,976	508,850
Current portion	-	11,758	44,588	49,717
Total	**-**	**692,335**	**580,565**	**558,567**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

The long term loans represent a senior Murabaha facility taken from a commercial bank in two tranches and carrying a rate of SAIBOR plus an applicable margin. The facility will be repaid in quarterly installments starting from 31 March 2021G until 31 December 2038G.

The loan facilities, which are secured against collaterals, include:

- The shareholders have provided a stabilization support in the amount of SAR 100 million against this restricted loan based on meeting certain key performance indicators stipulated in the Stabilization Support Agreement for two consecutive years. The Group achieved key performance indicators for both periods as of 31 December 2021G and 31 December 2022G. The Group is in discussion with the bank to withdraw the Stabilization Support Agreement. Following the issuance of the 30 June 2023G reviewed financial statements, the Group received a waiver from the bank following the completion of the 2-year arrangement.
- Assignment of insurance policies for insurance of the property all risk and business interruption amounting to SAR 1,253 million as at 31 December 2022G and 30 June 2023G (SAR 840 million as at 31 December 2021G), and
- Pledge of the Company's shares in favor of the bank during the loan period (For more information, please refer to Section 6.11 ("**Subsequent events**") of this Prospectus).

Long term loans decreased from SAR 692.3 million as 31 December 2021G to SAR 580.6 million as at 31 December 2022G and SAR 558.6 million as at 30 June 2023G as the Group made payments during the period.

Table (6.26): Movement in the loan balance as at 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G

SAR in 000s	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
At the beginning of the year	-	-	702,406	590,044
Transferred as a result of merger transaction	-	706,080	-	-
Paid during the period	-	(3,674)	(112,363)	(22,294)
At the end of the year	**-**	**702,406**	**590,044**	**567,750**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

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Table (6.27): Maturity analysis - contractual cash flows as at 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G

SAR in 000s	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
Within one year	-	28,460	76,014	87,914
One to five years	-	302,296	318,516	329,460
More than five years	-	498,370	420,058	413,927
Total	**-**	**829,126**	**814,588**	**831,301**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

6.9.2.4.2 Lease liabilities

Table (6.28): Movement in lease liabilities as at 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G

SAR in 000s	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
At the beginning of the period – reported previously	190,150	185,868	181,349	251,450
Impact of restatements	-	77,727	75,306	-
At the beginning of the period – restated	190,150	263,595	256,656	-
At the beginning of the period	-	-	-	251,450
Additions during the period	-	-	2,172	4,104
Interest charge of the period – reported previously	9,402	9,165	-	-
Impact of restatements	-	(2,420)	-	-
Interest charge of the period – restated	9,402	6,745	-	-
Interest charge of the period	-	-	6,641	3,273
Repayments during the period	(13,684)	(13,684)	(14,018)	(14,974)
Balance at the end of the period	**185,868**	**256,656**	**251,450**	**243,826**
Current	4,518	13,684	14,172	15,194
Non-current	181,350	242,972	237,278	228,632
Total [(1)]	**185,868**	**256,656**	**251,450**	**243,826**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

(1) The opening balance was adjusted in 2021G for the lease liabilities. Accordingly, the balances as at 31 December 2020G were extracted from the audited financial statements for 2021G, that is, before the impact of the restatements, and the balances as at 31 December 2021G were extracted from the consolidated audited financial statements for 2022G, that is, after the effect of the restatements. For more information about these modifications, refer to Section 6-10 ("**Correction of errors**").

Lease liabilities relate to the lease of the silos, land, buildings and the Group's head office. Lease liabilities increased from SAR 185.9 million as at 31 December 2020G to SAR 256.7 million as at 31 December 2021G, due to the modifications implemented during 2021G of SAR 77.7 million, offset by the Group's payment of SAR 13.7 million during the same period. The lease liabilities balance as at 31 December 2020G, previously disclosed in the audited financial statements for the financial year 2021G, was restated by an amount of SAR 77.7 million, as disclosed in the consolidated audited financial statements for the financial year 2022G. Management discovered that the lease modification (increase in lease term and increased lease payment) for lands and silos with GFSA on 30 November 2020G was erroneously not accounted for in accordance with the requirements of IFRS 16, 'Leases'. Consequently, the carrying values of the right of use assets and lease liabilities and related depreciation and finance cost were understated. Management corrected the carrying values of lease liabilities and right-of-use assets and the resulting depreciation and finance costs on lease liabilities by restating each of the affected financial statement line items for the prior periods.

Lease liabilities decreased to SAR 251.5 million as at 31 December 2022G and SAR 243.8 million as at 30 June 2023G as a result of the payments during the period (SAR 14.0 million and SAR 15.0 million during 2022G and the six-month period ended 30 June 2023G, respectively).

6.9.2.4.3 Employees' defined benefit obligations

Table (6.29): Employees' defined benefit obligations as at 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G

SAR in 000s	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
Net defined benefit obligation at the beginning of the year	310	496	782	3,101
Service cost	186	296	2,520	1,876
Interest expense	-	-	29	-
Paid during the year	-	(10)	(186)	(102)
Remeasurement of the net defined benefit liability	-	-	(44)	-
Present value of defined benefit obligation at the end of the period	**496**	**782**	**3,101**	**4,874**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

The Group has defined benefit programs with the General Organization for Social Insurance, under which the Group and employees contribute a fixed percentage of their salaries in exchange for receiving retirement salaries for Saudi employees. The Group also manages specific benefit programs in accordance with the Saudi Labor Law based on the accumulated service periods of employees at the date of the statement of financial position.

Net defined benefit obligations for employees increased from SAR 496 thousand as at 31 December 31 2020G to SAR 783 thousand as at 31 December 2021G as a result of a service cost amounting to SAR 296 thousand during 2021G after returning part of the balance of the end-of-service benefits for employees seconded to the Company between 2017G and 2021G, to GFSA who left the Group after an administrative decision was issued by GFSA to bear the liability of the end-of-service benefits of expatriate workers who were seconded to the Company from 2017G to 2021G.

Employees' defined benefit obligations further increased to SAR 3.1 million as at 31 December 2022G due to a service cost of SAR 2.5 million during 2022G, partially offset by payments during the year amounting to SAR 186 thousand.

Employees' defined benefit obligations increased to SAR 4.9 million as at 30 June 2023G, mainly driven by service costs amounting to SAR 1.9 million during the period. This was offset by SAR 102 thousand paid by the Group during the period.

6.9.2.5 Current liabilities

Table (6.30): Current liabilities as at 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G

SAR in 000s	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
Trade and other payables	12,854	46,085	44,708	24,588
Accrued expenses and other liabilities	16,287	42,186	72,109	76,500
Current portion of long term loans*	-	11,758	44,588	49,717
Current portion of lease liabilities *	4,518	13,684	14,172	15,194
Advance from customers	6,013	8,971	12,579	16,432
Due to related parties	10,938	24,895	-	-
Provision for penalties	-	-	6,425	6,425
Zakat payable	-	2,378	2,854	2,442
Total current liabilities	**50,611**	**149,957**	**197,435**	**191,298**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

*The current portion of long-term liabilities and lease liabilities is covered in section 6-9-2-4 ("**Non-current liabilities**").

The opening balance was adjusted in 2021G for lease liabilities and trade and other payables. Accordingly, the balances as at 31 December 2020G were extracted from the audited financial statements for 2021G, that is, before the impact of the restatements, and the balances as at 31 December 2021G were extracted from the consolidated audited financial statements for 2022G, that is, after the effect of the restatements. For more information about these modifications, refer to Section 6-10 ("**Correction of errors**").

Current liabilities increased from SAR 50.6 million as at 31 December 2020G to SAR 150.0 million as at 31 December 2021G due to higher trade and other payables amounting to SAR 33.2 million and accrued expenses and other liabilities amounting to SAR 25.9 million. It is worth noting that the opening balance of the current liabilities account for the financial year ended 2021G, (i.e. the balance as at 31 December 2020G), was restated from SAR 50.6 million as disclosed in the audited financial statements for 2021G, that is, before the impact of the restatements, to SAR 57.0 million as disclosed in the consolidated audited financial statements for 2022G, that is, after the impact of the restatements. This is due to the (1) increase in the balance of the current portion of lease liabilities by SAR 9.2 million and (2) decrease in the balance of trade and other payables by SAR 2.8 million. For more information about these restatements, please refer to Section 6-10 ("**Correction of errors**").

Current liabilities further increased to SAR 197.4 million as at 31 December 2022G, mainly driven by an increase in the current portion of long-term loans amounting to SAR 32.8 million, in addition to accrued expenses and other liabilities amounting to SAR 29.9 million. This was partially offset by a decrease in due to related parties of SAR 24.9 million.

Current liabilities decreased from SAR 197.4 million as at 31 December 2022G to SAR 191.3 million, mainly due to the decrease in trade and other payables by SAR 20.1 million, offset by an increase in the current portion of long-term loans by SAR 5.1 million.

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6.9.2.5.1 Trade and other payables

Trade and other payables comprised of payables to suppliers mostly related to the purchases of raw materials, packaging and suppliers of services. These payables were mostly related to accruals for goods received yet to be invoiced. Trade and other payables increased from SAR 12.9 million as at 31 December 2020G to SAR 46.1 million as at 31 December 2021G, mainly driven by the increase in the balance for GFSA (+SAR15.0m) which was previously classified under due to related parties as well as other suppliers. It is worth noting that the opening balance of the trade and other payables account for the financial year ended 2021G, (i.e. the balance as at 31 December 2020G), was restated from SAR 12.9 million as disclosed in the audited financial statements for the financial year 2021G, that is, before the impact of the restatements, to SAR 10.1 million as disclosed in the consolidated audited financial statements for the financial year 2022G, that is, after the impact of the restatements. This is due to the decrease in the balance of (1) other payables by SAR 1.3 million and (2) trade payables by SAR 1.4 million. For more information about these restatements, please refer to Section 6-10 ("**Correction of errors**").

Trade and other payables slightly dropped to SAR 44.7 million as at 31 December 2022G, and further to SAR 24.6 million as at 30 June 2023G due to the receipt of invoices and settlements to one of the Group's raw material suppliers (-SAR 15.3 million).

6.9.2.5.2 Accrued expenses and other liabilities

Table (6.31): Accrued expenses and other liabilities as at 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G

SAR in 000s	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
Accrued expenses – reported previously	2,453	5,363	-	-
Impact of restatements	-	(150)	-	-
Accrued expenses – restated	**2,453**	**5,213**	**19,270**	**20,224**
Employee related accruals	12,189	19,258	30,103	32,542
Accrued rebates	-	6,450	12,026	13,176
Withholding taxes payable	-	6,750	37	-
VAT payable	-	-	3,917	4,956
Accrued professional fees	1,617	4,456	5,849	5,309
Other payables	27	60	906	294
Total	**16,287**	**42,186**	**72,109**	**76,500**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

Accrued expenses - restated

Accrued expenses comprised accrued advertising and marketing fees, general accruals mainly related to repair and maintenance expenses, and accrued electricity charges amongst others. Accrued expenses increased from SAR 2.5 million as at 31 December 2020G to SAR 5.2 million as at 31 December 2021G, mainly driven by the increase in general accruals by SAR 4.0 million mainly as a result of accruing for salaries during the period, partially offset by lower accrued electricity charges (-SAR 920 thousand).

Accrued expenses significantly increased further from SAR 5.2 million as at 31 December 2021G to SAR 19.3 million as at 31 December 2022G primarily as a result of an increase in accrued advertising and marketing fees (+SAR 7.4 million) in connection with the Group's brand-building activities and campaigns, in addition to the increase in accrued government fees (+SAR 2.7 million) mainly in relation to monthly expat levy of SAR 700 per expat should the number of nationals exceed the number of expats and SAR 800 per expat should for each expat above the number of national. In addition to higher accrued electricity charges (+SAR 1.6 million) in connection with Al Jawf.

Accrued expenses increased to SAR 20.2 million as at 30 June 2023G, mainly driven by an increase in accrued trade marketing expenses (+SAR 2.2 million) related to the anticipated costs of promotional activities provided to Hassad Al-Arabia Company customers.

Employee related accruals

Employee-related accruals primarily relate to accrued annual bonuses, accrued vacation, GOSI payable, and other employee-related accruals. Employee-related accruals increased from SAR 12.2 million as at 31 December 2020G to SAR 19.3 million as at 31 December 2021G as a result of the increase in other employee-related accruals by an amount of SAR 5.6 million due to (i) accrued salaries by an amount of SAR 3.5 million in relation to overtime and casual labor payments related to the seconded employees who returned to GFSA, (ii) accrued iqama fees amounting to SAR 1.5 million as a result of the expatriate tax that was paid, in addition to (iii) accrued annual bonus by SAR 1.4 million during the period.

Employee-related accruals increased further from SAR 19.3 million as at 31 December 2021G to SAR 30.1 million as at 31 December 2022G, on the back of an increase in accrued annual bonus by SAR 16.2 million following the adoption of the new bonus policy approved by the Board of Directors and implemented by Management in line with the transformation strategy. This was partially offset by the drop in accrued salaries by SAR 3.5 million and iqama fees by SAR 1.5 million to nil.

Employee-related accruals increased from SAR 30.1 million as at 31 December 2022G to SAR 32.5 million as at 30 June 2023G, mainly as a result of the increase in accrued annual bonus by SAR 2.5 million, as bonuses related to 2022G are expected to be paid during 2023G.

Accrued rebates

Accrued rebates entailed the practice of recognizing an estimated liability for discounts and rebates owed to customers. Accrued rebates increased from nil as at 31 December 2020G to SAR 6.5 million as at 31 December 2021G as the Group started offering these incentives in 2021G.

Accrued rebates increased further to SAR12.0 million as at 31 December 2022G and SAR 13.2 million as at 30 June 2023G in line with the growth on volumes sold over the period, entailing higher discounts and rebates.

Withholding taxes payable

Withholding taxes payable relate to the taxes withheld on transactions with non-residents in accordance with ZATCA regulations. Withholding taxes payable amounted to SAR 6.8 million as at 31 December 2021G and decreased to SAR 37 thousand as at 31 December 2022G and nil as at 30 June 2023G.

VAT payable

VAT payable (15%) amounted to SAR 3.9 million as at 31 December 2022G and increased to SAR 5.0 million as at 30 June 2023G.

Accrued professional fees

Accrued professional fees mainly related to legal advisory services, financial advisory for policy and procedures and audit fees, amongst others. Accrued professional fees increased from SAR 1.6 million as at 31 December 2020G to SAR 4.5 million as at 31 December 2021G mainly as a result of recording accruals of SAR 1.4 million in connection with 3rd party HR consultancy services to refine job roles, prepare detailed job descriptions and formulate new incentive schemes as part of the transformation.

Accrued professional fees further increased to SAR 5.8 million as at 31 December 2022G due to hiring financial consultants to advise on policy and procedures (+SAR 1.2 million).

Accrued professional fees subsequently decreased to SAR 5.3 million as at 30 June 2023G due to lower accruals for audit fees (-SAR 0.4 million).

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Other payables

Other payables increased from SAR 27 thousand as at 31 December 2020G, to SAR 60 thousand as at 31 December 2021G, and to SAR 0.9 million as at 31 December 2022G, and subsequently decreased to SAR 294 thousand as at 30 June 2023G, as they were subsequently re-classified to trade and other payables.

6.9.2.5.3 Advances from customers

Advances from customers were primarily related to the advance consideration received from customers for the sale of goods. Advances from customers increased gradually from SAR 6.0 million as at 31 December 2020G to SAR9.0 million as at 31 December 2021G, SAR 12.6 million as at 31 December 2022G and SAR 16.4 million as at 30 June 2023G in line with the growth in the business and operations of the Group during the period.

6.9.2.5.4 Due to related parties

Table (6.32): Due to related parties as at 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G

SAR in 000s	Relationship	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
Mada International Holding Company	Shareholder with significant influence	-	11,667	-	-
Al Ghurair Food Company L.L.C	Shareholder with significant influence	-	11,424	-	-
Masafi Company L.L.C.	Shareholder with significant influence	-	1,804	-	-
General Food Security Authority	Affiliate	10,938	-	-	-
Total		**10,938**	**24,895**	**-**	**-**
Due to related parties – included in trade and other payables					
Al Rajhi Holding	Ultimate Shareholder with significant influence	-	-	-	8
Al Ghurair Resources International	Affiliate	-	-	15,396	-
Total		**-**	**-**	**15,396**	**8**
Due from related parties included in prepayment and other current assets					
Al Ghurair Resources International	Affiliate	-	-	-	20,538
Total		**-**	**-**	**-**	**20,538**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

Due to related parties amounted to SAR 10.9 million as at 31 December 2020G and related to GFSA (SAR 10.9 million) for the purchase of wheat, in addition to the leasing of lands, silos, and storage facilities owned by GFSA. Due to related parties increased to SAR 24.9 million as at 31 December 2021G and comprised of balances due to shareholders in relation to outstanding dividends payables in connection with Mada International Holding Company (SAR11.7m), Al Ghurair Food Company LLC (SAR11.4m), and Masafi Company LLC (SAR1.8m). As a result of the change in the Group's ownership during 2020G, GFSA was no longer considered an affiliate (per the Companies' Law definition) and was reclassified to suppliers.

Due to related parties amounted to SAR 15.4 million as at 31 December 2022G and related to purchases of corn and soybean meal. These balances were reclassified to trade payables as they were operational in nature. The balance subsequently dropped to SAR 8 thousand as at 30 June 2023G as a result of a decrease in the balance due to Al Ghurair Food Company L.L.C to nil and recording instead a balance due from the latter. The balance due to related parties amounting to SAR 8 thousand as at 30 June 2023G related to a balance payable to Al Rajhi Holding for the head office lease.

The balance due from related parties amounted to SAR 20.5 million as at 30 June 2023G and represents advance payments to Al Ghurair Resources International in relation to the purchase of corn and soybean meal. This balance was included in prepayments and other current assets due to their operational nature.

6.9.2.5.5 Provision for penalties

On 19 March 2023G, GFSA has lodged a claim against the Group before the Committee for the Adjudication of Violations of the Flour Milling Law, alleging that Group did not comply with the terms and regulations stipulated in The Flour Mills Law and implementing regulations, Mill Operating License and Wheat Purchase Agreement that are as follows:

1- accepting membership requests from the new customers without GFSA's approval - fine amounting to SAR 20.0 million; and

2- exceeding allocated sale quantities approved by GFSA – fine amounting to SAR 1.0 million and financial recoveries amounting to SAR 43.2 million

Based on the advice of the Group's legal advisors, the Group has recognized a provision amounting to SAR 6.4 million during the year ended 31 December 2022G as the Group expects to be successful in defending the claim as the allegations made have no reasonable legal grounds. The Company assessed the balance of the claims as a contingent liability.

Provision for penalties amounted to SAR 6.4 million as at 31 December 2022G and 30 June 2023G.

The Group has submitted a reply against this claim to the GFSA on 30 April 2023G. Subsequent to the period end date, on 2 October 2023G, the Group received response from GFSA with a revised claim amounting to SAR 4.4 million. The Group and GFSA both have the right to appeal the decision to the administrative court within 60 days from the date of notification of the decision, in accordance with the provisions of paragraph three of article twenty-seven of The Flour Mills Regulations. The Group reported that its Board of Directors decided not to object to the ruling, and the objection period ends on 1 December 2023G. (For more information, please see section 12-11 ("**Litigation**") of this prospectus.)

6.9.2.5.6 Zakat payable

Table (6.33): Zakat payable as at 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G

SAR in 000s	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	30 June 2023G (Reviewed)
At the beginning of the year	-	-	2,378	2,854
Charged during the year	-	2,378	2,627	2,612
Paid during the year	-	-	(2,150)	(3,025)
At the beginning of the year	**-**	**2,378**	**2,854**	**2,442**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

Zakat payable amounted to nil as at 31 December 2020G, as the Group was considered a government institution during this period. Zakat payable increased to SAR 2.4 million as at 31 December 2021G, SAR 2.9 million as at 31 December 2022G, and SAR 2.4 million as at 30 June 2023G.

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

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6.9.3 Capital commitments and contingencies

6.9.3.1 Contingencies

a- The Group has provided bank guarantees of SAR 1.6 million in favor of GFSA for lease of silos in Khamis Mushait, Al Jumum and Al Jawf. These guarantees are valid up to 31 December 2023G.

b- The Group has provided bank guarantees of SAR 476 thousand in favor of GFSA for lease of lands in Khamis Mushait, Al Jumum and Al Jawf. These guarantees are valid up to 31 December 2023G.

c- The Group has provided bank guarantees amounting to SAR 500 thousand in favor of GFSA for barley import contract for the purpose of trade. These guarantees are valid up to 30 June 2023G.

d- On 19 March 2023G, GFSA has lodged a claim against the Group before the Committee for the Adjudication of Violations of the Flour Milling Law, alleging that Group did not comply with the terms and regulations stipulated in The Flour Mills Law and implementing regulations, Mill Operating License and Wheat Purchase Agreement that are as follows:

1- accepting membership requests from the new customers without GFSA's approval - fine amounting to SAR 20.0 million; and

2- exceeding allocated sale quantities approved by GFSA – fine amounting to SAR 1.0 million and financial recoveries amounting to SAR 43.2 million

Based on the advice of the Group's legal advisors, the Group has recognized a provision amounting to SAR 6.4 million during the year ended 31 December 2022G as the Group expects to be successful in defending the claim as the allegations made have no reasonable legal grounds. Management have assessed the balance of the claims as a contingent liability.

The Group has submitted a reply against this claim to the GFSA on 30 April 2023G. Subsequent to the period end date, on 2 October 2023G, the Group received a response from GFSA with a revised claim amounting to SAR 4.4 million. The Group and GFSA both have the right to appeal the decision to the administrative court within 60 days from the date of notification of the decision, in accordance with the provisions of paragraph three of article twenty-seven of The Flour Mills Regulations.

6.9.3.1.1 Commitments

The following LCs are outstanding as at 30 June 2023G:

a- LC import sight of SAR 1.7 million with an outstanding amount of SAR 1.1 million (31 December 2022G: nil) in favor of FAWEMA GMBH for bag packing machine. The LC will remain valid till 6 January 2024G.

b- LC import sight of SAR 59.9 million (31 December 2022G: nil) in favor of OCRIM SPA for supply of flour mill machinery including all electrical equipment's. The LC will remain valid till 15 October 2024G.

c- LC import sight of SAR 1.1 million (31 December 2022G: nil) in favor of BUEHLER AG for supply of plant components including installation and commissioning supervision at site of Jumum. The LC will remain valid till 28 March 2024G.

d- LC import sight of SAR 1.1 million (31 December 2022G: nil) in favor of BUEHLER AG for packing line for 10 KG. The LC will remain valid till 15 March 2024G.

The following LCs are outstanding as at 31 December 2022G:

e- LC import amounting to SAR 18.0 million with an outstanding amount of SAR 2.6 million (31 December 2021: nil) in favor of Al Ghurair Resources International LLC for purchase of corn. The LC matures on 28 February 2023G.

f- Outward LC import sight amounting to SAR 383 thousand (31 December 2021: nil) in favor of OCRIM SPA for purchase of infestation destroyer machine. The Group has paid a cash margin against this LC amounting to SAR 383 thousand. The LC matures on 28 March 2023G.

g- Outward LC import sight amounting to SAR 1.7 million with an outstanding amount of SAR 1.1 million (31 December 2021: nil) in favor of FAWEMA GMBH for purchase of bag packaging machine. The LC matures on 30 May 2023G.

h- Outward LC import sight amounting to SAR 579 thousand (31 December 2021: nil) in favor of BUHLER AG for purchase of batch scale. The LC matures on 30 April 2023G.

i- LC acceptance amounting to SAR 17.2 million (31 December 2021: nil) in favor of Al Ghurair Resources International LLC for purchase of soybean meal. The LC matures on 10 February 2023G.

j- LC acceptance amounting to SAR 20.5 million (31 December 2021: nil) in favor of Al Ghurair Resources International LLC for purchase of soybean meal. The LC matures on 22 January 2023G.

6.9.4 Statement of Cash Flows

Table (6.34): Statement of cash flows as at 31 December 2020G, 2021G, 2022G, and the six-month period ended 30 June 2023G

SAR in 000s	2020G (Audited)	2021G (Audited)	2022G (Audited)	Six-month period ended 30 June 2023G (Reviewed)
Cash flows from operating activities				
Profit before zakat	64,934	81,891	235,636	107,848
Adjustments for non-cash and other items:				
Depreciation for property, plant and equipment	46,274	42,026	42,651	22,912
Depreciation of right-of-use assets	-	10,285	10,721	5,509
Amortisation of intangible assets	-	-	168	197
Write off of intangible assets	-	-	3,988	-
Finance cost on lease liabilities	9,402	6,745	6,641	3,247
Finance cost on long-term loans	-	175	28,582	20,093
Finance income for the period	(892)	(205)	(1,344)	(1,403)
Amortisation of loan transaction cost	-	-	592	296
Provision for slow-moving inventories	3,196	3,949	9,756	(1,428)
Provision for employees defined benefit obligations	186	296	2,549	1,876
Expected credit loss on trade receivables	-	-	103	-
Gain on disposal of property, plant and equipment	-	-	(665)	-
	123,100	**145,162**	**339,378**	**159,146**
Changes in working capital				
Inventories	(13,592)	2,837	(9,556)	(4,752)
Trade receivables	-	-	(190)	(1,470)
Prepayments and other current assets	8,696	(28,277)	21,323	(23,954)
Trade and other payables	594	36,004	(1,377)	(20,120)
Accrued expenses and other current liabilities	3,779	21,762	36,348	4,391
Due to related parties	(18,224)	(16,753)	-	-
Advances from customers	47	2,958	3,608	3,853
Cash generated from operations	**104,400**	**163,692**	**389,534**	**117,095**
Paid employees' defined benefit obligations	-	(10)	(186)	(102)
Interest paid	-	(9,424)	(35,327)	(26,779)

SAR in 000s	2020G (Audited)	2021G (Audited)	2022G (Audited)	Six-month period ended 30 June 2023G (Reviewed)
Finance income received	-	205	1,344	1,403
Zakat paid	-	-	(2,150)	(3,025)
Net cash generated from operating activities	**104,400**	**154,464**	**353,215**	**88,593**
Cash flows from investing activities				
Additions to property, plant and equipment	(16,908)	(17,664)	(31,741)	(9,156)
Additions to intangible assets	(3,485)	(769)	(2,231)	(89)
Proceeds from sale of property, plant and equipment	-	-	1,779	57
Interest income received	892	-	-	-
Net cash used in investing activities	**(19,500)**	**(18,434)**	**(32,193)**	**(9,187)**
Cash flows from financing activities				
Loan repaid	-	(3,674)	(112,363)	(22,294)
Capital repayment of lease liabilities	(13,684)	(4,288)	(7,274)	(8,288)
Dividends	-	(403,989)	(177,359)	(70,000)
Share issued	-	-	0	-
Net cash used in financing activities	**(13,684)**	**(411,950)**	**(296,995)**	**(100,582)**
Net change in cash and cash equivalents	**71,216**	**(275,920)**	**24,027**	**(21,177)**
Cash transferred from the merger transaction	-	24,648	-	-
Cash and cash equivalents at the beginning of the year	**274,190**	**345,406**	**94,134**	**118,161**
Cash and cash equivalents at end of the year	**345,406**	**94,134**	**118,161**	**96,984**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the financial year ended 31 December 2022G and the condensed consolidated interim financial statements for the six-month period ended 30 June 2023G and Management information

Net cash flows from operating activities

Net cash flows from operating activities increased from SAR 104.4 million in 2020G to SAR 154.5 million in 2021G mainly driven by working capital changes during the year, primarily related to higher (i) trade payables to raw material suppliers, excluding GFSA, (+SAR 24.5 million), (ii) profit before zakat by 26.1% from SAR 64.9 million to SAR 81.9 million, and (iii) depreciation charges (+SAR 6.0 million) mainly due to restatements.

The balance increased from SAR 154.5 million in 2021G to SAR 353.2 million in 2022G, driven by higher profit before zakat (+SAR 153.7 million) in line with the transformation strategy adopted by the Group compared to the merger process during the second half of 2021G. It is worth noting that the balances of profit before zakat, finance cost on lease liabilities, and interest paid for the financial year ended 31 December 2021G were restated by SAR 20.6 million, SAR 16.7 million and SAR 16.7 million, respectively, as disclosed in the consolidated audited financial statements for the financial year ended 31 December 2022G. This is due to the merger of the ultimate Parent Company and the Company on 27 December 2021G, as the results of operations of the Ultimate Parent Company were recognized in the statement of profit or loss of the Company from 1 January 2021G to 27 December 2021G instead of accounting from the date of the merger transaction. This resulted in overstatement of finance cost and did not conform with the requirements of applicable financial reporting framework. For more information about these restatements, please refer to Section 6-10 ("**Correction of errors**").

Net cash flows from operating activities decreased to SAR 88.6 million in the six-month period ended 30 June 2023G mainly due to lower profit before zakat (-SAR 127.8 million) related to the six-month period in 2023G as compared to a full-year period in 2022G, in addition to the decrease in prepayments and other current assets (-SAR 45.3 million), accrued expenses and other liabilities (-SAR 32.0 million) and trade and other payables (-SAR 18.7 million).

Net cash flows used in investing activities

Net cash flows used in investing activities remained stable at SAR 19.5 million in 2020G and SAR 18.4 million in 2021G, despite the significant growth in the operations.

Net cash flows used in investing activities increased from SAR 18.4 million in 2021G to SAR 32.2 million in 2022G driven by additions to capital work in progress during the period.

Net cash flows used in investing activities amounted to SAR 9.2 million in the six-month period ended 30 June 2023G, attributable to lower additions made during the period.

Net cash flows used in financing activities

Net cash flows used in financing activities increased from SAR 13.7 million in 2020G to SAR 412.0 million in 2021G, mainly as a result of dividends payments made during 2021G amounting to SAR 404.0 million.

Net cash flows used in financing activities subsequently decreased from SAR 412.0 million in 2021G to SAR 297.0 million in 2022G, largely attributable to the decrease dividends paid by SAR 226.6 million, partially offset by the repayments made to the long-term loan by SAR 112.4 million during 2022G.

Net cash flows used in financing activities further decreased to SAR 100.6 million in the six-month period ended 30 June 2023G, mainly driven by lower dividend payments made during the period in 2023G amounting to SAR 70.0 million as compared to the previous period amounting to SAR 177.4 million in 2022G and lower loan settlements of SAR 22.3 million during the six-months period in 2023G as compared to SAR 112.4 million in 2022G.

6.10 Correction of errors

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

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

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

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

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

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

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

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

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

Restatement – 9: During the year ended 31 December 2022G, the Management discovered that finance cost paid for lease in the comparative period was erroneously classified as cash outflows from financing activities aggregated with lease capital repayment instead of cash outflows from operating activities in the statement of cash flow. Consequently, cash outflows from financing activities were overstated and cash outflows from operating activities was understated.

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

Table (6.35): Impact of restatements on the consolidated statement of financial position as at 1 January 2021G

SAR in 000s	As previously reported	Restatement – 1	Restatement – 2	Restatement – 3	Restatement – 4	Restatement – 5	Restatement – 6	Restatement – 7	Restated
Property, plant and equipment	733,845	12,708	-	(14,782)	-	-	-	-	731,771
Right-of-use assets	169,250	-	77,727	-	-	-	-	-	246,977
Others	3,485	-	-	-	-	-	-	-	3,485
Non-current assets	**906,581**	**12,708**	**77,727**	**(14,782)**	**-**	**-**	**-**	**-**	**982,233**
Inventories	111,721	(12,198)	-	-	-	-	-	-	99,523
Others	352,380	-	-	-	-	-	-	-	352,380

SAR in 000s	As previously reported	Restatement – 1	Restatement – 2	Restatement – 3	Restatement – 4	Restatement – 5	Restatement – 6	Restatement – 7	Restated
Current assets	**464,100**	**(12,198)**	**-**	**-**	**-**	**-**	**-**	**-**	**451,903**
Total assets	**1,370,681**	**511**	**77,727**	**(14,782)**	**-**	**-**	**-**	**-**	**1,434,136**
Retained earnings	231,915	459	-	(13,304)	-	1,210	1,286	-	221,566
Statutory reserve	6,643	51	-	(1,478)	-	134	143	-	5,494
Others	899,667	-	-	-	-	-	-	-	899,667
Total equity	1,138,225	511	-	(14,782)	-	1,344	1,429	-	1,126,726
Lease liabilities	181,350	-	68,561	-	-	-	-	-	249,911
Others	496	-	-	-	-	-	-	-	496
Non-current liabilities	**181,846**	**-**	**68,561**	**-**	**-**	**-**	**-**	**-**	**250,407**
Current portion of lease liabilities	4,518	-	9,166	-	-	-	-	-	13,684
Trade payables	12,854	-	-	-	-	(1,345)	(1,429)	-	10,081
Others	33,238	-	-	-	-	-	-	-	33,238
Current liabilities	**50,611**	**-**	**9,166**	**-**	**-**	**(1,345)**	**(1,429)**	**-**	**57,003**
Total liabilities	**232,456**	**-**	**77,727**	**-**	**-**	**(1,345)**	**(1,429)**	**-**	**307,410**
Total equity and liabilities	**1,370,681**	**511**	**77,727**	**(14,782)**	**-**	**-**	**-**	**-**	**1,434,136**

Source: The consolidated audited financial statements for the financial year ended 31 December 2022G

Table (6.36): Impact of restatements on the consolidated statement of financial position as at 31 December 2021G

SAR in 000s	As previously reported	Restatement – 1	Restatement – 2	Restatement – 3	Restatement – 4	Restatement – 5	Restatement – 6	Restatement – 7	Restated
Property, plant and equipment	712,771	11,742	-	(17,104)	-	-	-	-	707,410
Right-of-use assets	161,192	-	75,500	-	-	-	-	-	236,692
Others	4,254	-	-	-	-	-	-	-	4,254
Non-current assets	**878,218**	**11,742**	**75,500**	**(17,104)**	**-**	**-**	**-**	**-**	**948,356**
Inventories	104,782	(12,044)	-	-	-	-	-	-	92,738
Others	131,032	-	-	-	-	-	-	-	131,032
Current assets	**235,814**	**(12,044)**	**-**	**-**	**-**	**-**	**-**	**-**	**223,769**

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SAR in 000s	As previously reported	Restatement - 1	Restatement - 2	Restatement - 3	Restatement - 4	Restatement - 5	Restatement - 6	Restatement - 7	Restated
Total assets	**1,114,031**	**(302)**	**75,500**	**(17,104)**	**-**	**-**	**-**	**-**	**1,172,125**
Retained earnings	17,464	(272)	174	(15,393)	(2,057)	1,210	1,286	150	2,562
Statutory reserve	12,832	(30)	19	(1,710)	2,057	134	143	-	13,445
Others	81,832	-	-	-	-	-	-	-	81,832
Total equity	**112,127**	**(302)**	**194**	**(17,104)**	**-**	**1,345**	**1,429**	**150**	**97,838**
Lease liabilities	176,587	-	66,384	-	-	-	-	-	242,972
Others	681,359	-	-	-	-	-	-	-	681,359
Non-current liabilities	**857,946**	**-**	**66,384**	**-**	**-**	**-**	**-**	**-**	**924,331**
Current portion of lease liabilities	4,762	-	8,922	-	-	-	-	-	13,684
Trade payables	48,858	-	-	-	-	(1,345)	(1,429)	-	46,085
Accrued expenses and other liabilities	42,336	-	-	-	-	-	-	(150)	42,186
Others	48,002	-	-	-	-	-	-	-	48,002
Current liabilities	**143,958**	**-**	**8,922**	**-**	**-**	**(1,345)**	**(1,429)**	**(150)**	**149,957**
Total liabilities	**1,001,904**	**-**	**75,306**	**-**	**-**	**(1,345)**	**(1,429)**	**(150)**	**1,074,287**
Total equity and liabilities	**1,114,031**	**(302)**	**75,500**	**(17,104)**	**-**	**-**	**-**	**-**	**1,172,125**

Source: The consolidated audited financial statements for the financial year ended 31 December 2022G

Table (6.37): Impact of restatements on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021G

SAR in 000s	As previously reported	Restatement - 1	Restatement - 2	Restatement - 3	Restatement - 4	Restated
Cost of revenue						
Depreciation	41,266	966	2,227	2,322	-	46,781
Provision for slow moving inventories	4,102	(154)	-	-	-	3,949
Gross profit	**167,820**	**(813)**	**(2,227)**	**(2,322)**	**-**	**162,459**
General and administrative expenses						
Salaries and other benefits	43,115	-	-	-	(3,659)	39,456
Professional and consulting fees	8,002	-	-	-	(169)	7,834

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SAR in 000s	As previously reported	Restatement - 1	Restatement - 2	Restatement - 3	Restatement - 4	Restated
Insurance	3,193	-	-	-	(44)	3,149
Subscriptions	1,448	-	-	-	(3)	1,445
Other expenses	2,886	-	-	-	(16)	2,870
Operating profit	**89,970**	**(813)**	**(2,227)**	**(2,322)**	**3,892**	**88,501**
Finance costs						
Finance cost on long term loan	16,850	-	-	-	(16,674)	175
Finance cost on lease liabilities	9,165	-	(2,420)	-	-	6,745
Profit before zakat	**64,266**	**(813)**	**194**	**(2,322)**	**20,566**	**81,891**
Profit for the year	**61,888**	**(813)**	**194**	**(2,322)**	**20,566**	**79,514**
Total comprehensive income for the year	**61,888**	**(813)**	**194**	**(2,322)**	**20,566**	**79,514**
Basic and diluted earnings per share attributable to equity holders of the Parent Company (in SAR per share)	**7.56**	**(0.10)**	**0.02**	**(0.28)**	**2.51**	**9.72**

Source: The consolidated audited financial statements for the financial year ended 31 December 2022G

Table (6.38): Impact of restatements on the consolidated statement of changes in equity for the year ended 31 December 2021G

SAR in 000s	As previously reported	Restatement - 1	Restatement - 2	Restatement - 3	Restatement - 4	Restatement - 5	Restatement - 6	Restatement - 7	Restated
Retained earnings - as at 1 January 2021	231,915	459	-	(13,304)	-	1,210	1,286	-	221,566
Profit for the year	61,888	(813)	194	(2,322)	20,566	-	-	-	79,513
Total comprehensive income for the year	61,888	(813)	194	(2,322)	20,566	-	-	-	79,513
Retained earnings – as at 31 December 2021	**17,464**	**(272)**	**174**	**(15,393)**	**(2,057)**	**1,210**	**1,286**	**150**	**2,562**
Statutory reserve – as at 1 January 2021	6,643	51	-	(1,478)	-	134	143	-	5,494
Statutory reserve – as at 31 December 2021	**12,832**	**(30)**	**19**	**(1,710)**	**2,057**	**134**	**143**	**-**	**13,445**
Total equity – as at 1 January 2021	1,138,225	511	-	(14,782)	-	1,345	1,429	-	1,126,726
Total equity – as at 31 December 2021	**112,127**	**(302)**	**194**	**(17,104)**	**-**	**1,345**	**1,429**	**150**	**97,838**

Source: The consolidated audited financial statements for the financial year ended 31 December 2022G

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Table (6.39): Impact of restatements on the consolidated statement of cash flows for the year ended 31 December 2021G

SAR in 000s	As previously reported	Restatement - 1	Restatement - 2	Restatement - 3	Restatement - 4	Restatement - 9	Restated
Cash flows from operating activities:							
Profit for the year before zakat	64,266	(813)	194	(2,322)	20,566	-	81,891
Depreciation	46,797	966	2,227	2,322	-	-	52,311
Provision for slow moving inventories	4,102	(154)	-	-	-	-	3,949
Finance cost on long term loans	16,850	-	-	-	(16,674)	-	175
Finance cost on lease liabilities	9,165	-	(2,420)	-	-	-	6,745
Finance cost paid	16,772	-	-	-	(16,674)	9,396	9,424
Cash flows from financing activities:							
Repayment of lease liabilities	13,684	-	-	-	-	(9,396)	4,288

Source: The consolidated audited financial statements for the financial year ended 31 December 2022G

Table (6.40): The impact of restatement 8 on property, plant and equipment note is as follows:

SAR in 000s	Cost	Accumulated depreciation
Property, plant and equipment	(8,874)	8,874

Source: The consolidated audited financial statements for the financial year ended 31 December 2022G

6.11 Subsequent events

1- The Board of Directors of the Company through a resolution dated 2 October 2023G, recommended shareholders to split the nominal value of each of the shares from SAR 10 to SAR 1 per share while keeping the total share capital unchanged. The shareholders through Extraordinary General Assembly Meeting held on 4 October 2023G approved the recommendation and accordingly the number of the total shares of the Company has increased from 8.2 million shares to 81.8 million shares without any impact on the effective shareholding interest. The Company completed the legal procedures of share split, and the commercial register and the amended by-laws were issued on 18 October 2023G.

2- The shareholders of the Company through Extraordinary General Assembly Meeting held on 4 October 2023G, approved to list the company's shares in Tadawul. The management is in process for filling an application to CMA as on the date of the condensed consolidated financial statements (29 October 2023G).

3- The shareholders of the Company through Extraordinary General Assembly Meeting held on 4 October 2023G, approved to transfer the statutory reserve amounting to SAR 24.5 million to retained earnings. The Company completed the legal procedures, and the commercial register and the amended by-laws were issued on 18 October 2023G.

4- The shareholders of the Company through Extraordinary General Assembly Meeting held on 19 October 2023G, approved the employee shares program with a maximum of 818,320 shares and authorize the Board of Directors to determine the terms of this program, including the allocation price for each share offered to employees if it is for a consideration.

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

6- On 26 October 2023G, the Company and all Selling Shareholders signed a pledge release agreement on all of the Company's shares with Alinma Bank.

7- On 29 October 2023G, the Board of Directors of the Parent Company as authorized by the revised by-laws of the Company approved the distribution of interim dividends for the third quarter of 2023G of SAR 0.86 per share amounting to SAR 70.0 million.

8- No other events or matters have occurred up to and including the date of the approval of the condensed consolidated interim financial statements by the Board of Directors which could materially affect the condensed consolidated interim financial statements and the related disclosure for the six-month period ended 30 June 2023G.

7. DIVIDEND DISTRIBUTION POLICY

Under Article 107 of the Companies Law, a Shareholder is vested with all rights attached to Shares, which include in particular the right to receive a share in the dividends declared for distribution. The Board of Directors shall recommend declaring and paying any dividends before approval by the Shareholders at the meeting of the General Assembly. The Company is under no obligation to declare dividends and any decision to do so will depend on, inter alia, the Company's historic and anticipated earnings and cash flow, financing and capital requirements, market and general economic conditions, the restrictions to which the dividend distribution process is subject under Financing and Debt Agreements, the Zakat, and the other legal and regulatory considerations. For example, Shares give their holders the right to receive the dividends announced by the Company from the date of this Prospectus and in the following Fiscal Years. Despite the Company's intention to distribute annual dividends to its shareholders, there are no guarantees that such dividends will be actually distributed, nor is there any guarantee regarding the amounts of dividends paid in any year.

Dividend distribution is also subject to the restrictions set out in the Company's Bylaws. Dividends shall be distributed in Saudi Riyals.

In accordance with the Bylaws, and after deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

- The Ordinary General Assembly, when determining the amount of shares in the net dividends, may decide to form other reserves to the extent that achieves the interest of the Company or ensures the distribution of fixed dividends as much as possible to the Shareholders. The General Assembly may deduct amounts from the net dividends to achieve social purposes for the Company's employees.
- The General Assembly determines the percentage to be distributed to the Shareholders from the net dividends after deducting the reserves, if any.
- The Company may distribute interim dividends to the Shareholders in accordance with the controls stipulated in the relevant laws and regulations.
- The remaining interim dividends shall be set aside to support the Company's financial position.

The following is a summary of share dividends declared and distributed by the Company during the years ended 31 December 2020G, 31 December 2021G, 31 December 2022G, and the Period Ended 30 June 2023G, respectively:

Table (7.1): Dividends declared and distributed by the Company during the years ended 31 December 2020G, 31 December 2021G, 31 December 2022G, and the Period Ended 30 June 2023G, respectively*:

	31 December 2020G (SAR million)	31 December 2021G (SAR million)	31 December 2022G (SAR million)	The Six-Month Period Ended 30 June 2023G (SAR million)
Declared Dividends for the period	-	442[99]	187[100]	35[101]
Dividends Paid for the Year	-	404	177[102]	70[103]
Amendments to unpaid distributions during the year	-	-	13[104]	-
Net Profit for the period	65	80	233	105
Ratio of declared dividends to the Company's net income (%)	-	556%[105]	80%	33%

Source: the Company

*Numbers in this table were rounded to the nearest million.

On 29 October 2023G, the Company's Board of Directors, in accordance with what was authorized under the Company's amended Bylaws, has approved the distribution of interim dividends for the third quarter of the year 2023G for an amount of SAR 0.86 per Share, with a value of SAR 70,000,000. These dividends were fulfilled in the fourth quarter of the year 2023G. The Company does not have any declared dividends that have not been fulfilled.

99 The distribution of dividends of SAR 172,074,474 for the year 2021G was approved by the Extraordinary General Assembly on 07/04/2021G. The distribution of dividends of SAR 231,914,548 for the year 2021G was approved by the Ordinary General Assembly on 18/11/2021G. The distribution of dividends of SAR 38,085,452 for the year 2021 was approved by the Board of Directors on 27/12/2021G, and by the Ordinary General Assembly on 30/06/2022G.

100 The distribution of dividends of SAR 17,463,711 for the year 2022G was approved by the Ordinary General Assembly on 30/06/2022G. The distribution of dividends of SAR 75,000,000 for the year 2022G was approved by the Board of Directors on 21/07/2022G, and by the Ordinary General Assembly on 11/09/2023G. The distribution of dividends of SAR 60,000,000 for the year 2022G was approved by the Board of Directors on 18/10/2022G, and by the Ordinary General Assembly on 11/09/2023G. The distribution of dividends of SAR 35,000,000 for the fourth quarter of 2022G was approved by the Board of Directors on 24/04/2023G.

101 The distribution of dividends of SAR 35,000,000 for the first quarter of 2023G was approved by the Board of Directors on 24/04/2023G and by the Ordinary General Assembly on 11/09/2023G.

102 The distributions paid during the year 2022G of SAR 38,085,452 include the remaining unpaid profits for the year 2021G.

103 The distributions paid during the year 2023G of SAR 35,000,000.00 include the remaining unpaid profits for the year 2022G.

104 The amount of 13 million of the distributions paid during the year 2022G was settled due to amounts owed to the Company from a Related Party.

105 It shall be noted that on 07/04/2021G (before the merger process), the Extraordinary General Assembly approved the distribution of dividends of SAR 172,074,474 from the balance of retained earnings. After the completion of the merger process, these profits were transferred to the retained earnings balance of the Modern Mills Company from the retained earnings balance of Mada Al Ghurair Company Limited (the parent company). On 21/11/2021G (after the merger process), the Extraordinary General Assembly approved the redistribution of SAR 231,914,548 to Shareholders from the balance of retained dividends after the merger process. The distribution of interim dividends of SAR 38,085,452 for the year 2021G, has also been approved and was distributed later during the year 2022G.

8. USE OF PROCEEDS

Total proceeds from the Offering are estimated at around SAR 1,178,380,800 of which approximately SAR 44,000,000 (VAT excluded) will be applied towards the Offering expenses, which include the fees of the Financial Advisor, the Lead Manager, the Underwriters, the Bookrunners, the Legal Advisor, the Auditor, the Receiving Agents, and the Market Consultant, as well as marketing, printing, distribution, translation, regulatory fees, and other costs and expenses related to the Offering.

The Net Proceeds from the Offering of approximately SAR1,134,380,800 will be distributed to the Selling Shareholders on a pro-rata basis based on the number of Offer Shares to be sold by each Selling Shareholder. The Company will not receive any part of the net proceeds from the Offering, and the Selling Shareholders shall be responsible for all costs, fees, and expenses related to the offering.

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9. CAPITALIZATION AND INDEBTEDNESS

Prior to the Offering, the Current Shareholders owned the entire share capital of the Company and, following the completion of the Offering, the Current Shareholders will collectively own 69% of the Company's Shares.

The table below sets out the capitalization of the Company as derived from the audited financial statements for the financial years ended 31 December 2021G, 31 December 2022G, and the reviewed financial statements for the Six-Month Period Ended 30 June 2023G respectively. The following table should be read in conjunction with the relevant Financial Statements, including the notes thereto, which are set out in Section 19 ("**Financial Statements and Auditor's Reports**") of this Prospectus.

Table (9.1): Capitalization and Indebtedness of the Company

SAR	FY20G	FY21G	FY22G	The Six-Month Period Ended 30 June 2023G
Balance Payable to Related Parties	10,937,712	24,895,029	-	-
Short-Term Loans	-	-	-	-
Long-Term Loans – Current	-	11,758,229	44,588,254	49,717,132
Long-Term Loans – Non-Current	-	680,576,505	535,976,307	508,849,528
Total Interest-Bearing Loans	**-**	**692,334,734**	**580,564,561**	**558,566,660**
Short-Term Lease Liabilities	13,683,809	13,683,809	14,172,228	15,194,079
Long-Term Lease Liabilities	249,911,037	242,971,830	237,277,928	228,632,241
Total Loans and Lease Liabilities	**263,594,846**	**948,990,373**	**832,014,717**	**802,392,980**
Share Capital	899,666,590	899,666,590	81,832,000	81,832,000
Shareholders' Current Account	-	-	-	-
Statutory Reserve	5,493,517	13,444,845	24,549,600	24,549,600
Merger Reserve	-	(817,835,064)	-	-
Hedging Reserve	-	-	-	-
Proposed Capital Increase	-	-	-	-
Retained Earnings	221,565,795	2,561,719	72,046,224	107,282,490
Total Equity	**1,126,725,902**	**97,838,090**	**178,427,824**	**213,664,090**
Total Capitalization (Total Loans and Lease Obligations + Total Shareholders' Equity)	**1,390,320,748**	**1,046,828,463**	**1,010,442,541**	**1,016,057,070**
Total Loans and Lease Obligations / Total Capitalization	**19%**	**91%**	**82%**	**79%**

Source: the Company's Management information, the audited financial statements for the financial year ended 31 December 2021G, and the consolidated audited financial statements for the financial year ended 31 December 2022G, as well as the reviewed financial statements for the Six-Month Period Ended 30 June 2023G.

The opening balance as at 01 January 2021G differs from the closing balance as at 31 December 2020G due to the adjustments made during 2022G, which were retroactively reflected in the audited financial statements for 2022G.

The Directors confirm that:

- As at the date of this Prospectus, none of the Company's share capital is under option.
- As at the date of this Prospectus, the Company does not have any debt instruments.
- The existing cash balances and cash flows will be sufficient to meet its anticipated cash needs for working capital and capital expenditure for at least 12 months following the date of this Prospectus, subject to no material adverse change affecting the Company's business.

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10. EXPERTS' STATEMENT

As at the date hereof, the Advisors and Independent Auditors listed on pages (viii), (ix), (x) and (xi) have given and not withdrawn their written consent to the publication of their names, addresses, logos and statements or reports attributed to them in this Prospectus as presented herein. Neither they nor any of their Advisors, Independent Auditors and employees (forming part of the team serving the Company), or relatives have any shareholding or interest of any kind in the Company as at the date of this Prospectus, which would impair their independence.

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11. DECLARATIONS

The members of the Board of Directors declare the following:

1- The Offering does not constitute a breach of the relevant laws and regulations in Saudi Arabia.

2- The Offering does not constitute a breach of any contract/agreement entered into by the Issuer or Hasad Al-Arabia for Trade.

3- All material legal issues concerning the Issuer and Hasad Al-Arabia for Trade have been disclosed in the Prospectus.

4- Except as referred to in Section 12.11 (“**Litigation**”) of this Prospectus, the Issuer is not subject to any claims, or any type of legal proceedings that could individually or collectively have a material effect on its business or financial position.

5- The Directors of the Issuer are not subject to any claims or any type of legal proceedings that could individually or collectively have a material effect on the Issuer’s business or financial position.

6- None of the members of the Board of Directors nor any member of the Senior Executives nor the Secretary nor any of their relatives nor dependents have a direct or indirect interest whatsoever in the Company’s or in Hasad Al-Arabia for Trade’s Shares, nor any interest in any other matter which may impact the Company’s businesses. For more information, kindly see Section 5.7 (“**Direct and Indirect Interest of Directors, Board Secretary, and Senior Executives**”).

7- Except as described in Section 12.7 ("**Transactions and Contracts with Related Parties**") of this Prospectus, none of the members of the Board of Directors nor do any of the Senior Executives, Secretary, or their relatives or affiliates, have any interest in any written or verbal contract or arrangement contemplated or expected to be conducted with the Company or Hasad Al-Arabia for Trade.

8- As at the date of this Prospectus, there is no conflict of interest related to the Directors with respect to contracts or transactions entered into with the Company or Hasad Al-Arabia for Trade. For more information, kindly see Section 5.6 (“**Conflict of Interests**”) of this Prospectus.

9- Except as described in Section 4.7 (“**Overview of the Shareholders**”), neither they nor any of their relatives or affiliates have any Shares or interest of any kind in the Company and Hasad Al-Arabia for Trade, until the date of this Prospectus.

10- The Company possesses the necessary regulations and policies needed to prepare the annual financial statements in conformity with full IFRS-KSA and other standards and pronouncements that are endorsed by SOCPA, and within the deadlines set in the OSCOs. Furthermore, the Company possesses the necessary regulations and policies to prepare all the other financial and non-financial reports, as required by the OSCOs and within the timeframes set out in the OSCOs.

11- The Company has sufficient working capital for at least twelve (12) months immediately following the date of this Prospectus.

12- Except as described in Section 12.8 ("**Credit Facilities and Loans**"), neither the Company nor Hasad Al-Arabia for Trade have issued any debt instruments, nor do they have any term loans or any other outstanding borrowings or indebtedness (including bank overdrafts, liabilities under acceptance, acceptance credits or hire purchase commitments).

13- As at the date of this Prospectus, there is no intention to materially change the nature of the Company's or Hasad Al-Arabia for Trade's business, and there has been no interruption in the business of the Company or Hasad Al-Arabia for Trade that may significantly affect or have affected its financial position in the last twelve (12) months.

14- No commissions, discounts, brokerages or other non-cash compensations were granted to any of the Directors by the Company or Hasad Al-Arabia for Trade within the three (3) years immediately preceding application for registration and offer of securities in connection with the issue or sale of any securities.

15- There has been no material adverse change in the financial or trading position of the Company in the three (3) years immediately preceding the date of filing the application for registration and offering of securities subject to this Prospectus, in addition to the period covered by the Auditor’s report and until the date of this Prospectus.

16- The internal control measures and regulations were soundly prepared to establish a written policy that regulates present or potential conflicts of interest, including the misuse of the Company's assets and misfeasance resulting from transactions with Related Parties; in addition to safeguarding the security of financial and operational systems, and ensuring the implementation of appropriate supervisory measures to manage potential risks in accordance with Article (21) of the Corporate Governance Regulations. Furthermore, the Board shall conduct annual reviews of the Company's and Hasad Al-Arabia for Trade internal control measures.

17- The audited financial statements for the financial years ended 31 December 2020G, 31 December 2021G, 31 December 2022G in accordance with the International Financial Reporting Standards applicable in the Kingdom, and other accounting standards accepted in the Kingdom issued by the Saudi Organization for Chartered and Professional Accountants (IFRS), and the Six-Month Period Ended 30 June 2023G in accordance with International Accounting Standard (34) (Interim Financial Reporting) endorsed in the Kingdom of Saudi Arabia. The financial data in this Prospectus has been extracted without any material deviation from the Financial Statements and are presented in a manner consistent with the Financial Statements.

18- None of the Directors or the CEO will vote on General Assembly resolutions that relate to any transaction or contract in which the Directors or the CEO have a direct or indirect interest.

19- The Directors have developed procedures, controls and systems that would enable the Company to meet all the requirements of the relevant laws and regulations, including Companies Law, Capital Market Law and its implementing regulations, Rules on the Offer of securities and Continuing Obligations and Listing Rules.

20- The Company has submitted and will submit to the CMA all documents required under the Capital Market Law and the OSCOs.

21- Except as disclosed in Section 12.8 ("**Credit Facilities and Loans**") and Section 2 ("**Risk Factors**") of this Prospectus, there is no pledge, mortgage or financial burden on any of the Company's and Hasad Al-Arabia for Trade's assets.

22- As at the date of this Prospectus, the Company does not have any employee share schemes in place for its employees or any other arrangement involving the employees in the capital of the Company. For more information, kindly see Section 5.8.1 ("**Employee Share Program**").

23- All employees of the Company are under its sponsorship.

24- Unless otherwise approved by the General Assembly, the Directors may not have a direct or indirect interest in the transactions and contracts entered into by the Company.

25- The Directors will notify the Board of any direct or indirect interest they may have in the transactions and contracts entered into by the Company, and this notification will be recorded in the minutes of the Board of Directors meeting.

26- There are no research and development policies adopted by the Company, as at the date of this Prospectus.

27- No Shares of the Company are under option, as at the date of this Prospectus.

28- The Directors, Senior Executives and Secretary have not at any time been declared bankrupt or been subject to bankruptcy proceedings.

29- None of the companies in which any of the Directors, Senior Executives or Secretary was employed in a managerial or supervisory capacity, was declared insolvent or bankrupt during the past five (5) years preceding the date of this Prospectus.

30- No powers exist giving any of the Directors the right to borrow money from the Company.

31- All necessary approvals were obtained for the offering of the Company's Shares in the stock market and for it to become a public joint stock company.

32- The Company is able to prepare the required reports in a timely manner, according to the implementing regulations issued by the CMA.

33- As at the date of this Prospectus, the persons whose names appear in Section 4.7 ("**Overview of the Shareholders**") of this Prospectus are the - direct and indirect - legal and beneficial owners of the Company's Shares.

The Directors further declare complying with the provisions of Articles 71, and 72 of the Companies Law and Article 40 of the Corporate Governance Regulations with respect to contracts with related parties as follows:

1- All transactions entered into by the Company with Related Parties shall be entered into on a commercial basis, and all works and contracts with Related Parties shall be subject to vote in meetings of the Board of Directors, or (if required by law), the Ordinary General Assembly. Directors may not vote on any decision related to transactions or contracts with the Company in which they have a direct or indirect interest, whether in the Board of Directors or the Ordinary General Assembly.
2- All transactions entered into with Related Parties and described in Section 12.7 ("**Transactions and Contracts with Related Parties**") of this Prospectus, including determining the financial consideration for the engagement, have been carried out in a legal manner and on appropriate and fair commercial basis same as the transactions carried out with other third parties.
3- As at the date of this Prospectus, the members of the Board of Directors have not participated, jointly or severally, in any activities similar or competitive with the activities of the Company. The members of the Board of Directors further undertake to fulfil the requirements in the future, in accordance with Articles 27, 71, and 72 of the Companies Law, and Chapter 6 of Part Three of the Corporate Governance Regulations
4- Neither the Directors nor any Senior Executive shall obtain a loan from the Company, and the Company shall not guarantee any loan entered into by a Director.

In addition to the declarations described above, the Directors and the CEO declare that:

1- The Directors, Managing Director and the CEO shall not have the right to vote on decisions relating to their fees and remuneration.

The Directors also declare:

1- That the internal control, accounting and IT systems of the Company are sufficient and adequate.
2- This Prospectus contains all the information to be included under the OSCOs requirements and does not omit any other fact that would have any impact on the application for the Securities Registration and Offering.
3- Third-party information and data included in this Prospectus, including the information obtained or derived from the market research conducted by the Market Research Consultant, is reliable and the Company has no reason to believe that such information is materially inaccurate; and the statistical information used in Section 3 ("**Overview of the Market and Industry**") of this Prospectus, which was obtained or derived from external sources, represents the latest information available at the respective source.
4- That all terms and conditions that may affect the decisions of the Subscribers to invest in Offer Shares have been disclosed.
5- The Company currently has no intention to sign any new contracts with Related Parties except to renew contracts with the Related Parties previously concluded and referred to in this Prospectus. In the event that the Company wishes to sign new contracts with Related Parties in the future, the Company shall comply with Articles 27, 71, and 72 of the Companies Law and Article 44 of the Corporate Governance Regulations.
6- That all increases and decreases in the capital of the Company are in compliance with the laws and regulations applicable in Saudi Arabia.
7- The Company does not have any securities (contractual or otherwise) or any assets where the value is subject to fluctuation which would adversely and materially affect the assessment of the financial position.
8- There are no mortgages, rights or charges on the Company's properties, as at the date of this Prospectus.
9- Except as disclosed in Section 2 ("**Risk Factors**") hereof, the Company is not aware of any information regarding any governmental, economic, financial, monetary or political policies or any other factors that have materially affected or may materially affect (directly or indirectly) its operations.
10- Except as disclosed in Section 2 ("**Risk Factors**") hereof, the Company is not aware of any seasonal information or business cycles related to its business that would affect the Company' operations or financial position.

11- The Company has insurance policies with sufficient insurance coverage to carry out its activities. The Company renews its insurance policies regularly, to ensure continued insurance coverage and it took all reasonable security measures as per applicable industry practices.

12- All agreements which the Company considers to be material or important or which have an impact on a Subscriber's decision to invest in the Offer Shares have been disclosed. There are no other material agreements or contracts that have not been disclosed.

13- Except as disclosed in Section 2 ("**Risk Factors**") hereof, and to the best of their knowledge and belief, there are no other material risks that may affect a prospective investors' decision to invest in the Offer Shares.

14- Except as disclosed in Section 12.4 ("**Material Government Consents, Licenses and Certificates**") hereof, as at the date of this Prospectus, the Company has obtained all necessary licenses and permits to carry out its business activities.

15- The Company is not a party to any litigation, claims, lawsuits or current investigations that could materially affect its business operations or financial position.

16- The audited financial statements for the financial years ended 31 December 2020G, 31 December 2021G, 31 December 2022G, and the Six-Month Period Ended 30 June 2023G, together with the notes thereto, have been prepared in accordance with International Financial Reporting Standards (IFRS) endorsed in the Kingdom of Saudi Arabia, and with other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants. No material amendments have been made thereto except for financial and statistical information which have been subject to rounding.

17- All necessary approvals have been obtained from lenders to offer 30% of the Company shares in order for the Company to be a public joint-stock company.

18- The Company is in compliance with all terms and conditions under the agreements with lenders granting loans, facilities and financing.

19- As at the date of this Prospectus, there has been no breach of the contractual terms and conditions under the agreements signed with the entities providing loans, facilities and financing, and the Company complies with all the terms and conditions thereof.

20- They shall record all Board of Directors resolutions by means of written minutes of meetings, which shall be signed by the Directors.

21- They shall disclose the details of any Related Party transactions in accordance with the Companies Law, the Corporate Governance Regulations and the Capital Market laws and regulations.

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12. LEGAL INFORMATION

12.1 Declarations Related to Legal Information

The Board of Directors declare that:

- The Offering does not violate the applicable laws and regulations in the Kingdom.
- The Offering does not prejudice any contracts or agreements to which the Company is party to.
- All material legal information relating to the Company has been disclosed in this Prospectus.
- Except as disclosed in Section 12.11 ("**Litigation**") of this Prospectus, the Company is not subject to any lawsuits or legal proceedings that may, individually or collectively, have a material effect on the business of the Company or its financial position.
- The Members of the Board of Directors are not subject to any lawsuits or legal proceedings that may, individually or collectively, have a material effect on the business of the Company or its financial position.
- The Members of the Board of Directors and the Executive Management have not been involved, individually or collectively, in any activities that are similar to, or competing with the Company.
- The Members of the Board of Directors and Executive Management declare that they have not been involved, individually or collectively, in any activities that are similar to, or competing with, the Company's or its Subsidiaries', and undertake to abide by the requirements of the Companies Law.

12.2 The Company

Modern Mills Company is a Saudi joint stock company registered in the Commercial Register under CR No. 4030449122 dated 06/06/1443H (corresponding to 09/01/2022G), and issued in the city of Jeddah, pursuant to Ministerial Resolution no. G/13 dated 23/09/1437H (corresponding to 28/06/2016G). The Company operates in accordance with the main permit to operate in flour mills No. (03) issued pursuant to the GFSA Resolution No. 9453 dated 29/09/1442H (corresponding to 14/12/2020G) pursuant to the Resolution of the Board of Directors of the GFSA No. (189) dated 09/03/1442H (26/10/2020G). The Company's Head Office, according to the Commercial Register, is located in the city of Jeddah, P.O. Box: 21499 and P.O. Box 40037. The Company's current Capital is eighty-one million eight hundred and thirty-two thousand (81,832,000) Saudi riyals, which was paid in full, divided into eighty-one million eight hundred and thirty-two thousand (81,832,000) Ordinary Shares with a fully paid nominal value of one (1) Saudi Riyal per share.

- In accordance with its commercial register, the Company's activities are as follows:
- Wheat packing and milling.
- Barley packing and milling.
- Manufacture of concentrated animal fodder.
- Freight transport by road.
- Wholesale of barley.
- Wholesale of bakery products.
- Retail sale of barley.

(For further details, please see Section 4.1 ("**Overview of the Company and its Business Activities**") of this Prospectus).

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12.3 Shareholder Structure

The following table sets out ownership of shares and Shareholders in the Company before and after the Offering:

Table (12.1): Overview of Substantial Shareholders of the Company Pre- and PostOffering

Shareholder Name	Shareholding (Pre-Offering)			Shareholding (Post-Offering)		
	No. of Shares	Par Value (SAR)	Direct Ownership	No. of Shares	Par Value (SAR)	Direct Ownership
Mada International Holding Company	40,916,000	40,916,000	50%	28,232,040	28,232,040	34.50%
Al Ghurair Foods Company	36,824,400	36,824,400	45%	25,408,836	25,408,836	31.05%
Masafi Company	4,091,600	4,091,600	5%	2,823,204	2,823,204	3.45%
Treasury Shares*	-	-	-	818,320	818,320	1%
Public	-	-	-	24,549,600	24,549,600	30%
Total	**81,832,000**	**81,832,000**	**100%**	**81,832,000**	**81,832,000**	**100%**

*The Company will hold 818,320 treasury shares after the Offering through buying 687,389 shares (representing 84% of treasury shares) based on the final Offer Price and the award of 130,931 shares (representing 16% of treasury shares) by the Selling Shareholders, in conjunction with completing the Offering process to use them within the Company's employee stock program. For more details, please refer to section 5.8.1 ("**Employee Share Program**").

Source: the Company

Details regarding the ownership of each shareholder are set out in Section 4.7 ("**Overview of the Shareholders**") of this Prospectus.

12.4 Material Government Consents, Licenses and Certificates

The Company (including its branches) has obtained several regulatory and operational licenses and certificates from the competent authorities, including the General Food Security Authority (GFSA), the Saudi Food and Drug Authority (SFDA), the Ministry of Industry and Mineral Resources, the Ministry of Commerce, the Chamber of Commerce, the General Directorate of Civil Defense, and the Ministry of Municipal Rural Affairs and Housing. These licenses and certificates are renewed periodically. The members of the Board of Directors declare that the Company has obtained all material licenses and approvals required to conduct its business. Set out below is an overview of the regulatory authority for the activity of mills and flour production as at the date of this Prospectus.

The Regulatory Authority for the Activity of Mills and Flour Production

The Company has obtained a license issued by GFSA Governor's resolution No. (9453) dated 29/04/1442H, based on the resolution of GFSA's board of directors No. (189) dated 09/03/1442H, amended by the resolution of GFSA's board of directors No. (195) dated 19/04/1444H (corresponding to 13/11/2022G), pursuant to Council of Ministers Resolution No. (632) dated 17/10/1441H (corresponding to 09/06/2020G), which is the Main License No. (03) to Operate Flour Mills.

The General Food Security Authority (previously known as the General Organization for Grain Silos and Flour Mills) was established by Royal Decree No. M/14 issued on 25/03/1392H and amended by Royal Decree No. M/3 dated 12/02/1406H, after which decision No. 35 dated 27/01/1437H was issued by the Council of Ministers, which approved taking the necessary measures to establish four joint-stock companies for flour mills, and approved amending the name of the General Organization for Grain Silos and Flour Mills to the "**Saudi Grains Organization** (**SAGO**)" and reorganized it. Therefore, The Council of Ministers Resolution No. (328) dated 02/08/1437H was issued approving the organization of the Saudi Grains Organization (currently, the General Food Security Authority), provided that the organization undertakes the management, operation, and development of silos, in addition to the tasks of organizing, monitoring and supervising the activity of mills for the production of flour. On 24/06/1444H, the Council of Ministers issued its Resolution No. (440) to convert the Saudi Grains Organization into a general authority under the name of the General Food Security Authority (GFSA). GFSA will continue to carry out the operational activities of storage silos - including the purchase of wheat and strategic storage - until a decision is made to transfer such activities to the Saudi Agricultural and Livestock Investment Company (SALIC).

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The Main License No. (03):

GFSA granted the Company the Main License No. 03 to carry out the following licensed activities:

- The establishment and operation of:
  - Al Jumum Branch – 360 thousand tons of flour / year;
  - Al Jouf Branch - 180 thousand tons of flour / year; and
  - Khamis Mushait Branch - 495 thousand tons of flour / year.

Throughout the year, including the storage and milling of wheat as well as the storage and packaging of flour and byproducts.

The tables below set out the current key licenses and certifications obtained by the Company:

Table (12.2): Details of the Milling Licenses Obtained by the Company and Issued by GFSA

No	Issuer	License No	Expiration Date
1-	General Food Security Authority (GFSA)	License No. (03) issued by GFSA governor's resolution number (8488) dated 05/05/1444H (corresponding to 29/11/2022G), issued pursuant to the resolution of the board of directors of GFSA number (189) dated 09/03/1442H (corresponding to 26 / 10/2020G), and pursuant to the Council of Ministers' resolution number (632) dated 17/10/1441H (corresponding to 09/06/2020G), as amended by the resolution of the board of directors of GFSA number (195) dated 19/04/1444H (corresponding to 13/11/2022G).	25 years from 07/05/1442H (corresponding to 01/01/2021G).
2-	General Food Security Authority (GFSA)	Conditional Secondary License No. (1-3) dated 15/03/1443H (corresponding to 21/10/2021G) pursuant to the resolution of GFSA's board no. (192) and amended by the resolution of GFSA's board no. (195) dated 19/04/1444H (corresponding to 13/11/2022G) to facilitate the issuance of permits and approvals.	The earlier of: • 22/02/1468H (corresponding to 31/12/2045G); and • the date by which the Conditional Secondary License is replaced with a secondary license that is non-conditional pursuant to Article 1 of Conditional Secondary License's terms and conditions provided the latter is not terminated nor suspended prior to the end of its term.

Source: the Company

Table (12.3): Details of the Key Commercial Registration Certificates Obtained by the Company

No	Company	Location	Commercial Registration	Registration Date	Expiry Date
1-	Modern Mills Company	Jeddah	4030449122	06/06/1443H (corresponding to 09/01/2022G)	06/06/1448H (corresponding to 16/11/2026G)

Source: the Company

Table (12.4): Details of the key Commercial Registration Certificates of the Company's Branches

No	Branch	Location	Commercial Registration	Registration Date	Expiry Date
1-	Modern Mills Company	Al-Jouf	3400020077	29/06/1438H (corresponding to 28/03/2017G)	13/08/1449H (corresponding to 10/01/2028G)
2-	Modern Mills Company	Al-Jumum	4622099376	29/06/1438H (corresponding to 28/03/2017G)	14/08/1449H (corresponding to 11/01/2028G)
3-	Modern Mills Company	Khamis Mushait	5855070707	29/06/1438H (corresponding to 28/03/2017G)	14/08/1449H (corresponding to 11/01/2028G)

Source: the Company

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Table (12.5): Details of the key certificate of membership in the Chamber of Commerce obtained by the Company

No	Branch	Issuer	Membership No.	Issuance Date	Expiry Date
1-	Modern Mills Company	Jeddah Chamber	7027330609	12/07/1443H (corresponding to 13/02/2022G)	06/06/1448H (corresponding to 16/11/2026G)

Source: the Company

Table (12.6): Details of the Key Certificates of Membership in the Chambers of Commerce Obtained by the Company's Branches

No	Branch	Issuer	Membership No.	Issuance Date	Expiry Date
1-	Modern Mills Company branch in Khamis Mushait	Abha Chamber	7003768384	02/05/1445H (corresponding to 16/11/2023G)	14/08/1449H (corresponding to 11/01/2028G)
2-	Modern Mills Company branch in Al-Jumum	Makkah Chamber	7003768392	02/05/1445H (corresponding to 16/11/2023G)	14/08/1449H (corresponding to 11/01/2028G)
3-	Modern Mills Company branch in Al-Jouf	Al-Jouf Chamber	7003768400	02/05/1445H (corresponding to 16/11/2023G)	13/08/1449H (corresponding to 10/01/2028G)

Source: the Company

Table (12.7): Details of the Key Municipality Licenses Obtained by the Company

No	Company	Location	License No.	Expiry Date
1-	Modern Mills Company	Jeddah	440110359515	05/02/1449H (corresponding to 09/07/2027G)

Source: the Company

Table (12.8): Details of the Key Municipality Licenses Obtained by the Company's Branches

No	Branch	Location	License No.	Expiry Date
1-	Modern Mills Company	Al-Jouf	42044801957	24/04/1446H (corresponding to 27/10/2024G)
2-	Modern Mills Company	Khamis Mushait	42044800538	24/04/1446H (corresponding to 27/10/2024G)
3-	Modern Mills Company	Al-Jumum	42044800450	24/04/1446H (corresponding to 27/10/2024G)

Source: the Company

Table (12.9): Details of the Key Civil Defense Licenses Obtained by the Company

No	Company	Location	License No.	Issuance Date	Expiry Date
1-	Modern Mills Company	Jeddah	2-000982978-45	20/02/1445H (corresponding to 05/09/2023G)	20/02/1446H (corresponding to 24/08/2024G)

Source: the Company

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Table (12.10): Details of the Key Civil Defense Licenses Obtained by the Company's Branches

No	Branch	Location	License No.	Issuance Date	Expiry Date
1-	Modern Mills Company	Aseer, Khamis Mushiat	1-001033604-44	12/06/1444H (corresponding to 05/01/2023G)	12/06/1445H (corresponding to 25/12/2023G)
2-	Modern Mills Company	Makkah, Al-Jumum	1-001026149-44	23/04/1444H (corresponding to 17/11/2022G)	23/04/1445H (corresponding to 07/11/2023G)*
3-	Modern Mills Company	Skaka, Al-Jouf	1-001040786-44	01/09/1444H (corresponding to 23/03/2023G)	01/09/1445H (corresponding to 11/03/2024G)

Source: the Company

(*) The Company is taking the necessary procedures to renew this expired license.

Table (12.11): Details of the Key Industrial Licenses Obtained by the Company's Branches

No	Branch	License No.	Issuance Date	Expiry Date
1-	Modern Mills Company branch in Al-Jouf	311327	08/07/1431H (corresponding to 20/06/2010G)	25/12/1446H (corresponding to 21/06/2025G)
2-	Modern Mills Company branch in Al-Jumum	10010447	06/05/1442H (corresponding to 21/12/2020G)	01/12/1446H (corresponding to 28/05/2025G)
3-	Modern Mills Company branch in Khamis Mushait	10002680	05/05/1442H (corresponding to 20/12/2020G)	01/12/1446H (corresponding to 28/05/2025G)

Source: the Company

Table (12.12): Details of the SFDA Licenses Obtained by the Company

No	Branch	Location	License No.	Issuance Date	Expiry Date
1-	Modern Mills Company	Khamis Mushiat	AFEE/44/00072	09/04/1444H (corresponding to 03/11/2022G)	12/05/1447H (corresponding to 03/11/2025G)
2-	Modern Mills Company	Al-Jumum	AFEE/42/00008	26/06/1442H (corresponding to 08/02/2021G)	27/07/1445H (corresponding to 08/02/2024G)
3-	Modern Mills Company	Al-Jouf	AFEE/42/00010	27/06/1442H (corresponding to 09/02/2021G)	28/07/1445H (corresponding to 09/02/2024G)

Source: the Company

Table (12.13): Details of the Environmental Permits Obtained by the Company

No	Branch	Location	License No.	Issuance Date	Expiry Date
1-	Modern Mills Company	Al-Jouf	37232	10/11/1443H (corresponding to 09/06/2022G)	27/10/1446H (corresponding to 25/04/2025G)
2-	Modern Mills Company	Khamis Mushiat	5313	08/02/1443H (corresponding to 15/09/2021G)	14/01/1446H (corresponding to 20/07/2024G)
3-	Modern Mills Company	Al-Jumum	0428	02/04/1443H (corresponding to 07/11/2021G)	27/03/1446H (corresponding to 03/09/2024G)

Source: the Company

Table (12.14): Details of ISO Certifications Obtained by the Company

No	Company	ISO Number	Certificate Number	Issuance Date	Expiry Date
1-	Modern Mills Company Head Office	ISO 14001:2015	201044223015989/00	27/05/1444H (corresponding to 21/12/2022G)	29/06/1447H (corresponding to 20/12/2025G)
2-	Modern Mills Company Head Office	ISO 22000:2018	20154223015991/00	27/05/1444H (corresponding to 21/12/2023G)	29/06/1447H (corresponding to 20/12/2025G)
3-	Modern Mills Company Head Office	ISO 9001:2015	20100223015988/00	27/05/1444H (corresponding to 21/12/2022G)	29/06/1447H (corresponding to 20/12/2025G)
4-	Modern Mills Company Head Office	ISO 45001:2018	20116223015990/00	27/05/1444H (corresponding to 21/12/2022G)	29/06/1447H (corresponding to 20/12/2025G)
5-	Modern Mills Company branch in Al-Jumum	ISO 14001:2015	20104223015989/01	27/05/1444H (corresponding to 21/12/2022G)	29/06/1447H (corresponding to 20/12/2025G)
6-	Modern Mills Company branch in Al-Jumum	ISO 45001:2018	20154223015991/01	27/05/1444H (corresponding to 21/12/2022G)	29/06/1447H (corresponding to 20/12/2025G)
7-	Modern Mills Company branch in Al-Jumum	ISO 9001:2015	20100223015988/01	27/05/1444H (corresponding to 21/12/2022G)	29/06/1447H (corresponding to 20/12/2025G)
8-	Modern Mills Company branch in Al-Jumum	ISO 45001:2018	20116223015990/01	27/05/1444H (corresponding to 21/12/2022G)	29/06/1447H (corresponding to 20/12/2025G)
9-	Modern Mills Company branch in Khamis Mushait	ISO 14001:2015	20104223015989/02	27/05/1444H (corresponding to 21/12/2022G)	29/06/1447H (corresponding to 20/12/2025G)
10-	Modern Mills Company branch in Khamis Mushait	ISO 22000:2018	20154223015991/02	27/05/1444H (corresponding to 21/12/2022G)	29/06/1447H (corresponding to 20/12/2025G)
11-	Modern Mills Company branch in Khamis Mushait	ISO 9001:2015	20100223015988/02	27/05/1444H (corresponding to 21/12/2022G)	29/06/1447H (corresponding to 20/12/2025G)
12-	Modern Mills Company branch in Khamis Mushait	ISO 45001:2018	20116223015990/02	27/05/1444H (corresponding to 21/12/2022G)	29/06/1447H (corresponding to 20/12/2025G)
13-	Modern Mills Company branch in Al-Jouf	ISO 14001:2015	20104223015989/03	27/05/1444H (corresponding to 21/12/2022G)	29/06/1447H (corresponding to 20/12/2025G)
14-	Modern Mills Company branch in Al-Jouf	ISO 22000:2018	20154223015991/03	27/05/1444H (corresponding to 21/12/2022G)	29/06/1447H (corresponding to 20/12/2025G)
15-	Modern Mills Company branch in Al-Jouf	ISO 9001:2015	20100223015988/03	27/05/1444H (corresponding to 21/12/2022G)	29/06/1447H (corresponding to 20/12/2025G)
16-	Modern Mills Company branch in Al-Jouf	ISO 45001:2018	20116223015990/03	27/05/1444H (corresponding to 21/12/2022G)	29/06/1447H (corresponding to 20/12/2025G)

Source: the Company

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12.5 Material Agreements

The Company has entered into a number of material agreements and contracts with multiple parties. This section sets out summaries of agreements and contracts which may, to the best knowledge of the Company's Board members, be material and significant with respect to the Company's business, or which may impact investors' decision to subscribe for the Offer Shares. The summaries of agreements and contracts referred to below do not include all terms and conditions and cannot be considered a substitute for the terms and conditions of these agreements. However, they include the conditions that may be material or important in relation to the Company's business or may affect the investors' decision to subscribe for the Offer Shares.

12.5.1 Material Supply Contracts with Key Suppliers

As of 30 June 2023G, the Company had two long-term contracts with two of its Key Suppliers, who are its top 10 suppliers (in terms of cost of purchases). As for the other 6 Key Suppliers, the Company sends supply requests thereto and then concludes a short-term contract with them (for a period not exceeding 6 months). As for the Company's two Key Suppliers, the Company purchases their products through purchase orders.

The Company's Key Suppliers provide the Company with wheat, milling machines, spare parts, animal feed grains, and flour additives. The purchasing costs of the Company from its Key Suppliers represent 82.2% of the Company's total purchasing costs during the six-month period ended on 30 June 2023G.

The Company's business relies on the production and sale of flour products by purchasing wheat (the principal raw material for the Company's products) from the GFSA pursuant to the Wheat Supply Agreement concluded between the Company and the GFSA. The Company's total purchasing costs for wheat under this Agreement represent 32.9% of the Company's total purchases for the six-month period ended on 30 June 2023G.

The Company imports milling machines from Ocrim S.p.A pursuant to the Supply and Service agreement concluded between the Company and Ocrim S.p.A, the Company's milling machines purchases pursuant to this agreement represent 17.3% of the total cost of the Company's purchases for the six-month period ended on 30 June 2023G. The Company imports spare parts from Buhler AG pursuant to purchase orders between the Company and Buhler AG, and the costs of the Company's purchases under its purchase orders with Buhler AG represent 1.8% of the total cost of the Company's purchases for the six-month period ended on 30 June 2023G.

The Company issues supply requests to purchase animal feed grains from several suppliers, then enters into short-term contracts (not exceeding 6 months) with the supplier offering the best price. The cost of the Company's purchases under these agreements represents 28.5% of the total cost of the Company's purchases. The Company imports flour additives from Mühlenchemie under purchase orders between the Company and Mühlenchemie, representing 1.7% of the Company's total purchases for the six-month period ended on 30 June 2023G.

The table below summarizes the Wheat Supply Agreement between the Company and GFSA.

Table (12.15): Wheat Supply Agreement Between the Company and GFSA dated 15/04/1442H (corresponding to 30/11/2020G)

Parties:	GFSA (as seller) and the Company (as purchaser).
Contract Date:	15/04/1442H (corresponding to 30/11/2020G)
Subject Matter:	Sale and purchase of subsidized and unsubsidized wheat
Term:	Effective from its execution until the expiration of the Milling License (i.e. 22/02/1468H (corresponding to 31/12/2045G)). In the event the term of the Milling License is renewed, the new expiration date thereof shall be the expiration date of this Agreement.

Pricing and Payment:	The price of wheat shall be calculated in accordance with the pricing policy issued by the GFSA's board resolution (as the regulator of the wheat flour sector) number 46 dated 15/10/1441H (corresponding to 07/06/2020G). The Company must pay the price set out in each invoice, in addition to applicable VAT, to GFSA by way of a bank transfer within a period not exceeding thirty (30) days from receiving an invoice from GFSA. In the event the Company does not fulfil its payment obligations, GFSA reserves the right to withhold further wheat deliveries.
GFSA Obligations:	GFSA shall transport and deliver wheat to the Company in quantities that allow the Company to: • fulfil the Company's production capacity as specified in the Main Milling License (as amended from time to time); and • produce sufficient flour to meet the demand of its subsidized flour customers at the dates agreed between the Company and its customers. • Title, risk of loss, and cost of insurance to the wheat pass from GFSA to the Company at the point of delivery free of liens and encumbrances. • In the event GFSA delivered wheat order that is non-compliant with the specification, GFSA shall remedy as soon as possible (within a period not exceeding five (5) business days). • In the event that any given order weighted less, by more than 1%, than the weight recorded in the delivery certificate, GFSA shall deliver additional quantity to cover the deficit as soon as possible (within a period not exceeding five (5) business days) provided that such deficit is notified to GFSA by the Company at the earliest of i) twenty-four (24) hours of receipt, or ii) before two (2:00) pm in the next business day following the receipt.
Company Obligations:	• Payment of purchase price and applicable VAT. • Weights the delivered wheat upon receipt thereof from GFSA and records the weight thereof in the delivery certificate. • Maintains a list of the subsidized wheat customers approved by GFSA, refers requests from non-listed customers who want to purchase subsidized flour to GFSA, and inspects such customers' sites to ensure compliance with the applicable Implementing Regulations of the Flour Production Mills Law. • Immediately notifies GFSA in writing if the Company was not able to fulfil any quantities of subsidized flour and return the subsidized wheat or flour (as applicable) to GFSA or a third party designated by GFSA. The Company shall be paid for returned wheat or flour (as applicable) within thirty (30) days of the delivery of subsidized wheat or flour by GFSA. As long as the government subsidizes, the Company shall: • within the first five (5) business days of each Gregorian month provide a monthly report to GFSA about its subsidized flour sales; and • within the first fifteen (15) days of each Gregorian year, provide a yearly report to GFSA about its consolidated sales of subsidized wheat and flour to subsidized-flour customers.
Indemnities:	Parties are not responsible to indemnify each other for indirect or consequential damages incurred by such other Party regardless of its type. Each Party shall indemnify the other Party from and against all losses, not recoverable under insurance policies, arising in connection with the performance of the defaulting Party's obligations under the Agreement, provided that such losses are not caused by gross negligence, willful misconduct or a breach of obligations by the aggrieved Party.
Termination:	GFSA may terminate the Agreement by providing at least six (6) months' notice if the subsidy to the wheat discontinued prior the expiration of the Agreement. Either Party may terminate the Agreement: • in a case of a material breach by one party that is not remedied within thirty (30) days from a notice by the non-breaching party. If the material breach was caused by reasons beyond the control of the breaching party although the reasonable efforts to remedy the breach, the breaching party will be given an additional thirty (30) days period to remedy the breach; • if a final decision by a competent court or a governmental authority is issued, providing that the Company provided bribery to any person associated with this agreement or to obtain this agreement; • if the other Party becomes bankrupt, insolvent, is wound-up or liquidated; • if the force majeure event continued for a period exceeding the grace period (6 months); or • in case of the expiration, termination, or cancelation of the Main Milling License.

Force Majeure:	A party is not required to perform its obligations under the agreement to the extent that it is prevented from doing so by a force majeure event for the duration not exceeding six (6) months of the occurrence of the force majeure event, upon the condition that the affected party notifies the other party within five (5) business days of the force majeure occurrence and has taken steps to mitigate its effect. Notwithstanding the above, the Company shall not be relieved of its obligations to pay any amounts for delivered wheat prior to the occurrence of the force majeure event.
Assignment:	Neither party may assign, with or without consideration, the agreement partially or entirely without the prior written consent of the other party.
Governing Law:	Laws of the Kingdom of Saudi Arabia.
Dispute Resolution:	Any dispute arising under the agreement which cannot be resolved amicably within sixty (60) days from the date of notification by one of the parties to the other shall be referred to the competent court in the Kingdom and its judgment shall be final. In all cases, no dispute shall prevent the parties from undertaking their obligations under the agreement.

Source: the Company

12.5.2 Supply and Services Agreement Between the Company and Ocrim S.p.A

On 28/05/1444H (corresponding to 22/12/2022G), the Company entered into a supply and services agreement with Ocrim S.p.A for the purpose of expanding the Company's mill located in Al-Jumum. Ocrim S.p.A shall supply the Company with process electromechanical equipment, involvement and consultation on final design drawings, supervision of installation, start up and commissioning of the new flour mill. The table below summarizes the supply agreement concluded between the Company and Ocrim S.p.A.

Table (12.16): Supply and Services Agreement Between the Company and Ocrim S.p.A Dated 28/05/1444H (corresponding to 22/12/2022G)

Parties:	The Company and Ocrim S.p.A.
Contract Date:	28/05/1444H (corresponding to 22/12/2022G).
Purpose:	In connection with the flour mill located in Al-Jumum, Ocrim S.p.A shall supply the Company with process electromechanical equipment, involvement and consultation on final design drawings, supervision of installation, start up and commissioning of the new flour mill.
Term and Termination:	This agreement shall be in effect from its effective date (i.e. 17/01/2023G) until the end of the warranty period (Which expires 24 months after the date of issuance of the final exam completion certificate). The Company shall be entitled to terminate this agreement by serving thirty (30) days' notice to Ocrim S.p.A. In such case, the Company shall be liable for all costs incurred by Ocrim S.p.A in fulfilling its obligations under this agreement. The Company may terminate this agreement at any time and with immediate effect subsequent to its serving of a notice, if Ocrim S.p.A: • commits a breach which is capable of remedy, but fails to remedy such breach within ten (10) days after receiving a notice from the Company regarding such breach; • commits a breach which is not capable of remedy; • becomes bankrupt, insolvent, or is unable to pay its debts as they fall due, or has proposed or is liable to or the subject of any arrangements under which its creditors would receive less than the amounts due to them, or an order, petition, or resolution has been presented or passed for the purpose of winding up or appointing a liquidator; • commits a breach under the applicable law; or • was unable to perform its obligation due to continuous force majeure event of two months or more.
Value:	A lump sum amount exclusive of applicable tax, divided into an amount released to OCRIM S.p.A against the valid presentation and receipt of a negotiable bill covering the supplied products, and another amount released to Ocrim S.p.A upon the execution of the testing and commissioning of the project.

Other Key Terms:	The following shall apply in cases of delay in supply of products: • If a delay in the supply of the products occurs, the Company shall have the right to impose delay fines of an amount equivalent to 0.5% of the value of the product for each week of delay, for a maximum aggregate 10% of the value of the product, with such delay fines being deducted from the amount of due payment. • Any delay in the supplied products shall entitle the Company to procure products that are the same or similar from another supplier, provided that such products are consistent with the Implemented Standards of Production Quality and Technological Guarantees. • Any delay in the supplied products shall entitle the Company to cancel an existing supplied product irrespective of delivery. • In case Ocrim S.p.A provides the Company with a five (5) business day notice to justify the delay or request an extension of time (which shall not be unreasonably rejected by the Company), then the Company shall not be entitled to impose delay fines. • Ocrim S.p.A shall warrant the supplied products for a period of 24 months from the issuance of the final test completion certificate. • Ocrim S.p.A shall indemnify and hold harmless the Company against direct costs suffered or incurred in connection with a breach of contract, failure to comply with applicable laws, supply of defective products, and any intellectual property infringement claims. • The failure of any party to fulfil its obligations shall not be considered a breach if such failure is caused by an unpredictable event outside of the relevant party's reasonable control which affects the party's performance of its obligations, provided that the affected party has taken all reasonable precautions, due care, and reasonable alternative measures to avoid such breach, and provided that the affected party has informed its counterparty of such event within five (5) days from its occurrence. • The Company's liability shall not be limited for committing any of the following: fraud, fraudulent misrepresentation, willful default or where such limitation is not permitted by applicable law. • Ocrim S.p.A shall not be liable for any loss of profit, revenue, or anticipated savings, nor will it be liable for any loss that is an indirect consequence of any act or omission of the Company. • The Company's liability for breach shall be limited to the price of this agreement. • Each party acknowledges and agrees that its breach of this agreement may not be adequately compensated by damages, and accordingly that its counterparty shall be entitled to other available remedies under this law.
Assignment and Subcontracting:	Ocrim S.p.A may not assign or subcontract any of its obligations under this agreement, in whole or in part, without the Company's prior written consent. The Company is entitled to assign and/or novate this agreement or any rights or claims derived therefrom to any person without the written consent of Ocrim S.p.A.
Governing Language:	English.
Governing Law:	The Laws of England.
Dispute Resolution:	The Courts of England shall have the exclusive jurisdiction to settle any dispute or claim arising out of or in connection to this agreement.

Source: the Company

12.5.3 Construction and Contracting Agreement Between the Company and Al Dafe Trading and Contracting Company

On 08/02/1445H (corresponding to 24/08/2023G), the Company entered into a construction and contracting agreement with Al Dafe Trading and Contracting Company to expand the Company's branch in Al-Jumum. The table below summarizes this agreement.

Table (12.17): Construction and Contracting Agreement Between the Company and Al Dafe Trading and Contracting Company dated 08/02/1445H (corresponding to 24/08/2023G)

Parties:	The Company (as Employer), and Al Dafe Trading and Contracting Company (as Contractor).
Contract Date:	08/02/1445H (corresponding to 24/08/2023G).

Subject Matter:	The Contractor's execution and completion of the Works, and remedying of the defects for the Employer's new expansion project in Al-Jumum.
Commencement Date:	Upon the mutually signed handing over of the Site to the Contractor, or after the Contractor receives the advance payment, whichever is later.
Time for Completion:	The period ends at the end of three hundred and sixty-five (365) days from the Commencement Date.
Extension of Term:	The time for completion may be extended, in any of the following cases: a- a variation or substantial change in the quantity of an item of work; b- exceptionally adverse climatic conditions; c- unforeseeable shortages in the availability of personnel or goods caused by epidemic or governmental actions; d- any delay, impediment, or prevention caused by or attributable to the Employer, the Employer's Personnel, or the Employer's other contractors on the Site; or e- any other valid cause of delay in accordance with any of the provisions of this Agreement.
Price and Payment:	The Employer shall pay the Contractor a lump sum amount of SAR 73,517,200, which includes an advance payment equal to 10% of the lump sum amount to be paid by the Employer to the Contractor upon the Contractor's submission of a guarantee in the amount of the advance payment. The Contractor shall submit claims for payment monthly. Payment shall be made within fifty-six (56) days from the date of the engineering consultant's issuance of a payment certificate. The advance payment shall be repaid by deductions from payments to the Contractor until the advance payment is repaid. In case the advance payment is not repaid prior to the employer's taking over of the Works or the suspension and termination of the Works by the Contractor, or the occurrence of a force majeure event (all in accordance with the terms of this Agreement), then the whole balance then outstanding shall immediately become due and payable by the Contractor to the Employer.
Delay Damages:	If the Contractor fails to achieve a milestone by the agreed upon time of completion of such milestone (pursuant to the milestone schedule), then the Contractor shall be liable for delay damages as follows: a- 1% of the milestone value (as specified in the milestone schedule) for the first day of delay; b- 1.5% of the milestone value (as specified in the milestone schedule) for the second day of delay; c- 2% of the milestone value (as specified in the milestone schedule) for the third day of delay; d- 2.5% of the milestone value (as specified in the milestone schedule) for the fourth day of delay; and e- 3% of the milestone value (as specified in the milestone schedule) for the fifth day of delay. A 10 day grace period for completion shall apply to each milestone (as specified in the milestone schedule), and the Work shall only be considered delayed and the Contractor shall only be liable for delay damages upon the passing of such grace period. If the Contractor is late in completing the entirety of the Project on the specified date, a delay fine of 0.143% of the contract price will be imposed for each day of delay, provided that the aggregate fine does not exceed 10% of the contract price.
Warranties:	The Contractor shall submit to the engineering consultant copies of all manufacturers' warranties for each main item of plant and materials (plant meaning the apparatus, machinery and vehicles intended to form or forming part of the Permanent Works) (materials meaning things of all kinds (other than plant) intended to form or forming part of the Permanent Works, including the supply-only materials (if any) to be supplied by the Contractor under the Contract.) within twenty-eight (28) days of receiving the same from the relevant manufacturer(s).
Defects Notification Period:	365 days from issue of Taking-Over Certificate.
Performance Security:	On-demand bank guarantee of 10% of the Contract Value, reducing by half its original value on issue of Taking-Over Certificate. Balance released at end of Defects Notification Period.

Termination by Employer:	The Employer shall be entitled to terminate the Agreement if the Contractor: a- fails to obtain a security for proper performance in the amount and currencies stated in this agreement, and/or fails to comply with any of the provisions of this agreement related to the security for proper performance; b- fails to carry out any obligations under this agreement within a specified reasonable time from the contractor's receipt of a notice to remedy the failure; c- abandons the works or otherwise plainly demonstrates the intention of discontinuing the performance of its obligations under this agreement; d- without reasonable cause, fails to: 1- proceed with the works in accordance with the provisions of this agreement relevant to the term, program, extension, and/or delay; or 2- remedy any defects to any plant, materials, or workmanship in accordance with the provisions of this agreement within twenty-eight (28) days of receiving a notice to do so; e- subcontracts or assigns the agreement in a manner that is not in accordance with the provisions of this agreement; f- becomes bankrupt, insolvent, goes into liquidation, has a receiving or administrative order made against it, compounds with its creditors, carries on business under a receiver, trustee, or manager for the benefit of its creditors, or if any act is done or any event occurs which has a similar effect to any of these acts or events; g- gives or offers to give (directly or indirectly) to any person any bribe, gift, gratuity, commission, or other thing of value, as an inducement or reward for: 1- doing or forbearing to do any action in relation to this agreement; or 2- showing or forbearing to show favor or disfavor to any person in relation to this agreement. In any of these events or circumstances, the Employer may, upon giving a 14 days' notice, terminate the agreement or expel the Contractor from the site; however, in cases of points (vi) and (vii), the Contractor may, by notice, immediately terminate the agreement.
Termination by Contractor:	The Contractor shall be entitled to terminate the Agreement if: a- the engineering consultant fails to, within 56 days of receiving the supporting documents, issue the payment certificate; b- the Contractor does not receive the amount due under the payment certificate 42 days after the expiry of the deadline for payment; c- the Employer substantially fails to perform its obligations under this agreement; d- the Employer fails to validly enter into this agreement within 28 days from the Contractor's receipt of a letter of acceptance of tender, or assigns the agreement in a manner inconsistent with the provisions of this agreement; e- the Project is suspended (in accordance with the provisions of this agreement), with such suspension affects the entirety of the works, for a period exceeding 84 days, provided that the Contractor requests the engineering consultant's permission to continue the Project and the engineering consultant does not give permission to continue the Project within 28 days of the Contractor's request; or f- the Employer becomes bankrupt, insolvent, goes into liquidation, has a receiving or administrative order made against it, compounds with its creditors, carries on business under a receiver, trustee, or manager for the benefit of its creditors, or if any act is done or any event occurs which has a similar effect to any of these acts or events. In any of these events or circumstances, the Contractor may, upon giving a 14 days' notice, terminate the agreement; however, in cases of points (v) and (vi), the Contractor may, by notice, immediately terminate the agreement.

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Force Majeure:	Force majeure means an exceptional event or circumstance occurring after the date of this agreement: a- which is beyond a party's control; b- which such party could not reasonably have provided against before entering into the Contract; c- which, having arisen, such party could not reasonably have avoided or overcome; and d- which is not substantially attributable to the other party. The Contractor may be entitled to claim an extension of time and tests caused by force majeure. In case a party is or will be prevented from performing its obligations under this agreement by force majeure, then it shall give notice to the other party of the force majeure, and shall specify the contractual obligations the performance of which is or will be prevented by force majeure. Such notice shall be served to the other party within 14 days from the date on which the effected party became aware, or should have become aware of the occurrence of force majeure. If the execution of substantially all the Works in progress is prevented for a continuous period of 84 days by reason of force majeure of which notice has been given in accordance with the provisions of this agreement, or for multiple periods which total 140 days due to the same notified force majeure, then either party may give to the other party a notice of termination of the agreement. In this event, the termination shall take effect 7 days after the notice is given.
Assignment and Sub-Contracting:	Neither party may assign the whole or any part of the Contract or any benefit or interest in or under this agreement; however, either party: a- may assign the whole or any part of the foregoing with the prior consent of the other Party, given at the sole discretion of such other party; and b- may, as security in favor of a bank or financial institution, assign its right to any money due, or to become due, under this agreement. The Contractor shall not subcontract the whole of the Works, and shall refrain from subcontracting more than 30% of the Works without the prior written consent of the Employer. In addition, the Contractor shall ensure that a minimum of 70% of the Contractor's Personnel engaged on the Works shall be direct employees of the Contractor, or are supplied by the Government of KSA's approved manpower supplier companies.
Governing Language:	English.
Governing Law:	The Laws of the Kingdom of Saudi Arabia.
Dispute Resolution:	Disputes between the parties shall be finally settled under the rules of the Saudi Centre for Commercial Arbitration, and the juridical seat and venue of the arbitration shall be Jeddah, the Kingdom of Saudi Arabia.

Source: the Company

12.5.4 Compensation and Claims Agreement Between the Company and the Ministry of Finance dated 16/05/1442H (corresponding to 31/12/2020G)

On 16/05/1442H (corresponding to 31/12/2020G), the Company entered into a Compensation and Claims Agreement (the "**CCA**") with the Ministry of Finance ("**MoF**"), in connection with the privatization of the Company. As the price of wheat sold to, and the price of flour sold by, the Company are subsidized, net production revenues for each ton of regulated flour sold by the Company are effectively fixed based on a price differential between wheat purchased and flour sold of SAR 320 per ton. To address the risk that the Company's actual gross revenues in a financial year fall short of its expected revenues (based on direct recurring raw material costs actually utilized for the production of Regulated Flour by the Company plus the Price Differential), the MoF undertakes to compensate the Company for Minimum Revenue Shortfalls. The MoF also undertakes to compensate the Company for any License Fee Excess, and to purchase the Total Assets of the Company following a Government Risk Event, Excess Purchase or Company Breach.

The table below is a summary of the key provisions of the Compensation and Claims Agreement concluded between the Company and the Ministry of Finance:

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Table (12.18): Compensation and Claims Agreement Between the Company and the Ministry of Finance Dated 16/05/1442H (corresponding to 31/12/2020G)

Parties:	The Ministry of Finance of the Kingdom of Saudi Arabia and the Company.
Contract Date:	16/05/1442H (corresponding to 31/12/2020G).
Subject Matter:	The MOF undertakes to compensate the Company for 'Minimum Revenue Shortfalls'. The MOF also undertakes to compensate the Company for any 'License Fee Excess', and to purchase the 'Total Assets' of the Company following a 'Government Risk Event' or 'Company Breach', or in an 'Excess Purchase Scenario'.
Term:	The Agreement and any liability of the MoF in connection with the Company will terminate under the Compensation and Claims Agreement after twelve (12) years from the date of concluding the Compensation and Claims Agreement, except in relation to any Compensation Claim already notified to the MoF prior to that date.
Compensation for Minimum Revenue Shortfalls:	The MOF will compensate the Company if a Change in Framework results in a Minimum Revenue Shortfall. Change in Framework means the amendment, modification, termination or repeal (including any change in interpretation or application by a Government Authority in Saudi Arabia) of any of: (i) the Flour Mills Law, (ii) the Implementing Regulations, (iii) the Pricing Policy, or (iv) the Cap Period. Minimum Revenue Shortfall means, in any financial year or relevant period, the shortfall between: (a) the aggregate reasonably and efficiently incurred direct raw materials costs (excluding any exceptional, extraordinary, non-recurring or one-off costs) actually utilized during the period for the production of Regulated Flour, and (b) the aggregate gross revenues (excluding discounts) actually received by the Company during the period from the sale of Regulated Flour. The Company must provide notice to the MoF of any Minimum Revenue Shortfall not later than thirty (30) days after the Company becomes aware or should reasonably have become aware of such Minimum Revenue Shortfall. It is also a condition precedent to recovering any Minimum Revenue Shortfall that the Company serve a valid Compensation Notice on MoF within fifteen (15) Business Days of receiving the Compensation Accounts (being "**the Company's latest available audited financial statements and balance sheet … evidencing the amount of the Minimum Revenue Shortfall, Initial Actual Loss Payment or License Fee Excess (as applicable)**"), which shall include (inter alia) reasonable particulars of the Compensation Claim and any Savings (and evidence of the same).
Compensation for License Fee Excess:	The MoF will compensate the Company for the amount of any License Fee Excess, being the amount of any increase in the then-current License Fee as a result of an amendment or modification to the equation for calculating the License Fee as set out in a resolution of GFSA's board and replicated in Annex (5) of the CCA. It is a condition precedent to recovering any License Fee Excess that the Company serve a valid Compensation Notice on MoF within fifteen (15) Business Days of receiving the Compensation Accounts, which shall include (inter alia) reasonable particulars of the Compensation Claim and any Savings (and evidence of the same).

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Purchase of Total Assets following a Government Risk Event under the CCA:	On the occurrence of a Government Risk Event, the MoF is required to purchase the Total Assets for an 'Initial Actual Loss Payment' - being the Calculated Internal Value as at the date of the Government Risk Event. Total Assets means both 'Owned Assets' (assets owned by the Company and used predominantly for the purpose of the Business) and Leased Assets (subject to certain conditions). MoF is subsequently required to use all reasonable endeavors within 24 months of the Purchase Date to tender and sell the Total Assets on an arms' length basis, and must account to the Company for the Tender Price Excess - being the delta between (i) the Tender Price, and (ii) the Initial Actual Loss Payment plus any costs and expensed incurred by the Government Party in relation to the Tender Process (provided (i) is higher than (ii)). The Initial Actual Loss Payment and the Tender Price Excess together constitute the Actual Loss. Government Risk Events means any of the following events: a- expropriation or nationalization of the Total Assets by an Authority, provided that such events are declared by a final and binding decision which can no longer be contested by supervisory application made by a court or arbitral or other body of competent jurisdiction; b- the termination of the Milling License by GFSA for reasons other than in accordance with the terms of the Milling License or Applicable Law, or for public interest, provided that the proper exercise of any rights of an Authority in response to any breach of any Applicable Law by the Company shall not constitute a Government Risk Event; c- any action by GFSA which results in the Milling License ceasing to remain in force, provided that the proper exercise of any rights of an Authority in response to any breach of any Applicable Law by the Company shall not constitute a Government Risk Event; d- the termination of any Ancillary Agreement (which includes the Wheat Supply Agreement, the Silo Lease Agreements and the Land Lease Agreements) by GFSA for reasons not attributable to the Company, with the exception of a Qualifying Wheat Supply Agreement Termination; or e- the revocation or termination of Wheat Import Approval by GFSA for reasons not attributable to the Company in circumstances where the Wheat Supply Agreement has previously been terminated for reasons not attributable to the Company, provided that in any case: a- it is not caused or contributed to by a Company Breach or any other action, omission, negligence or circumstance for the Company or Mada AlGhurair Limited Company is responsible; b- it is not caused by or contributed to by a Force Majeure Event; c- it has not been agreed by the parties; d- it is not caused by or contributed to due to the Kingdom complying with or adhering to any regulations, standards and/or guidelines issued by an International Organization; and/or e- the Company (or, where applicable, Mada AlGhurair Limited Company) has made all commercially reasonable efforts in accordance with good industry practice to reduce and mitigate the effects of such events. It is also a condition precedent to receiving the Initial Actual Loss Payment that the Company serve a valid Compensation Notice on MoF within 15 Business Days of receiving the Compensation Accounts, which shall include (inter alia) reasonable particulars of the Compensation Claim and any Savings (and evidence of the same).
Purchase of Total Assets following a Company Breach:	The Government Party is required to purchase the Total Assets following a Company Breach for an amount equal to 80% of the Reference Price. The following events constitute a Company Breach: a- the Milling License or any Ancillary Agreement is terminated by GFSA for reasons attributable to the Company; b- the termination of the Milling License or any Ancillary Agreement is caused by or contributed to by a Force Majeure Event; or c- a financial institution commences the process of enforcing a share pledge over any or all of the Company's share capital in connection with the Transaction Financing.
Purchase of Total Assets following an Excess Purchase:	If the aggregate of all Minimum Revenue Shortfall Compensation Claims and License Fee Compensation Claims exceed 25% of the Final Consideration, the MoF has the right (but not the obligation) to purchase the Total Assets for an amount equal to the Reference Price.

Calculated Internal Value, Fair Market Value and the Reference Price:	The Calculated Internal Value means the Final Consideration (as defined in the Share Purchase Agreement), plus Cumulated Capital expenditures, less Cumulated Depreciation, less Impairment of Owned Assets, less Disposals (each as defined in the CCA). The Fair Market Value is defined as the fair market value of the Owned Assets (based on a discounted cash flow approach or a market approach) and the Leased Assets (with specific requirements for capital leases and operating leases), in a sale between a willing seller and a willing purchaser with no compulsion to sell, and for the purposes of calculating the Fair Market Value following a Government Risk Event or Excess Purchase, assuming the relevant Government Risk Event or Excess Purchase never occurred. The Reference Price is the lower of the Calculated Internal Value and the Fair Market Value.
Savings:	Any Minimum Revenue Shortfall, Actual Loss, Company Breach Payment or Excess Purchase Payment shall be reduced by the amount of Savings realized by the Company between the Completion Date (as defined in the Share Purchase Agreement) and the date of the relevant Compensation Notice, Government Risk Event, Company Breach or Excess Purchase (as applicable).
Force Majeure:	In order for an event or circumstance to qualify as a Force Majeure Event, it must satisfy the conditions set out in the definition, and "**directly cause a party to be unable to comply with all or a material part of its obligations under the Ancillary Agreements and or the Milling License.**" The Company is not entitled to compensation for any Actual Loss, Minimum Revenue Shortfall or License Fee Excess suffered if a Government Risk Event or Change in Framework is caused by or contributed to by a Force Majeure Event.
Limitations of Liability:	The aggregate liability of the MoF in respect of all Minimum Revenue Shortfall Compensation Claims or License Fee Compensation Claims shall not exceed the lower of: (a) 80% of the Final Consideration (as defined in the Share Purchase Agreement); and (b) the Transaction Financing Amount. The MoF's aggregate liability for any Minimum Revenue Shortfall or License Fee Excess in any calendar year shall not exceed 20% of the Final Consideration. Amounts in excess of the 20% cap will be payable in the following calendar year, subject again to the 20% cap.
Assignment:	Neither party may assign, transfer, charge or otherwise deal with any of its rights under the CCA without prior written consent. Notwithstanding, the MoF may assign, transfer or novate its rights and obligations under the CCA (in whole or part) to any Authority, and the Company may assign, transfer, charge, or pledge all of its rights and benefits to a single financial institution in connection with the Transaction Financing.
Governing Law:	Laws of the Kingdom.
Dispute Resolution:	Other than any disputes with respect to the 'Payment Determination Process' (which are to be referred to an Independent Expert as set out in Schedules 2 and 3), disputes shall be referred to the competent court in the Kingdom and its judgment shall be conclusive and binding.

Source: the Company

12.6 Lease Agreements

12.6.1 Flour Mill Lease Agreements

No	Description of Leased Premises	Location	Lessor	Lessee	Rent Commencement Date	Duration	Renewal
1.	Al Jumum The mill was established on a total area of 212,516 square meters	Ain Shams, Al Jumum, Makkah, PO Box 92	GFSA	The Company	03/04/1438H (corresponding to 01/01/2017G)	From the lease start date until the expiration date of the Milling License, i.e. 22/02/1468H (corresponding to 31/12/2045G)	Lease is automatically renewable in accordance with the license issued to operate the leased premises.
2.	Al-Jouf Lease Flour mill constructed on land with total area of 225,681 sqm	Sakaka, Al-Jouf, PO Box 597	GFSA	The Company	03/04/1438H (corresponding to 01/01/2017G)	From the lease start date until the expiration date of the Milling License, i.e. 22/02/1468H (corresponding to 31/12/2045G)	Lease is automatically renewable in accordance with the license issued to operate the leased premises.

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No	Description of Leased Premises	Location	Lessor	Lessee	Rent Com-mencement Date	Duration	Renewal
3.	Khamis Mushait	Al-Ind, Al Qaeda Street, Khamis Mushait, Asir PO Box 15027	GFSA	The Company	03/04/1438H (corresponding to 01/01/2017G)	From the lease start date until the expiration date of the Milling License, i.e. 22/02/1468H (corresponding to 31/12/2045G)	Lease is automatically renewable in accordance with the term of the license issued to operate in the leased premises.

Source: The Company

12.6.2 Office Lease Agreements

No	Description of Leased Premises	Location	Lessor	Lessee	Rent Commencement Date	Duration	Renewal
1.	Head Office Lease Commercial office with total area of 660 sqm	2694, 2573, 13325, Mohammed At Taib At Tounisi, Jeddah	AlRajhi Holding Group Company	The Company	29/06/1442H (corresponding to 01/02/2022G)	This lease commences on 29/06/1443H (corresponding to 01/02/2022G) and shall end on 23/08/1448H (31/01/2027G)	Lease is automatically renewed, unless either party notifies its counterparty of its intention not to renew within 60 days from the date of lease expiry.
2.	Hasad Al-Arabia for Trade Lease Site with total area of 7,500 sqm	Plot number 379, Al Khamra District, Jeddah	Jeddah Chamber of Commerce and Industry	Hasad	11/10/1444H (corresponding to 01/05/2023G)	This sublease commences on 11/10/1444H (corresponding to 01/05/2023G) and shall end on 01/01/1450H (25/05/2028G)	Lease does not automatically renew. The parties must enter into a new Lease Agreement.

Source: The Company

12.6.3 Silo Leases

The tables below summarize the provisions of the main leases concluded by the Company in relation to renting grain silos in Khamis Mushait, Al-Jouf, and Al-Jumum.

Table (12.19): Operational Silo Lease - Khamis Mushait

Parties:	General Food Security Authority (GFSA) (as Lessor) and the Company - Khamis Mushait Branch (as Lessee)
Contract Execution Date:	15/04/1442H (corresponding to 30/11/2020G)
Term:	Since the signing of this agreement on 15/04/1442H (corresponding to 30/11/2020G) up until the date of expiration of the Milling License (valid for twenty-five (25) years until 22/02/1468H (corresponding to 31/12/2045G)). In the event the term of the Milling License is extended, the term of the Operational Silo Lease shall automatically be extended by the same period.

Use:	The Company shall use the silos for: • the import, storage and milling of wheat; • the production, packaging, distribution and sale of flour, compound feed and bran; and • any other purpose or authorized works as licensed to the Lessee.
Other Material Provisions:	• The Company shall provide the General Food Security Authority with an unconditional and irrevocable bank guarantee equivalent to 15% of the annual rent at least fifteen (15) days before the commencement of the relevant contractual year. This guarantee is to continue for the term of the Operational Silo Lease. • The Company may not make any additions or modifications to the silos without the prior written consent of the General Food Security Authority. Title to any additions or modifications shall vest with the General Food Security Authority at the end of the lease period. • The Company must, at its cost, obtain and maintain comprehensive general liability insurance to cover legal liability to third parties for loss of and/or damage to property and persons including associated loss of revenues and death and/or bodily injury arising out of the Company's performance of its obligations under the Lease, and such other insurance necessary for the performance of the Company's obligations under the Lease. The Company shall procure that the General Food Security Authority is named as an additional insured party on all insurance policies. • The Company undertakes to regularly maintain the operating silos and related equipment.
Termination:	The General Food Security Authority may terminate the Operational Silo Lease prior to the expiry of the term thereof provided that it gives the Company a thirty (30) days' written notice and in the following situations: • the Company fails to pay the rent or provide the guarantee within 30 days after the date on which it is given a warning of such; • there is evidence that the Company bribed or attempted to bribe any person, directly or indirectly, in connection with the Operational Silo Lease; • the Company sub-leases all or part of the operational silos without the General Food Security Authority's prior written consent; or • the Company becomes bankrupt or initiates insolvency proceedings, is placed under administration or is wound-up or liquidated. Any party may terminate the Operational Silo Lease at any time prior to the expiry of the term thereof provided a written notice is given and in the following situations: • it is proven that any of the covenants and warranties provided by the other party are materially inaccurate at the beginning of each year; • a party breaches any of its material obligations under the operational silo lease agreement and such breach is not remedied within thirty (30) days after notice from the non-breaching party. An additional thirty (30) days is offered if the breaching party was unable to remedy the breach for reasons falling outside its control and if the breaching party has exercised reasonable efforts to remedy such breach; • the Milling License expires, is cancelled or terminated; • a force majeure event continues beyond the grace period; or • confiscation or nationalization of all or part of the assets of the Company by a governmental authority in accordance with a compensation and guarantees agreement entered into by the Company and the Ministry of Finance.
Indemnification:	• Neither party is responsible to indemnify the other party for indirect losses of any type. • Each party shall be responsible to indemnify the other party from and against all losses suffered or incurred as a result of claims by third parties or damage to persons or property and as a result of that party's performance under the operational silo lease agreement; provided that the party shall not be liable for any such losses to the extent caused by negligence or willful misconduct by the other party and / or to the extent such losses are recoverable under the insurances to be obtained and maintained by the Company under the operational silo lease agreement.
Assignment and Subcontracting:	• The Company may not sub-lease the silos without the prior written consent of General Food Security Authority. • The Company may not assign the operational silo lease, the silos or any part thereof by sale, gift, assignment or mortgage without the prior written approval of General Food Security Authority. • The operational silo lease agreement does not apply these restrictions on the assignment or other disposal of the silos to General Food Security Authority.
Governing Law:	Laws of the Kingdom of Saudi Arabia.

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Dispute Resolution:	Any dispute arising under the operational silo lease which cannot be resolved amicably within 60 days from the date of notification by one of the parties to the other shall be referred to the competent court in the Kingdom and its judgement shall be final. In all cases, no dispute shall prevent the parties from undertaking their obligations under the operational silo lease.

Source: the Company

Table (12.20): Operational Silo Lease – Al-Jouf

Parties:	The General Food Security Authority (GFSA) (as Lessor) and the Company – Al-Jouf Branch (as Lessee).
Contract Execution Date:	15/04/1442H (corresponding to 30/11/2020G)
Term:	Since the signing of this agreement on 15/04/1442H (corresponding to 30/11/2020G) up until the date of expiration of the Milling License (The duration of which is twenty-five (25) years until 22/02/1468H (corresponding to 31/12/2045G). In the event the term of the Milling License is extended, the term of the operational silo lease shall automatically be extended by the same period.
Use:	The Company shall use the silos for: • the import, storage and milling of wheat; • the production, packaging, distribution and sale of flour, compound feed and bran; and • any other purpose or authorized works as licensed to the Lessee.
Other Material Provisions:	• The Company shall provide the General Food Security Authority an unconditional and irrevocable bank guarantee equivalent to 15% of the annual rent at least fifteen (15) days before the commencement of the relevant year. This guarantee is to continue for the term of the operational silo lease. • The Company may not make any additions or modifications to the silos without the prior written consent of the General Food Security Authority. Title to any additions or modifications shall vest with the General Food Security Authority at the end of the lease period if not removed by the Company. • The Company must, at its cost, obtain and maintain comprehensive general liability insurance to cover legal liability to third parties for loss of and/or damage to property including associated loss of revenues and death and/or bodily injury arising out of the Company's performance of its obligations under the lease, and such other insurance normal commercial practice and prudence dictate for the performance of its obligations under the lease. The Company shall procure that the General Food Security Authority is named as an additional insured party on all insurance policies. • The Company undertakes to regularly maintain the operating silos and related equipment.

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Termination:	The General Food Security Authority may terminate the operational silo lease at any time prior to the expiry of the term thereof provided it gives the Company a thirty (30) days written notice and in the following situations: • the Company fails to pay the rent or provide the guarantee within thirty (30) days after the date on which it is given a warning of such; • the Company sub-leases all or part of the leased premises without the General Food Security Authority's prior written consent; • there is evidence that the Company bribed or attempted to bribe any person directly or indirectly in connection with the operational silo lease; or • the Company becomes insolvent or initiates insolvency proceedings, is placed under administration or is liquidated. Any party may terminate the operational silo lease at any time prior to the expiry of the term thereof provided a written notice is given and in the following situations: • it is proven that any of the covenants and warranties provided by the other party are materially inaccurate at the beginning of each year; • a party breaches any of its material obligations under the operational silo lease agreement and such breach is not remedied within thirty (30) days after notice from the non-breaching party. An additional thirty (30) days is offered if the breaching party was unable to remedy the breach for reasons falling outside its control and if the breaching party has exercised reasonable efforts to remedy such breach; • the Milling License expires, is cancelled or terminated; • a force majeure event continues beyond the grace period; or • confiscation or nationalization of all or part of the assets of the Company by a governmental authority in accordance with a compensation and guarantees agreement entered into by the Company and the Ministry of Finance.
Indemnification:	• Neither party is responsible to indemnify the other party for indirect losses of any type. • Each party shall be responsible to indemnify the other party from and against all losses suffered or incurred as a result of claims by third parties or damage to persons or property and as a result of that party's performance under the operational silo lease agreement; provided that the party shall not be liable for any such losses to the extent caused by negligence or willful misconduct by the other party and / or to the extent such losses are recoverable under the insurances to be obtained and maintained by the Company under the operational silo lease agreement.
Assignment and Subcontracting:	• The Company may not sub-lease the silos without the prior written consent of the General Food Security Authority. • The Company may not assign the operational silo lease, the silos or any part thereof by sale, gift, assignment or mortgage without the prior written approval of the General Food Security Authority. • The operational silo lease agreement does not apply these restrictions on the assignment or other disposal of the silos to the General Food Security Authority.
Governing Law:	Laws of the Kingdom of Saudi Arabia.
Dispute Resolution:	Any dispute arising under the operational silo lease which cannot be resolved amicably within sixty (60) days from the date of notification by one of the parties to the other shall be referred to the competent court in the Kingdom and its judgement shall be final. In all cases, no dispute shall prevent the parties from undertaking their obligations under the operational silo lease.

Source: the Company

Table (12.21): Operational Silo Lease – Al-Jumum

Parties:	General Food Security Authority (GFSA) (as Lessor) and the Company – Al-Jumum Branch (as Lessee)
Contract Execution Date:	15/04/1442H (corresponding to 30/11/2020G)
Term:	Since the signing of this agreement on 15/04/1442H (corresponding to 30/11/2020G) up until the date of expiration of the Milling License (The duration of which is twenty-five (25) years until 22/02/1468H (corresponding to 31/12/2045G). In the event the term of the Milling License is extended, the term of the operational silo lease shall automatically be extended by the same period.
Use:	The Company shall use the silos for: • the import, storage and milling of wheat; • the production, packaging, distribution and sale of flour, compound feed and bran; and • any other purpose or authorized works as licensed to the Lessee.

Other Material Provisions:	• The Company shall provide the General Food Security Authority an unconditional and irrevocable bank guarantee equivalent to 15% of the annual rent at least 15 days before the commencement of the relevant year. This guarantee is to continue for the term of the operational silo lease. • The Company may not make any additions or modifications to the silos without the prior written consent of the General Food Security Authority. Title to any additions or modifications shall vest with the General Food Security Authority at the end of the lease period if not removed by the Company. • The Company must, at its cost, obtain and maintain comprehensive general liability insurance to cover legal liability to third parties for loss of and/or damage to property including associated loss of revenues and death and/or bodily injury arising out of the Company's performance of its obligations under the lease, and such other insurance normal commercial practice and prudence dictate for the performance of its obligations under the lease. The Company shall procure that the General Food Security Authority is named as an additional insured party on all insurance policies. • The Company undertakes to regularly maintain the operating silos and related equipment.
Termination:	The General Food Security Authority may terminate the operational silo lease at any time prior to the expiry of the term thereof provided it gives the Company a thirty (30) days written notice and in the following situations: • the Company fails to pay the rent or provide the guarantee within thirty (30) days after the date on which it is given a warning of such; • the Company sub-leases all or part of the leased premises without the General Food Security Authority's prior written consent; • there is evidence that the Company bribed or attempted to bribe any person directly or indirectly in connection with the operational silo lease; or • the Company becomes insolvent or initiates insolvency proceedings, is placed under administration or is liquidated. Any party may terminate the operational silo lease at any time prior to the expiry of the term thereof provided a written notice is given and in the following situations: • it is proven that any of the covenants and warranties provided by the other party are materially inaccurate at the beginning of each year; • a party breaches any of its material obligations under the operational silo lease agreement and such breach is not remedied within thirty (30) days after notice from the non-breaching party. An additional thirty (30) days is offered if the breaching party was unable to remedy the breach for reasons falling outside its control and if the breaching party has exercised reasonable efforts to remedy such breach; • the Milling License expires, is cancelled or terminated; • a force majeure event continues beyond the grace period; or • confiscation or nationalization of all or part of the assets of the Company by a governmental authority in accordance with a compensation and guarantees agreement entered into by the Company and the Ministry of Finance.
Indemnification:	• Neither party is responsible to indemnify the other party for indirect losses of any type. • Each party shall be responsible to indemnify the other party from and against all losses suffered or incurred as a result of claims by third parties or damage to persons or property and as a result of that party's performance under the operational silo lease agreement; provided that the party shall not be liable for any such losses to the extent caused by negligence or willful misconduct by the other party and / or to the extent such losses are recoverable under the insurances to be obtained and maintained by the Company under the operational silo lease agreement.
Assignment and Subcontracting:	• The Company may not sub-lease the silos without the prior written consent of the General Food Security Authority. • The Company may not assign the Operational Silo Lease, the silos or any part thereof by sale, gift, assignment or mortgage without the prior written approval of the General Food Security Authority. • The Operational Silo Lease does not apply these restrictions on the assignment or other disposal of the silos to the General Food Security Authority.
Governing Law:	Laws of the Kingdom of Saudi Arabia.
Dispute Resolution:	Any dispute arising between the parties under the Operational Silo Lease which cannot be resolved amicably within sixty (60) days from the date of notification by one of the parties to the other shall be referred to the competent court in the Kingdom and its judgement shall be final. In all cases, no dispute shall prevent the parties from undertaking their other obligations under the Operational Silo Lease.

Source: the Company

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12.7 Transactions and Contracts with Related Parties

The Directors confirm that none of the contacts with Related Parties described under this section contain preferential conditions and have been concluded in accordance with laws and regulations on suitable and fair arm's length basis. Except as disclosed in this section of the Prospectus, the Directors confirm that the Company is not bound by any transactions, agreements, commercial relations or real estate transactions with a Related Party, including the Financial Advisor and the Legal Advisor in respect of the Offering.

Moreover, the Directors acknowledge their intention to comply with Articles (71) and (72) of the Companies Law and Article (41) of the Corporate Governance Regulations issued in relation to contracts with Related Parties. The General Assembly approved all transactions and contracts with the Company's Related Parties on 10/03/1444H (corresponding to 06/10/2022G).

The total value of Related Party Transactions amounted to SAR 16,633,993, SAR 63,929,948 and SAR 38,373,640 for the financial years ended 31 December 2021G and 31 December 2022G and the six-month period ended 30 June 2023G, respectively.

The nature of the Company's Related Party Transactions involves contracts for the supply of raw materials such as corn and soybeans, a lease contract, and a travel and tourism service contract.

Table (12.22): Details of the Transactions and Contracts with Related Parties*

Related Party	Nature of Transaction	Interested Party	Nature of Relationship	(SAR)			
				Transaction Value During FY 2020G	Transaction Value During FY 2021G	Transaction Value During FY 2022G	Transaction Value During the period ended 30 June 2023G
Al Ghurair Resources International Company	Ongoing transactions with Al Ghurair Resources International Company to provide raw materials (corn and soybeans)	John Gregory Iossifidis and Djamal Djouhri	Sister company	None	None	None	38,123,940
AlRajhi Holding Group Company (closed joint stock company)	Office lease contract	Dr. Ibrahim Sulaiman Alrajhi	Relationship with a company directly owned by a member of the Board of Directors	None	None	499,400	249,700
Fursan Travel & Tourism Company	Agreement to provide travel services	Dr. Ibrahim Sulaiman Alrajhi	Brother of a Shareholder in the Related Party	None	None	None	None
Al Ghurair Foods	Ongoing transactions with Al Ghurair Resources International Company to provide raw materials (corn and soybeans)	Al Ghurair Foods	Shareholder	None	16,633,993	63,430,548	None

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Related Party	Nature of Transaction	Interested Party	Nature of Relationship	(SAR)			
				Transaction Value During FY 2020G	Transaction Value During FY 2021G	Transaction Value During FY 2022G	Transaction Value During the period ended 30 June 2023G
Mada International Holding Company	N/A	Shareholder	Shareholder	None	None	None	None
Masafi Co.	N/A	Shareholder	Shareholder	None	None	None	None
General Food Security Authority**	Purchase of wheat and other raw materials, value and cost of financing lease contracts	The Governor of the General Food Security Authority was a member of the Board of Directors	Relationship with a member of the Board of Directors	164,516,801	None	None	None
Hasad Al-Arabia for Trade	Payments made on behalf of the subsidiary company and investment	Subsidiary company	Subsidiary	None	None	5,862,366	None
First Mills Company	Payments mad on behalf of	Sister company	Sister company	139,303	None	None	None
Second Milling Company	Payments made on behalf of	Sister company	Sister company	4,119,283	None	None	None

Source: the Company

*This table includes the amounts of the implemented part of the transaction, and not the value of the agreements. The obvious difference in this table regarding the difference between the contract value and the transaction value as shown therein is because the table reflects the amounts paid and not the contract value. The numbers in this table do not include the Value-Added Tax. In addition, the related party transactions were approved at the Extraordinary General Assembly meeting held on 19/03/1445H (corresponding to 04/10/2023G).

**Before the Company was privatized, the General Food Security Authority was one of the Related Parties, as the Company was owned by the Public Investment Fund (and other milling companies).

Supply Contracts for Raw Materials such as Corn and Soybeans

The Company has entered into several contracts for the supply of raw materials such as corn and soybeans with Al Ghurair Resources International Company, a Related Party, wherein the Company's Board members Mr. John Gregory Iossifidis and Mr. Djamal Djouhri both hold executive positions at Al Ghurair Resources International Company. The contract does not contain any preferential terms and conditions.

The Company did not conclude any supply contracts with Al Ghurair Resources International Company in the financial year 2020G. The total value of the supply contracts between the Company and Al Ghurair Resources International Company was SAR 7,455,000, SAR 107,332,500 and 38,123,940 for the financial years 2021G and 2022G and the six-month period ended 30 June 2023G. The Company settles the supply fees for each contract within an average of 30 days from the shipping bill date. Payment for the supply fees is made through a letter of credit issued by a first-class Saudi bank. The table below shows a summary of the standard provisions contained in the supply agreements concluded between the Company and Al Ghurair Resources International Company.

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Table (12.23): Standard Supply Agreement Between the Company and Al Ghurair Resources International Company

Parties:	Al Ghurair Resources International Company (as Seller) and the Company (as Purchaser).
Contract Date:	-
Subject Matter:	Purchasing and selling raw materials such as corn and soybeans.
Term:	-
Quantity:	-
Quality Specifications:	-
Pricing and Payment:	Payment of the supply fees is made through an irrevocable letter of credit issued by a first-class Saudi bank for the Seller for the full amount of the contract. Payment shall be due after 30 days from the bill of lading. Payment of the supply fees is made through an irrevocable letter of credit issued by a first-class Saudi bank for the Seller for the full amount of the contract. Payment shall be due after 30 days from the bill of lading. Any delay in the receipt of the letter of credit shall entitle the Seller to cancel or terminate the contract, discharge the liability, declare a default on the part of the Purchaser, renegotiate or postpone the shipping period until receipt of the letter of credit, with the Purchaser bearing all costs, expenses, losses and damages resulting from such delay.
Governing Law:	The laws of England.
Governing Language:	In the event of a discrepancy between the Arabic and English texts of this Contract, the English text shall prevail.
Dispute Resolution	Arbitration in accordance with GAFTA 125.

Source: the Company

12.7.1 Lease Contract for the Company's Head Office

The Company has entered into a lease agreement for its head office with Al Rajhi Holding Group Company, a Related Party, wherein Dr. Ibrahim Sulaiman Abdulaziz Al Rajhi, a Board member of the Company, holds shares in Al Rajhi Holding Group Company.

The contract does not contain any preferential terms and conditions.

The total value of the contract is SAR 2,640,279, and the annual rental value amounts to SAR 528,056. The Company pays the total value of the contract in ten semi-annual installments. The lease term under this Contract shall commence from 29/06/1443H (corresponding to 01/02/2022G) and extend until 23/08/1448H (corresponding to 31/01/2027G).

Table (12.24): Lease Contract of the Company's Head Office between Al Rajhi Holding Group Company, a closed joint stock company and the Company

Parties:	Al Rajhi Holding Group Company, a closed joint stock company (as Lessor) and the Company (as Lessee).
Contract Date:	19/07/2022G
Lease Term:	From 01/02/2022G until 31/01/2027G
Contract Value:	SAR 3,036,319 paid in 10 installments.
Contract Assignment:	The Lessee is entitled to assign the Contract to third parties, whether in whole or in part, after the approval of the Lessor.

Cases of Contract Termination:	The Lease Contract shall be terminated upon the occurrence of one or more of the following cases: 1- If it is proven that the property is likely to collapse pursuant to a report from the Civil Defense or an official authorized by the approved government authority. 2- If government decisions require amending building regulations, resulting in the inability to use rental units. 3- If the state owns the property or part thereof, resulting in the inability to use rental units. 4- In the event of force majeure.

Source: the Company

12.7.2 Travel and Tourism Services Contract

The Company has entered into a travel and tourism services contract with Fursan Travel & Tourism Company, a Related Party, wherein a Board member of the Company, Dr. Ibrahim Sulaiman Abdulaziz Al Rajhi, is related to a substantial shareholder in Fursan Travel & Tourism Company, and the contract does not contain any preferential terms and conditions. As of 30/06/2023G, the total value of the contract is zero Saudi Riyals, and the Company settles the total value of the contract based on invoices upon request. The contract duration is one year, automatically renewable unless either party notifies the other in writing of its intention not to renew at least thirty (30) days prior to the contract expiration date. Additionally, the Company reserves the right to terminate the contract without reason by notifying Fursan Travel & Tourism Company fifteen (15) working days in advance.

12.8 Credit Facilities and Loans

Table (12.25): Facilities between Alinma Bank and the Company dated 15/09/2022G for a total amount of SAR 250,000,000

Type of Facilities / Purpose / Amount	SAR 250,000,000 working capital Murabaha facility for the purpose of purchasing commodities, issuance of one or more guarantees and issuance of one or more letters of creditor in favor of third parties.
Amounts Drawn Down	SAR 0.
Security	1- Each promissory note; 2- The Pledge of Accounts Agreement dated 19/01/2023G between the Company and Alinma Bank; 3- The Pledge of Contract Proceeds Agreement dated 19/01/2023G between the Company and Alinma Bank; 4- The Pledge of Insurance Proceeds Agreement dated 25/01/2023G between the Company and Alinma Bank.

Source: the Company

Table (12.26): Facilities between Alinma Bank and the Company dated 28/12/2020G, as amended and restated on 19/01/2023G, for a total amount of SAR 993,000,000

Type of Facilities / Purpose / Amount	Tranche A: SAR 760,000,000 for purposes of payment of transaction costs, including (but not limited to) the total consideration required to be paid for the acquisition of the selling company's Shares, including the initial purchase price and the final consideration. Tranche B: SAR 233,000,000 for the purpose of capital expenditure to be undertaken by the Company as per the capex plan.
Amounts Drawn Down	Tranche A: SAR 714,757,086. Tranche B: SAR 0.
Security	1- SAR 800,000,000 promissory note dated 28/12/2020G; 2- SAR 22,500,000 promissory note dated 28/12/2020G; 3- The Pledge of Accounts Agreement dated 19/01/2023G between the Company and Alinma Bank; 4- The Pledge of Contract Proceeds Agreement dated 19/01/2023G between the Company and Alinma Bank; 5- The Pledge of Insurance Proceeds Agreement dated 25/01/2023G between the Company and Alinma Bank.

Source: the Company

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12.9 Insurance

The Company maintains insurance policies covering different types of risks to which it may be exposed. The following table sets out the key particulars of the insurance policies held by the Group:

Table (12.27): Details of Insurance Policies

#	Type	Policy Number	Insurer	Duration	Sum Insured (SAR)	Coverage
1	Medical Insurance Policy	N/A	Bupa Arabia for Cooperative Insurance	From 17/09/1444H (corresponding to 08/04/2023G) to 22/09/1445H (corresponding to 07/04/2024G)	A maximum of SAR 1,000,000 annually per beneficiary.	Basic health benefits.
2	Group Term Takaful Policy	GRTR000300000177	Al Rajhi Company for Cooperative Insurance	From 20/10/1444H (corresponding to 10/05/2023G) to 01/11/1445H (corresponding to 09/05/2024G)	SAR 134,200,000	Death, total or partial permanent disability, accidental medical expenses, mortal remains reparation, and passive risk of war and terrorism.
3	Motor Vehicle Comprehensive Insurance Policy	P-01-2022-4-411-051235/R1	Wataniya Insurance	From 17/04/1445H (corresponding to 01/11/2023G) to 28/04/1446H (corresponding to 31/10/2024G)	SAR 3,715,400	Accident damage, collision, overturn, fire and lightening, natural hazard, theft and burglary, third party liability, malicious act, personal accident – passenger cover, personal accident – driver cover.
4	Property All Risk including Business Interruption and Material Damage Insurance Policy	617866	Tawuniya	From 25/09/1444H (corresponding to 16/04/2023G) to 06/10/1445H (corresponding to 15/04/2024G)	SAR 2,991,405,360	Business interruption and material damage.
5	Marine Cargo Insurance Policy	618900	Tawuniya	From 30/12/1444H (corresponding to 18/07/2023G) to 12/01/1446H (corresponding to 17/07/2024G)	The maximum amount of each and every accident for which the insurer can be held liable, with a liability limit of SAR 37,500,000 for any one vessel, aircraft, portal sending, conveyance, or any one loss, or any one location in the ordinary course of transit.	All risks of physical loss or damage.
6	Fidelity Guarantee Insurance Policy	617723	Tawuniya	From 25/09/1444H (corresponding to 16/04/2023G) to 06/10/1445H (corresponding to 15/04/2024G)	SAR 1,220,000	Direct financial loss sustained by all acts of fraud or dishonesty.

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#	Type	Policy Number	Insurer	Duration	Sum Insured (SAR)	Coverage
7	Money Insurance Policy	617724	Tawuniya	From 25/09/1444H (corresponding to 16/04/2023G) to 06/10/1445H (corresponding to 15/04/2024G)	SAR 800,000	Loss of money by accident, misfortune, robbery, theft, or attempt thereat; and loss or damage to any specified safe or strongroom by theft or attempt thereat.
8	Public Liability Insurance Policy	617721	Tawuniya	From 25/09/1444H (corresponding to 16/04/2023G) to 06/10/1445H (corresponding to 15/04/2024G)	SAR 10,000,000	Legal liability for accidental death of or bodily injury to third party persons, or damage to third party property arising out of the proposer's business or occupation. Excluding products liability.
9	Product Liability Insurance Policy	617722	Tawuniya	From 25/09/1444H (corresponding to 16/04/2023G) to 06/10/1445H (corresponding to 15/04/2024G)	SAR 25,000,000	Legal liability for accidental death of or bodily injury to third party persons, or damage to third party property arising out of the proposer's business or occupation. Including products liability.

Source: the Company

12.10 Intellectual Property

12.10.1 Trademarks

The Company registered a number of trademarks in the Kingdom of Saudi Arabia and relies on these trademarks in its business. As of the date of this Prospectus, the "**Modern Mills Company**" trademark, along with other trademarks derived therefrom have been registered. The Company depends on these trademarks for the success of its business and to support its competitive position in the market.

The following table sets out the main details of all the Company and Hasad Al-Arabia for Trade's registered trademarks in the Kingdom, and the Company currently uses a number of these brands.

Table (12.28): Details of the Company and Hasad Al-Arabia for Trade's Registered Trademarks

#	Country of Registration	Trademark Number	Expiry Date	Classification	Logo
1	Kingdom of Saudi Arabia	1444006930	18/02/1454H (corresponding to 27/05/2032G)	31	المطاحن الحديثة MODERN MILLS
2	Kingdom of Saudi Arabia	1443024062	22/07/1453H (corresponding to 07/11/2031G)	30	المطاحن الحديثة Modern Millings
3	Kingdom of Saudi Arabia	1443023310	14/07/1453H (corresponding to 30/10/2031G)	30	قمحتي Qamhati

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#	Country of Registration	Trademark Number	Expiry Date	Classification	Logo
4	Kingdom of Saudi Arabia	1444017162	13/05/1454H (corresponding to 20/08/2032G)	30	قمحتي QAMHATI
5	Kingdom of Saudi Arabia	1443024075	22/07/1453H (corresponding to (corresponding to 07/11/2031G)	30	قوت اند روت Qoot & Root
6	Kingdom of Saudi Arabia	1444006862	17/02/1454H (corresponding to 26/05/2032G)	31	قوت اند روت
7	Kingdom of Saudi Arabia	1444006866	17/02/1454H (corresponding to 26/05/2032G)	31	قوت اند روت
8	Kingdom of Saudi Arabia	1438014042	16/06/1448H (corresponding to 26/11/2026G)	30	
9	Kingdom of Saudi Arabia	1444018332	18/05/1454H (corresponding to 07/08/2029G)	30	PremieR بريمير
10	Kingdom of Saudi Arabia	1441006513	26/03/1451H (corresponding to 25/08/2032G)	30	PremieR بريمير
11	Kingdom of Saudi Arabia	1444018342	18/05/1454H (corresponding to 25/08/2032G)	31	PremieR بريمير
12	Kingdom of Saudi Arabia	1444018876	26/05/1454H (corresponding to 02/09/2032G)	30	شركة حصاد العربية للتجارة Hasad Al-Arabia for Trade

Source: the Company

12.10.2 Other Intellectual Property Rights

The Company has registered several Internet domains in its name. The following table shows details of the Internet domains registered in the Company's name:

Table (12.29): Details of the Internet Domain Names

Internet Domain Name	Expiry Date
Modernmills.com.sa	14/06/2028G
mc3.com.sa	21/12/2026G
mmills.com.sa	04/09/2024G
milling3.com.sa	09/11/2023G
millingcompany3.com	27/08/2024G
millingcompany3.net	26/07/2024G

Source: the Company

12.11 Litigation

As of the date of this Prospectus, the Company is party (as defendant) to a single lawsuit, which is considered material, valued at SAR 64,248,992.58.

On 07/02/2023G, GFSA filed a lawsuit against the Company before the Committee for the Adjudication of Violations of the Provisions of the Flour Milling Law. According to the complaint filed by GFSA on 07/02/2023G, during inspection visits conducted on 04/10/2022G and 05/10/2022G, GFSA determined that the Company sold subsidized flour to a number of its clients without registering them or providing the necessary information to GFSA or obtaining GFSA approval, in violation of the provisions of the Subsidized and Unsubsidized Wheat Supply Agreement concluded between GFSA and the Company on 15/04/1442H (corresponding to 30/11/2020G).

Additionally, GFSA claimed that the Company registered 71 new clients without obtaining GFSA approval and sold quantities of flour exceeding the allowed limit, in violation of the provisions of the Subsidized and Unsubsidized Wheat Supply Agreement concluded between GFSA and the Company on 15/04/1442H (corresponding to 30/11/2020G). As a result of these violations, GFSA requested the Committee for the Adjudication of Violations of the Provisions of the Flour Milling Law to impose a fine of SAR 64,248,992.58 on the Company.

On 30/04/2023G, the Company responded to the complaint, whereby, regarding the registration of new clients, the Company claimed that it had no new clients. Regarding sales that exceeded the allowed limit, the Company claimed that the sales were completed before the conclusion of the Subsidized and Unsubsidized Wheat Supply Agreement between GFSA and the Company. Hence, the Company requested the dismissal of the lawsuit by the Committee for the Adjudication of Violations of the Provisions of the Flour Milling Law. The Company prepared a financial allocation for this lawsuit amounting to SAR 6.4 million.

On 02/10/2023G, the Committee for the Adjudication of Violations of the Provisions of the Flour Milling Law issued a decision obligating the Company to pay SAR 4,356,536, based on the provisions of Article 23 of the Flour Milling Law and paragraph (2/A) of Article 45 of the Implementing Regulations of the Flour Milling Law, to recover the financial returns resulting from the violations of selling to clients not registered with GFSA and for exceeding the Company's allocated sales quantity. The Company and GFSA have the right to appeal the decision within a period not exceeding 60 days from the date thereof. The appeal deadline expired on 01/12/2023G without the Company or GFSA submitting an appeal to the ruling. On 22/05/1445H (corresponding to 06/12/2023G), the Board of Directors decided to approve the settlement of the entire amount of the fine mentioned above amounting to SAR 4,356,536, while the Company is still working on remedying the aforementioned violation as of the date of this Prospectus.

12.12 The Zakat Status of the Company

The Company is subject to the laws and regulations of ZATCA. Zakat is provided on an accrual basis and is computed and charged based on Zakat base (in accordance with the Regulations of ZATCA). Adjustments, if any, are made to the Zakat provision when the final assessments are obtained from the ZATCA.

In its letter No. 21261/115/1442 dated 05/11/1442H (corresponding to 15/06/2021G), ZATCA stated that the Company is exempt from paying Zakat given that its capital is derived from public funds to which Zakat is not applicable for the financial years ended 31 December 2020G (noting that the Company was a 100% owned by the Public Investment Fund at the time).

On 17/10/1441H (corresponding to 09/06/2020G), the Saudi Council of Ministers' Resolution No. 631 was issued declaring the transfer of the Company to the NCP, whereby its shares were sold to Mada Al Ghurair Limited Company on 16/05/1442H (corresponding to 31/12/2020G).

Accordingly, the Company filed Zakat returns for the financial years ended 31 December 2021G and 2022G. As at 31 December 2021G, and 2022G, the Zakat provision amounted to SAR 2.4 million, and SAR 2.9 million respectively, and the amounts due were paid in the subsequent period. The Zakat provision amounted to SAR 2.4 million as at 30 June 2023G.

As at the date of this Prospectus, ZATCA did not issue any final Zakat assessments for the Company since its incorporation. The Selling Shareholders undertake to settle any additional claims (If they exceed the allocation amounts recorded in the Company's books) that may arise from Zakat assessments by ZATCA commencing from the financial year ended 31 December 2021G until the Company's Shares are listed on the Exchange.

The members of the Company's Board of Directors hereby declare that, as of the date of this Prospectus, the Company does not have any existing Zakat or tax disputes with ZATCA, and that they have an adequate Zakat provision to cover any shortfall that may be detected when the final Zakat assessment is received from ZATCA.

For more information about the risks related to Zakat, please refer to Section 2.1.40 (**"Risks Related to Zakat"**) of this Prospectus.

12.13 Summary of the Company's Bylaws

12.13.1 Company's Name

The Company's name is "**Modern Mills Company**" (Closed Joint Stock Company).

12.13.2 Objectives of the Company

The objectives of the Company are:

1- Cultivation of cereals (except rice), leguminous crops and oil seeds
2- Manufacture of grain mill products
3- Manufacture of prepared animal fodder
4- Manufacture of other unclassified food products
5- Manufacture of bakery products
6- Wholesale of agricultural raw materials and live animals
7- Wholesale of food, beverages and tobacco
8- Retail sale in non-specialized food, beverages or tobacco stores
9- Retail sale of food in specialized stores
10- Other retail sale of new goods in specialized stores
11- Warehousing and storage
12- Freight rail transport
13- Freight transport by road

12.13.3 Participation and Interest in Companies

The Company, by itself, may establish limited liability, closed joint stock, or simplified joint stock companies. The Company may also own shares or stock in other existing companies, or merge therewith; as well as participate with third-parties in the establishment of joint stock or limited liability companies after fulfilling the requirements set forth by the applicable laws and regulations in this regard. The Company may also dispose of said stock or shares provided that no brokerage activities are warranted upon the disposal of such stock or shares.

12.13.4 Head Office of the Company

The head office of the Company shall be in the city of Jeddah, Kingdom of Saudi Arabia. The Company, by a Board resolution, may establish branches, offices, or agencies therefor within or outside the Kingdom of Saudi Arabia.

12.13.5 Duration of the Company

The duration of the Company shall be indefinite.

12.13.6 Capital of the Company

The share capital of the Company is eighty-one million eight hundred and thirty two thousand Saudi Riyals (SAR 81,832,000), divided into eighty-one million eight hundred and thirty-two thousand (81,832,000) ordinary shares with a fully paid-up nominal value of one Saudi Riyal (SAR 1) per share.

12.13.7 Share Subscription

The Shareholders have subscribed to the entire share capital, amounting to eighty-one million eight hundred and thirty-two thousand Saudi Riyals (SAR 81,832,000), which has been fully paid up.

12.13.8 Preferred Shares and Redeemable Shares

The Company's Extraordinary General Assembly may, in accordance with the guidelines set by the competent authority, issue preferred shares or redeemable shares, decide to purchase the same or convert ordinary shares into preferred or redeemable shares or convert preferred shares into ordinary or redeemable shares. Preferred shares or redeemable shares shall not bestow voting rights in Shareholder General Assembly meetings. The Company shall determine the terms and conditions for preferred and redeemable shares upon issuance thereof.

12.13.9 Sale of Non-Paid-Up Shares

1- The Shareholder undertakes to pay the value of his/its shares on the dates specified for that purpose. Failure to do so will give the Board of Directors the right, after informing the Shareholder by registered mail or any means of modern technology, of selling the shares at a public auction or the stock exchange - as the case may be - pursuant to the controls set by the competent authority.

2- The Company shall collect the amounts payable thereto, from its sale proceeds, and shall repay the balance to the owner of the shares. If the sale proceeds are not sufficient to satisfy such amounts, then the Company may recover the balance from all Shareholder assets.

3- Rights associated with unpaid shares shall be suspended upon failure to pay their value upon the expiration of the specified deadline, until the sale of such share or the payment of the due amount in accordance with the provision of Paragraph 1 of this Article. These rights include the entitlement to a share of the net profits to be distributed and the right to attend meetings and vote on decisions made in such meetings. However, the defaulting shareholder may, prior to the day of sale, pay the outstanding amount, including the expenses incurred by the Company in this regard. In such case, the shareholder der shall have the right to request the receipt of profits to be distributed.

4- The Company shall cancel shares sold pursuant to the provisions of this Article and give the buyer a new share certificate bearing the same serial numbers as those of the cancelled shares, with an annotation made in the Share Register indicating the sale as well as the new owner's name.

12.13.10 Issuance of Shares

Shares shall be nominal and may not be issued at a value lower than the nominal value thereof. However, shares may be issued at a value higher than the nominal value, and in such case, the value difference shall be added in a separate item within the rights of the Shareholders. Shares may not be distributed as dividends to the Shareholders. A share shall be indivisible as against the Company. If a share is owned by a number of persons, then they shall appoint one from amongst them to act on their behalf in connection with exercising the rights related to such share, and all such persons shall be jointly liable for the obligations arising from ownership of the shares. Shares of the same type or class shall be of equal nominal value. Shares may be divided into shares of a lower nominal value or merged in order to become shares of a higher nominal value.

12.13.11 Trading in Shares

The Company's shares shall be traded upon recording such in the Shareholders' Register, and the transfer of ownership of the share shall not be valid vis-à-vis the Company or third parties until the date on which the transfer of the share is recorded in the Shareholders' Register.

12.13.12 Shareholders' Register

1- The Company shall prepare a register which includes Shareholders' names, nationalities, particulars, places of residence, and occupations as well as the number of shares owned by each shareholder, the serial numbers of the shares which they own, and the amount paid of their value. The Company may outsource the preparation of the register; said register shall be maintained in the Kingdom.

2- The Company shall provide the Commercial Register with the information referred to in Paragraph 1 of this Article and any amendment thereto within fifteen (15) days from the date of the Company's registration in the Commercial Register or from the date of the amendment, as the case may be.

12.13.13 Capital Increase

1- The Extraordinary General Assembly may decide to increase the Company's issued capital, provided that the issued capital has been paid in full. The full payment of capital shall not be required if the unpaid portion of said capital relates to shares issued against the conversion of debt instruments or financing Sukuk into shares, and the period set for such conversion has not yet expired.

2- In all cases, the Extraordinary General Assembly may, upon increasing the capital of the Company, allocate the issued shares or part thereof to the employees of the Company and/or any or all of its subsidiaries. Shareholders may not exercise their preemptive rights on issued shares allocated for employees.

3- A Shareholder who owns a share, as of the date of issuance of the Extraordinary General Assembly's decision approving the increase of the issued capital, shall have a preemptive right to subscribe to new shares issued against cash contributions. A Shareholder shall be notified of such right by registered mail sent to the address stated in the Shareholders' Register or by any means of technology. The Shareholder shall also be notified of the capital increase decision, the conditions and method of subscription, and the dates on which said subscription begins and ends, subject to the type and class of shares owned thereby.

4- The Extraordinary General Assembly may suspend the preemptive rights of Shareholders to subscribe to the capital increase against cash contributions, or may grant preemptive rights to non-Shareholders, in relation to capital increases in cases where it deems this to be beneficial to the Company's interests.

5- A Shareholder may, subject to the controls set by the competent authority, sell or waive its preemptive rights from the date of issuance of the Extraordinary General Assembly's decision approving the increase of capital until the last day of the subscription period in the new shares associated with such rights.

6- Subject to the provisions of Paragraph (4) above, newly issued shares shall be distributed to the holders of preemptive rights requesting subscription in proportion to the preemptive rights they hold against the total preemptive rights resulting from the capital increase, provided that the number of newly issued shares they receive does not exceed the number of shares they request, taking into consideration the type and class of the shares they own. The remaining new shares shall be distributed among the holders of the preemptive rights who request more than their share in proportion to the preemptive rights they hold against the total preemptive rights resulting from the capital increase, provided that the number of newly issued shares they receive does not exceed the number of shares they request. Any remaining shares shall be offered to persons other than the holders of preemptive rights, unless the Extraordinary General Assembly decides, or the Capital Market Law stipulates, otherwise.

7- In all cases, the nominal value of the new shares shall be equal to the nominal value of the original shares of the same type or class.

12.13.14 Capital Decrease

1- The Extraordinary General Assembly may resolve to reduce the Company's capital, if it exceeds the Company's needs, or if the Company sustains losses. In the latter case only, the Company's capital may be reduced below the limit prescribed under Article 59 of the Companies' Law. The decision to decrease the capital shall not be issued until a statement, prepared by the Board of Directors, is recited at the General Assembly, stating the reasons for such decrease, the Company's obligations, and the effect of the decrease on the satisfaction of such obligations. Said statement shall include the report of the Company's auditor. In cases where the General Assembly decision is passed by circulation, the presentation of the statement shall suffice.

2- If the capital reduction is due to the capital exceeding the Company's needs, then the Company's creditors must be invited to express their objection thereto, if any, at least 45 days prior to the date specified for convening the Extraordinary General Assembly to issue the reduction decision. A statement, specifying the capital before and after reduction, the date and time of the meeting, and the effective date of the reduction, shall be attached to the invitation provided to the Company's creditors. Should any creditor object and present to the Company evidentiary documents within the time limit set above, then the Company shall pay such debt, if already due, or present a sufficient guarantee of payment, if the debt is due on a later date.

3- Equality among shareholders holding shares of the same type and class shall be observed during the capital reduction.

12.13.15 Share Buyback

1- The Company may buyback or pledge its ordinary or preferred shares. The Company may also buyback its shares to allocate them to its employees under an Employee Share Scheme, in accordance with the controls and procedures set by the competent authorities.

2- The Company may not buyback its shares to use them as treasury shares except for the following purposes:

   a- To fulfil the rights of the holders of convertible debt instruments or financing Sukuk to convert them into shares in accordance with the terms and conditions of such instruments and sukuk.

   b- To undertake share swap transactions for the acquisition of shares or stocks or an asset purchase.

   c- To allocate such shares to the Company's employees as part of an Employee Share Scheme.

   d- To cancel such shares in accordance with the provisions of capital decrease.

   e- Any other purpose that the Company deems appropriate and is approved by the Ministry of Commerce.

3- Preferred shares are deemed cancelled upon completion of the buyback transaction, and the Company shall take necessary legal procedures to reduce its capital.

12.13.16 Share Sale

The Company may sell its treasury shares over one or several phases, in accordance with the controls and procedures set by the competent authorities.

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12.13.17 Share Pledge

The Company may pledge its shares as security for a debt, in accordance with the controls and procedures set by the competent authorities.

12.13.18 Shares Allocated to Employees

If the Company is buying-back its shares for the purpose of allocating them to its employees under an Employee Share Scheme, the Company shall, in addition to the other requirements of a share buyback set forth in Article 16, comply with the following rules:

1- Obtain the Extraordinary General Assembly's approval on the Employee Share Scheme. The Extraordinary General Assembly may authorize the Board to determine the terms of such Scheme including the allocation price for each share offered to employees if offered for consideration;

2- Non-executive Board members shall not participate in the Employee Share Scheme; and

3- Executive Board members shall not vote on Board resolutions relating to the Employee Share Scheme.

12.13.19 Company's Management

The Company shall be managed by a Board of Directors composed of seven (7) members, who shall be natural persons, to be appointed by the Ordinary General Assembly for a term not exceeding four (4) years.

12.13.20 Membership Termination

Board membership shall expire upon the expiration of the Board's term, or the expiration of the Board member's term, in accordance with any law or directives applicable in the Kingdom. The Ordinary General Assembly may, at the recommendation of the Board, terminate the membership of Board members that fail to attend three (3) consecutive meetings, or a total of five (5) meetings during their term, without a valid excuse which is satisfactory to the Board. Notwithstanding the foregoing, the Ordinary General Assembly may, at any time, dismiss some or all of the Board members, and in such case, the Ordinary General Assembly shall appoint a new Board of Directors or Board member(s), as the case may be, to replace the dismissed member(s), in accordance with the Companies Law.

12.13.21 Termination of Board Term, Resignation of Board Members, or Membership Vacancy

1- Before the expiry of its term, the Board of Directors shall call the Ordinary General Assembly to convene in order to appoint a Board of Directors for a new term. If such appointment does not occur and the term of the then-current Board expires, the then-current Board members shall continue to perform their duties until the appointment of a Board for a new term, provided that the then current Board does not remain in office for a period exceeding that which is prescribed in the Implementing Regulations of the Companies Law.

2- If the Chairman and Board members resign, the Ordinary General Assembly shall convene to appoint a new Board of Directors, and such resignation shall not take effect until the appointment of the new Board, provided that the then current Board does not remain in office for a period exceeding that which is prescribed in the Implementing Regulations of the Companies Law.

3- A Board member may resign from the Board by giving written notice to the Chairman of the Board, but if the resigning member is the Chairman, then the notice shall be given to the other Board members and the Board's Secretary. In both cases, the resignation shall be effective from the date set out in the notice.

4- If the position of a Board member becomes vacant due to his death or resignation, and if the minimum number of members required for the validity of board meetings is not affected by such vacancy, the Board may appoint a qualified person with relevant expertise to temporarily fill the vacancy. Such appointment shall be reported to the Commercial Register (and the CMA if the Company is listed) within fifteen (15) days from the date of such appointment, and it shall be submitted to the Ordinary General Assembly in its first meeting. The appointed member shall complete the term of his predecessor.

5- If the conditions for holding a valid meeting of the Board are not met, due to the number of Board members falling below the minimum number of Board members provided in the Companies Law or these Bylaws, the remaining Board members shall call for convening the Ordinary General Assembly within 60 days to elect the required number of Board members.

12.13.22 Powers of the Board of Directors

1- Without prejudice to the powers vested with the Ordinary and Extraordinary General Assemblies, the Board of Directors shall be vested with full powers to manage the Company, supervise its business, and carry out all acts and actions to achieve the Company's objectives. In the performance of its duties, the powers of the Board of Directors shall include the following:

a- Represent the Company before third parties including governmental entities, Chambers of Commerce and Industry, all companies, establishments, commercial banks, public treasuries, government funds, and financial institutions of all types; enter into all types of contracts, agreements, and documents, including (without limitation) articles of association of companies in which the Company participates, including any amendments thereto, and the annexes thereof, as well as liquidation resolutions; sign contracts, instruments, and declarations before the notary public and other official authorities; participate in tenders on behalf of the Company; enter into loan agreements, guarantees, pledges, mortgages, leases, bills of sale and purchase, title transfer of land and buildings, and all other contracts and agreements; and delegate and authorize any person(s) to exercise one or all of the foregoing powers, pursuant to an official power of attorney or any other written authorization.

b- Enter into loan contracts with maturity dates falling before the expiry of the Company's term or the remainder thereof, provided that:

i- The Board shall specify in its resolution the uses of such loans and the repayment method.

ii- The terms of the loans and the guarantees provided thereunder shall not harm the Company, its shareholders, or the general guarantees of its creditors.

c- Purchase and accept purchases; pay the price thereof; mortgage the Company's and its facilities' assets, real estate, and movables, and redeem the mortgage thereof; sell, assign, receive the price of, and handover valuables, provided that the relevant Board resolution shall set forth the reasons for such sale, and the sale price shall be similar to comparable prices, as established in accordance with applicable accounting principles. The payment of such price shall not be deferred, except where necessary and with sufficient guarantees, and the sale shall not cause harm to the Company, the suspension of some of its activities, or the introduction of other liabilities due to the conditions of sale or the mortgage.

d- Reconcile, waive, enter into contracts, undertake commitments, and enter into engagements on behalf of the Company; litigate on behalf of the Company; collect the debts of the Company; and accept reconciliation and arbitration, subject to the relevant applicable laws.

e- Delegate and authorize the Chairman, one or more Board member(s) or third parties to carry out one or more actions which fall under its powers.

f- Prepare and approve the Company's internal policies, including financial, administrative, technical, and investment policies, internal supervision, and audit regulations, accounting regulations, regulations for procurement and for contracting for business activities, services, and policies, and employee-related policies and regulations.

g- Establish subsidiaries and participate in other companies, in accordance with the Company's interest; determine the capital thereof; approve the sale of shares and stocks therein; and amend the articles of association thereof.

h- Release the Company's debtors from their obligations, in accordance with the Company's interests, and in accordance with the accounting standards observed for writing off debts, provided that the minutes of the relevant Board meeting shall include the reasons for such decision, and the release shall be subject to the following:

i- The debts may be released only after one full year, as a minimum, from the date on which the debt arose.

ii- The release shall be for a set maximum amount per year for each debtor.

iii- The release of debts shall be an exclusive right of the Board of Directors, and may not be delegated.

i- Open, close, and operate bank accounts; make withdrawals from and deposits to the Company's funds, and invest, manage, and move the Company's funds; receive and write cheques; sign receipts, settlements, releases, declarations, bills of exchange, promissory notes, and any negotiable instruments; and carry out all banking processes and approve the banking authorities' matrix.

j- Insure the Company's assets and businesses.

k- Appoint and dismiss the Company's senior officers, and determine their duties, powers, and entitlements.

l- Delegate to those responsible for managing the Company the authority to sign on behalf of the Company, subject to the rules set by the Board of Directors.

m- Establish permanent and temporary committees and approve the charters of such committees and remuneration of the members thereof.

n- Use the services of Saudi and non-Saudi advisors and experts and determine their remuneration and financial entitlements.

o- Appoint, determine the remuneration of, and dismiss the Board's Secretary.

p- Determine the Company's business plan, and approve the Company's operational plans, and annual capital expenditure budget.

2- The Board of Directors shall obtain the approval of the General Assembly for the sale of Company assets, in cases where the value of such assets exceeds 50% of the value of its total assets, whether the sale is made through one transaction, or more. If the sale is done by multiple transactions, the transaction which leads to the sale of more than 50% of the value of assets shall require the General Assembly's approval. Said percentage shall be calculated from the date of the conclusion of the first transaction within the previous twelve (12) months.

3- The Board of Directors may delegate one or more of its members or of third parties to undertake a specific action(s) that fall under its powers.

12.13.23 Remuneration of Board Members

The remuneration of the Board of Directors shall be a fixed wage, an allowance for attending meetings and a transportation allowance, in-kind benefits relating to meetings, or any other benefits, as set by the General Assembly, and within the limits of the provisions of the Companies Law and its regulations. The report submitted by the Board of Directors to the General Assembly at its annual meeting shall include a detailed account of all the amounts the Board members received or were entitled to receive during the fiscal year in the form of remuneration, expense allowances, and other benefits. The report shall also include an account of the amounts received by the Board members in their capacity as employees or executives, or in exchange for technical, administrative, or consulting services. The report shall also include an account of the number of Board meetings and the number of meetings attended by each member from the date of the last General Assembly meeting.

12.13.24 Powers of the Chairman, Vice Chairman, Managing Director, CEO and Secretary

1- The Board of Directors shall appoint from among its members a Chairman and may also appoint a Vice-Chairman and a Managing Director. The Board shall appoint a Chief Executive Officer (CEO) from among its members or third parties. It shall not be permissible for a member to simultaneously occupy the office of the Chairman and an executive position in the Company.

2- The Chairman shall call for and preside over meetings of the Board and shall also represent the Company in its relationship with third parties and before all government entities, companies, individuals, courts of all levels and classes, the notary public, the Board of Grievances, Offices for the resolution of Disputes pertaining to Negotiable Instruments, Arbitration Authorities, and Chambers of Commerce and Industry of all types. Toward that end, the Chairman may, on behalf of the Company, litigate and defend; submit evidence and documents; conclude settlements, waivers, and releases; deny, discharge and testify; request an oath to be taken, pursuant to the resolutions issued by the Board; receive judgments; appeal and execute judgments; follow up with the Ministry of Commerce and the Ministry of Investment; apply for, make additions to and deletions from, request copies in lieu of lost, amend, write off, and cancel commercial registers and licenses; sign the articles of association of companies established by the Company, whether established solely by the Company or not, and approve the capital increases of such subsidiaries, as well as sign other contracts, instruments, and title deed transfers before the notary public as well as public and private authorities. He may also delegate or authorize third parties in writing, to perform a certain act(s) that fall under his powers. The Vice-Chairman shall assume the Chairman's duties in his absence.

3- The Managing Director, if any, and the CEO of the Company shall be responsible for executing Board resolutions, overseeing the Company's daily business, and managing its employees, under the supervision of the Board of Directors, and shall also have the powers determined by the Board and set out in the Company's regulations and policies. The Managing Director or the CEO may delegate or authorize any of their subordinates to carry out specific acts that fall under their duties, under their direction and supervision, without prejudice to their joint responsibility with the person they delegated. The Board of Directors may appoint one or more Deputy Managing Director(s) or Deputy Chief Executive Officer(s), with the powers and financial entitlements thereof set out in the appointment resolution.

4- The Board of Directors shall appoint a Secretary from among its members or from others. The Secretary's duties shall include writing the proceedings and resolutions of the Board of Directors in minutes recorded in a special register and signed by the Secretary, the Board members present in the respective meeting, and the Chairman. Additionally, the Secretary shall be entrusted with the seal of the Company. The General Assembly shall determine the Secretary's remuneration.

5- The term of the Chairman, the Vice-Chairman, the Managing Director (if any), the CEO, and the Board's Secretary who is a Board member shall not exceed the term of their respective membership in the Board of Directors, and they may be reappointed. The Board of Directors may, at all times, relieve all or any of them from their positions, without prejudice to their membership in the Board.

12.13.25 Meetings of the Board of Directors

1- The Board of Directors shall convene at least four (4) times a year at the invitation of its Chairman. The Chairman of the Board of Directors, or his representative, shall invite the Board to meet whenever so requested by a Board member.

2- The Board of Directors shall determine the location of its meetings and may hold its meetings through means of technology.

12.13.26 Board Quorum

1- Board meetings shall only be valid if attended by at least five (5) of the members, whether in person or by proxy. A member of the Board of Directors may delegate another member to attend the Board meetings on his behalf, provided that such delegation shall be given in accordance with the following:

   a- A member of the Board of Directors may not be a delegate of more than one Board member in the same meeting.

   b- The delegation shall be made in writing and for a specific scheduled meeting.

   c- The delegated Board member may not vote on resolutions which his principal is prohibited from voting on by law.

2- Board resolutions shall be passed by the vote of five (5) attending members, whether in person or by proxy. In case of a tied vote, the Chairman of the Board of Directors, or his representative, shall not have the casting vote.

3- A resolution of the Board of Directors shall take effect from the date of its issuance, unless such resolution specifies another effective date or is contingent upon the fulfilment of certain conditions.

4- The Board of Directors may issue resolutions on urgent matters by circulation by presenting such resolutions to each Board member, unless a member submits a written request for a Board meeting to deliberate such resolutions. The resolutions shall be passed by the vote of at least five (5) members, and shall be presented to the Board of Directors at its subsequent meeting for the purpose of recording them in the minutes of such meeting.

12.13.27 Board Deliberations

Board deliberations and resolutions shall be recorded in minutes prepared by the Board's Secretary and signed by the Chairman of the Board, the attending Board members, and the Secretary. Such minutes shall be recorded in a special register signed by the Chairman of the Board and the Secretary. Means of modern technology may be used for signature, to record deliberations and resolutions, and to prepare meeting minutes.

12.13.28 Formation of Committees

The Board of Directors may form sub-committees from amongst its members or others and vest such committees with powers as it deems appropriate. The Board of Directors may determine the controls for the committees' work and the remuneration of their members.

12.13.29 Assembly Attendance

1- Shareholders' General Assembly meetings shall be chaired by the Chairman of the Board of Directors, the Vice-Chairman in the Chairman's absence, or any member designated by the Board of Directors in the absence of both the Chairman and Vice-Chairman. If none of the above is possible, the Shareholders shall vote to designate a Board member or any other person to chair the General Assembly meeting.

2- A Shareholder, irrespective of the number of shares held thereby, shall have the right to attend General Assembly meetings and delegate a person other than a board member to attend such meetings on his/its behalf.

3- Unless the Shareholders agree on another location, the presumed location for the meeting shall be the Company's head office.

4- Shareholders shall be allowed to participate in all General Assembly meetings and deliberations, and shall have access to the agendas and relevant documents of such meetings via means of modern technology. In case a Shareholder does not attend a meeting, such Shareholder shall be allowed to vote electronically on all items contained in the agenda of such meeting, in accordance with the provisions of the Implementing Regulations of the Companies Law.

12.13.30 Powers of the Ordinary General Assembly

Except for matters falling within the powers of the Extraordinary General Assembly, the Ordinary General Assembly shall be competent in all matters related to the Company and shall convene at least once a year during the six months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be called as necessary.

12.13.31 Powers of the Extraordinary General Assembly

The Extraordinary General Assembly shall have the power to amend the Company's Bylaws, with the exception of matters the amendment of which is prohibited by law. The Extraordinary General Assembly shall also have the power to issue resolutions on matters falling within the competence of the Ordinary General Assembly, subject to the same conditions and procedures prescribed for the Ordinary General Assembly.

12.13.32 Convening Assembly Meetings

1- General Assemblies shall convene at the invitation of the Board of Directors, and the Board of Directors must call for an Ordinary General Assembly to convene within thirty (30) days from the date on which it is requested to do so by the Auditor or by a number of Shareholders representing at least ten percent (10%) of the Company's voting shares. The Auditor may also call for the General Assembly to convene if the Board fails to do so within thirty (30) days from the date of the Auditor's request.

2- The request specified in paragraph 1 of this Article must specify the matters on which the shareholders are required to vote.

3- The call for a General Assembly meeting shall be made at least twenty-one (21) days prior to the date set for the meeting, in accordance with the provisions of the Companies Law, after taking the following into consideration:

   a- Notifying the Shareholders via registered letters sent to the addresses present in the Shareholders' Register, or the announcement of the call via means of modern technology.

   b- A copy of the invitation and the meeting's agenda shall be sent to the Commercial Register, and to the CMA (if the Company is listed).

4- The invitation for the General Assembly meeting must contain the following at least:

   a- A statement of the Shareholders who have the right to attend the meeting, and such Shareholders' right to delegate non-Board members to attend, and a statement of the Shareholders' right to deliberate the items listed on the agenda and to raise questions, and the manner of voting;

   b- The place, date, and time of the meeting.

   c- Type of assembly (general or special).

   d- The agenda of the meeting containing the items which the Shareholders are required to vote on.

12.13.33 Assembly Record of Attendance

Shareholders or representatives thereof wishing to attend the General Assemblies shall register their attendance in the General Assembly attendance register located at the Company's head office or at another location determined by the Company for the meeting.

12.13.34 Ordinary General Assembly Quorum

An Ordinary General Assembly meeting shall be deemed valid only if attended by Shareholders, or representatives thereof, representing at least half of the Company's voting shares. If the quorum required for the meeting is not satisfied, an invitation shall be sent for a second meeting to be held within 30 days from the date of the first meeting. The second meeting shall be convened in the manner prescribed in Article 33 of these Bylaws, and the second meeting may be held after one hour has passed from the period specified for the first meeting, provided that the invitation for the first meeting allows for convening a second meeting. In all cases, the second meeting shall be deemed valid regardless of the number of voting shares represented therein.

12.13.35 Extraordinary General Assembly Quorum

An Extraordinary General Assembly meeting shall be deemed valid only if attended by shareholders who represent at least two-thirds (66%) of the Company's voting shares. If the quorum required for the meeting is not satisfied, an invitation shall be sent for a second meeting to be held within thirtydays from the date of the first meeting. The second meeting shall be convened in the manner prescribed in Article 33 of these Bylaws. The second meeting may be held after one hour has passed from the period specified for the first meeting, provided that the invitation for the first meeting allows for convening a second meeting. In all cases, the second meeting shall be valid only if attended by shareholders who represent at least a quarter of the Company's voting shares. If the quorum required for the second meeting is not satisfied, an invitation shall be sent for a third meeting. The third meeting shall be convened in the manner prescribed in Article 33 of these Bylaws. In all cases, the third meeting shall be deemed valid regardless of the number of voting shares represented therein.

12.13.36 General Assembly Deliberations

Each Shareholder, or the representative thereof, has the right to discuss the matters listed on the agenda of the General Assembly and to direct questions in that regard to the members of the Board of Directors and the Auditor. The Board of Directors or the Auditor shall answer the questions to the extent that it does not harm the interests of the Company. If a Shareholder deems the response to his/its question to be insufficient, he/it may refer the matter to the General Assembly, and the decision of the General Assembly in this regard shall be binding.

12.13.37 Chairing Assemblies and Preparing Minutes

1- General Assembly meetings shall be chaired by the Chairman of the Board of Directors, the Vice-Chairman in the Chairman's absence, or any member designated by the Board of Directors in the absence of both the Chairman and Vice-Chairman. If none of the above is possible, the Shareholders shall vote to designate a Board member or any other person to chair the General Assembly meeting.

2- General Assembly meeting minutes shall be prepared during the General Assembly meeting, and shall specify the number of Shareholders present in person or by proxy, the number of shares held thereby in person or by proxy, the number of votes allocated to said shares, the resolutions made, the number of votes in favor or against each resolution, and a comprehensive summary of the discussions held during the meeting. The minutes shall be recorded regularly after each meeting in a special register, signed by the Chairman of the General Assembly, the Secretary, and canvasser.

12.13.38 Voting in General Assemblies

1- At General Assembly meetings, each Shareholder shall have one vote for each share held thereby, with cumulative voting used in the election of the Board of Directors.

2- Members of the Board of Directors may not vote on General Assembly resolutions relating to transactions and contracts in which they have a direct or indirect interest, or which involve a conflict of interest.

12.13.39 Assembly Resolutions

1- Ordinary General Assembly resolutions shall be issued by an absolute majority of voting shares represented therein.

2- Extraordinary General Assembly resolutions shall be issued by a majority of two-thirds of the voting shares represented therein, at least. However, the following matters shall require a majority of three-quarters of voting shares represented therein:

   a- Extending the Company's term.

   b- Liquidating or dissolving the Company prior to the expiry of its term.

   c- Increasing or decreasing the Company's capital, whether the increase is allocated to current Shareholders or to new Shareholders

   d- Merging the Company or dividing it into two or more companies.

12.13.40 Appointment, Removal, and Resignation of the Auditor

1- The Company shall have one or more auditors, licensed to practice in the Kingdom and appointed by the Ordinary General Assembly, who shall determine the remuneration, scope of work, and term thereof. Said auditor may be reappointed, provided that his term does not exceed the legally prescribed duration.

2- The General Assembly may resolve to remove the Auditor without prejudice to his right to compensation for any damage incurred, if justified. The Chairman of the Board of Directors shall inform the competent authority of such removal and the reasons therefor within a period not exceeding five (5) days from the date of the relevant resolution.

3- The Auditor may resign pursuant to a written notice submitted to the Company. His assignment shall terminate from the date of submitting the resignation notice or at a later date as specified therein, without prejudice to the Company's right to compensation for any damage incurred thereby, if justified. The resigning auditor shall, upon submission of the notice, provide the Company and the competent authority with the reasons for his resignation. The Board of Directors shall call for the General Assembly to convene, in order to review said reasons, appoint another auditor and determine the remuneration, term, and scope of work thereof.

12.13.41 Powers of the Auditor

The Auditor shall, at any time, access the Company's books, accounting records, and other supporting documents, and he may request any information and clarifications he deems necessary to verify the Company's assets and liabilities, as well as any other matters falling within his scope of work. The Company's Board of Directors shall enable the Auditor to carry out his assignment. If the Auditor encounters any difficulty in carrying out his assignment, he shall submit a report to this effect to the Board of Directors. If Board of Directors fails to facilitate the Auditor's work, the Auditor shall submit a request thereto to call for a meeting of the General Assembly to review the matter. The Auditor himself may call for such General Assembly meeting if the Board of Directors fails to call for a meeting within thirty (30) days from the date of the Auditor's relevant request.

12.13.42 Fiscal year

The Company's fiscal year shall be 12 Gregorian months and shall commence on January 1 and end on December 31 of each year.

12.13.43 Financial Documents

1- At the end of each fiscal year, the Board of Directors shall prepare the Company's financial statements together with a report on its business and financial position for the ended fiscal year. This report shall include the proposed method for distributing dividends. The Board of Directors shall place such documents at the disposal of the Auditor at least forty-five (45) days prior to the date set for convening the General Assembly.

2- The Chairman of the Board, the CEO and the CFO shall sign the documents referred to in Paragraph 1 of this Article, with a copy thereof being placed at the Company's head office at the disposal of the Shareholders.

3- The Chairman of the Board shall provide the Shareholders with the Company's financial statements and Board of Directors' report after signing the same, as well as the Auditor's report, unless they are published through means of modern technology, at least twenty-one (21) days prior to the date set for the General Assembly meeting. The Chairman shall also deposit said documents, in accordance with the Implementing Regulations of the Companies Law.

12.13.44 Creation of Reserves

1- The Ordinary General Assembly may, when determining dividends from the net profit, resolve to create reserves to the extent that serves the Company's interest or ensures the distribution of fixed dividends, as feasible, to the Shareholders. The Ordinary General Assembly may allocate amounts from the net profits for social objectives that benefit the Company's employees.

2- The General Assembly shall determine the percentage of net profits to be distributed to the Shareholders after deducting reserves (if any).

3- The Company may distribute interim profits to the Shareholders, in accordance with the regulations issued by the competent authority.

12.13.45 Entitlement to Dividends

A Shareholder shall be entitled to dividends pursuant to a resolution issued by the General Assembly in that regard. The decision shall indicate eligibility and distribution dates. Shareholders registered in the Shareholders' Register by the end of the eligibility date shall be eligible to receive dividends. The Board of Directors shall execute the General Assembly's resolution regarding the distribution of dividends to Shareholders within the period specified for such in the Implementing Regulations of the Companies Law.

12.13.46 Distribution of Dividends to Preferred Shares

If the Company decides to issue preferred shares and grants the right to receive a fixed annual percentage of the Company's annual profits, or a higher percentage from the net profits, to ordinary shareholders, and the Company has sufficient annual profits to fulfill the specified percentage but did not distribute said percentage to the holders of preferred or redeemable shares for three consecutive years; then the special assembly of the holders of these classes of preferred or redeemable shares, convened in accordance with the provisions of Article 89 of the Companies Law, may resolve to attend the Company's General Assembly meetings and participate in voting thereat, with each preferred share having one vote, until such date when the Company is able to pay the dividends allocated to holders of such shares for the previous years.

12.13.47 Company Losses

If the Company's losses amount to half of its issued capital, the Board of Directors shall, within sixty (60) days from the date of its knowledge thereof, disclose the losses and its recommendations relating thereto, and shall, within one hundred and eighty (180) days from the date of its knowledge thereof, call for an Extraordinary General Assembly meeting to consider the continuation of the Company by taking measures necessary to resolve such losses or the dissolution of the Company.

12.13.48 Liability Action

1- The Company has the right to file a claim against members of the Board of Directors for violating the provisions of the Companies Law or these Bylaws, or for their commission of any mistake, negligence, or shortcomings in performing their duties, resulting in damages to the Company. The General Assembly shall resolve to file the claim and appoint someone to represent the Company in pursuing such claim. If the Company is under liquidation, the liquidator shall assume the responsibility of filing the claim. In the event of any liquidation proceedings being initiated against the Company in accordance with the Bankruptcy Law, filing such claim shall be carried out by those authorized by law to represent the Company.
2- One or more Shareholders, representing five (5%) of the Company's capital, may file a claim on behalf of the Company, if such claim is not filed by the Company, provided that the filing of such claim serves the interests of the Company and is based on valid grounds, and provided that the plaintiff is acting in good faith and is a Shareholder in the Company at the time of filing the claim.
3- In order to file the claim referred to in Paragraph (2) of this Article, the Company's Board members shall be notified of the intent to file the claim at least fourteen (14) days prior to the date of filing such claim.
4- Every Shareholder has the right to file a claim against the members of the Board of Directors if an error committed thereby caused specific damage to the Shareholder in question. A shareholder may not file such claim unless the Company's right to file it is still valid, and the shareholder shall inform the Company of his intent to file the claim.

12.13.49 Expiry of the Company

The Company may be terminated for one of the reasons specified under Article 243 of the Companies Law, upon which, it shall enter liquidation in accordance with the provisions of Part 12 of the Companies Law. If the Company's term expired and its assets are not sufficient to settle its liabilities or if it is insolvent under the Bankruptcy Law, it shall apply to the competent judicial authority to initiate any of the liquidation procedures, in accordance with the Bankruptcy Law.

12.14 Rights of Shareholders

12.14.1 Voting Rights

Each Shareholder shall have one vote for every Share represented thereby in General Assemblies. The cumulative voting method shall be used in electing the Board members in accordance with the Corporate Governance Regulations issued by the CMA and any amendments thereto made from time to time.

12.14.2 Rights to Dividends

Pursuant to Article 107 of the Companies Law, Shares confer on the Shareholder all rights attached to the Shares, in particular the right to receive a share of the profits to be distributed, to receive a share of the Company's assets surplus upon liquidation, to attend the General Assemblies, to participate in its deliberations, to vote on its resolutions, to dispose of the shares, to request access to the Company's books and documents, to monitor the work of the Board of Directors, to file a claim of responsibility against the Directors, and to challenge the validity of the resolutions of the General Assembly in accordance with the conditions and restrictions contained in the Companies Law and the Bylaws.

Each Shareholder shall have the right to discuss the matters stated in the agenda of the General Assembly and direct questions thereon to the Directors and the Auditor. The Board of Directors or the Auditor shall answer the questions of the Shareholders to the extent that it does not put the interest of the Company at risk. If a Shareholder is not satisfied with the answer, such Shareholder may refer the issue to the General Assembly, whose resolution shall be binding in this regard.

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12.14.3 Right to Repurchase Shares

According to Article 114 of the Companies Law, which stipulates that a company may purchase its shares in accordance with the rules set by the competent authority, provided that the Shares purchased by the Company shall not entitle it to votes in Shareholders' assemblies.

12.14.4 Rights in Surplus Assets in cases of Liquidation and Amendment to the Rights of Shareholders

The Company's Bylaws may be amended under a resolution of the Extraordinary General Assembly. Resolutions of the Extraordinary General Assembly shall be adopted by the affirmative vote of two-thirds (2/3) of the Shares represented at the meeting. However, if the resolution to be adopted is related to increasing or decreasing the capital, extending the Company's term, dissolving the Company prior to the expiry of its term specified in the Bylaws or merging the Company with another company, then such resolution shall be valid only if adopted by the affirmative vote of at least three-quarters (3/4) of the Shares represented at the meeting. The following rights are based on the Companies Law and may not be amended:

- Receiving a share of the profits to be disbursed.
- Receiving a share of the company's assets upon its liquidation.
- Attending shareholder general assemblies, participating in deliberations and voting on the resolutions thereof.
- Disposing of shares as stipulated in the Companies Law.
- Requesting to review the Company's books and documents; monitoring Board business; file liability claims against Board members; and challenge the invalidity of general assembly resolutions (in accordance with the terms and conditions specified in the Companies Law and the Bylaws).

13. UNDERWRITING

The Company, the Selling Shareholders and the Underwriters (HSBC Saudi Arabia and Emirates NBD Capital KSA) have entered into an Underwriting Agreement dated 17/08/1445H, corresponding to 27/02/2024G (the "**Underwriting Agreement**") pursuant to which the Underwriters has agreed, subject to certain conditions contained in the Underwriting Agreement, to fully underwrite the Offering of 24,549,600 Shares. The name and address of the Underwriters is set out below:

13.1 Underwriters

Underwriters
HSBC Saudi Arabia HSBC Building 7267, Olaya Street, Al Murooj District 12283-2255, Riyadh Kingdom of Saudi Arabia Tel: + 966 920005920 Fax: +966 112992385 Website: www.hsbcsaudi.com Email: MMC.IPO@hsbcsa.com
Emirates NBD Capital KSA Signature Center, 2nd Floor Prince Turki Al Awwal Road Hittin District P.O. Box 341777, Riyadh 11333 Kingdom of Saudi Arabia Tel: + 966 11 2993900 Fax: +966 11 2993955 Website: www.emiratesnbdcapital.com.sa

The agreed principal terms of the Underwriting Agreement are set out below:

13.2 Summary of the Underwriting Agreement

Pursuant to the terms and conditions of the Underwriting Agreement:

- The Selling Shareholders undertake to the Underwriters to perform the following actions on the first business day following the allocation of the Offer Shares upon closing of the Offering Period:
  - Sell and allocate the Offer Shares to the Participating Parties or Individual Subscribers whose Subscription Applications have been accepted by the Receiving Agents.
  - Sell and allocate the Offer Shares which have not been purchased by Individual Subscribers or Participating Parties to the Underwriters.
- The Underwriters undertake to the Company and the Selling Shareholders to purchase any Offer Shares that are not subscribed for by Individual Subscribers or Participating Parties, in accordance with the table below:

Table (13.1): Shares to be Underwritten

Underwriter	Number of Offer Shares to be Underwritten	Percentage of Offer Shares to be Underwritten
HSBC Saudi Arabia	23,322,120	95%
Emirates NBD Capital KSA	1,227,480	5%

13.3 UNDERWRITING COSTS

The Selling Shareholders shall pay to the Underwriters an underwriting fee based on the total value of the Offering pro rata to the Offer Shares sold. In addition, the Selling Shareholders agreed to pay, on behalf of the Company, the Underwriter's costs and expenses in connection with the Offering.

14. EXPENSES

The Selling Shareholders shall be responsible for all expenses and costs associated with the Offering, which are estimated at approximately SAR 44,000,000 (excluding VAT). These expenses include the fees paid to the Saudi Tadawul Group, the Securities Depository Center Company ("**Edaa**") and other costs related to Share listing, in addition to the fees of each of the Financial Advisor, Lead Managers, Bookrunners, Underwriters, Legal Advisor, Auditor, Receiving Agents, Market Study Consultant and other consultants, in addition to marketing, printing and distribution expenses and other related expenses. The expenses will be deducted from the proceeds of the Offering, with the Company not bearing any costs associated with the Offering.

15. COMPANY'S POST-LISTING UNDERTAKINGS

Post-listing, the Company undertakes to:

- Fill out form 8 (regarding the observance of Corporate Governance Regulations). The Company shall provide the relevant justifications if it fails to meet any of the requirements set out in the Corporate Governance Regulations.
- Notify the Capital Market Authority at the date of the first post-listing General Assembly meeting, so that representatives thereof may attend said meeting.
- Immediately after Listing, comply with all mandatory provisions set out in the Corporate Governance Regulations.
- Comply with the provisions of the OSCOs and the Listing Rules regarding the Company's ongoing obligations immediately after listing.
- Present to the General Assembly for approval, all works and contracts in which any Director has a direct or indirect interest (in accordance with the Companies Law, the Corporate Governance Regulations, and the regulatory controls and procedures issued in implementation of the Companies Law); provided that the Director with such interest shall be prohibited from participating in voting on decisions issued in this regard by the Board of Directors and General Assembly.

Accordingly, once listing is approved, Directors undertake to:

- Record all resolutions and deliberations in written meeting minutes signed by the Board Chairman and Secretary.
- Disclose the details pertaining to any Related Party transactions in accordance with the Companies Law and Corporate Governance Regulations.

The Current Shareholders also acknowledge and undertake to commit to Alinma Bank that they shall maintain ownership of at least 51% in the Company (directly or indirectly) for the duration of the financing document between the Company and Alinma Bank (which is a period of 15 years).

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16. WAIVERS

The Company has not applied to the CMA in order to obtain any waivers from any legal requirements.

17. OFFERING TERMS AND CONDITIONS

The Company has made an application to the CMA for the registration and offer of the Offer Shares and an application for listing of the Shares on the Exchange in accordance with the OSCOs and Listing Rules.

All Subscribers must carefully read the Subscription Terms and Conditions before completing their Subscription Application Form. Execution and submission of a Subscription Application Form to any of the Receiving Agents is deemed as a pledge of acceptance and approval of the Subscription Terms and Conditions.

17.1 Subscription to Offer Shares

The Offering will consist of twenty-four million five hundred and forty-nine thousand and six hundred (24,549,600) ordinary shares with a fully paid-up nominal value of one Saudi Riyals (SAR 1) per share at an offering price of SAR 48. The offering shares represent 30% of the company's capital, and the total offering value is SAR 1,178,380,800. Note that the Offering to Individual Investors and listing of the Shares thereafter is subject to the successful subscription by Participating Parties for all Offer Shares. The Offering shall be canceled if the Offering is not fully subscribed for during this period. The CMA also has the right to suspend the Offering if, at any time after its approval of this Prospectus and before admission to listing of the Shares on the Exchange, a material adverse change has occurred in respect of the Company's operations.

The Offering is restricted to the following two groups of investors:

Tranche (A): Participating Parties:

This tranche comprises investors eligible to participate in the book-building process in accordance with the Book-Building Instructions. The number of Offer Shares to be initially allocated to Participating Parties is twenty-four million five hundred and forty-nine thousand and six hundred (24,549,600) shares of the Offer Shares representing one hundred percent (100%) of the total Offer Shares. In the event there is sufficient demand by Individual Investors for the Offer Shares, then the Lead Manager has the right to reduce the number of Shares initially allocated to Participating Parties to twenty-two million ninety-four thousand and six hundred and forty (22,094,640) shares, representing ninety percent (90%) of the total Offer Shares. The number and percentage of Offer Shares to be allocated to Participating Parties shall be determined as deemed fit by the Financial Advisor, in coordination with the Company.

Tranche (B): Individual Investors:

This tranche includes Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe in her own name or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children; and any non-Saudi Arabian national who is residing in Saudi Arabia and any national of countries in the Gulf Cooperation Council (the "**GCC**"), in each case who has a bank account with a Receiving Agent and has the right to open an investment account with a capital market institution. Subscription by a person in the name of his divorcee shall be deemed invalid. If a transaction of this nature is proved to have occurred, the applicable regulations shall be enforced against such person. If a duplicate subscription is made, the second subscription will be deemed void, and only the first subscription will be accepted. A maximum of SAR two million four hundred fifty-four thousand nine hundred sixty (2,454,960) ordinary shares, representing ten percent (10%) of the Offer Shares, shall be allocated to Individual Investors. In the event that the Individual Investors do not subscribe in full for the Offer Shares allocated to them, the Lead Manager may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed for thereby.

17.2 Book-building and Subscription by Participating Parties

a- The price range shall be determined during the book-building process and shall be available to all Participating Parties with the Company and the Selling Shareholders.

b- Participating Parties must submit requests to participate in the book-building process by filling out Bid/ Subscription Orders. Participating Parties may amend or cancel their bids at any time during the Book-Building Period, provided that said bids are amended by submitting a modified bid form or an appendix Bid Form (where applicable) before the Offer price determination process that will take place before the Offering Period ends. The number of Offer Shares for each of the Participating Parties shall not be less than fifty thousand (50,000) Shares, and no more than four million ninety-one thousand five hundred ninety-nine (4,091,599) Shares, and in relation to public funds only, not exceeding the maximum limit for each participating public fund that is determined in accordance with the Book-Building Instructions, and the number of requested shares must be allocatable. The Lead Manager shall notify the Participating Parties regarding the Offer Price and the number of Offer Shares initially allocated thereto. Subscription by Participating Parties must begin during the Offering Period, which also includes Individual Investors, in accordance with the Subscription Terms and Conditions as detailed in the Subscription Applications Forms.

c- Once the book-building process for Participating Parties is completed, the Bookrunners shall announce the subscription percentage by Participating Parties.

d- The Bookrunners, in coordination with the Company and the Selling Shareholders, shall have the authority to determine the Offer Price as dictated by supply and demand, provided that it does not exceed the price specified in the Underwriting Agreement, and that the subscription price be aligned with the price change units applied by Tadawul.

17.3 Subscription by Individual Investors

Each Individual Investor must submit a Subscription Application Form and must subscribe with a minimum subscription of ten (10) Shares and a maximum subscription of two hundred and fifty thousand (250,000) Offer Shares for Individual Investors. Changes to or withdrawal of the Individual Subscription Application Form shall not be permitted once submitted.

Subscription Application Forms will be made available during the Offering Period on the websites of the Receiving Agents that provide this service. Subscription Application Forms shall be completed in accordance with the instructions mentioned below. Investors can also subscribe through the internet, telephone banking or ATMs of any of the Receiving Agents that offer any or all such services to its customers, provided that the following requirements are satisfied:

- The Individual Investor must have a bank account at a Receiving Agent which offers such services.
- There have been no changes to the personal information or data of the Individual Investor since his subscription in a recent Offering.

Upon signing and submitting the Individual Investor Application Form to any of the Receiving Agents, it shall be deemed a legally binding agreement between the Selling Shareholders and the relevant Individual Investor.

Individual Investors may obtain a copy of this Prospectus from the following Receiving Agents through the websites of CMA and the Financial Advisor:

Receiving Agents	
AlRajhi Bank King Fahad Road - Al Muruj District – AlRajhi Bank Tower Riyadh 11411 Kingdom of Saudi Arabia Tel: +966 (11) 828 2515 Fax: +966 (11) 279 8190 Website: https://www.alrajhibank.com.sa Email: contactcenter1@alrajhibank.com.sa	
Saudi National Bank King Fahd Road - Al Aqeeq District - KAFD Kingdom of Saudi Arabia P.O. Box: 3208 Unit No.: 778 Tel: +966 (92) 0001000 Fax: +966 (92) 4060052 Website: www.alahli.com Email: contactus@alahli.com	

The Receiving Agents will commence receiving Subscription Application Forms beginning on Tuesday 24/08/1445H (corresponding to 05/03/2024G), and will remain open for a period of two days up to and including the last day on Wednesday 25/08/1445H (corresponding to 06/03/2024G). Once the Subscription Application Form is signed and submitted, the relevant Receiving Agent receiving it, will stamp it and provide the Individual Investor with a copy of the completed Subscription Application Form. In the event that the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Receiving Agent, the Subscription Application Form will be considered void. The Individual Investors do not have the right to claim any compensation for the damages incurred due to such cancellation.

Each Individual Investor shall specify the number of Offer Shares in his/her Subscription Application Form for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR 48 per Offer Share.

Subscriptions by Individual Investors for less than ten (10) Offer Shares or fractions of Offer Shares will not be accepted, noting that the maximum subscription is 250,000 Offer Shares for Individual Investors.

Subscription Application Forms should be submitted during the Offering Period and accompanied, where applicable, with the following documents (the Receiving Agents will verify all copies against the originals and will return the originals to the relevant Individual Investor):

1- The original and copy of the national civil identification card or residency identification card (for the Individual Investor, including natural Saudi persons, GCC nationals and foreign residents).
2- The original and copy of the family registry (when subscribing on behalf of family members).
3- The original and copy of a power of attorney (when subscribing on behalf of others).
4- The original and copy of certificate of guardianship (when subscribing on behalf of orphans).
5- The original and copy of the divorce certificate (when subscribing on behalf of the children of a divorced Saudi woman).
6- The original and copy of the death certificate (when subscribing on behalf of the children of a widowed Saudi woman).
7- The original and copy of the birth certificate (when subscribing on behalf of the children of a divorced or widowed Saudi woman).

In the event an application is made on behalf of an Individual Investor (parents and children only), the person signing on behalf of the Individual Investor should state his name and attach an original and copy of a valid power of attorney. The power of attorney must be notarized by a notary public for the Individual Investors, as for Individual Investors residing outside the Kingdom, the power of attorney must be legalized through a Saudi embassy or consulate in the relevant country. The concerned official of the Receiving Agent shall match the copy with the original version and return the original version to the Individual Investor.

One Subscription Application Form should be completed for each primary Individual Investor applying for himself and members appearing on his family identification card, if the family members apply for the same number of Offer Shares as the primary Individual Investor. In this case:

- All Offer Shares allocated to the primary Individual Investor and dependent Individual Investors will be registered in the primary Individual Investor's name.
- The primary Individual Investor will receive any refund in respect of amounts not allocated and paid for by himself or dependent Individual Investors.
- The primary Individual Investor will receive all dividends distributed in respect of the Offer Shares allocated to themselves and dependent Individual Investors (in the event the Shares are not sold or transferred).

Separate Subscription Application Forms must be used if:

- The Offer Shares to be allocated are to be registered in a name other than the name of the primary Individual Investor.
- Dependent Individual Investors intend to apply for a different number of Offer Shares than the primary Individual Investor.
- If a wife wishes to subscribe in her name and to register allocated Offer Shares to her account, she must complete a separate Subscription Application Form from the Subscription Application Form completed by the relevant primary Individual Investor. In such case, applications made by the husband on behalf of his wife will be cancelled and the independent application of the wife will be processed by the Receiving Agent.

A Saudi female divorcee or widow who has minor children from a non-Saudi husband can subscribe in her name or the names of her minor children, provided she submits proof of motherhood. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law.

During the Offering Period, only a valid Iqama will be an acceptable form of identification for non–Saudi dependents. Passports or birth certificates will not be accepted. Non-Saudi dependents can only be included as dependents with their mother and cannot subscribe as primary Individual Investors. The maximum age for non-Saudi dependents to be included with their mother is 18. Any documents issued by a foreign government must be legalized through a Saudi embassy or consulate in the relevant country.

Each Individual Investor agrees to subscribe for and purchase the number of Offer Shares specified in its Subscription Application Form, multiplied by the Offer Price of SAR 48 per share. Each Individual Investor shall acquire the number of Offer Shares allocated to him/her upon:

- Delivery by the Individual Investor of the Subscription Application Form to any of the Receiving Agents
- Payment in full by the Individual Investor to the Receiving Agent of the number of the Offer Shares subscribed for in the Subscription Application Form.
- Submission by the Receiving Agent to the Individual Investor of the Allocation letter which determines the number of Shares allocated thereto.
- Listing the Company's shares on the Exchange and depositing the Shares allocated to the Individual Investor in its investment portfolio.

The total value of the Offer Shares shall be paid in full to the Receiving Agents, by debiting the account of the Individual Investor at the Receiving Agent where the Subscription Application Form was submitted. If a submitted Subscription Application Form is not in accordance with the terms and conditions of the Offer, then such an application may be rejected altogether. The Individual Investor shall accept any number of Offer Shares allocated thereto, unless the allocated shares exceed the number of Offer Shares he has applied for.

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17.4 Allocation and Refund

The Lead Manager shall open and operate escrow accounts, for the purpose of depositing and keeping subscription amounts collected from Participating Parties and Receiving Agents (on behalf of Individual Investors). Subscription amounts shall be transferred to the Selling Shareholders only after listing and following the deduction of certain fees and expenses. Details of the escrow account shall be specified in the subscription forms. In addition, every Receiving Agent shall deposit all amounts received from the Individual Investors into the escrow accounts, the details of which shall be specified in the Individual Subscription Application Form.

The Lead Manager and Receiving Agents, as applicable, shall notify Subscribers informing them of the final number of Offer Shares allocated, together with the amounts to be refunded to Subscribers.

Excess subscription amounts, if any, will be refunded to the Subscribers without any commissions or deductions, and will be deposited in the Subscribers' account as specified in the Subscription Application Form.

The announcement of final allocation shall be made on Tuesday 02/09/1445H (corresponding to 12/03/2024G) and the refund of excess subscription monies, if any, will be made no later than Monday 08/09/1445H (corresponding to 18/03/2024G) (for further details, see ("**Key Dates and Subscription Procedures**") of this Prospectus. Subscribers should communicate with the Lead Manager or the Receiving Agent where they submitted their Subscription Form, as applicable, for any further information.

17.4.1 Allocation of Offer Shares to Participating Parties

The Financial Advisor, in coordination with the Company, shall determine the allocation of Offer Shares for the Participating Parties as they see fit, after the allocation of Offer Shares to Individual Investors is completed, provided that the initial number of Offer Shares initially allocated to Participating Parties shall not be less than twenty-four million five hundred and forty-nine thousand and six hundred (24,549,600) Shares representing (100%) of the total Offer Shares, and provided that the final allocation for Participating Parties shall not be less than twenty-two million ninety-four thousand and six hundred and forty (22,094,640) Shares representing (90%) of the Offer Shares. No Shares have been allocated to public funds.

Transfer of ownership of the Offer Shares shall only be deemed valid after payment of the value by the Participating Parties as of the date of registration in the Shareholders' Register and the commencement of trading of Shares in accordance with the relevant regulations and instructions of the trading of Saudi Shares. If the Company's Shares are not traded or their Listing is cancelled prior to that for any reason, the Subscription amounts shall be refunded to the Participating Parties and the Offer Shares shall remain the property of the Selling Shareholder.

17.4.2 Allocation of Offer Shares to Individual Investors

The Financial Advisor, in coordination with the Company, shall determine the allocation of Offer Shares to be allocated to Individual Investors as they see fit. There will be an allocation of a maximum of two million four hundred and fifty-four thousand nine hundred and sixty (2,454,960) ordinary Shares representing ten percent (10%) of the total Offer Shares, to Individual Investors. The minimum allocation per Individual Investor is ten (10) Offer Shares. The balance of the Offer Shares, if any, will be allocated on a pro-rata basis of each Individual Investor's application in proportion to the total number of requested Shares. In the event that the number of Individual Investors exceeds two hundred and forty-five thousand four hundred and ninety-six (245,496) Individual Investors, the Company will not guarantee the minimum allocation of Offer Shares, and the allocation will be made as determined by the Company and Financial Advisor. The surplus, if any, would be refunded to Individual Investors without any commissions or deductions by the Receiving Agents.

17.5 Circumstances where Listing may be Suspended or Cancelled

17.5.1 Power to Suspend or Cancel Listing

a- The CMA may suspend Share trading or cancel the listing at any time as deemed appropriate thereby, in any of the following circumstances:

1- If the CMA considers it necessary for the protection of investors or the maintenance of an orderly market.

2- If the Issuer fails, in a manner which the CMA considers material, to comply with the Capital Market Law and its implementing regulations.

3- If the Issuer does not pay any fees due to the CMA or the Exchange, or penalties due to the CMA on time.

4- If it considers that the Issuer or its business, the level of its operations or its assets is no longer suitable to warrant the continued listing of shares in the Exchange.

5- When the reverse takeover announcement does not contain sufficient information about the proposed transaction. In the event that the Company has given sufficient information regarding the target entity and the CMA is satisfied, following the announcement of the Company, that sufficient public information is available on the proposed transaction of the reverse takeover, the CMA may decide not to suspend trading at this stage.

6- When information about the proposed transaction of reverse takeover is leaked and the Issuer cannot accurately assess its financial position and the Exchange cannot be informed accordingly.

7- Upon filing a request for commencing financial reorganization procedures before the court under the Bankruptcy Law, for an Issuer whose accumulated losses amounted to 50% or more of the capital thereof.

8- Upon filing a request for commencing Issuer liquidation procedures or administrative liquidation procedure before the court under the Bankruptcy Law.

9- Upon issuance of a final court ruling to end Issuer financial reorganization procedures and initiation of liquidation procedures or the administrative liquidation procedures under the Bankruptcy Law.

10- Upon issuance of a final court ruling to commence Issuer liquidation procedures or administrative liquidation procedures under the Bankruptcy Law.

b- Lifting of trading suspension, as per Paragraph (A) above is subject to the following:

1- Adequately addressing the conditions that led to the suspension and the lack of the need to continue the suspension for the protection of investors.

2- Lifting the suspension is unlikely to affect the normal activity of the Exchange.

3- The Issuer complies with any other conditions that the CMA may require.

4- Upon the issuance of a final court ruling requiring the opening of a procedure involving the Issuer's financial reorganization under the Bankruptcy Law, unless such Issuer was suspended from conducting its activities by the relevant competent authority, in the event that the suspension was in accordance with Subparagraph 7 of Paragraph A above.

5- Upon the issuance of the final court ruling rejecting the opening of the liquidation procedure or the administrative liquidation procedure under the Bankruptcy Law, unless such Issuer's activities were suspended by the relevant competent authority, in the event of a suspension in accordance with Subparagraph 8 of Paragraph A above.

c- The Exchange shall suspend the trading of the securities of the Company in any of the following cases:

1- When the Issuer does not comply with the deadlines for the disclosure of its periodic financial information, in accordance with the applicable implementing regulations.

2- When the auditor's report on the financial statements of the Issuer contains an opposing opinion or an abstention from expressing opinion.

3- If the liquidity requirements of Chapter 2 of the Listing Rules are not met after the time limit set by the Exchange for the Issuer to rectify its conditions, unless the CMA agrees otherwise.

4- The issuance of a decision by an Extraordinary General Assembly of the Issuer to reduce its capital for the two trading days following the issuance of the decision.

d- The Exchange shall lift the suspension referred to in Subparagraphs 1 and 2 of Paragraph C above, one trading session after the reason for such suspension has been removed. If the trading of Shares of the Issuer is authorized outside the platform, the Exchange shall lift the suspension within a period not exceeding five trading sessions following the absence of any reason for suspension.

e- The Exchange may ask the CMA, at any time, to suspend the trading of any listed securities or to cancel the listing altogether, if any of the cases mentioned in Paragraph A above is likely to occur.

f- The Issuer whose securities are subject to trading suspension, must continue to comply with the Capital Market Law, its implementing regulations and the Listing rules.

g- If the suspension of trading of securities continues for a period of 6 months, without any appropriate measures taken by the Issuer to remedy said suspension, the CMA may cancel the listing of the Issuer's securities.

h- When the Issuer completes a reverse acquisition, the Issuer's shares shall be delisted. If the Issuer wishes to re-list its Shares, it must submit an application to list its Shares in accordance with the Listing Rules and fulfill the relevant requirements stipulated in the OSCOs rules.

i- This paragraph shall not prejudice the suspension of trading or the cancellation of listing resulting from the Issuer's losses, based on the relevant implementing regulations and Listing rules.

17.5.2 Voluntary Cancellation of Listing

a- The Company, after it is listed on the Exchange, may not cancel the listing of its securities without the prior approval of the CMA. To obtain the CMA approval, the Company must provide the cancellation application to the CMA along with a simultaneous notice to the Saudi Exchange. The application has to include the following:

1- Specific reasons for the cancellation request.

2- A copy of the disclosure referred to in Paragraph (D) below.

3- A copy of the relevant documentation and a copy of each related communication to shareholders, if the cancellation is to take place as a result of an acquisition or other corporate action by the Company.

4- Names and contact information of the Financial Advisor and legal advisor appointed according to the relevant implementing regulations.

b- The CMA may, at its discretion, approve or reject the cancellation request

c- Once approval from the CMA has been obtained for the cancellation of listing, the Company must obtain the consent of its Extraordinary General Assembly.

d- When cancellation is made at the Company's request, the Company must disclose that to the public as soon as possible. The disclosure has to include the reason for the cancellation, the nature of the event resulting in the cancellation, and how it affects the issuer's activities.

17.5.3 Temporary Trading Suspension

a- The Company may request the Exchange to implement a temporary trading suspension upon the occurrence of an event that occurs during trading period which requires immediate disclosure under the Capital Market Law, its implementing regulations or the Exchange rules, where the Company cannot maintain the confidentiality of this information until the end of the trading period. In such case, the Exchange suspends trading of the securities of the Company as soon as it receives the request.

b- When a temporary trading suspension is made at the Company's request, the Company must announce as soon as possible the reason for the trading suspension, the anticipated period of the trading suspension, the event leading thereto and the extent it affects the Company's activities.

c- The CMA may impose a temporary trading suspension without a request from the Company, where the CMA becomes aware of information or circumstances affecting the Company's activities which the CMA considers would be likely to interrupt the activities of the Exchange or the protection of investors. The Company, once its securities are subject to temporary trading suspension, must continue to comply with the Capital Market Law, its implementing regulations and Exchange rules.

d- The Exchange may recommend to the CMA to practice its powers in accordance with the above Paragraph (C), if it discovers any information or circumstances that might affect the Company's activities which might affect the market's activities or investors' protection.

e- A temporary trading suspension will be lifted following the elapse of the disclosure period referred to in the above Paragraph (B), unless the CMA or the Saudi Exchange decide otherwise.

17.5.4 Lifting of Suspension

Lifting of trading suspension, as per Paragraph (A) of Section 17.5.1 ("**Power to Suspend or Cancel Listing**") of this Prospectus, is subject to the following:

- Adequately addressing the conditions that led to the suspension and the lack of the need to continue the suspension for the protection of investors.
- Lifting the suspension is unlikely to affect the normal activity of the Exchange.
- The Company complies with any other conditions that the CMA may require.
- In the event that the suspension is due to the Company's accumulated losses equal 50% or more of its capital at the court as per the Bankruptcy Law, then the suspension shall be lifted upon the issuance of the final court ruling on the commencement of a financial restructuring procedure for the issuer in accordance with the law issued by the competent authority and governing the issuer's activities.
- In the event that the suspension was due to an issuer liquidation procedure or administrative liquidation procedure before the court under the Bankruptcy Law, the suspension shall be lifted upon the issuance of the final court ruling rejecting the commencement of liquidation procedures or administrative liquidation procedures under the Bankruptcy Law, unless suspended from the practice of its activities by the relevant competent authority.

In the event that the listing suspension continues for six (6) months with no appropriate procedure made by the Company to correct such suspension, the CMA may cancel the listing of Issuer.

17.5.5 Re-registering and Listing of Cancelled Securities

If the Company wishes to re-list its shares after the cancellation thereof, it must submit a new application to list its shares in accordance with the Listing Rules, and fulfil the relevant requirements stipulated in the OSCOs.

17.6 Approvals and Decisions under which the Offer Shares are Offered and Listed

The following are the decisions and approvals under which the Offer Shares are offered and listed:

- The General Assembly's resolution approving the Offering dated 19/03/1445H (corresponding to 04/10/2023G).
- The Company's Board of Directors resolution approving the Offering dated 11/04/1445H (corresponding to 26/10/2023G).
- The GFSA's approval of the change of ownership of Shares resulting from the Offering dated 28/05/1445H (corresponding to 12/12/2023G).
- The CMA's announcement of approval of the Offering dated 18/06/1445H (corresponding to 31/12/2023G).
- The Saudi Stock Exchange Tadawul's conditional listing approval issued on 15/06/1445H (corresponding to 28/12/2023G).

17.7 Restrictions on the Shares

The Substantial Shareholders whose names appear on Page (xv) of this Prospectus shall be restricted from disposing of their Shares for a period of six (6) months from the date of trading in the Company's Shares in the Exchange, and may not dispose of their Shares after the end of said period without obtaining the approval of the GFSA and the CMA. Provided that the Substantial Shareholders shall obtain any required approvals from other relevant government authorities. Shares shall also be subject to the general restrictions applied to Listed Shares in the Kingdom.

After the Offering, Current Shareholders of the Company shall maintain ownership of at least 51% in the Company (directly or indirectly) for the duration of the financing document between the Company and Alinma Bank (for more information, please refer to Section 12.8 ("**Credit Facilities and Loans**") of this Prospectus).

17.8 Acknowledgments by Subscribers

By completing and delivering the Retail Subscription Application, each Subscriber:

- Agrees to subscribe to the number of Offer Shares specified in the submitted Subscription Application Form.
- Acknowledges that he has read and carefully examined this Prospectus and understood all its content.
- Accepts the Company's Bylaws and all Offering instructions and terms mentioned in this Prospectus, the Subscription Application Form, and Electronic Subscription Application, and subscribes in the Offer Shares accordingly.
- Declares that neither himself nor any of his family members included in the Subscription Application Form have previously subscribed to the Company's shares and accepts that the Company has the right to reject any or all duplicate applications.
- Accepts the number of Offer Shares allocated to him (to the maximum of the amount subscribed for) as per the Subscription Application Form.
- Undertakes not to cancel or amend the Subscription Application Form, after submitting it to the Lead Manager or the Receiving Agents.

For further details about the allocation process and surplus refund, please refer to Section 17.4 ("**Allocation and Refund**") hereof.

17.9 Share Record and Trading Arrangements

The Depository Center (Edaa) shall keep a shareholders' record containing their names, nationalities, addresses, professions, the Shares held by them and the amounts paid for these Shares.

17.10 Saudi Stock Exchange

In 1990G, full electronic trading in the Kingdom equities was introduced. The Saudi Exchange (formerly "**Tadawul**") was founded in 2001G as the successor to the Electronic Securities Information System. Trading in shares occurs on the "**Tadawul**" system through a fully integrated trading system covering the entire trading process from execution of the trade transaction through settlement thereof. Trading occurs on each Business Day of the week between 10:00 a.m. and 3:00 p.m. from Sunday to Thursday, during which orders are executed. However, during other than those times, orders can be entered, amended or cancelled from 9:30 a.m. to 10:00 a.m. The said times are subject to change during the month of Ramadan or in other months, and they are announced by the Saudi Exchange Management. Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders place at a price limit), provided that if several orders are generated at the same price, they are executed according to the time of entry. The Saudi Exchange distributes a comprehensive range of information through various channels, including in particular the Saudi Exchange website (Tadawul) and the Saudi Exchange Information Link, which supplies trading data in real time to the information providers such as Reuters. Exchange transactions are settled on a T+2 basis, meaning that shares ownership transfer takes two working days after the trade transaction is executed.

Listed Companies are required to disclose all material decisions and information that are important for the investors via the Saudi Exchange. Surveillance and monitoring is the responsibility of the Saudi Exchange as the operator of the market to ensure fair trading and an orderly market.

Securities Depository Center (Edaa)

Securities Depository Center Company (Edaa) was established in 2016G, in accordance with the Saudi Companies Law issued by Royal Decree No. M/3 dated 28/01/1437H. It is a closed joint-stock company fully owned by the Saudi Exchange (Tadawul) Group, with a capital of SAR 400,000,000 divided into 40,000,000 shares, with a nominal value of SAR 10 per share.

The establishment was based on CMA approval of Tadawul's Board of Directors request in relation to conversion of the Securities Depository Center into a joint-stock company in accordance with the Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H.

The activities of Edaa are to conduct businesses related to depositing, registering, transferring, settling and clearing securities, and recording any ownership restrictions on the deposited securities. Further, it deposits and manages the records of the issuers of securities, and organizes issuers' general assemblies, including the remote voting services (e-Voting), reporting, notifications, and information, as well as providing other related services that Edaa may provide in accordance with CML and its implementing regulations.

17.11 Trading in the Shares

It is expected that trading in the Shares will commence after the final allocation of shares and the Saudi Exchange announcement of the start date of trading of the Shares. The dates and times mentioned in this Prospectus are considered tentative dates mentioned for inference only, and they can be changed or extended with the approval of the CMA.

Furthermore, the Offer Shares can only be traded after allocated Offer Shares have been credited to Participating Parties' accounts at the Depository Center (Edaa), the Company has been registered and its Shares listed on the Exchange before trading. Participating Parties entering into any pre-trading activities will be acting at their own risk. The Company or the Selling Shareholders shall have no legal responsibility in connection with pre-trading activities.

17.12 Miscellaneous

The Subscription Application Form and all related terms, conditions, provisions, covenants and undertakings shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned and delegated by any of the parties to the subscription, without the prior written consent of the other party.

These instructions, the conditions and the receipt of any Subscription Application Forms or related contracts shall be governed, construed and enforced in accordance with the laws of the Kingdom.

This Prospectus has been issued in Arabic and English. Only the Arabic version is approved by the CMA. This Prospectus has been issued in Arabic and English. Only the Arabic version is approved by the CMA. In the event of any discrepancy between the Arabic and English texts, the Arabic text shall prevail and be applied.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than the Kingdom are expressly prohibited, except for foreign Participating Parties, taking into account the relevant rules and instructions. The Company, Selling Shareholders, Financial Advisor, Lead Manager or Underwriters require all recipients of this Prospectus to inform themselves of any regulatory restrictions on the Offer Shares and the sale of Offer Shares and to observe all such restrictions.

18. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the Company's head office starting from 9:00 a.m. until 5:00 p.m. on Wednesday 26/07/1445H (corresponding to 07/02/2024G) for a period of no less than 20 days:

- Copy of the CMA's announcement approving the Offering.
- The Board of Directors' approval to offer the Company's shares for public subscription and list them on the Saudi Exchange issued on 11/04/1445H (corresponding to 26/10/2023G).
- The Company's shareholders approval to offer the Company's shares for public subscription and list them on the Saudi Exchange issued on 19/03/1445H (corresponding to 04/10/2023G).
- Company's Bylaws, amendments thereto, and any other constitutional documents.
- Company's commercial registration certificate issued by MOC.
- Company's financial statements for the financial years ended 31 December 2020G, 31 December 2021G, 31 December 2022G, which were prepared in accordance with IFRS and other standards and pronouncements that are endorsed by SOCPA, and the Six-Month Period ended 30 June 2022G together with the notes thereto, which were prepared in accordance with IAS 34 (Interim Financial Reporting), as endorsed in the Kingdom, and other standards and pronouncements that are endorsed by SOCPA.
- Market study prepared by the Market Study Consultant.
- Letters of consent from each of:

1- Sole Financial Advisor, Global Coordinator, Joint Bookrunner, Underwriter and Lead Manager (HSBC Saudi Arabia) for the inclusion of their names, logos and declarations, in this Prospectus.

2- Joint Bookrunner and Underwriter (Emirates NBD Capital KSA) for the inclusion of their names, logos and declarations, in this Prospectus.

3- Ernst & Young Company, a professional limited liability company (formerly known as Ernst & Young & Partners (Chartered Accountants)) for the inclusion in this Prospectus, of its name, logo, and report (where applicable) as auditor of the Company for the audited financial statements for the financial year ended 31 December 2020G, which was prepared in accordance with IFRS-KSA and other standards and pronouncements that are endorsed by SOCPA.

4- Aldar Audit Bureau (Abdullah Al Basri & Co.) (a Grant Thornton International entity) for the inclusion in this Prospectus, of its name, logo, and declarations, or financial statements as auditor of the Company for the audited financial statements for the financial year ended 31 December 2021G, which was prepared in accordance with IFRS-KSA and other standards and pronouncements that are endorsed by SOCPA.

5- KPMG, for the inclusion in this Prospectus, of its name, logo, and declarations, or financial statements as auditor of the Company for the reviewed financial statements for the financial year ended 31 December 2022G, and the unreviewed condensed interim financial statements of the Six-month Period ended 30 June 2023G, which was prepared in accordance with IFRS-KSA and other standards and pronouncements that are endorsed by SOCPA.

6- The Financial Due Diligence Advisor (PricewaterhouseCoopers Company (PwC) - Chartered Accountants) for the inclusion of its name, logo and declarations, if any, in this Prospectus.

7- The Market Study Consultant (Euromonitor International Ltd.) for the inclusion of its name, logo and declarations in this Prospectus.

8- The Legal Advisor (Legal Advisors (Abdulaziz bin Ibrahim Al Ajlan and Partners, Lawyers and Legal Advisors)), for the inclusion of their name, logo and declarations, if any, in this Prospectus.

9- Legal Advisor to the Sole Financial Advisor, Global Coordinator, Lead Manager, Joint Bookrunners and Underwriters (The Law Firm of Latham & Watkins) for the inclusion of its name, logo and declarations, if any, in this Prospectus.

10- Advisor of the Selling Shareholders (Moelis & Company Saudi Limited) for the inclusion of its name, logo and declarations, if any, in this Prospectus.

- Contracts and agreements disclosed in Section 12.7 (“**Transactions and Contracts with Related Parties**”) hereof.
- Underwriting Agreement.
- All reports, letters, and other documents, valuations and data prepared by any expert partly included or referred to herein.
- Document clarifying the mechanism relied upon to determine the price range used in the book-building process.

19. FINANCIAL STATEMENTS AND AUDITOR'S REPORT

This section contains the financial statements for the financial years ended 31 December 2020G, 31 December 2021G, and the consolidated financial statements for the financial year ended 31 December 2022G and notes regarding the financial statements, including a summary of the major accounting policies, and for the six-month Period ended 30 June 2023G, which were prepared in accordance with IFRS-KSA and other standards and pronouncements that are endorsed by SOCPA, and the condensed consolidated interim financial statements for the Six-month Period ended 30 June 2023G, which were prepared in accordance with IAS 34 (Interim Financial Reporting), as endorsed in the Kingdom, and other standards and pronouncements that are endorsed by SOCPA.

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The Third Milling Company
(One Person Company)

(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The Third Milling Company (One Person Company)
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
31 December 2020

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Building a better working world

Ernst & Young & Co. (Certified Public Accountants)
General Partnership
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Al Faisaliah Office Tower, 14th Floor
King Fahad Road
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Kingdom of Saudi Arabia

Registration No. 45/11/323
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INDEPENDENT AUDITOR'S REPORT
To the Owner of the Third Milling Company
(A Saudi closed Joint Stock Company)

Opinion

We have audited the financial statements of The Third Milling Company - A Saudi Closed Joint Stock Company (the "Company"), which comprise the statement of financial position as at 31 December 2020, 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 at 31 December 2020, 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 for Opinion:

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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INDEPENDENT AUDITOR'S REPORT
To the Owner of the Third Milling Company
(A Saudi closed Joint Stock Company) (continued)

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements: (continued)
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young

Abdulaziz Al-Suwailem
Certified Public Accountant
License No. (277)

شركة إرنست ويونغ وشركاهم (محاسبون قانونيون)
ERNST & YOUNG & Co. (CERTIFIED PUBLIC ACCOUNTANTS)
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENSE No. 45

Riyadh: 7 Muharram 1443H
(15 August 2021)

The Third Milling Company (One Person Company)
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	***31 December 2020 SR***	*31 December 2019 SR*
ASSETS			
NON – CURRENT ASSETS			
Property, plant and equipment and right of use assets	5	**906,580,570**	932,462,616
TOTAL NON – CURRENT ASSETS		**906,580,570**	932,462,616
CURRENT ASSETS			
Inventories	6	**111,720,826**	101,324,729
Prepayments and other current assets	7	**6,973,581**	15,669,768
Cash at banks		**345,405,953**	274,189,942
TOTAL CURRENT ASSETS		**464,100,360**	391,184,439
TOTAL ASSETS		**1,370,680,930**	1,323,647,055
EQUITY AND LIABILITIES			
EQUITY			
Capital	8	**899,666,590**	500,000
Proposed increase in capital	8	**-**	899,166,590
Statutory reserve		**6,643,379**	150,000
Retained earnings		**231,914,548**	173,474,136
TOTAL EQUITY		**1,138,224,517**	1,073,290,726
LIABILITIES			
NON-CURRENT LIABILITIES			
Leases liabilities	10	**181,349,913**	185,868,954
Employees' defined benefits obligation		**495,802**	309,853
TOTAL NON-CURRENT LIABILITIES		**181,845,715**	186,178,807
CURRENT LIABILITIES			
Amounts due to related parties	19	**10,937,712**	29,161,483
Trade payables and other current liabilities	9	**29,141,756**	24,768,652
Leases liabilities	10	**4,518,278**	4,281,529
Advances from customers		**6,012,952**	5,965,858
TOTAL CURRENT LIABILITIES		**50,610,698**	64,177,522
TOTAL LIABILITIES		**232,456,413**	250,356,329
TOTAL EQUITY AND LIABILITIES		**1,370,680,930**	1,323,647,055

The attached notes 1 to 23 form an integral part of these financial statements.

The Third Milling Company (One Person Company)
(A Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Notes	***31 December 2020 SR***	*31 December 2019 SR*
Sales	11	**435,279,586**	449,742,300
Direct costs	12	**(297,392,813)**	(326,334,881)
GROSS PROFIT		**137,886,773**	123,407,419
EXPENSES			
Selling and distribution expenses	13	**(5,169,366)**	(6,781,347)
General and administrative expenses	14	**(62,197,068)**	(71,179,552)
TOTAL EXPENSES		**(67,366,434)**	(77,960,899)
OPERATING PROFIT		**70,520,339**	45,446,520
Finance costs		**(9,401,515)**	(9,608,107)
Finance income		**892,174**	1,098,332
Other income		**2,922,793**	2,951,586
PROFIT FOR THE YEAR		**64,933,791**	39,888,331
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**64,933,791**	39,888,331
Earnings per share (EPS)			
Basic and diluted earnings per share for the year	18	**0.722**	0.443

The attached notes 1 to 23 form an integral part of these financial statements.

The Third Milling Company (One Person Company)
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY
For year ended 31 December 2020

	Paid Capital SR	*Proposed increase in capital SR*	*Statutory reserve SR*	*Other reserves SR*	*Retained earnings SR*	*Total SR*
As at 1 January 2020	500,000	899,166,590	150,000	-	173,474,136	1,073,290,726
Profit for the year	-	-	-	-	64,933,791	64,933,791
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	64,933,791	64,933,791
Transferred to capital	899,166,590	(899,166,590)	-	-	-	-
Transferred to statutory reverse	-	-	6,493,379	-	(6,493,379)	-
As at 31 December 2020	**899,666,590**	-	**6,643,379**	-	**231,914,548**	**1,138,224,517**
As at 1 January 2019	125,000	-	37,500	899,166,597	134,073,298	1,033,402,395
Profit for the year	-	-	-	-	39,888,331	39,888,331
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	39,888,331	39,888,331
Proposed increase in capital	-	899,166,590	-	(899,166,597)	7	-
Completion of the remaining capital	375,000	-	-	-	(375,000)	-
Transfer to statutory reserve	-	-	112,500	-	(112,500)	-
At 31 December 2019	**500,000**	**899,166,590**	**150,000**	-	**173,474,136**	**1,073,290,726**

The attached notes 1 to 23 form an integral part of these financial statements.

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The Third Milling Company (One Person Company)
(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Notes	***31 December 2020 SR***	*31 December 2019 SR*
OPERATING ACTIVITIES			
Profit for the year		**64,933,791**	39,888,331
Adjustments to reconcile profit to net cash flows:			
Depreciation for property, plant and equipment and right of use assets	5	**46,274,422**	45,004,818
Provision for slow moving inventory	6	**3,196,163**	353,108
Interest cost on lease liabilities		**9,401,515**	9,608,107
Finance income		**(892,174)**	(1,098,332)
Provision for employees defined benefit obligations		**185,950**	247,526
		123,099,667	94,003,558
Changes in operating assets and liabilities:			
Inventories	6	**(13,592,261)**	5,785,263
Amounts due to related parties	19	**(18,223,771)**	(33,352,839)
Prepayments and other current assets	7	**8,696,187**	(10,360,505)
Trade payables and other current liabilities	9	**4,373,101**	(5,095,236)
Advances from customers		**47,099**	(83,482)
Net cash flows from (used in) operating activities		**104,400,022**	50,896,759
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	**(20,392,376)**	(13,577,081)
Received Finance income		**892,174**	1,098,332
Net cash flows used in investing activities		**(19,500,202)**	(12,478,749)
FINANCING ACTIVITIES			
Payment of lease liabilities	10	**(4,282,294)**	(24,944,261)
Lease liabilities interest		**(9,401,515)**	(9,608,107)
Net cash flows used in financing Activities		**(13,683,809)**	(34,552,368)
Net increase (decrease) in cash at banks		**71,216,011**	3,865,642
Cash at banks at the beginning of the year		**274,189,942**	270,324,300
Cash at banks at the end of the year		**345,405,953**	274,189,942
Non-cash transactions:			
Proposed increase in capital		**899,666,590**	-
Initial recognition of right of use assets		-	52,228,731

The attached notes 1 to 23 form an integral part of these financial statements.

The Third Milling Company (One Person Company)
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

1. CORPORATE INFORMATION

- Third Milling Company – A One Person Closed Joint Stock Company (the "Company") was incorporated in Riyadh in the Kingdom of Saudi Arabia on 10 Safar 1438H (corresponding to 10 November 2016). The registered office is located at Al Manakh, 14313 Riyadh. The Company's licensed activities include flour production in Saudi Arabia and all activities related to the provision of wheat products, animal feed and related products, including making any contracts or making any related arrangements.

- The Company was formed by the Public Investment Fund pursuant to the resolution of the Council of Ministers No. (35) of 27 Muharram 1437H (corresponding to 9 November 2015) approving the adoption of the necessary actions to establish four Joint Stock Flour Milling Companies according to the proposed geographical distribution. The Public Investment Fund, in coordination with the Saudi Grains Organization ("SAGO"), shall do so in accordance with Royal Decree No. 62 dated 4 Shawwal 1435H (corresponding to 31 July 2014). On Shawwal 17, 1441 AH (corresponding to June 9, 2020) Council of Ministers' Resolution No. 631 was issued to transfer the ownership of the company to the National Center for Privatization and for the National Center for Privatization to carry out the tasks assigned to the Public Investment Fund by Council of Ministers' Resolution No. (118) dated Safar 21, 1440 AH (corresponding to October 30, 2018). The company's shares were wholly sold to Mada & Alghurair Limited Company on 16 Jumada I 1442 AH (corresponding to December 31, 2020) (note 8).

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

- 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)	12 Jumada Al-awwal 1441H (corresponding to 7 January 2020)	5855070277
Khamis M	5 Jumada Al-awwal 1442H (corresponding to 20 December 2020)	5855070707
Al Jumum	23 Jumada Al-awwal 1442H (corresponding to 7 January 2021)	4622099376
Al Jowf	22 Jumada Al-awwal 1442H (corresponding to 6 January 2021)	3400020077

The Third Milling Company (One Person Company)
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants (collectively referred to as "IFRS" as endorsed in Kingdom of Saudi Arabia").

These financial statements have been prepared under the historical cost convention. These financial statements are presented in Saudi Riyals ("SR"), which is also the Company's functional currency.

2.2 Summary of significant accounting polices

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- 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.

The Third Milling Company (One Person Company)
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies – (continued)

b) 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, assuming that market participants act in their economic best interest.

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

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities which can be accessed by the company at the date of measurement, and are considered primary inputs
- Level 2 — inputs other than quoted prices included in Level 1 that are observable either directly or indirectly
- Level 3 — unobservable inputs that are considered with the lowest priority.

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

For the purpose of fair value disclosures, the 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, are summarized in note 18.

c) 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 capitalized development costs, are not capitalized 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.

The Third Milling Company (One Person Company)
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies – (continued)

c) 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 tested for impairment annually as at 31 December either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

An intangible asset is derecognized 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 and other comprehensive income.

d) 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 recognized 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 recognized in statement of profit or loss and other comprehensive income as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

Assets Categories	***Useful lives***	***Assets 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	6.67 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 when the asset is derecognised.

The Third Milling Company (One Person Company)
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
31 December 2020

2.2 Summary of significant accounting policies – (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) 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.

e) Leases

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies – (continued)

f) Financial instruments – initial recognition and subsequent measurement

1) 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.

Subsequent measurement
Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss and other comprehensive income.

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 of 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 and the maximum amount of consideration that the Company could be required to repay.

ii) 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.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Summary of significant accounting policies – (continued)

ii) Financial liabilities (continued)

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as "held for trading" if they are acquired for the purpose of selling in the near future. This category includes derivative financial instruments that have been concluded by the Company and are not designated as hedging instruments in accordance with IFRS 9. Derivatives included in other separate financial instruments are classified as "held for trading" unless they are designated as effective hedging instruments.

Loans and borrowings
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 and other comprehensive income.

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 recognized in the statement of profit or loss and other comprehensive income.

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

g) 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 realizable value, whichever is lower with provision for any obsolete or slow-moving goods. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.
Wheat	Weighted average which is SR 180 / metric ton (Note 1)
Goods of production inputs, goods of production services and others	Weighted average

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

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

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies – (continued)

i) Employees benefits

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.

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

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

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

- The date of the plan amendment or curtailment, and
- The date on which the Company recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation under "general and administrative expenses" in the statement of profit or loss and other comprehensive income:

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

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

j) Impairment of non-financial assets

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

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

The Company calculates the impairment in value on the basis of detailed budgets and projections, which are prepared separately for each of the cash-generating units of the company to which the individual assets are allocated. These budgets and projections usually cover a five-year period. The long-term growth rate is calculated and applied to expected future cash flows after the fifth year.

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.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies – (continued)

j) Impairment of non-financial assets (continued)

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.

k) Revenue from contracts with customers

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

(i) Variable consideration

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

(ii) Significant financing component

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

Contract balances

Contract assets

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

Contract liabilities

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

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Summary of significant accounting policies - (continued)

l) Provisions

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

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.

m) Zakat

Zakat
The company is not subject to Zakat for 2020 since its share capital was from public funds on which Zakat is not applicable.

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

Value added tax "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

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

o) Foreign currencies
The Company's financial statements are presented in Saudi Riyal, which is also the company's functional currency.

Transactions and balances
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.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies – (continued)

p) Operating profit

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

q) Selling, distribution, general and administration Expenses

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

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are effective for annual reporting periods beginning on or after 1 January 2021. The amendments to the definition of material has no significant impact on the company's financial statements.

3. 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 of the fair value of the leased asset.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
31 December 2020

3. 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.

Defined benefit plans
The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

End of service benefit program
The cost of the defined benefit obligation for the employees, other post-employment benefits and the current value of the end-of-service bonus obligation is determined by actuarial evaluation processes. The actuarial calendar includes making many assumptions that may differ from actual developments in the future. These assumptions include determining the discount rate, future salary increases, and mortality rates. Given the difficulty and long-term nature of the assessment and the assumptions involved, the commitment to specific benefits is greatly influenced by changes in these assumptions. All assumptions are reviewed as each financial listing is prepared.

4. SEGMENT INFORMATION

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

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

Transfer prices between operating segments are on an arm's length basis in a manner like transactions with third parties.

The selected financial information for these branches is as follows:

For the year ended 31 December 2020	***Khamis SR***	***Al Jumum SR***	***Al Jowf SR***	***Head office SR***	***Total segments SR***
Total revenue	**222,776,366**	**162,248,560**	**50,254,660**	**-**	**435,279,586**
Cost of inventories	**(110,117,792)**	**(63,949,799)**	**(20,960,822)**	**-**	**(195,028,413)**
Employee benefits expenses	**(30,992,434)**	**(20,774,083)**	**(20,143,653)**	**(17,086,055)**	**(88,996,225)**
Depreciation and amortization	**(14,870,927)**	**(24,601,546)**	**(6,292,398)**	**(509,549)**	**(46,274,420)**
Other expenses	**(15,337,070)**	**(13,633,422)**	**(4,150,467)**	**(9,848,571)**	**(42,969,530)**
Other income	**213,767**	**128,207**	**1,271,694**	**1,309,125**	**2,922,793**
Segment profit (loss)	**51,671,910**	**39,417,917**	**(20,986)**	**(26,135,050)**	**64,933,791**

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
31 December 2020

4. SEGMENT INFORMATION – (continued)

For the year ended 31 December 2019	*Khamis SR*	*Al Jumum SR*	*Al Jowf SR*	*Head office SR*	*Total segments SR*
Total revenue	232,885,075	169,622,936	47,234,289	-	449,742,300
Cost of inventories	(131,252,523)	(71,811,037)	(21,514,490)	-	(224,578,050)
Employee benefits expenses	(30,727,204)	(21,247,076)	(20,872,376)	(17,998,166)	(90,844,822)
Depreciation and amortization	(14,238,365)	(24,413,075)	(6,071,992)	(281,386)	(45,004,818)
Other expenses	(11,911,688)	(16,033,126)	(5,691,594)	(19,839,789)	(53,476,197)
Other income	412,554	415,909	1,308,940	1,912,515	4,049,918
Segment (loss) profit	45,167,849	36,534,531	(5,607,223)	(36,206,826)	39,888,331

At 31 December 2020	***Khamis SR***	***Al Jumum SR***	***Al Jowf SR***	***Head office SR***	***Total segments SR***
Total assets	**362,758,036**	**518,711,334**	**141,525,361**	**347,686,199**	**1,370,680,930**
Total liabilities	**(65,884,454)**	**(116,319,102)**	**(30,056,612)**	**(20,196,249)**	**(232,456,417)**
Other disclosures:					
Property, plant and equipment and intangible assets Leased assets	**293,055,455**	**491,143,742**	**115,103,714**	**7,277,659**	**906,580,570**
Inventories	**65,188,963**	**22,789,105**	**23,742,758**	**-**	**111,720,826**
Capital additions	**11,711,437**	**1,530,416**	**5,213,637**	**1,936,886**	**20,392,376**

At 31 December 2019	*Khamis SR*	*Al Jumum SR*	*Al Jowf SR*	*Head office SR*	*Total segments SR*
Total assets	349,264,466	538,402,211	144,611,441	291,368,937	1,323,647,055
Total liabilities	(62,269,481)	(118,480,628)	(28,987,219)	(40,619,001)	(250,356,329)
Other disclosures:					
Property, plant and equipment and intangible assets Leased assets	294,354,740	514,214,872	118,119,839	5,773,165	932,462,616
Inventories	54,075,945	23,026,246	24,222,538	-	101,324,729
Capital additions	3,012,357	2,559,257	3,926,077	4,079,390	13,577,081

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5. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

	Buildings (*) *SR*	*Plant and equipment* *SR*	*Furniture and fittings* *SR*	*Motor vehicles* *SR*	*Right of use Assets (****)* *SR*	*Projects under progress (***)* *SR*	*Total* *SR*
Cost							
At 31 December 2019	387,845,972	463,981,076	12,837,842	712,950	196,944,353	8,653,959	1,070,976,152
Additions during the year	1,080,594	1,693,269	193,928	4,236,876	-	13,187,709	20,392,376
Transfers from Projects under construction	-	4,731,790	-	-	-	(4,731,790)	-
At 31 December 2020	**388,926,566**	**470,406,135**	**13,031,770**	**4,949,826**	**196,944,353**	**17,109,878**	**1,091,368,528**
Accumulated depreciation							
At 31 December 2019	33,634,492	80,307,668	4,676,481	265,377	19,629,518	-	138,513,536
Charged for the year (***)	12,954,459	23,109,693	1,521,432	624,401	8,064,437	-	46,274,422
At 31 December 2020	**46,588,951**	**103,417,361**	**6,197,913**	**889,778**	**27,693,955**	-	**184,787,958**
Net book value							
At 31 December 2020	**342,337,615**	**366,988,774**	**6,833,857**	**4,060,048**	**169,250,398**	**17,109,878**	**906,580,570**

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
31 December 2020

5. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS (continued)

	Buildings (*) SR	*Plant and equipment* SR	*Assets under finance lease (****)* SR	*Furniture and fittings* SR	*Motor vehicles* SR	*Right of use Assets (****)* SR	*Projects under progress (***)* SR	*Total* SR
Cost								
At 31 December 2018	387,554,595	455,321,092	144,715,622	10,557,917	712,950	-	6,308,164	1,005,170,340
Additions during the year	291,377	2,679,440	-	2,279,925	-	-	8,326,339	13,577,081
Transfers from Projects under construction	-	5,980,544	-	-	-	-	(5,980,544)	-
Adoption of IFRS 16	-	-	-	-	-	52,228,731	-	52,228,731
Transfers to right of use assets	-	-	(144,715,622)	-	-	144,715,622	-	-
At 31 December 2019	387,845,972	463,981,076	-	12,837,842	712,950	196,944,353	8,653,959	1,070,976,152
Accumulated depreciation								
At 31 December 2018	19,479,484	58,996,570	11,577,250	3,334,609	120,805	-	-	93,508,718
Charged for the year (***)	14,155,008	21,311,098	-	1,341,872	144,572	8,052,268	-	45,004,818
Transfers to right of use assets			(11,577,250)			11,577,250	-	-
At 31 December 2019	33,634,492	80,307,668	-	4,676,481	265,377	19,629,518	-	138,513,536
Net book value								
At 31 December 2019	354,211,480	383,673,408	-	8,161,361	447,573	177,314,835	8,653,959	932,462,616

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31 December 2020

5. PROPERTY, PLANT AND EQUIPMENT – (continued)

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

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

	***2020* SR**	*2019* SR
Direct Cost (Note 12)	**40,864,137**	39,956,180
General and administrative expenses (Note 14)	**4,279,596**	3,948,503
Selling and marketing expenses (Note 13)	**1,130,689**	1,100,135
	46,274,422	45,004,818

(***) Capital work in progress

Capital work in progress as at 31 December 2020 mainly consists mainly of the following projects:

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

The expected completion date of this is 2021 and the capital commitments relating to this amount to SR 3.1 million (31 December 2019: SR 5.2 million).

(****) Right of use assets

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

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
31 December 2020

5. PROPERTY, PLANT AND EQUIPMENT – (continued)

2019	*Silos (*)* *SR*	*Lands (**)* *SR*	*Total* *SR*
Cost			
As at 31 December 2018	-	-	-
Adoption of IFRS 16	-	52,228,731	52,228,731
Transferred from P.P&E	144,715,622	-	144,715,622
As at 31 December 2019	144,715,622	52,228,731	196,944,353
Accumulated depreciation			
As at 31 December 2018	-	-	-
Charge for the year	5,789,023	2,263,245	8,052,268
Transferred from P.P&E	11,577,250	-	11,577,250
As at 31 December 2019	17,366,273	2,263,245	19,629,518
Net book Value			
As at 31 December 2019	127,349,349	49,965,486	177,314,835

(*) The Company entered into a lease agreement with the Saudi Grains Organization (SAGO) for the rental of silos for the purpose of storing wheat, flour and feed. The term of the lease is 25 calendar years commencing from 3 Rabee Thani 1438H (corresponding to 1 January 2017) and is renewable automatically for a similar period (note 20). The estimated useful lives of leased assets for amortizing right of use assets purposes are 25 years.

(**) The Company entered 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 amortizing right of use assets purposes are 23 years.

6. INVENTORIES

	31 December 2020 ***SR***	*31 December 2019* *SR*
Spare parts	**86,174,575**	84,285,951
Raw materials	**34,266,837**	21,511,273
Finished goods *	**11,889,012**	14,008,335
Goods in transit	**964,101**	-
Others	**2,693,954**	2,590,660
Less: allowance for slow moving inventory	**(24,267,653)**	(21,071,490)
	111,720,826	101,324,729

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

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31 December 2020

6. INVENTORIES – (continued)

Movement in allowance for slow moving inventory

	31 December 2020 SR	*31 December 2019 SR*
At the beginning of the year	**21,071,490**	20,718,382
Provision during the year (note 13)	**3,196,163**	353,108
At the end of the year	**24,267,653**	21,071,490

7. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2020 SR	*31 December 2019 SR*
Advances to suppliers	**2,244,636**	-
Letters of credit (*)	**2,052,456**	13,074,283
Prepayments (**)	**1,880,428**	1,579,878
Other receivables	**796,061**	288,692
Account receivable	-	726,915
	6,973,581	15,669,768

(*) Letters of credit represent a bank guarantee issued by a local bank in exchange for lease contracts with SAGO.
(**) Prepayments mainly includes amounts prepaid medical insurance and staff allowances and others.

8. PAID CAPITAL AND PROPOSED INCREASE IN CAPITAL

The company's capital consists of 89,966,659 shares, the value of each share is 10 Saudi riyals (December 31, 2019: 50,000 shares). On Shawwal 17, 1441 (corresponding to June 9, 2020), a Cabinet decision was issued to transfer the ownership of the company to the National Center for Privatization. All legal formalities regarding the transfer of property were completed during 2020.

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

On 3 Safar 1441 (corresponding to October 2, 2019), the Extraordinary General Assembly decided to increase the company's capital from 500,000 Saudi riyals to 899,666,590 Saudi riyals, by transferring the amount of 899,166,590 Saudi riyals from the other reserves account to the total shares of 89,966,659. the legal procedures related to the capital increase were completed during the year ended 31 December 2020.

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9. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	31 December 2020 SR	*31 December 2019 SR*
Accrued expenses *	**16,260,022**	12,500,516
Trade payables	**12,854,484**	12,260,736
Other payables	**27,250**	7,400
	29,141,756	24,768,652

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

10. LEASES LIABILITIES

	31 December 2020 SR	*31 December 2019 SR*
Balance at beginning	**190,150,483**	-
Adoption of IFRS 16	**-**	215,094,744
Annual finance charge	**9,401,515**	9,608,107
Paid during the year	**(13,683,807)**	(34,552,368)
At 31 December 2020	**185,868,191**	190,150,483
Current	**4,518,278**	4,281,529
Non-current	**181,349,913**	185,868,954

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
31 December 2020

11. SALES

	31 December 2020 SR	*31 December 2019 SR*
Flour	**281,011,988**	295,116,340
Feed	**91,766,565**	97,098,106
Bran	**62,501,033**	57,527,854
	435,279,586	449,742,300

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

Disaggregation of Revenue

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

	31 December 2020 SR	*31 December 2019 SR*
Type of sector		
Corporate sector	**382,811,559**	389,838,433
Government	**51,873,010**	59,472,593
Individual sector	**595,017**	431,274
	435,279,586	449,742,300
Type of customer		
Non-government	**383,406,576**	390,269,707
Government	**51,873,010**	59,472,593
	435,279,586	449,742,300
Duration of contracts		
Less than one year	**435,279,586**	449,742,300

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

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
31 December 2020

12. DIRECT COSTS

	31 December 2020 SR	*31 December 2019 SR*
Raw material consumed	**192,377,234**	221,105,426
Salaries and other benefits	**44,653,421**	46,238,804
Depreciation of property, plant and equipment and right of use assets (Note 5)	**40,864,137**	39,956,180
Fuel and Power	**9,274,870**	10,363,174
Other maintenance expenses	**8,103,828**	6,393,029
	295,273,490	324,056,613
Finished goods at the beginning of the year	**14,008,335**	16,286,603
Total production cost intended for sale during the year	**309,281,825**	340,343,216
Finished goods at the end of the year (Note 6)	**(11,889,012)**	(14,008,335)
	297,392,813	326,334,881

13. SELLING AND DISTRIBUTION EXPENSES

	31 December 2020 SR	*31 December 2019 SR*
Salaries and other benefits	**3,527,890**	3,433,884
Depreciation of property, plant and equipment and right of use assets (Note 5)	**1,130,689**	1,100,135
Fuel and Power	**319,823**	357,351
Marketing and Promotion	**113,433**	1,494,924
Other expenses	**77,531**	395,053
	5,169,366	6,781,347

14. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2020 SR	*31 December 2019 SR*
Salaries and other benefits	**39,859,856**	40,084,719
Professional and consulting fees	**8,149,569**	15,234,497
Depreciation of property, plant and equipment and right of use assets (Note 5)	**4,279,596**	3,948,503
Insurance	**3,919,436**	4,436,165
Fuel and power	**1,109,937**	1,191,169
Communication	**1,034,403**	821,435
Board and committees' expenses, rewards and allowances (Note 19)	**955,058**	696,667
Maintenance	**904,026**	1,007,179
Subscriptions	**115,628**	429,323
Other expenses	**1,869,559**	3,329,895
	62,197,068	71,179,552

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31 December 2020

15. Contingency

As at 31 December 2020, the Company's bankers have issued, on its behalf during the normal course of business, guarantees and acceptances limited to SR 2,052,456 (31 December 2019: SR 13,074,283) (note 7).

16. FINANCIAL INSTRUMENTS

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

	31 December 2020 SR	*31 December 2019 SR*
Financial assets at amortized cost:		
Cash at banks	**345,405,953**	274,189,942

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

	31 December 2020 SR	*31 December 2019 SR*
Financial liabilities at amortized cost:		
Trade payables and other current liabilities	**29,141,756**	24,768,652
Leases liabilities	**185,868,191**	190,150,483
Amounts due to related parties	**10,937,712**	29,161,483
Total	**225,947,659**	244,080,618

Fair value hierarchy

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

The management assessed that fair value of Cash at banks; amounts due from related parties, amounts due to related parties, trade and other payables and obligations under finance lease approximate their carrying amounts, largely due to the short-term maturities of these instruments.

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

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

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

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

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

There were no transfers between levels of fair value measurements in 2019 and 2020. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.

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31 December 2020

17. FINACIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Company's activities expose it to a variety of financial risks that include credit risk, liquidity risk, and market risk. These financial risks are actively managed by the Company's Finance Department under strict policies and guidelines approved by the Board of Directors. The Company's Finance Department actively monitors market conditions minimizing the volatility of the funding costs of the Company.
There were no changes in the policies for managing these risks.

Credit risk

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

The Company is exposed to credit risk on its bank balances and amounts due from related parties as follows:

	31 December 2020 SR	*31 December 2019 SR*
Financial assets at amortized cost:		
Cash at banks	**345,405,953**	274,189,942

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

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

Banks	***Rating***		***Rating Agency***	***31 December 2020 SR***	*31 December 2019 SR*
	Short term	***Long term***			
Saudi British Bank	**P-1**	**A-1**	Moody`s	**500,000**	500,000
Banque Saudi Fransi	**P-1**	**A1**	Moody`s	**344,905,953**	273,689,942
				345,405,953	274,189,942

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 amortized cost and contract assets.

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31 December 2020

17. FINACIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – (continued)

Credit risk (continued)
Expected credit loss assessment for accounts and other receivables (continued)
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 at 31 December 2019 and 31 December 2020 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.

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

Excessive risk concentration:
Concentrations arise when several counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting an industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The table below summarizes the maturities of the Company's financial liabilities as at 31 December 2019 and 31 December 2020 based on contractual payment dates and current market interest rates as following.

31 December 2020

	On demand SR	*Less than 3 months* SR	*3 to 12 Months* SR	*1 to 5 years* SR	*More than 5 years* SR	*Total* SR
Trade payables and other current liabilities	-	-	**29,141,756**	-	-	**29,141,756**
Lease liabilities	-	-	**4,518,278**	**26,791,147**	**154,558,766**	**185,868,191**
Amounts due to related parties	-	-	**10,937,712**	-	-	**10,937,712**
	-	-	**44,597,835**	**26,791,147**	**154,557,357**	**225,947,659**

31 December 2019

	On demand SR	*Less than 3 months* SR	*3 to 12 Months* SR	*1 to 5 years* SR	*More than 5 years* SR	*Total* SR
Trade payables and other current liabilities	-	-	24,768,652	-	-	24,768,652
Lease liabilities	-	-	4,281,529	24,207,033	161,661,920	190,150,483
Amounts due to related parties	-	-	29,161,483	-	-	29,161,483
	-	-	58,211,664	24,207,033	161,661,920	244,080,618

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
31 December 2020

17. FINACIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – (continued)

Market risk

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

Market risk comprises of three types of risk: currency risk, interest rate risk and another price risk.

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.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. However, as the Company does not have any instrument carrying such risk, it is not exposed to interest rate risk.

Equity price risk

This is the susceptibility of a Company's listed and unlisted equity securities to market price risk arising from uncertainties about future values of the investment securities. The Company manages equity price risk through diversification and sets limits for each equity instrument separately and in aggregate. Reports on equity portfolio are regularly reported to Senior Management. As the Company has no such investments in the securities, it is not exposed to such risk.

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17. FINACIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – (continued)

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 maximize 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.

	31 December 2020 SR	*31 December 2019 SR*
Trade payables and other current liabilities	**29,141,756**	24,768,652
Lease liabilities	**185,868,189**	190,150,483
Amounts due to related parties	**10,937,712**	29,161,483
Less: Cash at banks	**(345,405,953)**	(274,189,942)
Net debt	**(119,458,296)**	(30,109,324)
Shareholders' equity	**1,138,224,517**	1,073,290,726
Total capital	**1,018,766,221**	1,043,181,402
Gearing ratio	**-11%**	-3%

18. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year. Earnings per share for the year ended 31 December 2019 have been recalculated retrospectively based on the number of issued shares after the capital increase of 89,966,659 shares (Note 9).

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

	31 December 2020 SR	*31 December 2019 SR*
Profit for the year	**64,933,791**	39,888,331
Weighted average number of ordinary shares for basic EPS	**89,966,659**	89,966,659
Earnings per share – basic and diluted	**0.722**	0.443

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

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19. 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. Transactions with related parties are on are arm's length transaction basis.

The following table shows the total amount of transactions that were made with the related parties during the year ended 31 December 2020 and 31 December 2019, in addition to balances with the related parties as at 31 December 2020 and 31 December 2019:

		Transactions						*Balances*
		Raw Material transfer SR	***Purchase of wheat and other raw materials SR***	***Payments on behalf of SR***	***Payments made SR***	***leases SR***	***leases finance cost***	***Amounts due to related parties SR***
First Milling Company	**2020**	-	-	**139,303**	**(139,303)**		-	-
	2019	8,256	-	-	(11,513,831)		-	-
Second Milling Company	**2020**	**-**	**-**	**4,119,283**	**(15,539,847)**			-
	2019	-	-	13,477,406	(10,788,562)		-	11,420,564
Saudi Grain Organization	**2020**	-	**140,745,757**	-	**(171,320,007)**	**14,369,529**	**9,401,515**	**10,937,712**
	2019	-	180,766,107	204,629	(214,910,322)	24,944,261	9,608,107	17,740,919

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19. RELATED PARTY TRANSACTIONS AND BALANCES – (continued)

Compensation of key management personnel of the Company

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

Transactions with key management personnel	***2020*** ***SR***	*2019* *SR*
Board and committees' expenses, rewards and allowances	**955,058**	696,667
Short term employees defined benefits	**4,343,349**	4,248,591
Post-employment and medical benefits	**462,522**	469,144
Total Transactions with key management personnel	**5,760,929**	5,414,402

20. COMPARATIVE FIGURES

Certain comparative figures of the prior year have been reclassified to conform with the presentation of the current year figures.

21. THE IMPACT OF COVID-19 PANDEMIC

A new strain of Coronavirus (Covid-19) was identified for the first time at the end of December 2019, during the month of March 2020, the World Health Organization proclaimed this a global pandemic. The new Corona virus continued to spread all over the world, including the Kingdom of Saudi Arabia, which causes implementation of travel restrictions and the imposition of a curfew in the cities, this resulted in a slowdown in economic activity and the closure of many sectors at the global and local level. At the end of the second quarter of 2020, the government of the Kingdom of Saudi Arabia began to allow the return of all commercial economic activities, considering the application of all approved preventive measures and social distancing.

In response to the rapid spread of the virus and the resulting disruption of some business and economic activities, the management assessed its impact on its current and future operations and took a series of preventive and precautionary measures, while ensuring the continuation of services provided to clients. Until the date of preparing the financial statements for the year ending on December 31, 2020, the company's business and operations were not materially affected by the consequences of the outbreak of the virus, taking into account the lesser impact of the pandemic on the business of companies operating in the sector.

22. SUBSEQUENT EVENTS

In the opinion of management, there were no material events subsequent to the period of preparation period of these financial statements and before the date of issuance of our audit report that may have a material impact on the company's financial statements.

23. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issuance by the Company's Board of Directors on 7 Muharram 1443 H (corresponding to 15 August 2021).

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

Aldar Audit Bureau
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Lic. No. 323/11/36
C.R. 1010443881
C.C. 15070

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements

Opinion

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

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

Basis for Opinion

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

Other Matters

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and

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

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

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

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Kingdom of Saudi Arabia

ALDAR AUDIT BUREAU
Professional Partnership Co.
Head Office Riyadh
CR 1010443881
Certified Accountants
Abdullah Al Basri & Co.

Abdullah M. Al Basri
Certified Public Accountant
(License No. 171)

Riyadh, 7 Ramadan 1443H
Corresponding to 8 April 2022

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THE THIRD MILLING COMPANY
(A Saudi Closed Joint Stock Company)
Statement of financial position
(Amounts in SR, unless otherwise stated)

	Note	As at 31 December 2021	As at 31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	5	**873,963,491**	903,095,884
Intangible asset	6	**4,254,180**	3,484,686
Total non-current assets		**878,217,671**	906,580,570
Current assets			
Inventories	7	**104,782,009**	111,720,826
Advances, prepayments and other current assets	8	**36,897,594**	6,973,581
Cash at bank	9	**94,133,966**	345,405,953
Total current assets		**235,813,569**	464,100,360
Total assets		**1,114,031,240**	1,370,680,930
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**899,666,590**	899,666,590
Merger deficit reserve	27	**(817,835,064)**	-
Statutory reserve	3.15	**12,832,179**	6,643,379
Retained earnings		**17,463,711**	231,914,548
Total equity		**112,127,416**	1,138,224,517
Liabilities			
Non-current liabilities			
Long term loans	11	**680,576,505**	-
Lease liabilities	12	**176,587,400**	181,349,913
Employees' defined benefit obligation	13	**782,225**	495,802
Total non-current liabilities		**857,946,130**	181,845,715
Current liabilities			
Current portion of long term loans	11	**11,758,229**	-
Current portion of lease liabilities	12	**4,761,747**	4,518,278
Trade payables		**48,858,099**	12,854,484
Accrued expenses and other current liabilities	14	**42,335,992**	16,287,272
Due to related parties	24.3	**24,895,029**	10,937,712
Advance from customers	16.3	**8,970,779**	6,012,952
Provision for zakat	22	**2,377,819**	-
Total current liabilities		**143,957,694**	50,610,698
Total liabilities		**1,001,903,824**	232,456,413
Total equity and liabilities		**1,114,031,240**	1,370,680,930
CONTINGENCIES AND COMMITMENTS	15		

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

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

(Amounts in SR, unless otherwise stated)

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

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

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

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

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

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

(Amounts in SR, unless otherwise stated)

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

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

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

(Amounts in SR, unless otherwise stated)

1 ORGANISATION AND ITS ACTIVITIES

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

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

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

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

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

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

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

(Amounts in SR, unless otherwise stated)

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

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Level of precision

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

2.5 Critical accounting estimates and judgments

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

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

(Amounts in SR, unless otherwise stated)

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

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

a) **Useful lives of property, plant and equipment and intangible assets**
The estimation of useful lives of items of property, plant and equipment and intangible asset is a matter of judgment based on experience with similar assets. Future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. Following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical or commercial obsolescence arising from changes in market conditions.

b) **Expected credit loss (ECL) measurement**
Measurement of ECL is a significant estimate that involves determination methodology, models and data inputs. Following components have a major impact on credit loss allowance: definition of default, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Company regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. The Company used supportable forward-looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model.

c) **Provision for inventory obsolescence**
The Company determines its allowance for inventory obsolescence based upon historical experience, current condition, and current and future expectations with respect to its use. The estimate of the Company's allowance for inventory obsolescence could change from period to period, which could be due to assessment of the future usage of inventory.

d) **Right-of-use assets and lease liabilities**
The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewable options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

e) **Impairment of non-financial assets**
Management assesses the impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors which could trigger an impairment review include evidence from internal and external sources related to the changes in technological, market, economic or legal environment in which the entity operates, changes in market interest rates and economic performance of the assets.

f) **Employees' end of service benefit obligations**
Management has adopted certain actuarial assumptions for valuation of present value of employee benefit obligations based on actuarial advice. For further details see note 13 and 3.9.

g) Provision for Zakat

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

3.2 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives.

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

(Amounts in SR, unless otherwise stated)

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

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

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

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

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

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

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

3.3 Intangible assets

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

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

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

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

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

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

3.4 Lease

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

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

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

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

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

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

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

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

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

3.5 Financial instruments

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

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

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

Classification and subsequent measurement

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

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

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

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

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

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

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

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

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

Financial assets - Subsequent measurement and gains and losses

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss other comprehensive income. Any gain or loss on derecognition is recognised in statement of profit or loss and other comprehensive income (OCI).
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss other comprehensive income unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to statement of profit or loss and OCI.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in statement of profit or loss and OCI.

Impairment of financial assets

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

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

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

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

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-actual or expected significant changes in the operating results of the customer

-significant increases in credit risk on other financial instruments of the same customer

-significant changes in the expected performance and behavior of the borrower, including changes in the payment status of customers and changes in the operating results of the customer

-macroeconomic information (such as market interest rates or growth rates)

-past due information adjusted for future information

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

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

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

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

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

Presentation of impairment of financial assets in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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

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

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Derecognition

Financial assets

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

Financial liabilities

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

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

Offsetting

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

3.6 Loans and borrowings

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

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

3.7 Inventories

Cost is determined as follows:

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

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

3.8 Cash and cash equivalents

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

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

3.9 Employees benefits

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

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

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

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

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

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

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Defined contribution plan

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

Short-term employee benefits

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

3.10 Impairment of non-financial assets

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

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

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

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

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3.11 Revenue from contracts with customers

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

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

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

Contract balances

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

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

3.12 Provisions

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

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

3.13 Contingencies

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

3.14 Zakat

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

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

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

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

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

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

3.15 Statutory reserve

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

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3.16 Foreign currencies

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

3.17 Operating profit

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

3.18 Selling, distribution, general and administration Expenses

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

3.19 Dividend

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

3.20 Basic and diluted earnings per share

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

3.21 Operating segments

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

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4 STANDARD, AMENDMENT OR INTERPRETATION TO PUBLISHED APPROVED ACCOUNTING STANDARDS

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

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

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

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

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

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

IFRS 17 Insurance Contracts

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

References to the Conceptual Framework

Proceeds before Intended Use (Amendments to IAS 16)

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

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

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

Deferred Tax related to Assets and Liabilities from a Single Transaction

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

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5 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

5.3 Right of use assets

2021

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

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

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

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

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5.4 Capital work in progress

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

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

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

6 INTANGIBLE ASSETS

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

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

7 INVENTORIES

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

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

7.1 Movement in allowance for slow moving inventories

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

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8 ADVANCES, PREPAYMENTS AND OTHER CURRENT ASSETS

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

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

9 CASH AND BANK BALANCE

	Note	31 December 2021	31 December 2020
Cash at bank	27	**94,133,966**	345,405,953

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

10 SHARE CAPITAL

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

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

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

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

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

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11 LONG TERM LOAN

	31 December 2021	31 December 2020
Long term loan	**702,406,402**	-
Transaction cost	**(10,071,668)**	-
	692,334,734	-

	31 December 2021	31 December 2020
Non-current portion	**680,576,505**	-
Current portion	**11,758,229**	-
	692,334,734	-

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

The facilities are secured against the following collaterals:

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

12 LEASES LIABILITIES

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

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

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

Amount recognised in statement of cash flow

Total cash outflow for leases	**(13,683,807)**	(13,683,807)

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13 EMPLOYEES' DEFINED BENEFIT OBLIGATIONS

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

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

14 ACCRUED AND OTHER CURRENT LIABILITIES

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

15 CONTINGENCIES AND COMMITMENTS

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

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

16 SALES

16.1 Disaggregation of revenue from contracts with customers

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

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

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

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Type of sector	31 December 2021	31 December 2020
Corporate sector	**315,562,860**	382,811,559
Government sector	**148,298,639**	51,873,010
Individuals	**91,150,280**	595,017
	555,011,779	435,279,586

Type of customer	31 December 2021	31 December 2020
Government	**148,298,639**	383,406,576
Non-government	**406,713,140**	51,873,010
	555,011,779	435,279,586
Duration of contracts		
Less than one year	**555,011,779**	435,279,586
Timing of revenue recognition		
At a point in time	**555,011,779**	435,279,586

Performance obligation

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

16.3 Contract liabilities (Advance from customers)

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

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

17 COST OF SALES

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

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18 SELLING AND DISTRIBUTION EXPENSES

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

19 GENERAL AND ADMINISTRATIVE EXPENSES

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

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

20 FINANCE COST

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

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

21 OTHER INCOME-NET

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

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

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22 ZAKAT

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

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

Status of certificates and final assessments

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

23 EARNINGS PER SHARE (EPS) - BASIC AND DILUTED

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

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

24 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

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

24.2 Significant transactions with related parties comprise the following:

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

24.3 Due to related parties

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

24.4 Key management personnel

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

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

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25 SEGMENT INFORMATION

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

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

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

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

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26 FINACIAL RISK MANAGEMENT

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

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

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

26.1 Credit risk

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

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

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

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

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

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

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

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

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

(Amounts in SR, unless otherwise stated)

26.2 Liquidity risk

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

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

31 December 2021	**Carrying value**	**0 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Long term loans	**692,334,734**	**11,758,229**	**309,250,848**	**371,325,657**	**692,334,734**
Lease liabilities	**181,349,147**	**4,761,747**	**29,219,073**	**147,368,327**	**181,349,147**
Amounts due to related parties	**24,895,029**	**24,895,029**	-	-	**24,895,029**
Trade payables	**48,858,099**	**48,858,099**	-	-	**48,858,099**
Accrued and other current liabilities	**35,585,993**	**35,585,993**	-	-	**35,585,993**
	983,023,002	**125,859,097**	**338,469,921**	**518,693,984**	**983,023,002**

31 December 2020	**Carrying value**	**0 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Lease liabilities	185,868,191	4,518,278	26,791,147	154,558,766	185,868,191
Amounts due to related parties	10,937,712	10,937,712	-	-	10,937,712
Trade payables	12,854,484	12,854,484	-	-	12,854,484
Accrued and other current liabilities	16,287,272	16,287,272	-	-	16,287,272
	225,947,659	44,597,746	26,791,147	154,558,766	225,947,659

26.3 Market risk

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

Foreign currency risk

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

Interest rate risk

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

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

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

	Note	31 December 2021	31 December 2020
Long term loan	11	692,334,734	-

	Increase / decrease	Effect on profit before zakat
31 December 2021		
Impact in SR due to change in base point	10%	(6,092,546)
Impact in SR due to change in base point	-10%	4,984,810
31 December 2020		
Impact in SR due to change in base point	10%	-
Impact in SR due to change in base point	-10%	-

Equity price risk

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

26.4 Capital management

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

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

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

26.5 Fair value hierarchy

Assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

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

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

(Amounts in SR, unless otherwise stated)

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

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

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

Financial assets

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

Total financial assets	**31 December 2021**	31 December 2020
Non-current	-	-
Current	**95,811,210**	345,405,953
Total financial assets	**95,811,210**	345,405,953

Financial liabilities

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

Total financial liabilities	**31 December 2021**	31 December 2020
Non-current	**857,163,905**	181,349,913
Current	**125,859,097**	44,597,746
Total financial liabilities	**983,023,002**	225,947,659

27 MERGER

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

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

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

(Amounts in SR, unless otherwise stated)

Assets, liabilities and equity of the Parent Company have been transferred to the Company and accounted for as a legal merger (combination of entities) under common control and has been carried out at respective book values at 1 January 2021. Below are the details of assets, liabilities, equity, income and expenses of the Parent Company merged with the Company:

	Amounts
Non-current assets	
Investment in the Company	817,935,064
Current assets	
Due from a related party	7,375,281
Other receivable	1,647,092
Cash and bank balance	24,647,949
Total assets	**851,605,386**
Non-current liabilities	
Long-term loan	682,923,611
Current liabilities	
Current portion of long-term loan	12,936,687
Accrued expenses and other payables	4,136,636
Total liabilities	**699,996,934**
Equity	
Share capital	100,000
Accumulated loss	(150,036)
Profit for the year *	151,658,488
Total equity	**151,608,452**
Total liabilities and equity	**851,605,386**

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

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

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

	31 December 2021
Merger deficit reserve	**(817,835,064)**

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

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

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

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

(Amounts in SR, unless otherwise stated)

28 COMPARATIVE FIGURES

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

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

29 DIVIDEND

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

30 SUBSEQUENT EVENTS

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

31 APPROVAL OF THE FINANCIAL STATEMENTS

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

MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

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

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MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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

Headquarters in Riyadh

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

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Modern Mills Company

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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Independent Auditor's Report (continued)

To the Shareholders of Modern Mills Company

Revenue recognition

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

Key audit matter	How the matter was addressed in our audit
During the year ended 31 December 2022, the Group recognized revenue of SR 978 million (2021: SR 555 million). Revenue from sales is recognised at point in time when control over the goods is transferred to the customer on delivery of the goods in accordance with "IFRS 15 - Revenue from contracts with customers". Revenue is a key indicator for measuring performance, and this implies the presence of inherent risks to overstate revenue recognition to increase profitability and earnings. Therefore, revenue recognition was considered a key audit matter.	Our audit procedures performed included, among other audit procedures, the following: - Assessed the appropriateness of the Company's accounting policies for revenue recognition in line with the requirements of International Financial Reporting Standards (IFRS) that are endorsed in Kingdom of Saudi Arabia; - Evaluated key contractual and returns arrangements by considering relevant documentation and agreements with the customers; - Assessed the design and implementation, of the Company's controls, including anti-fraud controls, over the recognition of revenue; - Performed variance analysis by comparing the current year's revenue with the historical trend, and discussed material variances, if any; - Selected sample of sales transactions taking place during the year and inspected the supporting documents to assess they were recognized at the correct amounts. - Recalculated and inspected discounts and rebates for a sample of customers according to their agreements to assess these are recognized at correct amounts and in the correct accounting period. - Inspected sample of sales transactions taking place before and after the year-end to assess whether revenue was recognized in the correct accounting period; and - Assessed the adequacy of the relevant disclosures in accordance with the requirements of IFRS 15 included in the consolidated financial statements.

Emphasis of matter - comparative information

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

Other matter relating to comparative information

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

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Independent Auditor's Report (continued)

To the Shareholders of Modern Mills Company

Other matter relating to comparative information (continued)

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

Other Information

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

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

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

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

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

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

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

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

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

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

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Independent Auditor's Report (continued)

To the Shareholders of Modern Mills Company

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Professional Services

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

Ebrahim Oboud Baeshen
License No. 382

Jeddah, 11 September 2023
Corresponding to 26 Safar 1445H

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MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

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

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

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

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MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

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

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

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MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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1. CORPORATE INFORMATION

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

The Company was formed by the Public Investment Fund (the "PIF") pursuant to the resolution of the Council of Ministers No. (35) of 9 November 2015 (corresponding to 27 Muharram 1437H) approving the adoption of the necessary actions to establish four Joint Stock Milling Companies according to the proposed geographical distribution. The Public Investment Fund, in coordination with the General Food Security Authority ("GFSA") previously known as Saudi Grains Organization (the "SAGO"), shall do so in accordance with Royal Decree No. (62) dated 31 July 2014 (corresponding to 4 Shawwal 1435H). The Company is selling various products of flour, feed and bran out of which the selling prices of only the flour products weighing 45 KGs and above are determined by the GFSA.

On 9 June 2020 (corresponding to 17 Shawwal 1441H), Cabinet Resolution No. (631) was issued to transfer the ownership of the company to the National Center for Privatisation (the "NCP") and for the NCP to carry out the tasks assigned to the Public Investment Fund by Cabinet Resolution No. (118) and dated 30 October 2018 (corresponding to 21 Safar 1440H). The Company's shares were wholly sold to Mada Al Ghurair Limited Company on 31 December 2020 (corresponding to 16 Jumada Al Awal 1442H).

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

The Company has entered into a subsidised wheat purchase agreement with GFSA, as GFSA imports wheat to Saudi Arabia for the purpose of producing subsidised flour. This agreement was entered into force on 1 January 2017 (corresponding to 3 Rabi Al Thani 1438H). The agreement stipulates that the purchase price of the subsidised wheat is calculated according to the monetary value per metric ton of subsidised wheat specified by the Government of the Kingdom of Saudi Arabia at SR 180 per metric ton since 2017. The Company also has an option to import the wheat directly or to source it from the open market.

On 30 November 2020 (corresponding to 15 Rabi Al Thani 1442H) the wheat purchase agreement was extended and it will be in force until the date of expiry of the Company's milling operating license, subject to an automatic extension of the contract term to match the term of the Company's license. This license shall remain valid for a period of twenty-five (25) Gregorian years, counted from the date of completion of the transfer of ownership of all shares of the licensee to the private sector that was completed on 31 December 2020 (corresponding to 16 Jumada Al Awal 1442H).

The registered address of the Company is as follows:

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

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1. COMPANY INFORMATION (continued)

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

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

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

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and other standards and pronouncements that are endorsed in the Kingdom of Saudi Arabia issued by the Saudi Organization for Chartered and professional Accountants ("SOCPA") collectively referred to as "IFRS" as endorsed in Kingdom of Saudi Arabia.

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2. BASIS OF PREPARATION (continued)

2.2 Basis of measurement

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

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

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

2.3 Basis of consolidation

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

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

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

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

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

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2. BASIS OF PREPARATION (continued)

2.3 Basis of consolidation (continued)

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

2.4 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

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

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

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

3.3 Leases - Estimating the incremental borrowing rate

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

3.4 Provision for slow moving and obsolete inventory items

The management makes a provision for slow moving and obsolete inventory items. In order to identify the slow moving and obsolete inventory items, the Group performs a review exercise at each reporting date. The Group is considering all inventory which are more than a year old without moving as slow moving inventory. Inventory identified as slow moving and obsolete is provided for as and when identified and disposed off in accordance with Group's policy for disposal of obsolete inventories. All write-offs are approved by the Board of Directors. In addition to that, the Group has a policy of maintaining 25% as provision for the value of their spare parts. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the financial position date to the extent that such events confirm conditions existing at the end of year.

3.5 Allowance for expected credit losses

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

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

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

3.5 Allowance for expected credit losses (continued)

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

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

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

3.6 Defined benefit plans

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

3.7 Impairment of non-financial assets

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

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

3.8 Going concern

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when it is:

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

The Group classifies all other liabilities as non-current.

4.2 Fair value measurement

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Fair value measurement (continued)

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

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

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

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

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

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

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

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

4.3 Property, plant and equipment

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Property, plant and equipment (continued)

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

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

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

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

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

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

4.4 Leases

4.4.1 Right-of-use assets

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Leases (continued)

4.4.2 Lease liabilities

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

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

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

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

4.5 Intangible assets

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Intangible assets (continued)

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

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

Computer software

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

4.6 Financial instruments - initial recognition and subsequent measurement

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

4.6.1 Financial Assets

Classification, Initial recognition and measurement

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

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

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

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4.6.1 Financial Assets (continued)

Classification, Initial recognition and measurement (continued)

a) Financial assets at amortized cost

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

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

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

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

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

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

c) Financial assets at fair value through profit or loss

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4.6.1 Financial Assets (continued)

Financial assets: Business model assessment

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

Subsequent measurement and gains and losses

a) Financial assets at amortized cost

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and are subject to an insignificant risk of changes in value.

Trade receivable and other current financial assets

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

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

Debt investments at FVOCI

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

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

Equity investments at FVOCI

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4.6.1 Financial Assets (continued)

Financial assets: Business model assessment (continued)

c) Financial assets at fair value through profit or loss

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

Derecognition

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

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

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4.6.2 Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

a) Financial liabilities at fair value through profit or loss

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

b) Financial liabilities at amortized cost

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

Loans

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4.6.2 Financial liabilities (continued)

Derecognition

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

Offsetting of financial instruments

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

4.7 Inventories

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

Cost is measured as follows:

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Cash and cash equivalents

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

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

4.9 Employees' defined benefit obligations

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

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

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

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

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

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Impairment of non-financial assets

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

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

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

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

4.11 Revenue from contracts with customers

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Revenue from contracts with customers (continued)

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

The following five steps are followed:

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

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

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

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

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Revenue from contracts with customers (continued)

4.11.1 Variable consideration

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

Rights of return

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

4.11.2 Significant financing component

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

4.12 Provisions General

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

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

4.13 Zakat and taxes

4.13.1 Zakat

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Zakat and taxes (continued)

4.13.2 Withholding tax

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

4.13.3 Value added tax "VAT"

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

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

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

4.14 Statutory reserve

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

4.15 Foreign currencies

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

Transactions and balances

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Foreign currencies (continued)

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

4.16 Operating profit

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

4.17 Selling, distribution, general and administrative expenses

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

4.18 Finance costs

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

5. NEW STANDARDS, INTERPRETATION AND AMENDMENTS

5.1 New standards, interpretations and amendments adopted

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

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

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5. NEW STANDARDS, INTERPRETATION AND AMENDMENTS (continued)

5.2 New standards, interpretations and amendments issued but not adopted

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

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

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

6. SEGMENT INFORMATION

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

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

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

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6. SEGMENT INFORMATION (continued)

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

For the year ended 31 December 2022	**Khamis**	**Al Jumum**	**Al Jowf**	**Total**
Total revenue	**585,125,181**	**275,555,429**	**117,320,081**	**978,000,691**
Cost of inventories	**(332,626,731)**	**(82,634,908)**	**(38,799,711)**	**(454,061,350)**
Employee benefits	**(27,986,930)**	**(19,837,672)**	**(16,060,349)**	**(63,884,951)**
Depreciation	**(17,016,848)**	**(27,955,039)**	**(7,349,078)**	**(52,320,965)**
Other expenses	**(35,902,967)**	**(19,682,829)**	**(11,568,695)**	**(67,154,491)**
Finance costs	**(1,830,458)**	**(3,812,007)**	**(914,864)**	**(6,557,329)**
Other income	**659,002**	**(376,041)**	**9,488**	**292,449**
Segment profit	**170,420,249**	**121,256,933**	**42,636,872**	**334,314,054**

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

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

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6. SEGMENT INFORMATION (continued)

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

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

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

Profit before tax

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

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6. SEGMENT INFORMATION (continued)

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

i) Total assets

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

ii) Total liabilities

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

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

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7. PROPERTY, PLANT AND EQUIPMENT

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

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7. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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7. PROPERTY, PLANT AND EQUIPMENT (continued)

7.1 The buildings are built on land leased from the GFSA with an annual rental of SR 3,173,959. The lease term is twenty-five calendar years commencing from 1 January 2017 (corresponding to 3 Rabee Thani 1438H) and is renewable for a similar period. In 2020, the lease term was extended by an additional four years.

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

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

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

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

8. RIGHT-OF-USE ASSETS

The Group leases silos, lands and building for its head office. Silos and lands are leased from the GFSA with a lease term of twenty-five calendar years commenced from 1 January 2017 (corresponding to 3 Rabee Thani 1438H) and is renewable for a similar period. In 2020, the lease term was extended by an additional four years. Leases for head office building is for a period of 5 years, with an option to renew the lease after that date. For leases, the Group is restricted from entering into any sub-lease arrangements.

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

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8. RIGHT-OF-USE ASSETS (continued)

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

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

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

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9. INTANGIBLE ASSETS

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

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

10. INVENTORIES

10.1 Inventories comprise of the following:

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

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10. INVENTORIES (continued)

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

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

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

11. TRADE RECEIVABLES

11.1 Trade receivables comprise of the following:

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

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

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

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

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12. PREPAYMENTS AND OTHER CURRENT ASSETS

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

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

13. CASH AND CASH EQUIVALENTS

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

14. SHARE CAPITAL

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

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

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

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

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14. SHARE CAPITAL (continued)

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

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

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

15. MERGER RESERVE

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

16. STATUTORY RESERVE

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

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

17. DIVIDENDS

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

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

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

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

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17. DIVIDENDS (continued)

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

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

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

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

18. LONG TERM LOANS

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

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

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

The facilities are secured against the following collaterals:

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

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

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

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18. LONG TERM LOANS (continued)

Movement in loan balance is as follows:

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

Maturity analysis - contractual cash flows

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

19. LEASE LIABILITIES

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

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

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19. LEASE LIABILITIES (continued)

19.2 Amounts recognised in profit or loss

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

19.3 Amounts recognised in statement of cash flows

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

20. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS

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

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

ACTUARIAL ASSUMPTIONS

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

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

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

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20. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS (continued)

AMOUNT CHARGED TO PROFIT OR LOSS

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

AMOUNT CHARGED TO OTHER COMPREHENSIVE INCOME

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

NET DEFINED BENEFIT OBLIGATION

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

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

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

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

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20. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS (continued)

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

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

21. ACCRUED EXPENSES AND OTHER LIABILITIES

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

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

22. ADVANCES FROM CUSTOMERS

The advances from customers primarily relate to the advance consideration received from customers for the sale of goods. The amount of SR. 8.97 million included in advances from customers at 31 December 2021 has been recognised as revenue in 2022 (2021: SR 6.01 million). The Group is expecting to recognise SR 12.57 million as revenue in 2023.

23. REVENUE

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

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23. REVENUE (continued)

23.1 Disaggregation of revenue

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

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

Timing of revenue recognition

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

24. COST OF REVENUE

Cost of revenue comprises the following:

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

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

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25. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses comprise the following:

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

26. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise the following:

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

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

26.2 Others also include write off of intangible assets.

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27. FINANCE COSTS

Finance costs comprise the following:

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

28. FINANCE INCOME

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

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

29. OTHER INCOME

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

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

30. ZAKAT

30.1 Movement in provision for zakat during the year

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

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

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

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30. ZAKAT (continued)

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

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

30.3 Zakat Status

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

31. CAPITAL COMMITMENTS AND CONTINGENCIES

31.1 Contingencies

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

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

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

31.2 Commitments

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

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

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

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31. CAPITAL COMMITMENTS AND CONTINGENCIES (continued)

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

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

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

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

32. EARNINGS PER SHARE

32.1 Basic and diluted earnings per share

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

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

The calculation of diluted earnings per share has been based on the earnings attributable to shareholder of ordinary shares and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares if any.

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

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

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33. RELATED PARTY TRANSACTIONS AND BALANCES

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

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

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

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

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

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

OTHER RELATED PARTY TRANSACTIONS

Transactions with related parties arise mainly from services provided/ received and payments made on behalf of each other and are undertaken at mutually agreed terms.

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

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33. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

OTHER RELATED PARTY TRANSACTIONS (continued)

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

DUE TO RELATED PARTIES

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

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

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

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

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34. MERGER TRANSACTION

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

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

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

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

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

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34. MERGER TRANSACTION (continued)

The net adjustment of transferring the Parent Company's assets, liabilities and equity balances has been recorded in the Company's equity as a merger deficit reserve which is as follows:

	Amounts
Investment in the Company	**817,935,064**
Due from a related party	**7,375,281**
Other receivables	**1,647,093**
Cash and bank balances	**24,647,949**
Long-term loan	**(682,923,611)**
Current portion of long-term loan	**(12,936,687)**
Accrued expenses and other payables	**(4,136,636)**
Accumulated profits	**(151,508,453)**
Share capital	**(100,000)**
Merger adjustments:	
Investment in subsidiary	**(817,935,064)**
Share capital of the Parent Company	**100,000**
Merger deficit reserve	**(817,835,064)**

No consideration has been paid and as a result of merger, the investment of the ultimate Parent Company in the Company amounting to SR 817,935,064 has been derecognized through equity resulting in a merger deficit reserve of SR 817,935,064, which has been recognised as a separate line item within equity. The share capital of the ultimate Parent Company amounting to SR 100,000 has also been adjusted against this merger deficit reserve. Total merger deficit reserve amounts to SR 817,835,064 as at the reporting date.

The merger deficit reserve so created has been adjusted against share capital of the Company during the year. (note 14).

35. FINANCIAL INSTRUMENTS

Set out below is an overview of financial assets held by the Group:

	31 December 2022	31 December 2021	1 January 2021
Financial assets at amortised cost:			
Bank balances	**118,048,894**	94,133,966	345,405,953
Trade receivables	**86,732**	--	--
Other receivables	**32,733**	1,677,244	796,061
	118,168,359	95,811,210	346,202,014

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35. FINANCIAL INSTRUMENTS (continued)

Set out below is an overview of financial liabilities held by the Group:

Financial liabilities at amortised cost:	**31 December 2022**	31 December 2021 (Restated)	1 January 2021 (Restated)
Trade and other payables	**44,707,986**	46,085,035	10,081,420
Other payables	**906,487**	59,761	27,250
Long term loans	**580,564,561**	692,334,734	--
Lease liabilities	**251,450,156**	256,655,639	263,594,846
Due to related parties	**--**	24,895,029	10,937,712
	877,629,190	1,020,030,198	284,641,228

Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments comprise of financial assets and financial liabilities. The Group's financial assets consist of bank balances, trade receivables and other current assets. Its financial liabilities consist of trade payables, accrued expenses and other current liabilities, long-term loans, obligations under finance lease and amounts due to related parties.

The management assessed that fair value of bank balances, trade receivables, other current assets, trade payables, accrued expenses and other current liabilities, long-term loans, obligations under finance lease and amounts due to related parties approximate their carrying amounts, largely due to the short-term maturities of these instruments except for the long term loans which carries floating rate based on the market terms.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or

Level 3 -Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There are no financial instruments recognised at fair value and there were no transfers between levels of fair value measurements in 2022 and 2021. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.

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35. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main purpose of the Group's financial instruments is to raise finances for the Group's operations.

The Group's activities expose it to a variety of financial risks that include credit risk, liquidity risk, and market risk. These financial risks are actively managed by the Group's Finance Department under strict policies and guidelines approved by the Board of Directors. The Group's Finance Department actively monitors market conditions minimising the volatility of the funding costs of the Group.

There were no changes in the policies for managing these risks.

Credit risk
Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer which the Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Owing to nature of the Group's business, significant portion of revenue is collected in cash due to which the Group is not significantly exposed to credit risks.

The Group is exposed to credit risk on its financial assets as follows:

	31 December 2022	31 December 2021	1 January 2021
Financial assets at amortised cost			
Bank balances	**118,048,894**	94,133,966	345,405,953
Trade receivables	**86,732**	--	--
Other receivables	**32,733**	1,677,244	796,061
	118,168,359	95,811,210	346,202,014

The carrying amounts of financial assets represent the maximum credit exposure. Credit risk on balances with banks is limited as:

- Cash balances are held with banks with sound credit ratings as below:

Banks	Rating Short-term	Rating Long-term	Rating agency	**31 December 2022**	31 December 2021	1 January 2021
Saudi British Bank	P-1	A-1	Moody's	**499,999**	499,999	499,999
Banque Saudi Fransi	P-1	A-1	Moody's	**10,404,426**	28,245,992	344,905,954
Alinma Bank	P-1	A-1	Moody's	**107,144,469**	65,387,975	--
				118,048,894	94,133,966	345,405,953

Ratings of Prime-1 (P-1) reflect a superior ability to repay short-term obligations (Aaa – A3).

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35. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Expected credit losses:

The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings (long-term) of the respective counterparties.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The Group limits its exposure to credit risk from trade receivables by establishing and maintaining a cash-based mode of conducting business. As the advance of customer is received before any supply of goods, the Group's exposure to any such credit risk on trade receivables is very limited.

Expected credit loss assessment for accounts and other receivables
As per IFRS 9, the simplified approach is used to measure expected credit losses which uses a lifetime expected loss allowance for all financial assets measured at amortised cost and contract assets.

The expected loss rates are based on the payment profiles of receivables over a suitable period and corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified GDP of Kingdom of Saudi Arabia (the country in which it renders the services) to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Group assessed the concentration of risk with respect to trade receivables and concluded it to be low. The Group has recognized allowance for expected credit losses against their trade receivables amounting to SR. 103,250 (31 December 2021: SR. NIL).

The loss allowance as at 31 December 2021 was determined to be not required as the Group had a cash only business, hence no adjustment of the same was made in the consolidated financial statements.

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35. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2022.

Trade Receivables	**Loss rate**	**Gross carrying amount**	**Loss allowance**	**Credit-impaired**
Current (not past due)	0.04%	74,644	33	No
0 – 30 days past due	1.78%	--	--	No
31 – 90 days past due	8.12%	--	--	No
91 – 180 days past due	12.02%	--	--	No
181 – 360 days past due	46.44%	22,719	10,550	Yes
More than 360 days past due	100.00%	92,619	92,619	Yes

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and service maturing debts. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Excessive risk concentration:

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The table below summarises the maturities of the Group's financial liabilities as 31 December 2022 and 31 December 2021 based on contractual payment dates and current market interest rates as following.

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35. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

31 December 2022

Non derivative financial liabilities	**Carrying amounts**	**Contractual amounts**			**Total contractual amounts**
		1 year or less	**1 to 5 years**	**More than 5 years**	
Trade and other payables	**44,707,986**	**44,707,986**	**--**	**--**	**44,707,986**
Other payables	**906,487**	**906,487**	**--**	**--**	**906,487**
Long term loans	**580,564,561**	**76,013,761**	**318,515,766**	**420,058,107**	**814,587,634**
Lease liabilities	**251,450,156**	**14,183,209**	**57,178,139**	**261,772,983**	**333,134,331**
Amounts due to related parties	**--**	**--**	**--**	**--**	**--**
	877,629,190	**135,811,443**	**375,693,905**	**681,831,090**	**1,193,336,438**

31 December 2021 (restated)

Non derivative financial liabilities	Carrying amounts	Contractual amounts			Total contractual amounts
		1 year or less	1 to 5 years	More than 5 years	
Trade and other payables	46,085,035	46,085,035	--	--	46,085,035
Other payables	59,761	59,761	--	--	59,761
Long term loans	692,334,734	28,459,943	302,296,428	498,369,583	829,125,954
Lease liabilities	256,655,639	13,683,809	55,211,329	275,782,123	344,677,261
Amounts due to related parties	24,895,029	24,895,029	--	--	24,895,029
	1,020,030,198	113,183,577	357,507,757	774,151,706	1,244,843,040

1 January 2021 (restated)

Non derivative financial liabilities	Carrying amounts	Contractual amounts			Total contractual amounts
		1 year or less	1 to 5 years	More than 5 years	
Trade and other payables	10,081,420	10,081,420	--	--	10,081,420
Other payables	27,250	27,250	--	--	27,250
Long term loans	--	--	--	--	--
Lease liabilities	263,594,846	13,683,809	55,052,631	289,624,630	358,361,070
Amounts due to related parties	10,937,712	10,937,712	--	--	10,937,712
	284,641,228	34,730,191	55,052,631	289,624,630	379,407,452

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35. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return. Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of three types of risk: foreign currency risk, interest rate risk and other price risks.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency). However, as the Group primarily deals in USD, and Euro, with EURO being immaterial and the majority being in USD, which is pegged with SR, the Group's exposure to foreign currency risk is immaterial. No sensitivity for foreign currency risk is presented due to its minimal effect on these consolidated financial statements.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Sensitivity analysis

A reasonably possible change of 10% in interest rates at the reporting date would have increased (decreased) profit before Zakat by the amounts shown below. This analysis assumes that all other variables remain constant.

31 December 2022	**Impact on profit before Zakat**	
	10% increase	**10% decrease**
Long term loan (floating rate)	**(2,858,232)**	2,858,232

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35. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

31 December 2021	Impact on profit before Zakat	
	10% increase	10% decrease
Long term loan (floating rate)	(17,549)	17,549

1 January 2021	Impact on profit before Zakat	
	10% increase	10% decrease
Long term loan (floating rate)	--	--

IBOR Reforms

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates, the ultimate parent company has established a project to manage the transition for any of its contracts that could be affected. The project is being led by senior representatives from functions across the ultimate parent company including the lenders facing teams, legal, finance etc. The parent company is confident that it has the capability to process the transitions to risk free rates ("RFR") for those interest rate benchmarks such as USD LIBOR that will cease to be available after 30 June 2023. IBOR reform exposes the Company to various risks, which the project is managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with lenders due to the amendments required to existing contracts necessary to effect IBOR reform.
- Financial risk to the Company that markets are disrupted due to IBOR reform giving rise to financial losses.
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable.
- Accounting risk if the Company's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to RFR.

The tables below show the Group's exposure to significant IBORs subject to reform that have yet to transition to RFRs as at the current period-end:

	31 December 2022	31 December 2021	1 January 2021
Long term loan (floating rate)	**580,564,561**	692,334,734	--

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35. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

Uncertainties and potential accounting risks associated with the IBOR reforms on the Group's consolidated financial statements are explained below.

a) Effective interest rate method and liability derecognition

IBOR reform Phase 2 requires, as a practical expedient that changes to the basis for determining contractual cash flows that are necessary as a direct consequence of IBOR reform are treated as a change to a floating rate of interest provided that the transition from IBOR to an RFR takes place on a basis that is 'economically equivalent'. To qualify as 'economically equivalent', the terms of the financial instrument must be the same before and after transition except for the changes required by IBOR reform.

For changes that are not required by IBOR reform, the Group will apply judgement to determine whether they result in the financial instrument being derecognised. Therefore, as financial instruments transition from IBOR to RFRs, the Group will apply judgment to assess whether the transition has taken place on an economically equivalent basis. In making this assessment, the Group will consider the extent of any changes to the contractual cash flows as a result of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors. Examples of changes that are economically equivalent include changing the reference interest rate from an IBOR to an RFR, changing the reset period for days between coupons to align with the RFR, adding a fallback to automatically transition to an RFR when the IBOR ceases, and adding a fixed credit adjustment spread based on that calculated by ISDA or which is implicit in market forward rates for the RFR.

The Group will derecognise financial liabilities in case of substantial modification of their terms and conditions. In the context of IBOR reform, many financial instruments will be amended in the future as they transition from IBORs to RFRs. In addition to the interest rate of a financial instrument changing, there may be other changes made to the terms of the financial instrument at the time of transition. For financial instruments measured at amortised cost, the Group will first apply the practical expedient as described above, to reflect the change in the referenced interest rate from an IBOR to an RFR. Second, for any changes not covered by the practical expedient, the Group will apply judgement to assess whether the changes are substantial and if they are, the financial instrument is derecognised and a new financial instrument is recognised. If the changes are not substantial, the Group will adjust the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised EIR.

Capital Risk Management

For the purpose of the Group's management, capital includes issued share capital, and all other equity reserves attributable to the equity holders. The primary objective of the Group's capital management is to maximize the shareholders' value.

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35. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital Risk Management (continued)

The Group manages its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, lease liabilities, employees' defined benefit obligations, zakat payable, less cash and cash equivalents. The gearing ratio as at 31 December 2022 and 31 December 2021 is as follows:

	31 December 2022	31 December 2021 (Restated)	1 January 2021 (Restated)
Loans and borrowings	**580,564,561**	692,334,734	--
Lease liabilities	**251,450,156**	256,655,639	263,594,846
Employees' defined benefit obligations	**3,100,620**	782,225	495,802
Zakat payable	**2,854,310**	2,377,819	--
Less: Cash and cash equivalents	**(118,160,559)**	(94,133,966)	(345,405,953)
Net debt	**719,809,088**	858,016,451	(81,315,305)
Share capital	**81,832,000**	899,666,590	899,666,590
Statutory reserve	**24,549,600**	13,444,845	5,493,517
Merger reserve	**--**	(817,835,064)	--
Retained earnings	**72,046,224**	2,561,719	221,565,795
Equity	**178,427,824**	97,838,090	1,126,725,902
Capital and net debt	**898,236,912**	955,854,541	1,045,410,597
Gearing ratio	**80.14%**	89.76%	(7.78%)

36. CORRECTION OF ERRORS

During the year 2022, the Group restated certain amounts and balances included in the prior periods consolidated financial statements to reflect appropriate accounting treatment and classification. The details of each of such restatements have been summarised below:

Restatement - 1
During the year ended 31 December 2022, the management discovered that certain spare parts with the useful life of more than one year and meeting the definition of property, plant and equipment as per the requirement of IAS 16, 'Property, Plant and Equipment' were erroneously classified and accounted for as inventory in the prior periods. Consequently, carrying value of property, plant and equipment and the related depreciation were understated and the carrying value of inventories and related provision for slow moving inventory were overstated.

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36. CORRECTION OF ERRORS (continued)

Restatement – 2
During the year ended 31 December 2022, the management discovered that the lease modification (increase in lease term and increased lease payment) for lands and silos with GFSA on 30 November 2020 was erroneously not accounted for in accordance with the requirements of IFRS 16, 'Leases'. Consequently, the carrying values of the right of use assets and lease liabilities and related depreciation and finance cost were understated. The management corrected the carrying values of lease liabilities and right-of-use assets and the resulting depreciation and finance costs on lease liabilities by restating each of the affected financial statement line items for the prior periods.

Restatement – 3
During the year ended 31 December 2022, the management discovered that the useful life of the leasehold improvements in prior periods were erroneously based on the economic life of the leasehold improvements instead of the lease term. Consequently, the carrying value of leasehold improvements were overstated and the related accumulated depreciation was understated.

Restatement – 4
On 27 December 2021, a merger took place between the ultimate Parent Company and the Company. The merger was accounted for as a legal merger based on the carrying values in the separate financial statements of the ultimate Parent Company. During the year ended 31 December 2022, the management discovered that the results of operations of the Ultimate Parent Company were recognized in the statement of profit or loss of the Company from 1 January 2021 to 27 December 2021 instead of prospective merger accounting (i.e., from the date of merger transaction). This resulted in overstatement of general and administrative expenses and finance cost and did not conform with the requirements of applicable financial reporting framework.

Restatement – 5
During the year ended 31 December 2022, the management discovered that, as at 31 December 2019, other payable include an amount for which payment was made and erroneously accounted for as a cost of revenue expense instead of reduction in other payable. Consequently, other payable and cost of revenue were overstated as at and for the period ended 31 December 2019.

Restatement – 6
During the year ended 31 December 2022, the management discovered that the carrying value of trade payables as at 31 December 2020, include an amount payable to GOSI and was no longer payable as at 31 December 2020. Consequently, trade payables were overstated as at and for the period ended 31 December 2020.

Restatement – 7
During the year ended 31 December 2022, the management discovered the carrying value of accrued expenses and other liabilities as at 31 December 2021, include a provision for agency fee payable to bank which was erroneously double counted. Consequently, accrued expenses and other liabilities and agency fees expenses were overstated as at and for the period ended 31 December 2021..

Restatement – 8
During the year ended 31 December 2022, the management discovered there was a mathematical error which has occurred in the year 2021 in the disclosure note of property, plant and equipment. Consequently, the cost and the accumulated depreciation of property plant and equipment were overstated because of the mathematical error. There is no impact on the net book value of Property, plant, and equipment as result of this error.

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36. CORRECTION OF ERRORS (continued)

Restatement – 9
During the year ended 31 December 2022, the management discovered that finance cost paid for lease in the comparative period was was erroneously classified as cash outflows from financing activities aggregated with lease capital repayment instead of cash outflows from operating activities in the statement of cash flow. Consequently, cash outflows from financing activities was overstated and cash outflows from operating activities was understated.

The errors have been corrected by restating each of the affected financial statement line items for the prior periods. The following tables summaries the impacts on the Group's Consolidated financial statement.

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36. CORRECTION OF ERRORS (continued)

Consolidated statement of financial position:	As previously reported	Impact of restatements Restatement - 1	Restatement - 2	Restatement - 3	Restatement - 4	Restatement - 5	Restatement - 6	Restatement - 7	Restated
1 January 2021									
Property, plant and equipment	733,845,486	12,708,333	--	(14,782,200)	--	--	--	--	731,771,619
Right-of-use assets	169,250,398	--	77,726,655	--	--	--	--	--	246,977,053
Others	3,484,686	--	--	--	--	--	--	--	3,484,686
Non-current assets	**906,580,570**	**12,708,333**	**77,726,655**	**(14,782,200)**	**--**	**--**	**--**	**--**	**982,233,358**
Inventories	111,720,826	(12,197,812)	--	--	--	--	--	--	99,523,014
Others	352,379,534	--	--	--	--	--	--	--	352,379,534
Current assets	**464,100,360**	**(12,197,812)**	**--**	**--**	**--**	**--**	**--**	**--**	**451,902,548**
Total assets	**1,370,680,930**	**510,521**	**77,726,655**	**(14,782,200)**	**--**	**--**	**--**	**--**	**1,434,135,906**
Retained earnings	231,914,548	459,469	--	(13,303,980)	--	1,210,098	1,285,660	--	221,565,795
Statutory reserve	6,643,379	51,052	--	(1,478,220)	--	134,455	142,851	--	5,493,517
Others	899,666,590	--	--	--	--	--	--	--	899,666,590
Total equity	**1,138,224,517**	**510,521**	**--**	**(14,782,200)**	**--**	**1,344,553**	**1,428,511**	**--**	**1,126,725,902**
Lease liabilities	181,349,913	--	68,561,124	--	--	--	--	--	249,911,037
Others	495,802	--	--	--	--	--	--	--	495,802
Non-current liabilities	**181,845,715**	**--**	**68,561,124**	**--**	**--**	**--**	**--**	**--**	**250,406,839**
Current portion of lease liabilities	4,518,278	--	9,165,531	--	--	--	--	--	13,683,809
Trade payables	12,854,484	--	--	--	--	(1,344,553)	(1,428,511)	--	10,081,420
Others	33,237,936	--	--	--	--	--	--	--	33,237,936
Current liabilities	**50,610,698**	**--**	**9,165,531**	**--**	**--**	**(1,344,553)**	**(1,428,511)**	**--**	**57,003,165**
Total liabilities	**232,456,413**	**--**	**77,726,655**	**--**	**--**	**(1,344,553)**	**(1,428,511)**	**--**	**307,410,004**
Total equity and liabilities	**1,370,680,930**	**510,521**	**77,726,655**	**(14,782,200)**	**--**	**--**	**--**	**--**	**1,434,135,906**

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36. CORRECTION OF ERRORS (continued)

		Impact of restatements							
Consolidated statement of financial position:	**As previously reported**	**Restatement - 1**	**Restatement - 2**	**Restatement - 3**	**Restatement - 4**	**Restatement - 5**	**Restatement - 6**	**Restatement - 7**	**Restated**
31 December 2021									
Property, plant and equipment	712,771,314	11,742,061	--	(17,103,775)	--	--	--	--	707,409,600
Right-of-use assets	161,192,177	--	75,500,024	--	--	--	--	--	236,692,201
Others	4,254,180	--	--	--	--	--	--	--	4,254,180
Non-current assets	**878,217,671**	**11,742,061**	**75,500,024**	**(17,103,775)**	**--**	**--**	**--**	**--**	**948,355,981**
Inventories	104,782,009	(12,044,244)	--	--	--	--	--	--	92,737,765
Others	131,031,560	--	--	--	--	--	--	--	131,031,560
Current assets	**235,813,569**	**(12,044,244)**	**--**	**--**	**--**	**--**	**--**	**--**	**223,769,325**
Total assets	**1,114,031,240**	**(302,183)**	**75,500,024**	**(17,103,775)**	**--**	**--**	**--**	**--**	**1,172,125,306**
Retained earnings	17,463,711	(271,965)	174,179	(15,393,397)	(2,056,602)	1,210,098	1,285,660	150,036	2,561,720
Statutory reserve	12,832,179	(30,218)	19,353	(1,710,378)	2,056,602	134,455	142,851	--	13,444,844
Others	81,831,526	--	--	--	--	--	--	--	81,831,526
Total equity	**112,127,416**	**(302,183)**	**193,532**	**(17,103,775)**	**--**	**1,344,553**	**1,428,511**	**150,036**	**97,838,090**
Lease liabilities	176,587,400	--	66,384,430	--	--	--	--	--	242,971,830
Others	681,358,730	--	--	--	--	--	--	--	681,358,730
Non-current liabilities	**857,946,130**	**--**	**66,384,430**	**--**	**--**	**--**	**--**	**--**	**924,330,560**
Current portion of lease liabilities	4,761,747	--	8,922,062	--	--	--	--	--	13,683,809
Trade payables	48,858,099	--	--	--	--	(1,344,553)	(1,428,511)	--	46,085,035
Accrued expenses and other liabilities	42,335,992	--	--	--	--	--	--	(150,036)	42,185,956
Others	48,001,856	--	--	--	--	--	--	--	48,001,856
Current liabilities	**143,957,694**	**--**	**8,922,062**	**--**	**--**	**(1,344,553)**	**(1,428,511)**	**(150,036)**	**149,956,656**
Total liabilities	**1,001,903,824**	**--**	**75,306,492**	**--**	**--**	**(1,344,553)**	**(1,428,511)**	**(150,036)**	**1,074,287,216**
Total equity and liabilities	**1,114,031,240**	**(302,183)**	**75,500,024**	**(17,103,775)**	**--**	**--**	**--**	**--**	**1,172,125,306**

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MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

36. CORRECTION OF ERRORS (continued)

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021:	As previously reported	Restatement - 1	Restatement - 2	Restatement - 3	Restatement - 4	Restated
		Impact of restatements				
Cost of revenue						
Depreciation	41,266,124	966,272	2,226,631	2,321,575	--	46,780,602
Provision for slow moving inventories	4,102,163	(153,568)	--	--	--	3,948,595
Gross profit	**167,820,328**	**(812,704)**	**(2,226,631)**	**(2,321,575)**	**--**	**162,459,418**
General and administrative expenses						
Salaries and other benefits	43,115,141	--	--	--	(3,659,472)	39,455,669
Professional and consulting fees	8,002,433	--	--	--	(168,501)	7,833,932
Insurance	3,192,954	--	--	--	(44,250)	3,148,704
Subscriptions	1,448,141	--	--	--	(3,204)	1,444,937
Other expenses	2,886,230	--	--	--	(16,418)	2,869,812
Operating profit	**89,969,699**	**(812,704)**	**(2,226,631)**	**(2,321,575)**	**3,891,845**	**88,500,634**
Finance costs						
Finance cost on long term loan	16,849,670	--	--	--	(16,674,176)	175,494
Finance cost on lease liabilities	9,164,763	--	(2,420,163)	--	--	6,744,600
Profit before Zakat	**64,265,818**	**(812,704)**	**193,532**	**(2,321,575)**	**20,566,021**	**81,891,092**
Profit for the year	**61,887,999**	**(812,704)**	**193,532**	**(2,321,575)**	**20,566,021**	**79,513,273**
Total comprehensive income for the year	**61,887,999**	**(812,704)**	**193,532**	**(2,321,575)**	**20,566,021**	**79,513,273**
Basic and diluted earnings per share attributable to equity holders of the Parent Company (in Saudi Riyals per share)	**7.56**	**(0.10)**	**0.02**	**(0.28)**	**2.51**	**9.72**

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MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

36. CORRECTION OF ERRORS (continued)

Consolidated statement of changes in equity: For the year ended 31 December 2021:	As previously reported	Impact of restatements: Restatement - 1	Restatement - 2	Restatement - 3	Restatement - 4	Restatement - 5	Restatement - 6	Restatement - 7	Restated
Retained earnings - as at 1 January 2021	231,914,548	459,469	--	(13,303,980)	--	1,210,098	1,285,660	--	221,565,795
Profit for the year	61,887,999	(812,704)	193,532	(2,321,575)	20,566,021	--	--	--	79,513,273
Total comprehensive income for the year	61,887,999	(812,704)	193,532	(2,321,575)	20,566,021	--	--	--	79,513,273
Retained earnings – as at 31 December 2021	**17,463,711**	**(271,965)**	**174,179**	**(15,393,397)**	**(2,056,602)**	**1,210,098**	**1,285,660**	**150,036**	**2,561,720**
Statutory reserve – as at 1 January 2021	6,643,379	51,052	--	(1,478,220)	--	134,455	142,851	--	5,493,517
Statutory reserve – as at 31 December 2021	**12,832,179**	**(30,218)**	**19,353**	**(1,710,378)**	**2,056,602**	**134,455**	**142,851**	**--**	**13,444,844**
Total equity – as at 1 January 2021	1,138,224,517	510,521	--	(14,782,200)	--	1,344,553	1,428,511	--	1,126,725,902
Total equity – as at 31 December 2021	**112,127,416**	**(302,183)**	**193,532**	**(17,103,775)**	**--**	**1,344,553**	**1,428,511**	**150,036**	**97,838,090**

Consolidated statement of cash flows: For the year ended 31 December 2021:	As previously reported	Impact of restatements: Restatement - 1	Restatement - 2	Restatement - 3	Restatement - 4	Restatement - 9	Restated
Cash flows from operating activities:							
Profit for the year before zakat	64,265,818	(812,704)	193,532	(2,321,575)	20,566,021	--	81,891,092
Depreciation	46,796,532	966,272	2,226,631	2,321,575	--	--	52,311,010
Provision for slow moving inventories	4,102,163	(153,568)	--	--	--	--	3,948,595
Finance cost on long term loans	16,849,670	--	--	--	(16,674,176)	--	175,494
Finance cost on lease liabilities	9,164,763	--	(2,420,163)	--	--	--	6,744,600
Finance cost paid	16,771,642	--	--	--	(16,674,176)	9,396,279	9,423,659
Cash flows from financing activities:							
Repayment of lease liabilities	13,683,807	--	--	--	--	(9,396,279)	4,287,528

MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

36. CORRECTION OF ERRORS (continued)

The impact of restatement 8 on property, plant and equipment note is as follows:

Property, plant and equipment (Restatement – 8)

Items	Cost	Accumulated depreciation
Property, plant and equipment	(8,874,272)	8,874,272

37. SUBSEQUENT EVENTS

37.1 The new Companies Law issued through Royal Decree M/132 on 30 June 2022 (corresponding to 1 Dhul Hijjah 1443H) (hereinafter referred as "the Law") came into force on 19 January 2023 (corresponding to 26 Jumada Al Thani 1444H). For certain provisions of the Law, full compliance is expected not later than two years from 19 January 2023 (corresponding to 26 Jumada Al Thani 1444H). The management is in the process of assessing the impact of the New Companies Law and will amend its Articles of Association/By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Company shall present the amended By-Laws to the shareholders in their extraordinary/annual General Assembly meeting for their ratification.

37.2 On 19 March 2023 (corresponding to 27 Shaban 1444H) GFSA has lodged a claim against the Group before the Committee for the Adjudication of Violations of the Flour Milling Law, alleging that Group did not comply with the terms and regulations stipulated in The Flour Mills Law and implementing regulations, Mill Operating License and Wheat Purchase Agreement that are as follows:

i) accepting membership requests from the new customers without GFSA's approval - fine amounting to SR 20,000,000; and
ii) exceeding allocated sale quantities approved by GFSA – fine amounting to SR 1,000,000 and financial recoveries amounting to SR 43,248,992.58

Based on the advice of the Group's legal advisors, the Group has recognized a provision amounting to SR 6.42 million during the year ended 31 December 2022 as the Group expects to be successful in defending the claim as the allegations made have no reasonable legal grounds. Management have assessed the balance of the claims as a contingent liability.

The Group has submitted a reply against this claim to the GFSA on 30 April 2023 (corresponding to 10 Shawwal 1444H) and still awaiting their response as on the date of these consolidated financial statements.

37.3 No other matter has occurred up to and including the date of the approval of these consolidated financial statements by the Board of Directors which could materially affect these consolidated financial statements and the related disclosures for the year ended 31 December 2022.

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issuance by the Company's Board of Directors on 7 September 2023, corresponding to 22 Safar 1445H.

MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)
with
INDEPENDENT AUDITORS' REVIEW REPORT
For the three-month and six-month periods ended 30 June 2023

MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and six-month periods ended 30 June 2023

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KPMG Professional Services
Zahran Business Center
Prince Sultan Street
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
مركز زهران للأعمال
شارع الأميرسلطان
ص. ب. 55078
جده 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Modern Mills Company

Introduction

We have reviewed the accompanying 30 June 2023 condensed consolidated interim financial statements of **Modern Mills Company ("the Company")** and its subsidiary ("the Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2023;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2023;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2023;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2023; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

Independent auditor's report on review of condensed interim financial statements (continued)

To the Shareholders of Modern Mills Company

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2023 condensed consolidated interim financial statements of Modern Mills Company and its subsidiary are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services

Ebrahim Oboud Baeshen
License No. 382

Jeddah, 31 October 2023
Corresponding 16 Rabi Al Thani 1445H

MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	**30 June 2023 (Unaudited)**	31 December 2022 (Audited)
ASSETS			
Property, plant and equipment	7.1	**681,011,471**	694,824,629
Right-of-use assets		**226,737,679**	228,142,920
Intangible assets		**2,781,379**	2,890,096
Non-current assets		**910,530,529**	925,857,645
Inventories	8.1	**98,718,178**	92,538,200
Trade receivables		**1,556,722**	86,732
Prepayments and other current assets		**39,528,759**	15,574,847
Cash and cash equivalents		**96,983,977**	118,160,559
Current assets		**236,787,636**	226,360,338
Total assets		**1,147,318,165**	1,152,217,983
EQUITY AND LIABILITIES			
Equity			
Share capital	9	**81,832,000**	81,832,000
Statutory reserve		**24,549,600**	24,549,600
Retained earnings		**107,282,490**	72,046,224
Total equity		**213,664,090**	178,427,824
Liabilities			
Long term loans	11	**508,849,528**	535,976,307
Lease liabilities		**228,632,241**	237,277,928
Employees' defined benefit obligations		**4,874,255**	3,100,620
Non-current liabilities		**742,356,024**	776,354,855
Trade and other payables		**24,588,447**	44,707,986
Accrued expenses and other liabilities		**76,499,914**	72,108,581
Current portion of long-term loans	11	**49,717,132**	44,588,254
Current portion of lease liabilities		**15,194,079**	14,172,228
Advances from customers		**16,431,807**	12,579,045
Provision for penalties		**6,424,900**	6,424,900
Zakat payable	15	**2,441,772**	2,854,310
Current liabilities		**191,298,051**	197,435,304
Total liabilities		**933,654,075**	973,790,159
Total equity and liabilities		**1,147,318,165**	1,152,217,983

The accompanying notes from 1 to 21 form an
integral part of these condensed consolidated interim financial statements.

MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
For the three-month and six-month periods ended 30 June 2023
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

		For the three-month period ended 30 June		**For the six-month period ended 30 June**	
	Notes	**2023 (Unaudited)**	2022 (Unaudited)	**2023 (Unaudited)**	2022 (Unaudited)
Revenue	12	**199,733,692**	223,211,002	**451,979,373**	461,632,950
Cost of revenue	13	**(130,455,785)**	(146,116,449)	**(279,723,184)**	(299,523,361)
Gross profit		**69,277,907**	77,094,553	**172,256,189**	162,109,589
Selling and distribution expenses		**(6,911,578)**	(2,244,111)	**(18,744,491)**	(4,408,671)
General and administrative expenses		**(8,951,023)**	(20,129,208)	**(23,430,420)**	(33,873,978)
Other income		**--**	267,317	**--**	293,552
Expected credit loss on trade receivables		**--**	(4,250)	**--**	(10,000)
Operating profit		**53,415,306**	54,984,301	**130,081,278**	124,110,492
Finance costs	14	**(12,011,982)**	(8,415,085)	**(23,636,037)**	(14,386,886)
Finance income		**634,465**	--	**1,403,024**	--
Profit before zakat		**42,037,789**	46,569,216	**107,848,265**	109,723,606
Zakat expense	15.1	**(912,000)**	(693,000)	**(2,612,000)**	(1,386,000)
Profit for the period		**41,125,789**	45,876,216	**105,236,265**	108,337,606
Other comprehensive income for the period		**--**	--	**--**	--
Total comprehensive income for the period		**41,125,789**	45,876,216	**105,236,265**	108,337,606
Earnings per share for the period attributable to shareholders of the Company (SR):					
Basic	17.1	**0.50**	0.56	**1.29**	1.32
Diluted	17.1	**0.50**	0.56	**1.29**	1.32

The accompanying notes from 1 to 21 form an integral part of these condensed consolidated interim financial statements.

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MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the six-month period ended 30 June 2023
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Share capital	Merger deficit reserve	Statutory reserve	Retained earnings	Total
Six-month period ended 30 June 2023:					
As at 31 December 2022 (audited)	**81,832,000**	**--**	**24,549,600**	**72,046,225**	**178,427,825**
Profit for the period	**--**	**--**	**--**	**105,236,265**	**105,236,265**
Other comprehensive income for the period	**--**	**--**	**--**	**--**	**--**
Total comprehensive income for the period	**--**	**--**	**--**	**105,236,265**	**105,236,265**
Dividends distribution (note 10)	**--**	**--**	**--**	**(70,000,000)**	**(70,000,000)**
As at 30 June 2023 (unaudited)	**81,832,000**	**--**	**24,549,600**	**107,282,490**	**213,664,090**
Six-month period ended 30 June 2022					
As at 31 December 2021 (audited)	899,666,590	(817,835,064)	13,444,845	2,561,719	97,838,090
Profit for the period	--	--	--	108,337,606	108,337,606
Other comprehensive income for the period	--	--	--	--	--
Total comprehensive income for the period	--	--	--	108,337,606	108,337,606
Dividends distribution (note 10)	--	--	--	(17,463,711)	(17,463,711)
As at 30 June 2022 (unaudited)	899,666,590	(817,835,064)	13,444,845	93,435,614	188,711,985

The accompanying notes from 1 to 21 form an
integral part of these condensed consolidated interim financial statements.

MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the six-month period ended 30 June 2023
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	**30 June 2023 (Unaudited)**	30 June 2022 (Unaudited)
Cash flows from operating activities			
Profit before zakat		**107,848,265**	109,723,606
Adjustments:			
Depreciation on property, plant and equipment	7.2	**22,911,889**	20,952,009
Depreciation of right-of-use assets		**5,508,955**	5,208,545
Amortisation of intangible assets		**197,350**	--
Finance cost on lease liabilities	14	**3,246,784**	3,279,212
Finance cost on long-term loans	14	**20,092,571**	10,811,450
Finance income for the period		**(1,403,024)**	(2,115)
Amortisation of loan transaction cost	14	**296,225**	296,225
Reversal of provision for slow moving inventories	8	**(1,428,244)**	(1,169,770)
Provision for employees' defined benefit obligations		**1,875,699**	1,750,336
Expected credit loss on trade receivables		**--**	10,000
		159,146,470	150,859,498
Changes in working capital:			
Inventories		**(4,751,734)**	335,261
Trade receivables		**(1,469,990)**	(248,400)
Prepayments and other current assets		**(23,953,912)**	(28,798,832)
Trade and other payables		**(20,119,539)**	5,371,861
Accrued expenses and other liabilities		**4,391,334**	26,164,203
Advances from customers		**3,852,762**	1,103,876
		117,095,391	154,787,467
Paid employees' defined benefit obligations		**(102,064)**	--
Finance cost paid		**(26,779,209)**	(17,556,051)
Finance income received		**1,403,024**	2,115
Zakat paid		**(3,024,538)**	--
Net cash from operating activities		**88,592,604**	137,233,531
Cash flows from investing activities			
Additions to property, plant and equipment	7.2	**(9,155,938)**	(16,369,180)
Additions to intangible assets		**(88,633)**	(931,579)
Proceeds from sale of property, plant and equipment		**57,207**	--
Net cash used in investing activities		**(9,187,364)**	(17,300,759)
Cash flows from financing activities			
Loan repaid	11	**(22,294,126)**	(6,175,340)
Capital repayment of lease liabilities		**(8,287,696)**	(7,313,279)
Dividends paid	10	**(70,000,000)**	(55,549,163)
Net cash used in financing activities		**(100,581,822)**	(69,037,782)
Net (decrease) / increase in cash and cash equivalents during the period		**(21,176,582)**	50,894,990
Cash and cash equivalents as at 1 January		**118,160,559**	94,133,966
Cash and cash equivalents at 30 June		**96,983,977**	145,028,956
Non-cash transactions			
Due from related party – Financial Guarantee		--	(7,375,281)

The accompanying notes from 1 to 21 form an
integral part of these condensed consolidated interim financial statements.

MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2023
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

1. COMPANY INFORMATION

Modern Mills Company (the "Company" or the "Parent Company"), a Saudi Closed Joint Stock Company, was incorporated in accordance with the Companies' Regulations in the Kingdom of Saudi Arabia under Commercial Registration No. 5855070277 issued on 10 November 2016 (corresponding to 10 Safar 1438H).

The Company was formed by the Public Investment Fund (the "PIF") pursuant to the resolution of the Council of Ministers No. (35) of 9 November 2015 (corresponding to 27 Muharram 1437H) approving the adoption of the necessary actions to establish four Joint Stock Milling Companies according to the proposed geographical distribution. The Public Investment Fund, in coordination with the General Food Security Authority ("GFSA") previously known as Saudi Grains Organization (the "SAGO"), shall do so in accordance with Royal Decree No. (62) dated 31 July 2014 (corresponding to 4 Shawwal 1435H). The Company is selling various products of flour, feed and bran out of which the selling prices of only the flour products weighing 45 KGs and above are determined by the GFSA.

On 9 June 2020 (corresponding to 17 Shawwal 1441H), Cabinet Resolution No. (631) was issued to transfer the ownership of the company to the National Center for Privatisation (the "NCP") and for the NCP to carry out the tasks assigned to the Public Investment Fund by Cabinet Resolution No. (118) and dated 30 October 2018 (corresponding to 21 Safar 1440H). The Company's shares were wholly sold to Mada Al Ghurair Limited Company on 31 December 2020 (corresponding to 16 Jumada Al Awal 1442H).

On 1 November 2021 (corresponding to 26 Rabi al Awal 1443H) merger agreement was signed between shareholders of Mada Al Ghurair Limited (the Ultimate Parent Company) and its wholly owned subsidiary, Modern Mills Company ("Company'') whereby all assets, liabilities, rights and obligations of the ultimate Parent Company were to be transferred to the Company subject to the completion of legal procedures.

The Company has entered into a subsidised wheat purchase agreement with GFSA, as GFSA imports wheat to Saudi Arabia for the purpose of producing subsidised flour. This agreement was entered into force on 1 January 2017 (corresponding to 3 Rabi Al Thani 1438H). The agreement stipulates that the purchase price of the subsidised wheat is calculated according to the monetary value per metric ton of subsidised wheat specified by the Government of the Kingdom of Saudi Arabia at SR 180 per metric ton since 2017. The Company also has an option to import the wheat directly or to source it from the open market.

On 30 November 2020 (corresponding to 15 Rabi Al Thani 1442H) the wheat purchase agreement was extended and it will be in force until the date of expiry of the Company's milling operating license, subject to an automatic extension of the contract term to match the term of the Company's license. This license shall remain valid for a period of twenty-five (25) Gregorian years, counted from the date of completion of the transfer of ownership of all shares of the licensee to the private sector that was completed on 31 December 2020 (corresponding to 16 Jumada Al Awal 1442H).

The registered address of the Company is as follows:

Alkhalidiah
Mohammed Altaib Altunisi Street,
Jeddah 2341 - 6228
Kingdom of Saudi Arabia

MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2023
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

1. COMPANY INFORMATION (continued)

On 27 April 2022, the Board of Directors of the Company approved and formed an IPO committee to define the consultant's scope of work and recommend timelines/actions required to go for listing. The management is in the process of making arrangements for offering and listing of the Company's shares in Tadawul as on the date of these consolidated financial statements.

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Companies Law and will amend its Articles of Association/By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Company shall present the amended By-Laws to the shareholders in their extraordinary/annual General Assembly meeting for their ratification.

These accompanying condensed consolidated financial statements comprise the condensed financial statements of Modern Mills Company (the "Company" (or) the "Parent Company") and its subsidiary (collectively referred to as the "Group"). The Group is principally engaged in flour production in the Kingdom of Saudi Arabia and all activities related to the provision of wheat products, animal feed and related products, including making any contracts or making any related arrangements.

The Company is the ultimate controlling party of the Group. As at 30 June 2023, the Company has investment in the following subsidiary:

Subsidiary name	Country of incorporation	Principal business activity	Effective ownership interest (%)	
			30 June 2023	31 December 2022
Operating subsidiary				
Hasad Al-Arabia	Saudi Arabia	Distribution	**100**	100

The Group operates through three branches, which are as follows:

Branch Location	Date	Commercial Registration No.
Khamis Mushait	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	5855070707
Al Jumum	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	4622099376
Al Jawf	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	3400020077

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2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the International Accounting Standards (IAS 34) "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA") and should be read in conjunction with the Group's last annual financial statements as at and for the year ended 31 December 2022 ("last annual financial statements").

These condensed consolidated interim financial statements do not include all the information and disclosures required to prepare a complete set of annual consolidated financial statements in accordance with the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia. However, selected accounting policies and explanatory notes have been included to explain the events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements. In addition, the results for the six-month period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the year ending 31 December 2023.

These condensed consolidated interim financial statements are prepared by the management for internal reporting and external reporting to be used as the latest financial information for filing an application to the Capital Market Authority requesting approval for an Initial Public Offering and for consultants for their respective review.

2.2 Basis of measurement

These condensed consolidated interim financial statements have been prepared using accrual basis of accounting, going concern concept and under the historical cost basis, except employees' defined benefit obligations which are recognised at the present value of future obligation using the Projected Unit Credit Method.

2.3 Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Arabian Riyals (SR) which is the functional and presentation currency of the Company and its subsidiary. All amounts have been rounded to the nearest SR, unless otherwise stated.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of revenues, expenses, assets, liabilities and accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

The Group based its assumptions and estimates on parameters available when the condensed consolidated interim financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The significant judgments exercised in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements for the year ended 31 December 2022.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022, except for the adoption of new standards, interpretations and amendments effective as at 1 January 2023, as mentioned in note 5.1. The Group has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective.

5. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

5.1 Standards, interpretations and amendments issued

This table lists the recent changes to the Standards that are required to be applied for an annual period beginning after 1 January 2023 and that are available for early adoption in annual periods beginning on 1 January 2023.

Standards, amendments, interpretations	***Description***	***Effective from periods beginning on or after the following date***
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	1 January 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	1 January 2023
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	1 January 2023

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5. NEW STANDARDS, INTERPRETATION AND AMENDMENTS (continued)

5.2 Standards, interpretations and amendments issued but not yet effective

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the condensed consolidated interim financial statements are disclosed below. The Group intends to adopt these standards, where applicable, when they become effective.

Standards, amendments, interpretations	*Description*	*Effective from periods beginning on or after the following date*
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	1 January 2024
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to IFRS 16	Lease liability in a sale and leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely

The standards, interpretations, and amendments with an effective date of 1 January 2023 will not have any material impact on the Group's condensed consolidated interim financial statements, whereas, for other above-mentioned standards, interpretations, and amendments, the Group is currently assessing the implications on the Group's financial statements on adoption.

6. SEGMENT INFORMATION

The Group operates in three regions in the Kingdom of Saudi Arabia, which are its reportable segments. These regions are identified as a separate reportable segment because the Group managed them separately.

The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income and is measured consistently in the financial statements.

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6. SEGMENT INFORMATION (continued)

Transfer prices between operating segments are on cost and any transmission and distribution costs are recovered from the segments in a manner similar to transactions with third parties.

The selected financial information for these business units is set out below. All unallocated amounts are related to the head office and are not allocatable to the operating segments. Segment profit before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

For the three-month period ended 30 June 2023 (Unaudited)	**Khamis**	**Al Jumum**	**Al Jowf**	**Total segments**
Total revenue	**121,649,927**	**62,681,157**	**15,402,608**	**199,733,692**
Cost of inventories	**(73,624,953)**	**(19,302,545)**	**(6,938,520)**	**(99,866,018)**
Employee benefits expenses	**(6,259,424)**	**(5,015,364)**	**(3,611,277)**	**(14,886,065)**
Depreciation	**(4,932,721)**	**(7,338,840)**	**(2,011,336)**	**(14,282,897)**
Other expenses	**(119,332)**	**(10,146,389)**	**(1,077,608)**	**(11,343,329)**
Financing costs	**(445,960)**	**(952,909)**	**(222,891)**	**(1,621,760)**
Finance income	**(13,224)**	**(108)**	**-**	**(13,332)**
Segment profit	**36,254,313**	**19,925,002**	**1,540,976**	**57,720,291**

For the three-month period ended 30 June 2022 (Unaudited)	Khamis	Al Jumum	Al Jowf	Total segments
Total revenue	138,707,837	63,896,302	20,606,863	223,211,002
Cost of inventories	(88,054,471)	(23,875,888)	(7,964,502)	(119,894,861)
Employee benefits expenses	(5,467,853)	(4,590,977)	(3,927,541)	(13,986,371)
Depreciation	(4,219,447)	(6,414,091)	(2,184,585)	(12,818,123)
Other expenses	(1,269,219)	(271,397)	(2,162,648)	(3,703,264)
Financing costs	(604,352)	(789,377)	(228,100)	(1,621,829)
Other income	12,535	664	--	13,199
Segment profit	39,105,030	27,955,236	4,139,487	71,199,753

For the six-month period ended 30 June 2023 (Unaudited)	**Khamis**	**Al Jumum**	**Al Jowf**	**Total segments**
Total revenue	**276,682,938**	**130,891,039**	**44,405,396**	**451,979,373**
Cost of inventories	**(159,668,924)**	**(38,937,256)**	**(15,908,310)**	**(214,514,490)**
Employee benefits expenses	**(12,913,168)**	**(10,113,009)**	**(7,306,966)**	**(30,333,143)**
Depreciation	**(9,606,390)**	**(14,448,519)**	**(3,972,762)**	**(28,027,671)**
Other expenses	**(4,956,834)**	**(18,385,950)**	**(3,815,772)**	**(27,158,556)**
Financing costs	**(887,718)**	**(1,871,193)**	**(432,754)**	**(3,191,665)**
Finance income	**(13,224)**	**(108)**	**--**	**(13,332)**
Segment profit	**88,636,680**	**47,135,004**	**12,968,832**	**148,740,516**

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6. SEGMENT INFORMATION (continued)

For the six-month period ended 30 June 2022 (Unaudited)	Khamis	Al Jumum	Al Jowf	Total segments
Total revenue	277,606,986	133,061,979	50,963,985	461,632,950
Cost of inventories	(164,004,292)	(42,765,020)	(17,535,124)	(224,304,436)
Employee benefits expenses	(14,078,244)	(10,176,762)	(8,151,189)	(32,406,195)
Depreciation	(8,404,147)	(13,375,208)	(4,000,133)	(25,779,488)
Other expenses	(17,225,465)	(3,614,972)	(4,565,237)	(25,405,674)
Financing costs	(907,186)	(1,865,822)	(453,417)	(3,226,425)
Other income	12,535	22,913	--	35,448
Segment profit	73,000,187	61,287,108	16,258,885	150,546,180

At 30 June 2023 (Unaudited)	**Khamis**	**Al Jumum**	**Al Jowf**	**Total segments**
Total assets	**357,828,736**	**519,858,473**	**138,172,432**	**1,015,859,641**
Total liabilities	**147,929,819**	**212,944,768**	**68,821,226**	**429,695,813**
Other disclosures:				
Property, plant and equipment with Right-of-use assets	**302,992,772**	**485,301,581**	**115,857,606**	**904,151,959**
Inventories	**52,603,086**	**25,503,649**	**20,611,414**	**98,718,149**

At 31 December 2022 (Audited)	Khamis	Al Jumum	Al Jowf	Total segments
Total assets	341,184,376	510,100,920	138,751,589	990,036,885
Total liabilities	101,794,932	163,169,510	43,686,347	308,650,789
Other disclosures:				
Property, plant and equipment with right-of-use assets	309,792,843	487,323,230	113,452,101	910,568,174
Inventories	24,994,187	16,875,096	19,396,894	61,266,177

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6. SEGMENT INFORMATION (continued)

6.1 Reconciliations of information on reportable segments to the amounts reported in the financial statements

i) Profit before tax

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)	**2023 (Unaudited)**	2022 (Unaudited)
Total profit before tax for reportable segments	**57,720,291**	71,199,753	**148,740,516**	150,546,180
Unallocated amounts				
Employee benefits expenses	**(3,031,111)**	(17,690,411)	**(11,071,923)**	(24,102,153)
Depreciation	**(304,875)**	(343,711)	**(590,524)**	(492,334)
Other expenses	**(2,604,091)**	(52,831)	**(10,201,788)**	(5,316,031)
Financing costs	**(10,390,223)**	(6,793,253)	**(20,444,372)**	(11,160,461)
Finance income	**647,798**	--	**1,416,356**	--
Other income	**--**	253,919	**--**	258,405
Expected credit loss on trade receivables	**--**	(4,250)	**--**	(10,000)
	42,037,789	46,569,216	**107,848,265**	109,723,606

ii) Total assets

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Total assets for reportable segments	**1,015,859,641**	990,036,885
Unallocated amounts	**131,458,524**	162,181,098
	1,147,318,165	1,152,217,983

iii) Total liabilities

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Total liabilities for reportable segments	**429,695,813**	308,650,789
Unallocated amounts	**503,958,262**	665,139,370
	933,654,075	973,790,159

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7. PROPERTY, PLANT AND EQUIPMENT

7.1 Property, plant and equipment comprise of the following:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Buildings	**298,553,640**	304,673,047
Plant and equipment	**361,635,520**	354,986,161
Furniture and fittings	**4,387,451**	4,386,647
Motor vehicles	**2,988,297**	2,277,991
Strategic spare parts	**10,204,670**	10,733,727
Capital work in progress	**3,241,893**	17,767,056
	681,011,471	694,824,629

7.2 For the purposes of preparing the condensed consolidated interim statement of cash flows, the movement in property, plant and equipment during the six-month period ended 30 June is as follows:

	For the six-month period ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Depreciation	**22,911,889**	20,952,009
Additions	**9,155,938**	16,369,180
Carrying amount of disposed assets	**57,207**	--
Gain on disposals	**--**	--
Proceeds from disposal	**57,207**	--

7.3 The buildings are built on land leased from the GFSA with an annual rental of SR 3,173,959. The lease term is twenty-five calendar years commencing from 1 January 2017 (corresponding to 3 Rabee Thani 1438H) and is renewable for a similar period. In 2020, the lease term was extended by an additional four years.

7.4 As at 30 June 2023, capital work in progress consists of the project under progress for mill process automation system at Khamis Mushait and new flour mill at Jammoum.

Capital commitments relating to these projects amount to SR 84.13 million (31 December 2022: SR 16.52 million)

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8. INVENTORIES

8.1 Inventories comprise of the following:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Spare parts	**59,402,081**	61,645,702
Raw materials	**26,979,361**	25,787,731
Finished goods	**23,218,289**	20,775,523
Packing material	**10,594,091**	7,640,128
Other – inventories	**1,746,974**	1,339,978
	121,940,796	117,189,062
Less: provision for slow-moving inventories	**(23,222,618)**	(24,650,862)
	98,718,178	92,538,200

8.2 During the six-month period ended 30 June 2023, the Company has reversed the provision for the slow-moving inventories of spare parts and raw materials amounting to SR 1.43 million (31 December 2022: charge for the year SR 9.75 million). The amount is included in the cost of revenue.

9. SHARE CAPITAL

The authorized, issued and fully paid-up share capital of the Parent Company as at 30 June 2023 amounted to SR 81,832,000 (31 December 2022: SR 81,832,000) consists of 8,183,200 shares (31 December 2022: 8,183,200 shares) at SR 10 each share.

10. DIVIDENDS

10.1 On 24 April 2023, the Board of Directors of the Parent Company as authorized by the revised by-laws of the Company approved the distribution of interim dividends for the fourth quarter of 2022 of SR 4.28 per share amounting to SR 35,000,000. The dividends were paid on 27 April 2023 and 3 May 2023.

10.2 On 24 April 2023, the Board of Directors of the Parent Company as authorized by the revised by-laws of the Company approved the distribution of interim dividends for the first quarter of 2023 of SR 4.28 per share amounting to SR 35,000,000. The dividends were paid on 27 April 2023 and 3 May 2023.

10.3 On 14 June 2022, the General Assembly approved the distribution of dividends of SR 2.13 per share amounting to SR 17,463,711. The dividends were paid on 20 June 2022.

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11. LONG-TERM LOANS

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Long-term loan	**567,749,652**	590,043,778
Less: unamortised loan transaction cost	**(9,182,992)**	(9,479,217)
	558,566,660	580,564,561
Current portion	**49,717,132**	44,588,254
Non-current portion	**508,849,528**	535,976,307
	558,566,660	580,564,561

Long-term loan represents Senior Murabaha Facility taken from a commercial bank in two tranches and carries profit rate at SAIBOR plus an applicable margin. The facility is repayable in quarterly instalments commencing from 31 March 2021 till 31 December 2038.

The facilities are secured against the following collaterals:

Shareholders have provided a financial guarantee of SR 100 million against this loan that is restricted based on meeting certain KPIs stated in stabilization support agreement for two consecutive years. The Company has met the KPIs for both periods as at 31 December 2021 and 31 December 2022. The Company is under discussion with the bank to withdraw the stabilization support agreement.

Securities provided against bank borrowings include assignment of insurance policies for insurance of the property all risk and business interruption amounting to SR 1,253 million (2022: SR 1,253 million).

Pledge of the shares of Company in favor of the bank during the loan period.

Movement in loan balance is as follows:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
At the beginning of the period/year	**590,043,778**	702,406,402
Paid during the period/year	**(22,294,126)**	(112,362,624)
At the end of the period/year	**567,749,652**	590,043,778

Maturity analysis - contractual undiscounted cash flows

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Within one year	**87,914,175**	76,013,761
One to five years	**329,460,373**	318,515,766
More than five years	**413,926,701**	420,058,107
	831,301,249	814,587,634

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12. REVENUE

12.1 Disaggregation of revenue

Revenue is disaggregated by type of goods as shown below:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)	**2023 (Unaudited)**	2022 (Unaudited)
Type of goods				
Flour	**83,893,416**	80,856,372	**205,744,536**	186,869,685
Feed	**86,894,823**	102,709,943	**187,338,225**	191,386,533
Bran	**28,945,453**	39,644,687	**58,896,612**	83,376,732
	199,733,692	223,211,002	**451,979,373**	461,632,950

Timing of revenue recognition
The sale of the goods is recognised by the Group at a point in time, and the performance obligation is fulfilled when the goods are dispatch from the warehouses.

13. COST OF REVENUE

Cost of revenue comprises the following:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)	**2023 (Unaudited)**	2022 (Unaudited)
Raw materials consumed	**95,971,227**	117,277,623	**215,833,255**	225,820,516
Salaries and other benefits	**8,631,998**	9,624,289	**18,488,872**	24,326,232
Depreciation and amortization	**13,278,085**	12,937,558	**26,177,977**	25,827,073
Utilities	**3,978,789**	4,265,933	**9,207,882**	8,573,322
Insurance	**1,003,641**	795,511	**1,254,754**	2,293,447
Maintenance	**2,564,173**	5,189,986	**5,568,504**	7,711,926
Other Expenses	**2,296,559**	4,134,655	**5,938,950**	6,486,924
Provision for slow moving inventories of spare parts and raw materials	**(1,163,478)**	(205,341)	**(1,428,244)**	(1,169,769)
	126,560,994	154,020,214	**281,041,950**	299,869,671
Finished goods inventory at the beginning of the period	**25,989,080**	5,839,197	**20,775,523**	13,396,652
Finished goods available for sale during the period	**152,550,074**	159,859,411	**301,817,473**	313,266,323
Finished goods inventory at the end of the period	**(22,094,289)**	(13,742,962)	**(22,094,289)**	(13,742,962)
	130,455,785	146,116,449	**279,723,184**	299,523,361

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14. FINANCE COSTS

Finance costs comprise the following:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)	**2023 (Unaudited)**	2022 (Unaudited)
Finance cost on lease liabilities	**1,646,650**	1,674,617	**3,246,784**	3,279,210
Finance cost on long-term loans	**10,216,763**	6,592,354	**20,092,571**	10,811,450
Amortization of loan transaction cost	**148,113**	148,114	**296,226**	296,226
Bank charges	**456**	--	**456**	--
	12,011,982	8,415,085	**23,636,037**	14,386,886

15. ZAKAT

15.1 Movement in provision for zakat during the period/year

Movement in provision for zakat during the period/year is as follows:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
At the beginning of the period/year	**2,854,310**	2,377,819
Charged during the period/year	**2,612,000**	2,626,870
Paid during the period/year	**(3,024,538)**	(2,150,379)
At end of the period/year	**2,441,772**	2,854,310

15.2 Zakat status

The Parent Company got exemption from Zakat, Tax and Customs Authority (ZATCA) from submitting the zakat return for the year ended 31 December 2020. The Parent Company has submitted the zakat declaration for the year ended 31 December 2022 and obtained Zakat certificate which is valid up to 30 April 2024.

16. CAPITAL COMMITMENTS AND CONTINGENCIES

16.1 Contingencies

a) The Group has provided bank guarantees of SR 1,576,477 in favor of GFSA for lease of silos in Khamis Mushait, Al Jumum and Al Jouf. These guarantees are valid up to 31 December 2023.

b) The Group has provided bank guarantees of SR 475,979 in favor of GFSA for lease of lands in Khamis Mushait, Al Jumum and Al Jawf. These guarantees are valid up to 31 December 2023.

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16. CAPITAL COMMITMENTS AND CONTINGENCIES (continued)

16.1 Contingencies (continued)

c) The Group has provided bank guarantees amounting to SR 500,000 in favor of GFSA for barley import contract for the purpose of trade. These guarantees are valid up to 30 June 2023.

d) On 19 March 2023 (corresponding to 27 Shaban 1444H) GFSA has lodged a claim against the Group before the Committee for the Adjudication of Violations of the Flour Milling Law, alleging that Group did not comply with the terms and regulations stipulated in The Flour Mills Law and implementing regulations, Mill Operating License and Wheat Purchase Agreement that are as follows:

i) accepting membership requests from the new customers without GFSA's approval - fine amounting to SR 20,000,000; and
ii) exceeding allocated sale quantities approved by GFSA – fine amounting to SR 1,000,000 and financial recoveries amounting to SR 43,248,992.58

Based on the advice of the Group's legal advisors, the Group has recognized a provision amounting to SR 6.42 million during the year ended 31 December 2022 as the Group expects to be successful in defending the claim as the allegations made have no reasonable legal grounds. Management have assessed the balance of the claims as a contingent liability.

The Group has submitted a reply against this claim to the GFSA on 30 April 2023 (corresponding to 10 Shawwal 1444H).

Subsequent to the period end date, on 2 October 2023 (corresponding to 17 Rai Al-Awal 1445H) the Group received response from GFSA with a revised claim amounting to SR 4,356,536. The Group and GFSA both has the right to appeal the decision to the administrative court within 60 days from the date of notification of the decision, in accordance with the provisions of paragraph three of article twenty-seven of The Flour Mills Regulations.

16.2 Commitments:

The following LCs are outstanding as at 30 June 2023:

a) LC import sight of SR 1,692,145 (EUR 415,000) with an outstanding amount of SR 1,099,895 (EUR 269,750) (31 December 2022: NIL) in favor of FAWEMA GMBH for bag packing machine. The LC will remain valid till 6 January 2024.

b) LC import sight of SR 59,887,500 (USD 15,970,000) (31 December 2022: NIL) in favor of OCRIM SPA for supply of flour mill machinery including all electrical equipment's. The LC will remain valid till 15 October 2024.

c) LC import sight of SR 1,112,704 (CHF 268,426) (31 December 2022: NIL) in favor of BUEHLER AG for supply of plant components including installation and commissioning supervision at site of Jumum. The LC will remain valid till 28 Mar 2024.

d) LC import sight of 1,147,513 (USD 305,970) (31 December 2022: NIL) in favor of BUEHLER AG for packing line for 10 KG. The LC will remain valid till 15 Mar 2024.

MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2023
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

17. EARNINGS PER SHARE

17.1 Basic and diluted earnings per share

The calculation of basic earnings per share has been based on the distributable earnings attributable to shareholder of ordinary shares and the weighted average number of ordinary shares outstanding at the date of the financial statements.

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)	**2023 (Unaudited)**	2022 (Unaudited)
Profit for the period	**41,125,789**	45,876,216	**105,236,265**	108,337,606
Weighted average number of ordinary shares for basic and diluted EPS	**81,832,000**	81,832,000	**81,832,000**	81,832,000
Earnings per share - basic and diluted	**0.50**	0.56	**1.29**	1.32

The calculation of diluted earnings per share has been based on the earnings attributable to shareholder of ordinary shares and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares if any.

During the period, there are no transactions that reduce the earnings per share and therefore, the earnings per diluted share are not different from the basic earnings per share.

As disclosed in note (20-1) of these financial statements the shareholders approved the split of nominal value of each of the shares from SR 10 to SR 1 per share while keeping the total share capital unchanged. Accordingly, the number of the total shares of the Company has increased from 8,183,200 shares to 81,832,000 shares without any impact on the effective shareholding interest. The per share calculations for both basic and diluted EPS reflects the retrospective adjustment for this increase in the total number of shares.

18. RELATED PARTY TRANSACTIONS AND BALANCES

Related party represent the subsidiary and associate company and key management personnel of the Group, and entities controlled or significantly influenced by such parties (affiliate). The terms of the transactions with related party are approved by the Group's management. Transactions with related parties are on the basis of contractual arrangements made with them.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

For the purposes of the disclosure requirements contained in IAS 24 Disclosures Related to Related Parties, the phrase "key management personnel" (i.e., those persons who have the authority and responsibility to plan, direct and control the activities of the Group) refers to the board of directors, chief executive officer and other executives of the Group.

The compensation of the senior management personnel includes salaries and other benefits. The amounts disclosed in the table represent the amounts recognised as an expense during the financial period in respect of key management personnel.

MODERN MILLS COMPANY
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2023
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel of the Group for the three-month and six-month periods ended 30 June:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)	**2023 (Unaudited)**	2022 (Unaudited)
Short-term employee benefits	**2,168,621**	1,917,454	**4,337,242**	3,675,608
Post-employment benefits and medical benefits	**1,124,470**	994,235	**2,248,940**	1,905,870
Total compensation paid to key management personnel	**3,293,091**	2,911,689	**6,586,182**	5,581,478

OTHER RELATED PARTY TRANSACTIONS

Transactions with related party arise mainly from services provided/ received and payments made on behalf of each other and are undertaken at mutually agreed terms.

The aggregate value of related parties' transactions and outstanding balances including those related to key management personnel, and entities over which they have control or significant influence are as follows:

Name	Relationship	Nature of transactions	Amount of transactions For the six-month period ended 30 June **2023**	2022
Al Ghurair Food Company LLC	Shareholder with significant influence	Dividends paid	**(29,925,000)**	(23,747,348)
Mada International Holding Company	Shareholder with significant influence	Dividends paid	**(35,000,000)**	(27,774,611)
Al Ghurair Resources international	Affiliate	Purchases	**(38,123,940)**	(6,051,217)
		Advances against purchases	**--**	39,123,895
Al Rajhi Holding	Ultimate Shareholder with significant influence	Lease Payment	**(249,700)**	(499,400)

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For the six-month period ended 30 June 2023
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

DUE TO RELATED PARTIES – included in trade and other payables.

	Relationship	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Al Rajhi Holding	Ultimate Shareholder with significant influence	**7,697**	--
Al Ghurair Resources international	Affiliate	**--**	15,396,304
		7,697	15,396,304

Amounts due to related parties are payable on demand, are unsecured and interest free.

DUE FROM RELATED PARTIES – included in prepayment and other current assets.

	Relationship	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Al Ghurair Resources international	Affiliate	**20,538,026**	--
		20,538,026	--

19. FINANCIAL INSTRUMENTS FAIR VALUES

Financial assets
Set out below is an overview of financial assets held by the Group:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Financial assets at amortised cost:		
Bank balances	**96,623,431**	118,048,894
Trade receivables	**1,556,722**	86,732
Other receivables	**20,932**	32,733
	98,201,085	118,168,359

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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(Expressed in Saudi Arabian Riyals, unless otherwise specified)

19. FINANCIAL INSTRUMENTS FAIR VALUES (continued)

Financial liabilities
Set out below is an overview of financial liabilities held by the Group:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Financial liability at amortised cost:		
Trade and other payables	**24,588,447**	44,707,986
Other payables	**293,896**	906,487
Long term loans	**558,566,660**	580,564,561
Lease liabilities	**243,826,320**	251,450,156
	827,275,323	877,629,190

Fair value hierarchy
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments comprise of financial assets and financial liabilities. The Group's financial assets consist of bank balances, trade receivables and other receivables. Its financial liabilities consist of trade and other payables, long-term loans, obligations under finance lease and amounts due to related parties.

The management assessed that fair value of bank balances, trade receivables, other receivables, trade and other payables, long-term loans, obligations under finance lease and amounts due to related parties approximate their carrying amounts, largely due to the short-term maturities of these instruments except for the long term loans which carries floating rate based on the market terms.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or

Level 3 -Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There are no financial instruments recognised at fair value and there were no transfers between levels of fair value measurements in 2023 and 2022. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.

MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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(Expressed in Saudi Arabian Riyals, unless otherwise specified)

20. SUBSEQUENT EVENTS

20.1 The Board of Directors of the Company through a resolution dated 2 October 2023 (corresponding to 17 Rabi Al-Awwal 1445H), recommended shareholders to split the nominal value of each of the shares from SR 10 to SR 1 per share while keeping the total share capital unchanged. The shareholders through Extraordinary General Assembly Meeting held on 4 October 2023 (corresponding to 19 Rabi Al-Awwal 1445H) approved the recommendation and accordingly the number of the total shares of the Company has increased from 8,183,200 shares to 81,832,000 shares without any impact on the effective shareholding interest. The Company completed the legal procedures of share split, and the commercial register and the amended by-laws were issued on 18 October 2023 (corresponding to 3 Rabi Al-Thani 1445H).

20.2 The shareholders of the Company through Extraordinary General Assembly Meeting held on 4 October 2023 (corresponding to 19 Rabi Al-Awwal 1445H), approved to list the company's shares in Tadawul. The management is in process for filling an application to CMA as on the date of these condensed consolidated financial statements.

20.3 The shareholders of the Company through Extraordinary General Assembly Meeting held on 4 October 2023 (corresponding to 19 Rabi Al-Awwal 1445H), approved to transfer the statutory reserve amounting to SR 24.5 million to retained earnings. The Company completed the legal procedures, and the commercial register and the amended by-laws were issued on 18 October 2023 (corresponding to 3 Rabi Al-Thani 1445H).

20.4 The shareholders of the Company through Extraordinary General Assembly Meeting held on 19 October 2023 (corresponding to 4 Rabi Al-Thani 1445H), approved the employee shares program with a maximum of 818,320 shares and authorize the Board of Directors to determine the terms of this program, including the allocation price for each share offered to employees if it is for a consideration.

20.5 The shareholders of the Company through Extraordinary General Assembly Meeting held on 19 October 2023 (corresponding to 4 Rabi Al-Thani 1445H), approved the purchase of a number of the Company shares, with a maximum of 818,320 shares, with the aim of allocating those to the Company's employees within the employees shares program. The purchase will be financed from the Company's available cash funds, and the Board of Directors is authorized to complete the purchase within a maximum period of twelve months from the date of the extraordinary general assembly's decision.

20.6 On 29 October 2023, the Board of Directors of the Parent Company as authorized by the revised by-laws of the Company approved the distribution of interim dividends for the third quarter of 2023 of SR 0.86 per share amounting to SR 70,000,000.

20.7 No other events or matters have occurred up to and including the date of the approval of these condensed consolidated interim financial statements by the Board of Directors which could materially affect these condensed consolidated interim financial statements and the related disclosure for the six-month period ended 30 June 2023.

MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2023
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

21. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issuance by the Company's Board of Directors on 29 October 2023, corresponding to 14 Rabi Al-Thani 1445H.

MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)
with
INDEPENDENT AUDITORS' REVIEW REPORT
For the three-month and nine-month periods ended 30 September 2023

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MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2023

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Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
مركز زهران للأعمال
شارع الأميرسلطان
ص. ب. 55078
جده 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Modern Mills Company

Introduction

We have reviewed the accompanying 30 September 2023 condensed consolidated interim financial statements of **Modern Mills Company ("the Company")** and its subsidiary ("the Group")**,** which comprises:

- the condensed consolidated statement of financial position as at 30 September 2023;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2023;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2023;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2023; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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المركز الرئيسي في الرياض

Independent auditor's report on review of condensed consolidated interim financial statements (continued)

To the Shareholders of Modern Mills Company

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2023 condensed consolidated interim financial statements of Modern Mills Company and its subsidiary are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services

Ebrahim Oboud Baeshen
License No. 382

Jeddah, 17 December 2023
Corresponding to 4 Jamad Al Thani, 1445H

MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2023
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	**30 September 2023 (Unaudited)**	31 December 2022 (Audited)
ASSETS			
Property, plant and equipment	7.1	**672,684,633**	694,824,629
Right-of-use assets		**224,022,977**	228,142,920
Intangible assets		**2,724,194**	2,890,096
Non-current assets		**899,431,804**	925,857,645
Inventories	8.1	**90,556,186**	92,538,200
Trade receivables		**985,548**	86,732
Prepayments and other current assets		**16,440,006**	15,574,847
Due from related parties	19	**3,841,741**	--
Cash and cash equivalents		**167,503,026**	118,160,559
Current assets		**279,326,507**	226,360,338
Total assets		**1,178,758,311**	1,152,217,983
EQUITY AND LIABILITIES			
Equity			
Share capital	9	**81,832,000**	81,832,000
Statutory reserve		**24,549,600**	24,549,600
Shareholder contribution	10	**2,581,801**	--
Retained earnings		**152,733,014**	72,046,224
Total equity		**261,696,415**	178,427,824
Liabilities			
Long term loans	12	**495,286,138**	535,976,307
Lease liabilities		**230,234,969**	237,277,928
Employees' defined benefit obligations		**5,608,917**	3,100,620
Non-current liabilities		**731,130,024**	776,354,855
Trade and other payables		**30,054,009**	44,707,986
Accrued expenses and other liabilities		**62,093,462**	72,108,581
Current portion of long-term loans	12	**52,281,571**	44,588,254
Current portion of lease liabilities		**15,208,764**	14,172,228
Advances from customers		**14,238,065**	12,579,045
Provision for penalties		**6,424,900**	6,424,900
Zakat payable	16	**5,631,101**	2,854,310
Current liabilities		**185,931,872**	197,435,304
Total liabilities		**917,061,896**	973,790,159
Total equity and liabilities		**1,178,758,311**	1,152,217,983

The accompanying notes from 1 to 22 form an integral part of these condensed consolidated interim financial statements.

MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2023
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	For the three-month period ended 30 September		For the Nine-month period ended 30 September	
		2023 (Unaudited)	2022 (Unaudited)	**2023 (Unaudited)**	2022 (Unaudited)
Revenue	13	**239,135,637**	239,894,889	**691,115,010**	701,527,839
Cost of revenue	14	**(156,064,968)**	(139,385,155)	**(435,788,152)**	(438,908,516)
Gross profit		**83,070,669**	100,509,734	**255,326,858**	262,619,323
Selling and distribution expenses		**(4,022,873)**	(11,081,592)	**(22,767,364)**	(15,490,263)
General and administrative expenses		**(18,948,023)**	(18,584,726)	**(42,378,443)**	(52,458,704)
Expected credit loss on trade receivables		**(363,585)**	--	**(363,585)**	(10,000)
Other (expense) / income		--	(252,018)	--	41,534
Operating profit		**59,736,188**	70,591,398	**189,817,466**	194,701,890
Finance costs	15	**(12,477,702)**	(9,914,567)	**(36,113,739)**	(24,301,453)
Finance income		**1,381,369**	671,834	**2,784,393**	671,834
Profit before zakat		**48,639,855**	61,348,665	**156,488,120**	171,072,271
Zakat expense	16.1	**(3,189,331)**	(693,000)	**(5,801,331)**	(2,079,000)
Profit for the period		**45,450,524**	60,655,665	**150,686,789**	168,993,271
Other comprehensive income for the period		--	--	--	--
Total comprehensive income for the period		**45,450,524**	60,655,665	**150,686,789**	168,993,271
Earnings per share for the period attributable to shareholders of the Company (SR):					
Basic	18.1	**0.56**	0.74	**1.84**	2.07
Diluted	18.1	**0.56**	0.74	**1.84**	2.07

The accompanying notes from 1 to 22 form an
integral part of these condensed consolidated interim financial statements.

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MODERN MILLS COMPANY
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the nine-month period ended 30 September 2023
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Share capital	Shareholder contribution	Merger deficit reserve	Statutory reserve	Retained earnings	Total
Nine-month period ended 30 September 2023:						
As at 31 December 2022 (audited)	**81,832,000**	**--**	**--**	**24,549,600**	**72,046,225**	**178,427,825**
Profit for the period	**--**	**--**	**--**	**--**	**150,686,789**	**150,686,789**
Other comprehensive income for the period	**--**	**--**	**--**	**--**	**--**	**--**
Total comprehensive income for the period	**--**	**--**	**--**	**--**	**150,686,789**	**150,686,789**
Shareholder contribution	**--**	**2,581,801**	**--**	**--**	**--**	**2,581,801**
Dividends distribution (note 10)	**--**	**--**	**--**	**--**	**(70,000,000)**	**(70,000,000)**
As at 30 September 2023 (unaudited)	**81,832,000**	**2,581,801**	**--**	**24,549,600**	**152,733,014**	**261,696,415**
Nine-month period ended 30 September 2022						
As at 31 December 2021 (audited)	899,666,590	--	(817,835,064)	13,444,845	2,561,720	97,838,091
Profit for the period	--	--	--	--	168,993,271	168,993,271
Other comprehensive income for the period	--	--	--	--	--	--
Total comprehensive income for the period	--	--	--	--	168,993,271	168,993,271
Dividends distribution (note 10)	--	--	--	--	(92,463,711)	(92,463,711)
As at 30 September 2022 (unaudited)	899,666,590	--	(817,835,064)	13,444,845	79,091,280	174,367,651

The accompanying notes from 1 to 22 form an
integral part of these condensed consolidated interim financial statements.

MODERN MILLS COMPANY
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the nine-month period ended 30 September 2023
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	**30 September 2023 (Unaudited)**	30 September 2022 (Unaudited)
Cash flows from operating activities			
Profit before zakat		**156,488,120**	171,072,271
Adjustments:			
Depreciation on property, plant and equipment	7.2	**34,222,327**	31,720,074
Depreciation of right-of-use assets		**8,223,657**	8,019,956
Amortisation of intangible assets		**381,211**	--
Finance cost on lease liabilities	15	**5,113,896**	4,968,001
Finance cost on long-term loans	15	**30,555,505**	18,889,114
Finance income for the period		**(2,784,393)**	(671,834)
Amortisation of loan transaction cost	15	**444,338**	444,338
Reversal of provision for slow moving inventories	8.2	**(1,705,927)**	(1,185,669)
Provision for employees' defined benefit obligations		**2,761,368**	2,480,719
Expected credit loss on trade receivables		**363,585**	10,000
		234,063,687	235,746,970
Changes in working capital:			
Inventories		**3,687,941**	214,542
Trade receivables		**(1,262,401)**	(154,653)
Prepayments and other current assets		**(865,158)**	(31,356,997)
Due from related parties		**(1,259,940)**	--
Trade and other payables		**(14,653,977)**	11,859,303
Accrued expenses and other liabilities		**(10,015,119)**	40,324,555
Advances from customers		**1,659,020**	6,331,217
		211,354,053	262,964,937
Paid employees' defined benefit obligations		**(253,071)**	--
Finance cost paid		**(37,242,143)**	(25,633,715)
Finance income received		**2,784,393**	671,834
Zakat paid	16.1	**(3,024,540)**	--
Net cash from operating activities		**173,618,692**	238,003,056
Cash flows from investing activities			
Additions to property, plant and equipment	7.2	**(12,139,538)**	(18,631,207)
Additions to intangible assets		**(215,309)**	(2,625,824)
Proceeds from sale of property, plant and equipment		**57,207**	--
Net cash used in investing activities		**(12,297,640)**	(21,257,031)
Cash flows from financing activities			
Loan repaid	12	**(33,441,190)**	(9,263,011)
Capital repayment of lease liabilities		**(8,537,395)**	(7,438,609)
Dividends paid	11	**(70,000,000)**	(130,549,163)
Net cash used in financing activities		**(111,978,585)**	(147,250,783)
Net increase in cash and cash equivalents during the period		**49,342,467**	69,495,242
Cash and cash equivalents as at 1 January		**118,160,559**	94,133,966
Cash and cash equivalents at 30 September		**167,503,026**	163,629,208
Non-cash transactions			
Due from related party – Financial Guarantee		--	(7,375,281)
IPO cost incurred		**2,581,801**	--

The accompanying notes from 1 to 22 form an
integral part of these condensed consolidated interim financial statements.

MODERN MILLS COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the nine-month period ended 30 September 2023
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

1. COMPANY INFORMATION

Modern Mills Company (the "Company" or the "Parent Company"), a Saudi Closed Joint Stock Company, was incorporated in accordance with the Companies' Regulations in the Kingdom of Saudi Arabia under Commercial Registration No. 5855070277 issued on 10 November 2016 (corresponding to 10 Safar 1438H).

The Company was formed by the Public Investment Fund (the "PIF") pursuant to the resolution of the Council of Ministers No. (35) of 9 November 2015 (corresponding to 27 Muharram 1437H) approving the adoption of the necessary actions to establish four Joint Stock Milling Companies according to the proposed geographical distribution. The Public Investment Fund, in coordination with the General Food Security Authority ("GFSA") previously known as Saudi Grains Organization (the "SAGO"), shall do so in accordance with Royal Decree No. (62) dated 31 July 2014 (corresponding to 4 Shawwal 1435H). The Company is selling various products of flour, feed and bran out of which the selling prices of only the flour products weighing 45 KGs and above are determined by the GFSA.

On 9 June 2020 (corresponding to 17 Shawwal 1441H), Cabinet Resolution No. (631) was issued to transfer the ownership of the company to the National Center for Privatisation (the "NCP") and for the NCP to carry out the tasks assigned to the Public Investment Fund by Cabinet Resolution No. (118) and dated 30 October 2018 (corresponding to 21 Safar 1440H). The Company's shares were wholly sold to Mada Al Ghurair Limited Company on 31 December 2020 (corresponding to 16 Jumada Al Awal 1442H).

On 1 November 2021 (corresponding to 26 Rabi al Awal 1443H) merger agreement was signed between shareholders of Mada Al Ghurair Limited (the Ultimate Parent Company) and its wholly owned subsidiary, Modern Mills Company ("Company'') whereby all assets, liabilities, rights and obligations of the ultimate Parent Company were to be transferred to the Company subject to the completion of legal procedures.

The Company has entered into a subsidised wheat purchase agreement with GFSA, as GFSA imports wheat to Saudi Arabia for the purpose of producing subsidised flour. This agreement was entered into force on 1 January 2017 (corresponding to 3 Rabi Al Thani 1438H). The agreement stipulates that the purchase price of the subsidised wheat is calculated according to the monetary value per metric ton of subsidised wheat specified by the Government of the Kingdom of Saudi Arabia at SR 180 per metric ton since 2017. The Company also has an option to import the wheat directly or to source it from the open market.

On 30 November 2020 (corresponding to 15 Rabi Al Thani 1442H) the wheat purchase agreement was extended and it will be in force until the date of expiry of the Company's milling operating license, subject to an automatic extension of the contract term to match the term of the Company's license. This license shall remain valid for a period of twenty-five (25) Gregorian years, counted from the date of completion of the transfer of ownership of all shares of the licensee to the private sector that was completed on 31 December 2020 (corresponding to 16 Jumada Al Awal 1442H).

The registered address of the Company is as follows:

Alkhalidiah
Mohammed Altaib Altunisi Street,
Jeddah 2341 - 6228
Kingdom of Saudi Arabia

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1. COMPANY INFORMATION (continued)

On 27 April 2022, the Board of Directors of the Company approved and formed an IPO committee to define the consultant's scope of work and recommend timelines/actions required to go for listing. The management is in the process of making arrangements for offering and listing of the Company's shares in Tadawul as on the date of these consolidated financial statements. The Company has submitted an application to CMA regarding the listing process dated 6 November 2023 corresponding to 22 Rabi Al Thani 1445H.

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Companies Law and will amend its Articles of Association/By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Company presented the amended By-Laws to the shareholders in their extraordinary/annual General Assembly meeting for their ratification. The General Assembly meeting dated 4 October 2023 corresponding to 19 Rabi Al Awwal 1445H approved the amended By-Law.

These accompanying condensed consolidated financial statements comprise the condensed financial statements of Modern Mills Company (the "Company" (or) the "Parent Company") and its subsidiary (collectively referred to as the "Group"). The Group is principally engaged in flour production in the Kingdom of Saudi Arabia and all activities related to the provision of wheat products, animal feed and related products, including making any contracts or making any related arrangements.

The Company is the ultimate controlling party of the Group. As at 30 September 2023, the Company has investment in the following subsidiary:

Subsidiary name	Country of incorporation	Principal business activity	Effective ownership interest (%)	
			30 September 2023	31 December 2022
Operating subsidiary				
Hasad Al-Arabia	Saudi Arabia	Distribution	**100**	100

The Group operates through three branches, which are as follows:

Branch Location	Date	Commercial Registration No.
Head office	09 January 2022 (corresponding to 6 Jumada Al-Akhirah 1443H).	4030449122
Khamis Mushait	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	5855070707
Al Jumum	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	4622099376
Al Jawf	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	3400020077

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2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the International Accounting Standards (IAS 34) "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA") and should be read in conjunction with the Group's last annual financial statements as at and for the year ended 31 December 2022 ("last annual financial statements").

These condensed consolidated interim financial statements do not include all the information and disclosures required to prepare a complete set of annual consolidated financial statements in accordance with the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia. However, selected accounting policies and explanatory notes have been included to explain the events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements. In addition, the results for the nine-month period ended 30 September 2023 are not necessarily indicative of the results that may be expected for the year ending 31 December 2023.

These condensed consolidated interim financial statements are prepared by the management for internal reporting and external reporting to be used as the latest financial information for filing an application to the Capital Market Authority requesting approval for an Initial Public Offering and for consultants for their respective review.

2.2 Basis of measurement

These condensed consolidated interim financial statements have been prepared using accrual basis of accounting, going concern concept and under the historical cost basis, except employees' defined benefit obligations which are recognised at the present value of future obligation using the Projected Unit Credit Method.

2.3 Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Arabian Riyals (SR) which is the functional and presentation currency of the Company and its subsidiary. All amounts have been rounded to the nearest SR, unless otherwise stated.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of revenues, expenses, assets, liabilities and accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The Group based its assumptions and estimates on parameters available when the condensed consolidated interim financial statements were prepared.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur. The significant judgments exercised in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements for the year ended 31 December 2022.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022, except for the adoption of new standards, interpretations and amendments effective as at 1 January 2023, as mentioned in note 4.1 and note 5.1. The Group has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective.

4.1 Initial Public Offering (IPO) Cost

IPO costs are the cost for the sale of shares and the listing of shares in the financial market. These include but not limited to underwriting fee, sales commission and valuation costs, trading fees, costs. Costs for sale of shares to the public if paid by the company are not recognized in the Company's income statement as expenses and are accounted for as amounts due from the selling shareholders. The period when they are incurred. Reimbursement from shareholders for such expenses are treated as a separate transaction and are recognized in equity.

5. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

5.1 Standards, interpretations and amendments issued

This table lists the recent changes to the Standards that are required to be applied for an annual period beginning after 1 January 2023 and that are available for early adoption in annual periods beginning on 1 January 2023.

Standards, amendments, interpretations	*Description*	*Effective from periods beginning on or after the following date*
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	1 January 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	1 January 2023
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	1 January 2023

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5 NEW STANDARDS, INTERPRETATION AND AMENDMENTS (continued)

5.2 Standards, interpretations and amendments issued but not yet effective

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the condensed consolidated interim financial statements are disclosed below. The Group intends to adopt these standards, where applicable, when they become effective.

Standards, amendments, interpretations	***Description***	***Effective from periods beginning on or after the following date***
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	1 January 2024
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to IFRS 16	Lease liability in a sale and leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely

The standards, interpretations, and amendments with an effective date of 1 January 2023 will not have any material impact on the Group's condensed consolidated interim financial statements, whereas, for other above-mentioned standards, interpretations, and amendments, the Group is currently assessing the implications on the Group's financial statements on adoption.

6. SEGMENT INFORMATION

The Group operates in three regions in the Kingdom of Saudi Arabia, which are its reportable segments. These regions are identified as a separate reportable segment because the Group managed them separately.

The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income and is measured consistently in the financial statements.

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6. SEGMENT INFORMATION (continued)

Transfer prices between operating segments are on cost and any transmission and distribution costs are recovered from the segments in a manner similar to transactions with third parties.

The selected financial information for these business units is set out below. All unallocated amounts are related to the head office and are not allocatable to the operating segments. Segment profit before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

For the three-month period ended 30 September 2023 (Unaudited)	**Khamis**	**Al Jumum**	**Al Jowf**	**Total Segments**
Total revenue	**157,254,228**	**63,130,629**	**18,750,780**	**239,135,637**
Cost of inventories	**(91,387,643)**	**(23,217,117)**	**(7,023,428)**	**(121,628,188)**
Employee benefits expenses	**(4,005,465)**	**(3,287,640)**	**(1,989,585)**	**(9,282,690)**
Depreciation	**(4,526,373)**	**(7,395,587)**	**(1,983,365)**	**(13,905,325)**
Other expenses	**(8,116,088)**	**(6,941,479)**	**(420,538)**	**(15,478,105)**
Financing costs	**(500,528)**	**(1,093,280)**	**(250,177)**	**(1,843,985)**
Segment profit	**48,718,131**	**21,195,526**	**7,083,687**	**76,997,344**

For the three-month period ended 30 September 2022 (Unaudited)	Khamis	Al Jumum	Al Jowf	Total Segments
Total revenue	140,675,431	65,013,895	34,205,563	239,894,889
Cost of inventories	(81,968,795)	(19,802,603)	(10,726,260)	(112,497,658)
Employee benefits expenses	(6,840,400)	(4,057,200)	(3,848,801)	(14,746,401)
Depreciation	(4,454,470)	(7,188,178)	(1,541,944)	(13,184,592)
Other expenses	(1,402,548)	(9,332,628)	(3,007,805)	(13,742,981)
Financing costs	(548,572)	(833,785)	(274,494)	(1,656,851)
Segment profit	45,460,646	23,799,501	14,806,259	84,066,406

For the nine-month period ended 30 September 2023 (Unaudited)	**Khamis**	**Al Jumum**	**Al Jowf**	**Total Segments**
Total revenue	**433,937,166**	**194,021,668**	**63,156,176**	**691,115,010**
Cost of inventories	**(251,056,567)**	**(62,154,373)**	**(22,931,738)**	**(336,142,678)**
Employee benefits expenses	**(16,918,633)**	**(13,400,649)**	**(9,296,551)**	**(39,615,833)**
Depreciation	**(14,132,763)**	**(21,844,106)**	**(5,956,127)**	**(41,932,996)**
Other expenses	**(13,072,922)**	**(25,327,429)**	**(4,236,310)**	**(42,636,661)**
Financing costs	**(1,401,469)**	**(2,964,581)**	**(682,931)**	**(5,048,981)**
Segment profit	**137,354,812**	**68,330,530**	**20,052,519**	**225,737,861**

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6. SEGMENT INFORMATION (continued)

For the nine-month period ended 30 September 2022 (Unaudited)	Khamis	Al Jumum	Al Jowf	Total Segments
Total revenue	418,282,417	198,075,874	85,169,548	701,527,839
Cost of inventories	(245,973,087)	(62,567,623)	(28,261,384)	(336,802,094)
Employee benefits expenses	(20,918,644)	(14,233,962)	(11,999,990)	(47,152,596)
Depreciation	(12,858,617)	(20,563,386)	(5,542,077)	(38,964,080)
Other expenses	(18,628,013)	(12,947,600)	(7,573,042)	(39,148,655)
Financing costs	(1,443,223)	(2,676,694)	(727,911)	(4,847,828)
Segment profit	118,460,833	85,086,609	31,065,144	234,612,586

At 30 September 2023 (Unaudited)	**Khamis**	**Al Jumum**	**Al Jowf**	**Total Segments**
Total assets	**264,848,433**	**355,038,108**	**57,619,670**	**677,506,211**
Total liabilities	**(151,552,299)**	**(192,597,105)**	**(77,489,240)**	**(421,638,644)**
Other disclosures:				
Property, plant and equipment with Right-of-use assets	**299,393,893**	**479,392,735**	**114,528,544**	**893,315,172**
Inventories	**47,214,285**	**21,049,852**	**19,677,006**	**87,941,143**

At 31 December 2022 (Audited)	Khamis	Al Jumum	Al Jowf	Total Segments
Total assets	345,732,926	359,958,581	69,741,916	775,433,423
Total liabilities	141,700,107	175,334,057	55,450,113	372,484,277
Other disclosures:				
Property, plant and equipment with right-of-use assets	303,754,897	496,884,655	118,524,623	919,164,175
Inventories	53,920,214	19,429,049	20,359,630	93,708,893

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6. SEGMENT INFORMATION (continued)

6.1 Reconciliations of information on reportable segments to the amounts reported in the financial statements

i) Profit before tax

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2023 (Unaudited)	2022 (Unaudited)	**2023 (Unaudited)**	2022 (Unaudited)
Total profit before tax for reportable segments	**76,997,344**	84,066,406	**225,737,861**	234,612,586
Unallocated amounts				
Employee benefits expenses	**(9,223,711)**	(12,428,042)	**(20,295,634)**	(36,530,195)
Depreciation	**(303,672)**	(283,616)	**(894,196)**	(775,950)
Other expenses	**(9,214,174)**	(2,167,882)	**(19,415,963)**	(7,483,913)
Financing costs	**(10,633,694)**	(8,258,016)	**(31,078,066)**	(19,418,477)
Finance income	**1,381,347**	672,134	**2,797,703**	672,134
Other income	**--**	(252,319)	**--**	6,086
Expected credit loss on trade receivables	**(363,585)**	--	**(363,585)**	(10,000)
	48,639,855	61,348,665	**156,488,120**	171,072,271

ii) Total assets

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Total assets for reportable segments	**677,506,211**	990,036,885
Unallocated amounts	**501,252,098**	162,181,098
	1,178,758,309	1,152,217,983

iii) Total liabilities

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Total liabilities for reportable segments	**421,638,644**	308,650,789
Unallocated amounts	**495,423,252**	665,139,370
	917,061,896	973,790,159

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7. PROPERTY, PLANT AND EQUIPMENT

7.1 Property, plant and equipment comprise of the following:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Buildings	**295,323,816**	304,673,047
Plant and equipment	**356,881,543**	354,986,161
Furniture and fittings	**4,211,277**	4,386,647
Motor vehicles	**2,662,888**	2,277,991
Strategic spare parts	**10,037,047**	10,733,727
Capital work in progress	**3,568,062**	17,767,056
	672,684,633	694,824,629

7.2 For the purposes of preparing the condensed consolidated interim statement of cash flows, the movement in property, plant and equipment during the nine-month period ended 30 September is as follows:

	For the nine-month period ended 30 September	
	2023 (Unaudited)	2022 (Unaudited)
Depreciation	**34,222,327**	31,720,074
Additions	**(12,139,538)**	(18,631,207)
Carrying amount of disposed assets	**57,207**	--
Proceeds from disposal	**57,207**	--

7.3 The buildings are built on land leased from the GFSA with an annual rental of SR 3,173,959. The lease term is twenty-five calendar years commencing from 1 January 2017 (corresponding to 3 Rabee Thani 1438H) and is renewable for a similar period. In 2020, the lease term was extended by an additional four years.

7.4 As at 30 September 2023, capital work in progress consists of the project under progress for mill process automation system at Khamis Mushait and new flour mill at Jammoum.

Capital commitments relating to these projects amount to SR 83.29 million (31 December 2022: SR 16.52 million)

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8. INVENTORIES

8.1 Inventories comprise of the following:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Spare parts	**58,907,277**	61,645,702
Raw materials	**23,273,879**	25,787,731
Finished goods	**18,321,105**	20,775,523
Packing material	**9,397,871**	7,640,128
Other – inventories	**1,759,253**	1,339,978
	111,680,994	117,189,062
Less: provision for slow-moving inventories	**(21,124,808)**	(24,650,862)
	90,556,186	92,538,200

8.2 During the nine-month period ended 30 September 2023, the Company has reversed the provision for the slow-moving inventories of spare parts and raw materials amounting to SR 1.7 million and write off of SR 1.8 million (31 December 2022: charge for the year SR 9.75 million). The amount of (reversal) / provision is included in the cost of revenue.

9. SHARE CAPITAL

The authorized, issued and fully paid-up share capital of the Parent Company as at 30 June 2023 amounted to SR 81,832,000 (31 December 2022: SR 81,832,000) consists of 8,183,200 shares (31 December 2022: 8,183,200 shares) at SR 10 each share.

10. SHAREHOLDER CONTRIBUTION

Initial public offering (IPO) costs are the costs incurred by the Company for listing of existing shares of the Company. These costs are charged to the profit or loss as and when these are incurred. These are fully recoverable from the shareholders provided that these costs are deducted from the offering proceeds as per the undertaking signed and submitted to the CMA by the shareholders on 31 October 2023 corresponding to 16 Rabi Al-Thani 1445H.

The amount of SR. 2,581,801 represents the IPO costs fully recoverable from the shareholders.

11. DIVIDENDS

11. 1 On 24 April 2023, the Board of Directors of the Parent Company as authorized by the revised by-laws of the Company approved the distribution of interim dividends for the fourth quarter of 2022 of SR 4.28 per share amounting to SR 35,000,000. The dividends were paid on 27 April 2023 and 3 May 2023.

11.2 On 24 April 2023, the Board of Directors of the Parent Company as authorized by the revised by-laws of the Company approved the distribution of interim dividends for the first quarter of 2023 of SR 4.28 per share amounting to SR 35,000,000. The dividends were paid on 27 April 2023 and 3 May 2023.

11.3 On 14 June 2022, the General Assembly approved the distribution of dividends of SR 2.13 per share amounting to SR 17,463,711. The dividends were paid on 20 June 2022.

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12. LONG-TERM LOANS

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Long-term loan	**556,602,588**	590,043,778
Less: unamortised loan transaction cost	**(9,034,879)**	(9,479,217)
	547,567,709	580,564,561
Current portion	**52,281,571**	44,588,254
Non-current portion	**495,286,138**	535,976,307
	547,567,709	580,564,561

Long-term loan represents Senior Murabaha Facility taken from a commercial bank in two tranches and carries profit rate at SAIBOR plus an applicable margin. The facility is repayable in quarterly instalments commencing from 31 March 2021 till 31 December 2038.

The facilities are secured against the following collaterals:

Subsequent to period end, the Bank has confirmed the satisfaction of all Release condition and the revocation of stabilization support agreement dated 10 October 2023 corresponding to 25 Rabi Al Awal, 1445H.

Securities provided against bank borrowings include assignment of insurance policies for insurance of the property all risk and business interruption amounting to SR 1,253 million (2022: SR 1,253 million).

Movement in loan balance is as follows:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
At the beginning of the period/year	**590,043,778**	702,406,402
Paid during the period/year	**(33,441,190)**	(112,362,624)
At the end of the period/year	**556,602,588**	590,043,778

Maturity analysis - contractual undiscounted cash flows

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Within one year	**93,647,335**	76,013,761
One to five years	**335,564,572**	318,515,766
More than five years	**410,912,051**	420,058,107
	840,123,958	814,587,634

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13. REVENUE

13.1 Disaggregation of revenue

Revenue is disaggregated by type of goods as shown below:

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2023 (Unaudited)	2022 (Unaudited)	**2023 (Unaudited)**	2022 (Unaudited)
Type of goods				
Flour	**99,570,536**	99,809,880	**305,315,072**	286,679,565
Feed	**116,195,745**	96,454,098	**303,533,970**	287,840,631
Bran	**23,369,356**	43,630,911	**82,265,968**	127,007,643
	239,135,637	239,894,889	**691,115,010**	701,527,839

Timing of revenue recognition
The sale of the goods is recognised by the Group at a point in time, and the performance obligation is fulfilled when the goods are dispatch from the warehouses.

14. COST OF REVENUE

Cost of revenue comprises the following:

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2023 (Unaudited)	2022 (Unaudited)	**2023 (Unaudited)**	2022 (Unaudited)
Raw materials consumed	**120,309,423**	110,981,578	**336,142,678**	336,802,094
Salaries and other benefits	**9,598,848**	10,291,386	**28,087,720**	34,617,618
Depreciation and amortization	**12,737,492**	12,213,594	**38,915,469**	38,040,667
Utilities	**4,615,311**	4,156,025	**13,823,193**	12,729,347
Insurance	**1,426,814**	746,247	**2,681,568**	3,039,694
Maintenance	**2,431,033**	2,681,208	**7,999,537**	10,393,134
Other Expenses	**1,472,155**	508,850	**7,411,105**	6,995,774
Provision for slow moving inventories of spare parts and raw materials	**(277,683)**	(15,900)	**(1,705,927)**	(1,185,669)
	152,313,393	141,562,988	**433,355,343**	441,432,659
Finished goods inventory at the beginning of the period	**22,094,289**	13,742,962	**20,775,523**	13,396,652
Finished goods available for sale during the period	**174,407,682**	155,305,950	**454,130,866**	454,829,311
Finished goods inventory at the end of the period	**(18,342,714)**	(15,920,795)	**(18,342,714)**	(15,920,795)
	156,064,968	139,385,155	**435,788,152**	438,908,516

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15. FINANCE COSTS

Finance costs comprise the following:

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2023 (Unaudited)	2022 (Unaudited)	**2023 (Unaudited)**	2022 (Unaudited)
Finance cost on lease liabilities	**1,867,112**	1,688,791	**5,113,896**	4,968,001
Finance cost on long-term loans	**10,462,934**	8,077,664	**30,555,505**	18,889,114
Amortization of loan transaction cost	**148,112**	148,112	**444,338**	444,338
Bank charges	**(456)**	--	--	--
	12,477,702	9,914,567	**36,113,739**	24,301,453

16. ZAKAT

16.1 Movement in provision for zakat during the period/year

Movement in provision for zakat during the period/year is as follows:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
At the beginning of the period/year	**2,854,310**	2,377,819
Charged during the period/year	**4,609,331**	2,626,870
Prior year Zakat	**1,192,000**	--
Paid during the period/year	**(3,024,540)**	(2,150,379)
At end of the period/year	**5,631,101**	2,854,310

16.2 Zakat status

The Parent Company got exemption from Zakat, Tax and Customs Authority (ZATCA) from submitting the zakat return for the year ended 31 December 2020. The Parent Company has submitted the zakat declaration for the year ended 31 December 2022 and obtained Zakat certificate which is valid up to 30 April 2024.

17. CAPITAL COMMITMENTS AND CONTINGENCIES

17.1 Contingencies

a) The Group has provided bank guarantees of SR 340,860 in favor of GFSA for lease of silos in Khamis Mushait. These guarantees are valid up to31 December 2023.
b) The Group has provided bank guarantees of SR 1,235,617 in favor of GFSA for lease of silos in Khamis Mushait, Al-Jouf. These guarantees are valid up to 30 January 2024.
c) The Group has provided bank guarantees of SR 475,979 in favor of GFSA for lease of lands in Khamis Mushait, Al Jumum and Al Jawf. These guarantees are valid up to 30 January 2024.
d) The Group has provided bank guarantees amounting to SR 500,000 in favor of GFSA for barley import contract for the purpose of trade. These guarantees are valid up to 30 June 2024.

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17. CAPITAL COMMITMENTS AND CONTINGENCIES (continued)

17.1 Contingencies (continued)

e) On 19 March 2023 (corresponding to 27 Shaban 1444H) GFSA has lodged a claim against the Group before the Committee for the Adjudication of Violations of the Flour Milling Law, alleging that Group did not comply with the terms and regulations stipulated in The Flour Mills Law and implementing regulations, Mill Operating License and Wheat Purchase Agreement that are as follows:

i) accepting membership requests from the new customers without GFSA's approval - fine amounting to SR 20,000,000; and
ii) exceeding allocated sale quantities approved by GFSA – fine amounting to SR 1,000,000 and financial recoveries amounting to SR 43,248,992.58

Based on the advice of the Group's legal advisors, the Group has recognized a provision amounting to SR 6.42 million during the year ended 31 December 2022 as the Group expects to be successful in defending the claim as the allegations made have no reasonable legal grounds. Management have assessed the balance of the claims as a contingent liability. The Group has submitted a reply against this claim to the GFSA on 30 April 2023 (corresponding to 10 Shawwal 1444H). Subsequent to the period end date, on 2 October 2023 (corresponding to 17 Rai Al-Awal 1445H) the Group received response from GFSA with a revised claim amounting to SR 4,356,536. The Group and GFSA both have the right to appeal the decision to the administrative court within 60 days from the date of notification of the decision, in accordance with the provisions of paragraph three of article twenty-seven of The Flour Mills Regulations. There is no appeal made by either party with respect to this notification. The Board of Director dated 6 December 2023 corresponding to 22 Jamad ul Awwal 1445H has approved to settle and pay the amount of SR 4,356,536.

17.2 Commitments:

The following LCs are outstanding as at 30 September 2023:

a) LC import sight of SR 1,692,145 (EUR 415,000) with an outstanding amount of SR 1,099,895 (EUR 269,750) (31 December 2022: NIL) in favor of FAWEMA GMBH for bag packing machine. The LC will remain valid till 6 January 2024.

b) LC import sight of SR 59,887,500 (USD 15,970,000) (31 December 2022: NIL) in favor of OCRIM SPA for supply of flour mill machinery including all electrical equipment's. The LC will remain valid till 15 October 2024.

c) LC import sight of SR 1,112,704 (CHF 268,426) (31 December 2022: NIL) in favor of BUEHLER AG for supply of plant components including installation and commissioning supervision at site of Jumum. The LC will remain valid till 28 Mar 2024.

d) LC import sight of 1,147,513 (USD 305,970) (31 December 2022: NIL) in favor of BUEHLER AG for packing line for 10 KG. The LC will remain valid till 15 Mar 2024.

e) LC import sight of SR. 1,073,810 (USD 285,968) (31 December 2022: NIL) in favor of BUEHLER AG for New Flour Mixing Line. The LC will remain valid till 30 Aug 2024.

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18. EARNINGS PER SHARE

18.1 Basic and diluted earnings per share

The calculation of basic earnings per share has been based on the distributable earnings attributable to shareholder of ordinary shares and the weighted average number of ordinary shares outstanding at the date of the financial statements.

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2023 (Unaudited)	2022 (Unaudited)	**2023 (Unaudited)**	2022 (Unaudited)
Profit for the period	**45,450,524**	60,655,665	**150,686,789**	168,993,271
Weighted average number of ordinary shares for basic and diluted EPS	**81,832,000**	81,832,000	**81,832,000**	81,832,000
Earnings per share - basic and diluted	**0.56**	0.74	**1.84**	2.07

The calculation of diluted earnings per share has been based on the earnings attributable to shareholder of ordinary shares and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares if any. During the period, there are no transactions that reduce the earnings per share and therefore, the earnings per diluted share are not different from the basic earnings per share**.**

As disclosed in note (20-1) of these financial statements the shareholders approved the split of nominal value of each of the shares from SR 10 to SR 1 per share while keeping the total share capital unchanged. Accordingly, the number of the total shares of the Company has increased from 8,183,200 shares to 81,832,000 shares without any impact on the effective shareholding interest. The per share calculations for both basic and diluted EPS reflects the retrospective adjustment for this increase in the total number of shares.

19. RELATED PARTY TRANSACTIONS AND BALANCES

Related party represent the subsidiary and associate company and key management personnel of the Group, and entities controlled or significantly influenced by such parties (affiliate). The terms of the transactions with related party are approved by the Group's management. Transactions with related parties are on the basis of contractual arrangements made with them.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

For the purposes of the disclosure requirements contained in IAS 24 Disclosures Related to Related Parties, the phrase "key management personnel" (i.e., those persons who have the authority and responsibility to plan, direct and control the activities of the Group) refers to the board of directors, chief executive officer and other executives of the Group.

The compensation of the senior management personnel includes salaries and other benefits. The amounts disclosed in the table represent the amounts recognised as an expense during the financial period in respect of key management personnel.

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19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel of the Group for the three-month and nine-month periods ended 30 September:

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2023 (Unaudited)	2022 (Unaudited)	**2023 (Unaudited)**	2022 (Unaudited)
Short-term employee benefits	**2,210,296**	1,984,076	**6,547,538**	5,659,684
Post-employment benefits and medical benefits	**1,024,829**	1,028,780	**3,273,769**	2,934,650
Total compensation paid to key management personnel	**3,235,125**	3,012,856	**9,821,307**	8,594,334

OTHER RELATED PARTY TRANSACTIONS

Transactions with related party arise mainly from services provided/ received and payments made on behalf of each other and are undertaken at mutually agreed terms. IPO costs will be recovered directly from the Bank from the proceeds of the subscription.

The aggregate value of related parties' transactions and outstanding balances including those related to key management personnel, and entities over which they have control or significant influence are as follows:

Name	Relationship	Nature of transactions	Amount of Transactions For the nine-month period ended 30 September 2023	2022
Al Ghurair Food Company LLC	Shareholder with significant influence	Dividends paid	**(31,500,000)**	(58,747,123)
		IPO Cost	**1,683,783**	--
Mada International Holding Company	Shareholder with significant influence	Dividends paid	**(35,000,000)**	(57,899,301)
		IPO Cost	**1,870,871**	--
Masafi Company LLC	Shareholder	Dividends paid	**(3,500,000)**	(6,527,458)
		IPO Cost	**187,087**	--
Al Ghurair Resources international	Affiliate	Purchases	**(57,779,115)**	(30,262,254)
Al Rajhi Holding	Ultimate Shareholder with significant influence	Lease Payment	**(574,310)**	(499,400)

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19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

DUE FROM RELATED PARTY

	Relationship	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Al Ghurair Food Company LLC	Shareholder with significant influence	**1,783,783**	--
Mada International Holding Company	Shareholder with significant influence	**1,870,871**	--
Masafi Company LLC	Shareholder	**187,087**	--
		3,841,741	--

DUE TO RELATED PARTIES – included in trade and other payables.

	Relationship	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Al Rajhi Holding	Ultimate Shareholder with significant influence	**7,697**	--
Al Ghurair Resources international	Affiliate	**--**	15,396,304
		7,697	15,396,304

Amounts due to related parties are payable on demand, are unsecured and interest free.

DUE FROM RELATED PARTIES – included in prepayment and other current assets.

	Relationship	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Al Ghurair Resources international	Affiliate	**1,613,266**	--
		1,613,266	--

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20. FINANCIAL INSTRUMENTS FAIR VALUES

Financial assets
Set out below is an overview of financial assets held by the Group:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Financial assets at amortised cost:		
Bank balances	**167,202,996**	118,048,894
Trade receivables	**1,452,383**	86,732
Other receivables	**18,332**	32,733
	168,673,711	118,168,359

Financial liabilities

Set out below is an overview of financial liabilities held by the Group:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Financial liability at amortised cost:		
Trade and other payables	**30,054,009**	44,707,986
Other payables	**240,292**	906,487
Long term loans	**547,567,709**	580,564,561
Lease liabilities	**245,443,733**	251,450,156
	823,305,743	877,629,190

Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments comprise of financial assets and financial liabilities. The Group's financial assets consist of bank balances, trade receivables and other receivables. Its financial liabilities consist of trade and other payables, long-term loans, obligations under finance lease and amounts due to related parties. The management assessed that fair value of bank balances, trade receivables, other receivables, trade and other payables, long-term loans, obligations under finance lease and amounts due to related parties approximate their carrying amounts, largely due to the short-term maturities of these instruments except for the long-term loans which carries floating rate based on the market terms.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or

Level 3 -Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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20. FINANCIAL INSTRUMENTS FAIR VALUES (continued)

Fair value hierarchy (Continued)

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There are no financial instruments recognised at fair value and there were no transfers between levels of fair value measurements in 2023 and 2022. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.

21. SUBSEQUENT EVENTS

21.1 The Board of Directors of the Company through a resolution dated 2 October 2023 corresponding to 17 Rabi Al-Awwal 1445H, recommended shareholders to split the nominal value of each of the shares from SR 10 to SR 1 per share while keeping the total share capital unchanged. The shareholders through Extraordinary General Assembly Meeting held on 4 October 2023 corresponding to 19 Rabi Al-Awwal approved the recommendation and accordingly the number of the total shares of the Company has increased from 8,183,200 shares to 81,832,000 shares without any impact on the effective shareholding interest. The Company completed the legal procedures of share split, and the commercial register and the amended by-laws were issued on 18 October 2023 (corresponding to 3 Rabi Al-Thani 1445H).

21.2 The shareholders of the Company through Extraordinary General Assembly Meeting held on 4 October 2023 corresponding to 19 Rabi Al-Awwal 1445H, approved to list the company's shares in Tadawul. The management is in process for filling an application to CMA as on the date of these condensed consolidated financial statements.

21.3 The shareholders of the Company through Extraordinary General Assembly Meeting held on 4 October 2023 corresponding to 19 Rabi Al-Awwal 1445H, approved to transfer the statutory reserve amounting to SR 24.5 million to retained earnings. The Company completed the legal procedures, and the commercial register and the amended by-laws were issued on 18 October 2023 (corresponding to 3 Rabi Al-Thani 1445H).

21.4 The shareholders of the Company through Extraordinary General Assembly Meeting held on 19 October 2023 corresponding to 4 Rabi Al-Thani 1445H, approved the employee shares program with a maximum of 818,320 shares and authorize the Board of Directors to determine the terms of this program, including the allocation price for each share offered to employees if it is for a consideration.

21.5 The shareholders of the Company through Extraordinary General Assembly Meeting held on 19 October 2023 corresponding to 4 Rabi Al-Thani 1445H, approved the purchase of a number of the Company shares, with a maximum of 818,320 shares, with the aim of allocating those to the Company's employees within the employees shares program. The purchase will be financed from the Company's available cash funds, and the Board of Directors is authorized to complete the purchase within a maximum period of twelve months from the date of the extraordinary general assembly's decision.

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21. SUBSEQUENT EVENTS (continued)

21.6 On 29 October 2023, the Board of Directors of the Parent Company as authorized by the revised by-laws of the Company approved the distribution of interim dividends for the third quarter of 2023 of SR 0.86 per share amounting to SR 70,000,000.

21.7 No other events or matters have occurred up to and including the date of the approval of these condensed consolidated interim financial statements by the Board of Directors which could materially affect these condensed consolidated interim financial statements and the related disclosure for the nine-month period ended 30 September 2023.

22. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issuance by the Group 's Board of Directors on 13 December 2023, corresponding to 29 Jamad Al Awwal 1445H.

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