المطاحن العربية
Arabian Mills

Prospectus of Arabian Mills for Food Products Company

The Offering Period: Two (2) days

Starting on Wednesday, 15/03/1446H (corresponding to 18/09/2024G) and

Ending on Thursday, 16/03/1446H (corresponding to 19/09/2024G).

A Saudi closed joint-stock company established under commercial registration no. 1010465464 dated 10/02/1438H (corresponding to 10/11/2016G) pursuant to ministerial resolution no. 12/G dated 11/01/1438H (corresponding to 12/10/2016G).

Offering of fifteen million three hundred and ninety-four thousand five hundred and two (15,394,502) Ordinary Shares, representing 30% of Arabian Mills for Food Products Company's share capital, through a public offering at a price of [•] Saudi Riyals per share.

Arabian Mills for Food Products Company (hereinafter referred to as "**Arabian Mills**", the "**Company**" or the "**Issuer**") is a Saudi joint-stock company established under commercial registration no. 1010465464 dated 10/02/1438H (corresponding to 10/11/2016G), issued in Riyadh, Kingdom of Saudi Arabia, and pursuant to ministerial resolution no. 12/G dated 11/01/1438H (corresponding to 12/10/2016G). The current share capital of the Company is five hundred and thirteen million one hundred and fifty thousand and sixty Saudi Riyals (SAR 513,150,060) divided into fifty-one million three hundred and fifteen thousand and six (51,315,006) Ordinary Shares with a fully paid-up nominal value of ten Saudi Riyal (SAR 10) per share (the "**Shares**").

The Company commenced its operations in 2017G 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/12 was issued, declaring the incorporation of Arabian Mills Company. The Company was established in Riyadh under commercial registration No. 1010465464 dated 10/02/1438H (corresponding to 10/11/2016G), under the name "Second 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/227 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 ten Saudi Riyals (SAR 10) per share.

On 03/02/1441H (corresponding to 02/10/2019G), the Extraordinary 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 five hundred and thirteen million one hundred and fifty thousand and sixty Saudi Riyals (SAR 513,150,060) divided into fifty-one million three hundred and fifteen thousand and six (51,315,006) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, through the transfer of five hundred and twelve million, six hundred and fifty thousand and sixty Saudi Riyals (SAR 512,650,060) from the other reserves account to the capital account, and the issuance of fifty-one million two hundred and sixty-five thousand and six (51,265,006) ordinary shares, bringing the total shares to fifty-one million three hundred and fifteen thousand and six (51,315,006) ordinary shares.

On 17/10/1441H (corresponding to 10/06/2020G), pursuant to the Council of Ministers' resolution No. 631, the PIF transferred all of its shares in the Company, totaling fifty-one million three hundred and fifteen thousand and six (51,315,006) 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 25/04/1443H (corresponding to 30/11/2021G), the NCP transferred all its shares in the Company, totaling fifty-one million three hundred and fifteen thousand and six (51,315,006) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to Food Security Holding Company ("**FSHC**") under a share purchase agreement entered into by and between the NCP and FSHC executed on 04/12/1442H (corresponding to 13/07/2021G). The Current Shareholders, along with Olam International Limited Company, have established FSHC as a mixed limited liability company registered in the commercial register No. 1010725602 dated 20/11/1442H (corresponding to 30/06/2021G), as a special purpose entity (SPE) with the aim of owning the Company and meeting one of the privatization requirements, where each qualified bidder pledges to establish a legal entity in the Kingdom to acquire the Company. The Current Shareholders, along with Olam International Limited Company, acquired the Company through the FSHC at a purchase price of approximately 2.15 billion Saudi Riyals, and the transaction cost amounted to approximately 50 million Saudi Riyals, including bank debt fees, a reserve account for debt service before financing, in addition to development costs and success fees. This acquisition was financed using debt at 83% of the amount and cash at 17% of the amount, which includes a bank loan amounting to 1,7 billion Saudi Riyals at the SAIBOR rate in addition to the applicable margin, and in accordance with certain guarantees which includes, but are not limited to, a pledge on the shares of the following Shareholders: (1) Abdulaziz Alajlan Sons for Trading & Real Estate Investments Company - Ajlan & Bros; (2) National Agricultural Development Company (NADEC); and (3) Sulaiman Abdulaziz Al-Rajhi International Company, as a guarantee by the then Shareholders to cover the debt (For further information, please refer to Section 4.6 ("**Overview of the Company and Growth of its Capital**") of this Prospectus).

On 17/02/1444H (corresponding to 13/09/2022G), the General Assembly approved the Company's merger with FSHC, a limited liability company registered under commercial registration no. 1010725602 dated 20/11/1442H (corresponding to 30/06/2021G), with all its assets, rights, liabilities and obligations, as a company merged with the Arabian Mills, with the Company being the merging company, in accordance with the provisions of the Merger Agreement entered into by and between the two companies on 08/02/1444H (corresponding to 04/09/2022G). The Merger became effective on 23/04/1444H (corresponding to 17/11/2022G).

On 21/01/1445H (corresponding to 08/08/2023G), Olam International Limited Company sold all its shares in the Company, totaling five million one hundred and thirty-one thousand five hundred (5,131,500) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company - Ajlan & Bros, pursuant to the provisions of the Share Sale and Purchase Agreement dated 28/05/1444H (corresponding to 21/12/2022G).

On 16/03/1445H (corresponding to 01/10/2023G), Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company - Ajlan & Bros sold 4.87% of its shares, amounting to two million five hundred thousand (2,500,000) ordinary shares, to the National Agricultural Development Company (NADEC).

On 21/04/1445H (corresponding to 05/11/2023G), the Company's name was changed from "Second Milling Company" to "Arabian Mills for Food Products Company".

(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 fifteen million three hundred and ninety-four thousand five hundred and two (15,394,502) ordinary shares (hereinafter referred to as the "**Offer Shares**", and each an "**Offer Share**"), with a fully paid-up nominal value of ten Saudi Riyal (SAR 10) per share, at an offer price of [•] Saudi Riyals (SAR [•]) (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 fifteen million three hundred and ninety-four thousand five hundred and two (15,394,502) 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 thirteen million eight hundred and fifty-five thousand and fifty-two (13,855,052) 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 natural persons, 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 natural person 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 one million five hundred and thirty-nine thousand four hundred and fifty (1,539,450) 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 12.1 ("**Company's Shareholding Structure Pre and Post Offering as at the date of the Prospectus**"). The Current Shareholders, whose names appear on page (3) of this Prospectus and who collectively own one hundred percent (100%) of the Shares prior to the Offering, shall own 70% of the Company's share capital following the Offering, and will continue to hold the controlling interest in the Company. (For more information, please refer to Figure 4.1 ("**The Company's Ownership Structure as of the Date of this Prospectus**") of this Prospectus).

The Substantial Shareholders 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**"). Following the Lock-Up Period, Substantial Shareholders are not entitled to dispose of their shares without obtaining the approval of GFSA, the CMA and any necessary approvals in accordance with the relevant regulations. The current shareholders must maintain a shareholding of at least 51% of their entire shares in the Company (directly or indirectly) for the duration of the financing document between the Company and Alawwal Bank (for more information on these facilities, please refer to section 12.8 ("**Credit Facilities and Loans**") of this Prospectus).

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 Underwriter shall fully underwrite the Offering (For further information, please refer to Section 13 ("**Underwriting**") of this Prospectus.

The Offer Shares will be offered to certain Qualified Foreign Financial Institutions who are based outside the United States (inter alia through SWAP agreements). The Subscription by said class of investors will be undertaken outside the United States as per Regulation S issued under the US Securities Act of 1933, as amended (hereinafter referred to as the "**Securities Act**"). The Company's Shares are not, and will not, be registered under the Securities Act, or under any other securities act in force in the United States. Shares offered under this Prospectus may not be offered or sold in the United States, and may only be offered or sold as part of transactions exempt from, or not subject to, any registration requirements under the US Securities Act or other laws and acts of any country other than Saudi Arabia applicable to securities. Such an Offering shall not be deemed an invitation to sell, nor a solicitation to purchase, Shares in any country where the Offering is deemed illegal or restricted.

The offering period will commence on Wednesday, 15/03/1446H (corresponding to 18/09/2024G), and will remain open for a period of two (2) days up to and including the last Offering day on Thursday, 16/03/1446H (corresponding to 19/09/2024G) (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 (xxv) during the Offering Period. (For further details, please refer to page (ix) ("**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 Bookrunner (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 one hundred and fifty-three thousand nine hundred and forty-five (153,945) 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 on Thursday, 23/03/1446H (corresponding to 26/09/2024G) and refund of subscription monies, if any, will be made on Thursday, 30/03/1446H (corresponding to 03/10/2024G) (For further details, please refer to "**Key Dates and Subscription Procedures**" on page (ix) and Section 18 ("**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 by the Company as at the date of this Prospectus (hereinafter referred to as "**Prospectus**") and for subsequent financial 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 (ix) of this Prospectus). 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 licensed by the CMA to carry out securities business, 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 on 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 CMA 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.

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

HSBC

This Prospectus is dated 18/12/1445H (corresponding to 24/06/2024G)

This Red Herring prospectus will be made available to Participating Parties participating in the Book-building process, and does not include the Offer Price. The final version of this Prospectus which will include the Offer Price shall be published after the completion of the Book-building process and the determination of the Offer Price.

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From heritage to innovation
Arabian Mills is **blossoming**

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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 (http://www.arabianmills.com), or the Sole Financial Advisor, Global Coordinator, Lead Manager, Bookrunner, and Underwriter (www.hsbcsaudi.com).

In respect to the Offering, the Company has appointed HSBC Saudi Arabia as financial advisor (hereinafter referred to as the "**Financial Advisor**"), lead manager (the "**Lead Manager**"), bookrunner (the "**Bookrunner**"), and underwriter (hereinafter referred to as the "**Underwriter**").

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 (v), 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) and (ix) 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**") of this Prospectus). 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 natural persons, 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 Financial Institutions, 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 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 regarding the market of wheat flour, bran, feed and other related products in the Kingdom of Saudi Arabia (the "**Market Study**"). Euromonitor International Ltd. was founded in 1972G in London, the United Kingdom, and provides market studies and research and five-year forecasts about consumption patterns, consumer goods, commercial industries and demographic changes in the Kingdom of Saudi Arabia. Euromonitor International Ltd. began operations in Saudi Arabia in 2008G (For more information about Euromonitor International Ltd, please visit https://www.euromonitor.com/saudi-arabia).

The Market Study 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 Shareholders, 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 subsidiaries, affiliates, partners, shareholders, directors, managers or their relatives own any Shares or any interest of any kind in the Company. As at the date of this Prospectus, the Market Study Consultant has given and not withdrawn its written consent for the use of its name, logo, market information and data supplied thereby to the Company in the manner and format set out in this Prospectus.

Financial Information

The Company's audited financial statements for the financial years ended 31 December 2021G, 2022G, and 2023G were prepared in accordance with the International Financial Reporting Standards (IFRS) 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 (collectively referred to as "IFRS-KSA"). The financial statements for the financial years ended 31 December 2021G, 2022G, and 2023G were audited by the Company's Independent Auditor, Ernst & Young Professional Services (Professional LLC).These financial statements are included in Section 20 ("**Financial Statements and Auditor's Report**") of this Prospectus. The Company publishes its financial statements in Saudi Riyals.

Unless otherwise provided, the Company's financial information as of and for the financial year ended 31 December 2021G was derived from the comparative financial information presented in the Company's audited financial statements for the financial year ended 31 December 2022G. In addition, the Company's financial information as of and for the financial year ended 31 December 2022G was derived from the restated comparative financial information presented in the Company's audited financial statements for the financial year ended 31 December 2023G.

During the financial year ended 31 December 2023G, management of the Company has identified that they have not reassessed the value of lease liabilities after obtaining the flour milling license in 2021G. Management has done the reassessment during the financial year ended 31 December 2023G and as a result, the right-of-use assets and lease liabilities were understated. Additionally, during the financial year ended 31 December 2023G, management discovered that in prior periods, the useful life of the buildings that are built on leased lands were erroneously based on the economic life of the buildings instead of the lease term. Consequently, the carrying value of buildings was overstated and the related accumulated depreciation was understated. These errors have been corrected by restating each of the affected financial statement items for the financial year ended 31 December 2022G and as at 1 January 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, prospective 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.

Corporate Directory

Table No. (1.1): Members of the Company's Board of Directors*

No.	Name	Position	Nationality	Status	Direct Ownership		Indirect Ownership	
					Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
1	Ajlan bin Abdulaziz bin Ajlan Al-Ajlan	Chairman	Saudi	Non-Executive	-	-	12.5325%(1)	8.7725%(2)
2	Alaa bin Abdullah bin Mohammad Al-Hashem	Vice Chairman	Saudi	Non-Executive	-	-	-	-
3	Ali bin Abdul Rahman bin Tahih Al-Hazmi	Board Member	Saudi	Non-Executive	-	-	-	-
4	Ahmed bin Ali bin Abdullah Al-Dakheel	Board Member	Saudi	Non-Executive	-	-	-	-
5	Mohammad bin Abdulaziz bin Ajlan Al-Ajlan	Board Member	Saudi	Non-Executive	-	-	12.5325%(3)	8.7725%(4)
6	Solaiman bin Abdulaziz bin Saleh Al-Tuwaijri	Board Member	Saudi	Non-Executive	-	-	-	-
7	Naif bin Abdulrahman bin Abdullah Al-Ajlan	Board Member	Saudi	Independent	-	-	-	-
8	Mishaal bin Ammar bin Abdulwahed Al-Khudairy	Board Member	Saudi	Independent	-	-	-	-
9	Fahad bin Suliman bin Abdulrahman Al-Nuhait	Board Member	Saudi	Independent	-	-	-	-

Source: The Company

* The members of the Board of Directors were appointed at the Extraordinary General Assembly Meeting held on 21/04/1445H (corresponding to 05/11/2023G).

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[1] Mr. Ajlan bin Abdulaziz bin Ajlan Al-Ajlan holds a 12.5325% indirect ownership interest pre-offering, as a result of a 25% ownership interest in Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company - Ajlan & Bros, which, in turn, owns 50.13% of the Issuer's shares pre-offering.

[2] Mr. Ajlan bin Abdulaziz bin Ajlan Al-Ajlan holds an 8.7725% indirect ownership interest pre-offering, as a result of a 25% ownership interest in Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company - Ajlan & Bros, which, in turn, shall own 35.09% of the Issuer's shares post-offering.

[3] Mr. Mohammed bin Abdulaziz bin Ajlan Al-Ajlan holds a 12.5325% indirect ownership interest pre-offering, as a result of a 25% ownership interest in Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company - Ajlan & Bros, which, in turn, owns 50.13% of the Issuer's shares pre-offering.

[4] Mohammed bin Abdulaziz bin Ajlan Al-Ajlan will hold a 8.7725% indirect ownership interest post-offering, as a result of a 25% ownership interest in Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company - Ajlan & Bros, which, in turn, will own 35.09% of the Issuer's shares post-offering

Company Address and Representatives and the Board Secretary

Arabian Mills
Al-Manakh District - 5252
Riyadh - Kingdom of Saudi Arabia
Postal code: 11452
P.O. Box: 6847
Phone: +966 (11) 495 1111
Fax: +966 (11) 495 2635
Website: www.arabianmills.com
Email: info@arabianmills.com

Company's Representatives

Ajlan bin Abdulaziz bin Ajlan Al-Ajlan
Chairman of the Board of Directors
Al-Manakh District - 5252
Riyadh - Kingdom of Saudi Arabia
Postal code: 11452
P.O. Box: 6847
Phone: +966 50 542 7276
Website: www.arabianmills.com
Email: ajlan@ajlanbros.com

Abdulrahman bin Suliman bin Abdullah Al-Yousef
Chief Legal & Compliance Officer
Al-Manakh District - 5252
Riyadh - Kingdom of Saudi Arabia
Postal code: 11452
P.O. Box: 6847
Phone: +966 56 753 3333
Website: www.arabianmills.com
Email: a.alyousef@arabianmills.com

Secretary of the Board

Abdulrahman bin Suliman bin Abdullah Al-Yousef
Chief Legal & Compliance Officer
Al-Manakh District - 5252
Riyadh - Kingdom of Saudi Arabia
Postal code: 11452
P.O. Box: 6847
Phone: +966 56 753 3333
Website: www.arabianmills.com
Email: a.alyousef@arabianmills.com

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

تداول السعودية
Saudi Exchange

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.sa
Email: cc@edaa.com.sa

ايداع
Edaa
من مجموعة تداول السعودية
From Saudi Tadawul Group

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

HSBC Saudi Arabia
Olaya Street – Al-Muruj District
P.O. Box 7267
Kingdom of Saudi Arabia
Tel: +966 920005920
Fax: +966 (11) 299 2385
Website: www.hsbcsaudi.com
Email: ArabianMillsIPO@hsbcsa.com

Legal Adviser to the Issuer

Baker McKenzie Law Firm
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.bakermckenzie.com
Email: legaladvisors@bakermckenzie.com

Legal Advisor for the Offering outside the KSA

Baker McKenzie Ltd
100 New Bridge Street
London EC4V 6JA
United Kingdom
Tel: +44 20 7919 1000
Fax: +44 20 7919 1999
Website: www.bakermckenzie.com
Email: legaladvisors@bakermckenzie.com

Legal Advisor to the Sole Financial Advisor, Global Coordinator, Lead Manager, Bookrunner and Underwriter

Zeyad Sameer Khoshaim Company (Professional Limited Liability Company)
17th Floor, Tower B, Olaya Towers, Olaya District
P.O. Box 230667, Riyadh 11321
Tel: +966 (11) 461 8700
Fax: +966 (11) 461 8799
Email: info@khoshaim.com
Website: www.khoshaim.com

Legal Advisor to the Sole Financial Advisor, Lead Manager, Global Coordinator, Bookrunner and Underwriter outside the KSA

Cleary Gottlieb Steen & Hamilton LLP
Al Sila Tower, 27th Floor, Abu Dhabi Global Market Square
P.O. Box 29920
Abu Dhabi, United Arab Emirates
Tel: +971 2 412 1700
Fax: +971 2 412 1899
Email: team-flow-cgshonly@cgsh.com
Website: www.clearygottlieb.com

Financial Due Diligence Advisor

PricewaterhouseCoopers - Chartered 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_project_flow@pwc.com

Market Study Consultant

Euromonitor International Ltd.
60-61 Britton Street
London EC1M 5UX
United Kingdom
Tel: +44 20 7251 8024
Fax: +44 20 7608 3149
Website: www.euromonitor.com
Email: info@Euromonitor.com

Auditor for the Financial Years Ending 31 December 2021G, 31 December 2022G and 31 December 2023G

Ernst & Young Professional Services (Professional LLC)
Al Faisaliah Office Tower, 14th floor
King Fahd Street
P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia
Tel: +966 (11) 215 9898
Fax: +966 (11) 273 4730
Website: ey.com/mena
Email: ey.ksa@sa.ey.com

Note: All the above-mentioned Advisors and Independent Auditor 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.

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: www.alrajhibank.com.sa
Email: contactcenter1@alrajhibank.com.sa

Saudi Awwal Bank (SAB)
Prince Abdulaziz Bin Musaed Bin Jalawi Street - Al Muruj District
Kingdom of Saudi Arabia
P.O. Box: 9084 Riyadh 11413
Tel: +966 (11) 440 8440
Website: www.sab.com
Email: sab@sab.com

Banque Saudi Fransi
King Saud Road - Riyadh 11554
Kingdom of Saudi Arabia
P.O. Box: 56006
Tel: +966 (92) 000 0579
Website: www.alfransi.com
Email: Fransiplusadmin@alfransi.com.sa

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	Arabian Mills for Food Products Company is a Saudi joint-stock company established under commercial registration no. 1010465464 dated 10/02/1438H (corresponding to 10/11/2016G), issued in Riyadh, Kingdom of Saudi Arabia, and having its address at Al-Manakh district - 5252, Riyadh. The Company was established pursuant to ministerial resolution no. 12/G dated 11/01/1438H (corresponding to 12/10/2016G). The current share capital of the Company is five hundred and thirteen million one hundred and fifty thousand and sixty Saudi Riyals (SAR 513,150,060) divided into fifty-one million three hundred and fifteen thousand and six (51,315,006) Ordinary Shares with a fully paid-up nominal value of ten Saudi Riyal (SAR 10) per share (the "**Shares**"). The Company commenced its operations in 2017G as a group of wheat mills under the General Food Security Authority which was 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/12 was issued, declaring the incorporation of the Company as a Saudi joint-stock company in the city of Riyadh. The Company was established under commercial registration No. 1010465464 dated 10/02/1438H (corresponding to 10/11/2016G), under the name "Second 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/227 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 ten Saudi Riyals (SAR 10) per share. On 03/02/1441H (corresponding to 02/10/2019G), the Extraordinary 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 five hundred and thirteen million one hundred and fifty thousand and sixty Saudi Riyals (SAR 513,150,060) divided into fifty-one million three hundred and fifteen thousand and six (51,315,006) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, through the transfer of five hundred and twelve million, six hundred and fifty thousand and sixty Saudi Riyals (SAR 512,650,060) from the other reserves account to the capital account, and the issuance of fifty-one million two hundred and sixty-five thousand and six (51,265,006) ordinary shares, bringing the total shares to fifty-one million three hundred and fifteen thousand and six (51,315,006) ordinary shares. On 17/10/1441H (corresponding to 10/06/2020G), pursuant to the Council of Ministers' resolution No. 631, the PIF transferred all of its shares in the Company, totaling fifty-one million three hundred and fifteen thousand and six (51,315,006) 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 25/04/1443H (corresponding to 30/11/2021G), the NCP transferred all its shares in the Company, totaling fifty-one million three hundred and fifteen thousand and six (51,315,006) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to Food Security Holding Company ("**FSHC**") under a share purchase agreement entered into by and between the NCP and FSHC executed on 04/12/1442H (corresponding to 13/07/2021G).

Company Name, Description and Incorporation

The Current Shareholders, along with Olam International Limited Company, have established Food Security Holding Company as a mixed limited liability company registered in the commercial register No. 1010725602 dated 20/11/1442H (corresponding to 30/06/2021G), as a special purpose entity (SPE) with the aim of owning the Company and 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, along with Olam International Limited Company (which was one of the Shareholders of the Company at the time), was awarded the tender that took place during the Company's privatization, FSHC acquired all of the Company's shares. Prior to the acquisition of the Company, the capital of FSHC amounted to five hundred thousand Saudi Riyals (SAR 500,000) divided into fifty thousand (50,000) shares, with a nominal value of (10) Saudi Riyals per share, with 45% owned by Abdulaziz Alajlan Sons for Trading & Real Estate Investments Company - Ajlan & Bros; 35% by Sulaiman Abdulaziz Al-Rajhi International Company; 10% by the National Agricultural Development Company (NADEC); and 10% by Olam International Limited Company. The following table shows the details of the ownership structure of Food Security Holding Company before the acquisition of the Company:

The Ownership Structure of Food Security Holding Company Before the Acquisition of the Company

Shareholder	Number of Shares	Par Value (SAR)	Total Share Value (SAR)	Ownership Percentage
Abdulaziz Alajlan Sons for Trading & Real Estate Investments Company - Ajlan & Bros	22,500	10	225,500	45%
Sulaiman Abdulaziz Al-Rajhi International Company	17,500	10	175,500	35%
National Agricultural Development Company (NADEC)	5,000	10	50,000	10%
Olam International Limited Company	5,000	10	50,000	10%
Total	**50,000**	**-**	**500,000**	**100%**

Source: The Company

Prior to the acquisition of the Company, the total assets of FSHC based on the separate financial statements of FSHC for the period from 30/06/2021G until 31/12/2021G amounted to approximately SAR 2,268,193,847, the total equity amounted to SAR 418,386,562, while the total liabilities amounted to SAR 1,849,807,285.

The Current Shareholders, along with Olam International Limited Company, acquired the Company through the FSHC at a purchase price of approximately 2.15 billion Saudi Riyals, and the transaction Cost amounted to approximately 50 million Saudi Riyals, including bank debt fees, a reserve account for debt service before financing, in addition to development costs and success fees. This acquisition was financed using debt at 83% of the amount and cash at 17% of the amount, which includes a bank loan amounting to 1,7 billion Saudi Riyals at the SAIBOR rate in addition to the applicable margin, and in accordance with certain guarantees which includes, but are not limited to, a pledge on the shares of the following Shareholders: (1) Abdulaziz Alajlan Sons for Trading & Real Estate Investments Company - Ajlan & Bros; (2) National Agricultural Development Company (NADEC); and (3) Sulaiman Abdulaziz Al-Rajhi International Company, as a guarantee by the then Shareholders to cover the debt.

On 17/02/1444H (corresponding to 13/09/2022G), the General Assembly approved the Company's merger with FSHC, a limited liability company registered under commercial registration no. 1010725602 dated 20/11/1442H (corresponding to 30/06/2021G), with all its assets, rights, liabilities and obligations, as a company merged with the Arabian Mills, with the Company being the merging company, in accordance with the provisions of the Merger Agreement entered into by and between the two companies on 08/02/1444H (corresponding to 04/09/2022G). The Merger became effective on 23/04/1444H (corresponding to 17/11/2022G).

Company Name, Description and Incorporation	On 21/01/1445H (corresponding to 08/08/2023G), Olam International Limited Company sold all its shares in the Company, totaling five million one hundred and thirty-one thousand five hundred (5,131,500) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company - Ajlan & Bros Family, pursuant to the provisions of the Share Sale and Purchase Agreement dated 28/05/1444H (corresponding to 21/12/2022G). On 16/03/1445H (corresponding to 01/10/2023G), Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company - Ajlan & Bros sold 4.87% of its shares, amounting to two million five hundred thousand (2,500,000) ordinary shares, to the National Agricultural Development Company (NADEC). On 21/04/1445H (corresponding to 05/11/2023G), the Company's name was changed from "Second Milling Company" to "Arabian Mills for Food Products Company". (For more 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. Manufacture of products of grain mills. 2. Manufacture of starches and starch products. 3. Manufacture of bakery products. 4. Manufacture of other food products not elsewhere classified. 5. Manufacture of prepared animal feed. 6. Manufacture of components and electronic boards. 7. Wholesale of food, beverages and tobacco. 8. Retail sale of food in specialized stores. 9. Retail sale in non-specialized stores with food, beverages or tobacco products. 10. Freight transport by road. 11. Storage. 12. Freight transport by road. 13. Combined facilities support activities. 14. Combined office administrative service activities. 15. Packaging activities. Pursuant to its commercial register, the Company's activities are as follows: 1. Combined office administrative service activities 2. Wheat packing and milling 3. Barley packing and milling 4. Packing and milling of flour, meal and bulgur wheat 5. Manufacture of concentrated feed for animal 6. Manufacture of cattle feed 7. Freight transport by road 8. Storage of goods in foreign trade zones 9. Wholesale of bakery products 10. Trade of special and healthy food The Company's current activity consists of the production, storage, packaging and sale of flour, other wheat derivatives and feed.

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 No. (1.2): Substantial Shareholders of the Company Pre- and PostOffering

Shareholder	Pre-Offering			Post-Offering		
	No. of Shares	Direct Ownership	Par Value (SAR)	No. of Shares	Direct Ownership	Par Value (SAR)
Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company - Ajlan & Bros	25,723,254	50.13%	257,232,540	18,006,278	35.09%	180,062,780
Sulaiman Abdulaziz Al-Rajhi International Company	17,960,252	35.00%	179,602,520	12,572,176	24.50%	125,721,760
The National Agricultural Development Company (NADEC)	7,631,500	14.87%	76,315,000	5,342,050	10.41%	53,420,500
Public	-	-	-	15,394,502	30%	153,945,020
Total	**51,315,006**	**100%**	**513,150,060**	**51,315,006**	**100%**	**513,150,060**

Source: The Company

Company's Capital	Five hundred and thirteen million one hundred and fifty thousand and sixty Saudi Riyals (SAR 513,150,060).
Total Number of Issued Shares	Fifty-one million three hundred and fifteen thousand and six (51,315,006) fully paid-up Ordinary Shares.
Offering	Offering of fifteen million three hundred and ninety-four thousand five hundred and two (15,394,502) Ordinary Shares, with a fully paid-up nominal value of ten Saudi Riyal (SAR 10) per share, at an offer price of [•] Saudi Riyals (SAR [•]), representing 30% of the share capital of the Company.
Total Number of Offer Shares	Fifteen million three hundred and ninety-four thousand five hundred and two (15,394,502) Ordinary Shares.
Nominal value per Share	Ten Saudi Riyal (SAR 10) per Share.
Percentage of Offer Shares to the Company's Share Capital	The Offer Shares represent 30% of the Company's Share Capital.
Offer Price	[•] Saudi Riyals per Share.
Total value of Offer Shares	[•] Saudi Riyals.
Use of Proceeds	The Net Proceeds from the Offering amounting to approximately [•] Saudi Riyals (after deducting the Offering expenses estimated at SAR 33 million) 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	Fifteen million three hundred and ninety-four thousand five hundred and two (15,394,502) Ordinary Shares.
Total Underwritten Offering Amount	[•] 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. The number of Offer Shares to be allocated to Participating Parties effectively participating in the book-building process is fifteen million three hundred and ninety-four thousand five hundred and two (15,394,502) 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 Lead Manager shall have the right to reduce the number of Offer Shares allocated to Participating Parties to a minimum of thirteen million eight hundred and fifty-five thousand and fifty-two (13,855,052) ordinary shares, representing 90% of the total Offer Shares. The Company and the Financial Advisor may, at their own discretion, decide not to allocate any Shares to some of the Participating Parties. Initially, [•] Ordinary Shares will be allocated to public funds, representing [•]% of the total number of Offer Shares if there is sufficient demand by public funds, noting that if there is sufficient demand by Individual Investors to subscribe to the Offer Shares, the Lead Manager may reduce the number of shares allocated to public funds to [•] Ordinary Shares as a minimum, representing [•]% of the total number of Offer Shares, after completion of Subscription by Individual Investors. **Tranche (B): Individual Investors:** This tranche includes Saudi natural persons, 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 natural person 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 one million five hundred and thirty-nine thousand four hundred and fifty (1,539,450) 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	Fifteen million three hundred and ninety-four thousand five hundred and two (15,394,502) 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 thirteen million eight hundred and fifty-five thousand and fifty-two (13,855,052) Ordinary Shares, representing 90% of the total Offer Shares. Initially, [•] Ordinary Shares will be allocated to public funds, representing [•]% of the total number of Offer Shares if there is sufficient demand by public funds, noting that if there is sufficient demand by Individual Investors to subscribe to the Offer Shares, the Lead Manager may reduce the number of shares allocated to public funds to [•] Ordinary Shares as a minimum, representing [•]% of the total number of Offer Shares, after completion of Subscription by Individual Investors.
Number of Shares Offered to Individual Investors	A maximum of one million five hundred and thirty-nine thousand four hundred and fifty (1,539,450) 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 Participation Application Forms to the Participating Party investors during the Book-Building Process. 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 18 ("**Offering Terms and Conditions**") of this Prospectus.

Subscription method for Individual Investors	Subscription Application Forms will be provided to Individual Investors during the Offering Period by one of the Receiving Agents through their websites. Subscription Application Forms must be completed in accordance with the instructions described in Section 18 ("**Offering Terms and Conditions**") of this Prospectus. 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 that offer any or all such services to their customers, provided that the following requirements are satisfied: (a) the Individual Investor must have a bank account at a Receiving Agent which offers such services, and (b) 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	[•] Saudi Riyals.
Minimum Subscription Amount for Individual Investors	[•] 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	Two million five hundred and sixty-five thousand seven hundred and forty-nine (2,565,749) Shares.
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	[•] Saudi Riyals.
Maximum Subscription Amount for Individual Investors	[•] Saudi Riyals.

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 fifteen million three hundred and ninety-four thousand five hundred and two (15,394,502) Shares representing 100% of the total Offer Shares. In the event there is sufficient demand by Individual Investors for the Offer Shares, the Lead Manager may reduce the number of Shares allocated to Participating Parties to a minimum of thirteen million eight hundred and fifty-five thousand and fifty-two (13,855,052) Ordinary Shares, representing 90% of the total Offer Shares, following subscription by Individual Investors. The Company and the Financial Advisor may, at their own discretion, decide not to allocate any Shares to some of the Participating Parties. Initially, [•] Ordinary Shares will be allocated to public funds, representing [•]% of the total number of Offer Shares if there is sufficient demand by public funds, noting that if there is sufficient demand by Individual Investors to subscribe to the Offer Shares, the Lead Manager may reduce the number of shares allocated to public funds to [•] Ordinary Shares as a minimum, representing [•]% of the total number of Offer Shares, after completion of Subscription by Individual Investors.
Allocation of Offer Shares to Individual Investors	The allocation of the Offer Shares for Individual Investors is projected to be completed no later than Thursday, 23/03/1446H (corresponding to 26/09/2024G), 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 one hundred and fifty-three thousand nine hundred and forty-five (153,945) Investors, 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 and refund of subscription monies, if any, will be made by Thursday, 30/03/1446H (corresponding to 03/10/2024G). For further details, see "**Key Dates and Subscription Procedures**" on page (xix) and Section 18 ("**Offering Terms and Conditions**") of this Prospectus.
Offering Period	The Offering will commence on Wednesday, 15/03/1446H (corresponding to 18/09/2024G) and will remain open for a period of (2) days up to and including the Offering End Date on Thursday, 16/03/1446H (corresponding to 19/09/2024G).
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 (for further details, please refer to Section 12.14 ("**Rights of Shareholders**") of this Prospectus).
Share Restrictions (Lock-Up Period)	Substantial Shareholders as listed on page (xiv) of this Prospectus are subject to a Lock-Up Period of six (6) months starting from the commencement of trading of the Company's Shares on the Exchange, during which Substantial Shareholders are prohibited from disposing of their shares. Following the Lock-Up Period, Substantial Shareholders are prohibited from disposing of their shares without obtaining the approval of the GFSA along with the CMA(5), subject to obtaining any required approvals in accordance with the relevant regulations. 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. The current shareholders must maintain a shareholding of at least 51% of their entire shares in the Company (directly or indirectly) for the duration of the financing document between the Company and Alawwal Bank (for more information on these facilities, please refer to section 12.8 ("**Credit Facilities and Loans**") of this Prospectus).

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(5) Where (1) Substantial Shareholders must not dispose of their shares within six months (6) following the date of commencement of trading of shares on the Saudi Exchange in accordance with the provisions of the OSCOs, as well as (2) in accordance with the terms of the Company's GFSA license, the Company shall not make any direct change in the ownership of the Company or any change in control of the owners or shareholders of the Company (whether direct or indirect) with respect to more than 5% of the Company's shares, unless approved by the GFSA. It should be noted that the CMA's approval must be obtained to release this restriction.

Listing and Trading of Shares	Prior to the Offering, the Company's Shares have never been listed 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 Offer Shares. Such risks can be classified as follows: (a) risks related to the Company's operations; (b) risks related to the market, industry and regulatory environment; and (c) risks related to the Offer 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 SAR 33 million. Such costs shall be deducted from the Offering proceeds to be distributed to the Selling Shareholders in proportion to the number of Offer Shares to be sold by each of them, and include the fees of the Financial Advisor, Underwriter, Legal Advisors, the Financial Due Diligence 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.
Sole Financial Advisor, Global Coordinator, Lead Manager, Bookrunner and Underwriter	**HSBC Saudi Arabia** Olaya Street, Al Muruj District P.O. Box: 7267 Kingdom of Saudi Arabia Tel: +966 920005920 Fax: +966 (11) 299 2385 Website: www.hsbcsaudi.com Email: ArabianMillsIPO@hsbcsa.com

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 No. (1.3): Expected Offering Timetable

Expected Offering Timetable	Date
Offering Period for Participating Parties and Book-Building Period	A period of (5) days, starting from Sunday, 28/02/1446H (corresponding to 01/09/2024G) and closing at the end of Thursday, 02/03/1446H (corresponding to 05/09/2024G).
Submission Period for Individual Investors	A period of (2) days, starting from Wednesday, 15/03/1446H (corresponding to 18/09/2024G) and closing at the end of Thursday, 16/03/1446H (corresponding to 19/09/2024G).
Deadline for submission of Subscription Application Forms by Participating Parties based on the initial allocation of Offer Shares	On Sunday, 12/03/1446H (corresponding to 15/09/2024G).
Deadline for submission of Retail Subscription Application Forms and payment of the subscription monies by Individual Investors	On Thursday, 16/03/1446H (corresponding to 19/09/2024G).
Deadline for payment of subscription money by Participating Parties based on their initially allocated Offer Shares	On Tuesday, 14/03/1446H (corresponding to 17/09/2024G).
Announcement of final Offer Shares allotment	On Thursday, 23/03/1446H (corresponding to 26/09/2024G).
Refund of excess subscription monies (if any)	On Thursday, 30/03/1446H (corresponding to 03/10/2024G).
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 through announcements appearing in national daily newspapers in KSA, and on Tadawul website (https://www.saudiexchange.sa), the Company's website (www.arabianmills.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 18 ("**Offering Terms and Conditions**") of this Prospectus).

Tranche (B): Individual Investors: This tranche includes Saudi Arabian natural persons, 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 bid forms from the Lead Manager during the Book-Building Period, and obtain the Subscription Application Forms 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 Application Forms. A signed and stamped Subscription Application Form shall be submitted to the Lead Manager, with such Subscription Application Form representing a binding agreement between the Selling Shareholders and the applicant Participating Party.

Individual Investors:

Subscription Application Forms for Individual Investors will be made available on the Receiving Agents' websites during the Offering Period. Subscriptions shall also 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:

1. The Individual Investor must have a bank account at the Receiving Agent which offers such services; and
2. 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 Application Form according to the instructions described in Section 18 ("**Offering Terms and Conditions**") of this Prospectus. Each applicant must complete all the relevant sections in the Subscription Application Form. The Company reserves the right to reject any Subscription Application Form, in part or in whole, if any of the subscription terms and conditions are not met. The Subscription Application Form cannot be amended or withdrawn once submitted. Furthermore, the Subscription Application 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 18 ("**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, and not base the decision on this summary alone.

Overview of the Company

Overview of the Company and its Business Activities

Arabian Mills for Food Products Company is a closed joint stock company registered under commercial registration No. 1010465464 dated 10/02/1438H (corresponding to 10/11/2016G), issued in Riyadh, Kingdom of Saudi Arabia, pursuant to Council of Ministers Resolution No. G/12 dated 11/01/1438H (corresponding to 12/10/2016G). According to its commercial registration, the Company's head office is located in Riyadh, postal code 11452, P.O. Box 6847. The Company operates under (i) Milling License No. 02, issued by Resolution of the Governor of the General Food Security, under GFSA Board of Directors' Resolution No. 189, dated 09/03/1442H (corresponding to 26/10/2020G), pursuant to Council of Ministers Resolution No. 632, dated 17/10/1441H (corresponding to 09/06/2020G) and amended by the GFSA Governor's resolution No. 8273 dated 21/05/1445H (corresponding to 05/12/2023G), and (ii) Secondary Milling License No. 1, issued by the Governor of the General Food Security Authority, dated 30/12/1444H (corresponding to 18/07/2023G), and (iii) licenses from the Ministry of Industry and Mineral Resources obtained by the Company for its factories, including Riyadh Plant License No. 2811331, Hail Plant License No. 311328, and Jazan Plant License No. 222, and (iv) licenses from the Saudi Food and Drug Authority obtained by the Company for its factories, including Riyadh Plant License No. AFE000384, Hail Plant License No. AFE000374, and Jazan Plant License No. AFE000334. According to its commercial registration, the current capital of the Company is five hundred thirteen million one hundred fifty thousand and sixty (513,150,060) Saudi Riyals, divided into fifty-one million three hundred fifteen thousand and six (51,315,006) fully paid ordinary shares with a nominal value of ten (10) Saudi Riyals per share.

The Company was established with the purpose of producing and supplying wheat and feed products throughout the Kingdom. The Company's primary commercial activities include the production and storage of flour, other wheat derivatives, and feed. The Company aims to meet the needs of customers in the Kingdom, adhering to the highest quality standards in accordance with the specifications set by the General Food Security Authority, the Saudi Food and Drug Authority, and the GCC Standardization Organization.

The Company owns two trademarks for its products, namely "Finah" and "Kamil." The Company uses its "Finah" trademark for its food products, including various types of flour, semolina, wheat germ, and wheat bran intended for human consumption. On the other hand, the Company utilizes its "Kamil" trademark for its feed products, which include poultry feed, various types of livestock feed, and wheat bran intended for animal consumption. All Company products are provided through a network of authorized distributors and retail stores across the Kingdom. Additionally, the Company sells some of its products directly to customers from its factories or through its affiliated distribution centers. The Company boasts a broad customer base, including major companies, wholesale and retail traders, as well as individual consumers.

The Company relies on its three factories equipped with the latest technologies located strategically in the cities of Riyadh (in the central region of the Kingdom), Hail (in the northern region of the Kingdom), and Jazan (in the southern region of the Kingdom). As at the date of this Prospectus, the total production capacity of the Company's flour mills is approximately 4,920 tons per day, and its total production capacity for feed is approximately 600 tons per day.

The Company is considered one of the leading companies in the field of flour production in the Kingdom. According to market studies, the Company has the second-largest market share in the flour market, equal to 27.8%, equivalent to 943,688 tons of flour.

The Company's revenues amounted to 640.8 million Saudi Riyals, 902.8 million Saudi Riyals, and 862.1 million Saudi Riyals for FY ending on 31st of December 2021G, 2022G, and 2023G, respectively. The Company's gross profit amounted to 233.7 million Saudi Riyals, 412.6 million Saudi Riyals, and 415.5 million Saudi Riyals for the same periods, respectively. According to the Market Study Consultant, the flour sales market, in which the Company operates, is expected to grow at a compound annual rate of 3.2% between 2023G and 2030G.

Vision of the Company

The Company's vision is to become the preferred choice for consumers by offering a range of diverse and high quality products.

Mission of the Company

The Company's mission is to elevate to consumer taste by producing flour and flour derivatives, manufacturing animal feed, utilizing qualified national workforce, and offering competitive prices to contribute to enhancing food security.

Strengths and Competitive Advantages of the Company

The Company has cultivated several key strengths gained through the adoption of diverse strategies, enabling it to gain competitive advantages and solidify its leading position in the consumer staples market in the Kingdom. The main strengths and competitive advantages of the Company include:

Leading market position in consumer staple products

The Company is among the market leaders in the regions in which it currently operates. Based on the Market Study, the Saudi flour market was valued at approximately SAR 2.0 billion in 2022G, and is expected to grow at a CAGR of approximately 4.4% between 2022G and 2030G. The Company was the second largest producer of flour in the Kingdom in 2022G, having grown its flour market share by volume from approximately 27.2% in 2021G to approximately 27.8% in 2022G by increasing its customer base, expanding distribution networks and developing new sales channels. The Company's milling capacity is among the largest in the Kingdom and GCC, with a daily flour production capacity of approximately 4,920 metric tons, and the Company is one of the leading sellers of 45 kg and bulk wheat flour.

The Company also holds a notable position in the Saudi animal feed market, which was valued at approximately SAR 5.7 billion in 2022G and is expected to grow at a CAGR of approximately 4.6% between 2022G and 2030G, according to the Market Study. Within the Saudi animal feed market, the Company is among the top 10 largest players, with a market share of approximately 3.5% in 2022G.

Strong presence in the Riyadh market coupled with a diverse geographic reach across the Kingdom

The Company is based in Riyadh, which provides it a unique and well-established market access to the largest city in the Kingdom and to the advantages tied to the city's population growth, increase in tourism and other favorable demographic factors. The capital of the Kingdom, Riyadh, serves as its financial and economic epicenter, with approximately 8.6 million residents (approximately 27% of the Kingdom's total population), including many high-income households, with approximately 4.7% of households in the city reporting annual earnings exceeding SAR 560,000. Riyadh is also expected to benefit from a SAR 3 trillion (USD 800 billion) plan aiming to nearly double the city's size and accommodate 15 to 20 million residents by 2030G. In Riyadh, the Company's business-to-business sales channel serves 181 distributors. The Company's Riyadh production facility has a daily flour milling capacity of approximately 3,070 tons, a daily feed production capacity of approximately 300 tons and storage capacity of approximately 80,000 tons. The Riyadh facility serves the central and eastern regions of the Kingdom. Given its presence in Riyadh, the Company benefits from considerably lower distribution costs in these regions than other milling companies in different locations.

In addition to the Company's presence in Riyadh, it benefits from a diverse geographic reach in other regions of the Kingdom as well. Its production facility in Hail serves as the distribution hub for the northern and north-eastern regions of the Kingdom and has a daily flour milling capacity of approximately 650 tons, a daily feed production capacity of approximately 300 tons and storage capacity of approximately 50,000 tons. The Hail production facility further capitalizes on its proximity to one of the main regions for livestock farming. The Jazan production facility serves the southern and western regions of the Kingdom and has a daily flour milling capacity of approximately 1,200 tons as well as a storage capacity of approximately 72,000 tons.

The Company's sales are not limited to the locations of its main plants in Riyadh, Hail and Jazan, as the Company is present in other regions through its distribution centers and warehouses. These strategically located distribution centers and warehouses are used to store the Company's products of flour, animal feed and other wheat derivatives in the central and western regions. The Company is focusing on expanding its warehouses in three regions, with Tabuk in the north, Dammam in the east and Jeddah in the west, in order to have a nationwide presence with distribution capabilities.

State-of-the-art facilities with advanced technology and a highly skilled and experienced milling team

The Company's three plants in the Kingdom, in aggregate, have a daily flour milling capacity of approximately 4,920 tons of wheat, per day and an animal feed production capacity of approximately 600 tons, per day with a warehouse capacity of 43,803 and a silo storage capacity of approximately 202,000 tons. These facilities are fully fitted out with world-class machinery and equipment and benefit from the Company's implementation of advanced technology and streamlined operations, which enable the Company to reduce downtime and increase daily output while maintaining high product quality. The Company uses an automated grain receiving and storage monitoring system ('Hercules') which provides real time data on intakes, inventories and outbound materials, enabling improved traceability, quality control, efficiency and flexibility of operations.

The Company's Riyadh facility has advanced production lines specializing in the production of whole wheat flour with leading edge technology, traditional stone grinding used to produce chakki fresh atta flour, as well as providing it with an enhanced capability in the production of health and wellness focused products.

The Company has implemented significant operational improvements in recent years through dedicated efforts to increase the output of four (of the six) production lines in the Riyadh production facility as well as in the Hail facility. The Company also has a strong network of IT infrastructure and has successfully implemented the SAP system in its operations.

In addition, the Company benefits from having one of the most experienced, and knowledgeable milling teams in the Kingdom with at least (10) certified millers with an average experience of more than (15) years. This plays a key role in maintaining the operational efficiency and lower downtime of the Company's production facilities, as demonstrated by a 81.1% reduction in aggregate downtime across its production facilities, in 2022G compared to 2021G.

The Company has received various accreditations such as (ISO9001), (ISO 14001), (ISO 45001), (ISO 31001) and (ISO 22000), and strongly adheres to food safety standards, demonstrating the high-quality of its products and operational processes.

Diverse array of products with a robust pipeline of new products

The Company offers a wide variety of flour, animal feed and wheat derivatives products, with new products constantly in development. The Company markets its flour products under the "Finah" brand. In addition to its bulk and 45 kg wheat flour sales in the business-to-business sales channel, the Company has also entered into the retail sector, offering seven different 1 kg flour products including whole wheat flour, chapatti flour, patent all-purpose flour, superior flour for pastries and sweets, vitamin D all-purpose flour, vitamin D whole wheat flour, and pizza flour as well as chakki fresh atta flour, which is gaining popularity. The Company has also recently introduced 2 kg, 5 kg, and 10 kg flour packs, to further meet the varying needs of its customers.

The Company also has the capability to meet specific customer needs by producing different types of wheat flour with varying protein contents. In 2023G, the Company established a dedicated whole wheat mill with a daily capacity of approximately 150 tons, in its Riyadh facility, thereby enhancing its capabilities in health and wellness focused products.

In addition to its existing product portfolio, the Company also has a robust pipeline of new value-added products, such as pasta and ready mixes. In response to the increasing popularity of gluten-free products, the Company has also collaborated with an Italian company to develop (i) private label pasta; and (ii) gluten-free products under the "Finah" brand, including gluten-free flour, pasta, cornflakes, and corn snacks.

In the animal feed sector, the Company offers 29 SKUs which include both ruminant and poultry feed. The animal feed products are sold under the "Kamil" brand and are known for their superior nutrient value and quality. The Company also plans to launch new poultry feed products, which are expected to be a key growth driver for the Company's compound animal feed more generally, driven by government supported localization of poultry production, which in turn will lead to a higher demand for added-value poultry feed products, which will contribute at a higher rate to the Company's profit margins (compared to low-cost livestock feed).

Long-standing customer relationships and reliable partnerships with suppliers

The Company benefits from well-established and stable customer relationships. In 2022G, the Company distributed its products to approximately 6,400 beneficiaries through 375 distributors and 281 direct customers in the business-to-business sales channel, and to 485 retailers and wholesalers and nine modern trade retailers with more than 550 branches in the retail and wholesale sales channel.

The Company also has a unique advantage of being present in both the business-to-business segment as well as the fast-growing retail and wholesale segment of the Saudi flour market. The Company has launched an app to facilitate online sales and aims to expand its delivery services towards retail and wholesale customers through the establishment of its own fleet of delivery trucks.

The Company also has long-standing relationships with its key suppliers: (i) the GFSA for wheat (which represented approximately 60% of the Company's raw material costs, as at the financial year ended 31 December 2023G), with which the Company has entered a long term, 25-year supply agreement; and (ii) feed suppliers for corn, soybean meal, alfalfa and other raw materials (representing approximately 7-10% of raw material costs).

Highly experienced management team

The Company is led by a management team with extensive experience in the management of milling and agriculture companies (for more information, please refer to Section 5.3, ("**Senior Management**") of this Prospectus). The management team's expertise and entrepreneurial spirit are evident in several key initiatives launched following the Company's privatization, including initiatives focused on increasing production capacity and efficiency, adjusting and improving flour formulations to better meet customer needs, and launching new initiatives to develop products that enhance the Company's value-added offerings, enrich its product range, and diversify its livestock feed range to increase sales and profit margins.

Company Strategies

The Company was founded in 2016G during the last phase of the privatization of the Saudi milling industry and was formerly a part of GFSA's wheat mills group. The Company has experience of over four decades in the production of flour, other wheat derivatives and animal feed products, and is the second largest wheat milling company in the Kingdom with a market share of approximately 28%. The Company is strategically well-positioned in both the wheat flour and animal feed industries. Since the privatization, the Company has made several dedicated efforts to enhance its market leadership, grow its customer base and continue to provide high-quality products. Based on its extensive experience of operating in the market, the Company has identified the following strategic roadmap to drive the future growth and realize its vision:

- Consolidate and enhance its leading position in the market.
- Maintain and build on current operational efficiency and excellence.
- Expand presence in both B2B as well as retail and wholesale sales channels.
- Offer high-quality products catering to changing consumer preferences.

Consolidating and enhancing market leadership

According to the Market Study, the Company is the second largest wheat flour milling company in the Kingdom by value and is also a key player in the compound animal feed market. The Company has implemented several measures to enhance its market leadership, which resulted in an increase of its flour market share by volume from approximately 27.2% in 2021G to approximately 27.8% in 2022G.

The Company has been highly active in launching new products catering to changing consumer needs and has also built a strong pipeline of new products to be launched to continue capturing additional share of the market. The Company has also made dedicated efforts to enhance the positioning of its 'Finah' and 'Kamil' brands by implementing a go-to-market strategy. Several key initiatives include redesigning the packaging with a modern look and feel, developing a marketing and promotional plan and establishing post-sales support as well as determining an optimal pricing model based on market dynamics and competition.

Maintaining and building on current operational efficiency and excellence

The Company places high importance on driving business efficiencies and building on its operational excellence. Recently, the Company has endeavored to drive operational efficiency across all business processes. Some of the key initiatives include:

- **Silos**: The Company is focused on enhancing and increasing automation the monitoring systems for its silos to improve traceability, quality control and operational flexibility.
- **Milling**: The Company is focusing on enhancing its technical capabilities in the milling processes with the objective of increasing efficiency and generating higher output. These efforts resulted in daily increase of flour milling by 350 tons in the Riyadh facility. Similar efforts were also carried out at Hail and Jazan plants, thereby improving their utilization. The Company achieved a reduction in the aggregate mill downtime across its facilities by 81.1% from 11.98% in 2021G to 2.27% in 2022G.
- **Warehouse, distribution and logistics**: The Company is strategically establishing new warehouses and distribution centers to broaden its geographic footprint. Simultaneously, efforts are underway to enhance the efficiency of current warehouses through innovative redesigns and ongoing monitoring and refinement of operational processes. Additionally, there is a dedicated focus on minimizing transportation costs and leveraging technology to improve the standards of quality control.
- **Procurement**: The Company has been focused on optimizing its procurement processes through measures such as automation and renegotiating purchase contracts to reduce the purchase price.
- **Manpower**: The Company is focused on supporting local talent, reducing dependence on outsourced employees and improvement and refinement of the recruitment process. The Company is committed to Saudization and supporting local talent.
- **Technology**: The Company is highly focused on using best-in-class technology and increasing automation across its functions, including milling, warehousing, supply chain and finance. The Company has successfully implemented the SAP system in its operations.

Expanding presence through various channels, including B2B, as well as retail and wholesale channels

The Company has a well-established presence in the B2B space and is also focusing on expanding its presence in the retail and wholesale channel. In the B2B channel, the Company currently serves approximately 6,400 beneficiaries through 375 distributors and 281 direct customers and has been focused on expanding its customer base by drawing in new customers through measures such as offering rebates and establishing after-sales support.

In the retail and wholesale sales channel, the Company currently offers its products to approximately 485 retail and wholesale trade entities and nine modern trade entities with over 550 branches. The Company aims to enhance its presence in the rapidly growing retail and wholesale sector by introducing specially designed products to meet consumer needs, packaged in modern packaging, as well as strategically enhancing the value of its “Finah” brand through targeted promotional campaigns, increased visibility on social media, and the launch of its dedicated application.

Providing high-quality products catering to changing consumer preferences

The Company places utmost importance on delivering top-tier products and focuses on rigorous quality assurance. The Company stays attuned to evolving consumer preferences by introducing new products and targeting higher growth sectors.

Quality assurance and laboratory control play crucial roles in the Company’s ability to ensure customer satisfaction, as they enable the Company to maintain consistent product quality and performance. In order to achieve this, laboratory equipment is maintained in line with global standards for food hygiene and safety. The Company also conducts annual extensive tests for flour, feed and raw materials, packaging and additives to ensure quality and adherence to applicable standards.

In order to tailor its product portfolio to changing consumer preferences, the Company also focusses on introducing new products which are gaining popularity in the Saudi market. The Company plans to target these growing consumer preferences, including in the health and wellness sector, by introducing whole wheat flour, gluten-free products and whole wheat derived products. In addition, the Company plans to launch new products such as different varieties of pasta (such as spaghetti, nocciole and vermicelli), ready-mixes (such as pizza mix, Arabic dessert mixes, and Western dessert mixes), and gluten free products (including gluten-free corn snacks, cornflakes, corn and rice penne) over the course of 2024G. This will enable the Company to enter new fast-growing categories, such as the pasta market in the Kingdom, which is expected to grow at a CAGR of approximately 6.3% during 2022G-2027G, driven by an increasing demand from foodservice channel in line with population and tourism growth.

The Company also plans to launch additional lines of poultry feed which is expected to be a key growth driver for the compound animal feed sector, driven by government support of localization of poultry production. The Saudi poultry feed market was valued at approximately SAR 3.0 billion in 2022G and is expected to grow at a CAGR of approximately 7.7% during 2022G-2030G.

Key Developments of the Company since Establishment

Key developments related to the Company and its operations historically and since its establishment are summarized as follows:

Table No. (1.4): Key Developments of the Company since Establishment

Year	Event/Development
1977G	The Company's current plant in Riyadh was established by GFSA.
1982G	The Company's current plant in Hail was established by GFSA.
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 in the Kingdom.
2011G	The Supreme Economic Council (now known as the Council of Economic and Development Affairs) approved the privatization of milling companies, consolidating milling operations into four independent companies in preparation for privatization.
2016G	The Company's current plant in Jazan was established by GFSA.
2016G	The Cabinet issued Resolution No. 35 approving GFSA's privatization program and the establishment of the Company as a closed joint-stock company owned by the Public Investment Fund.
2017G	The Company commenced its operational activities as an independent entity.
2019G	The General Assembly approved the increase of the Company's capital from five hundred thousand (500,000) Saudi Riyals to five hundred and thirteen million one hundred and fifty thousand and sixty (513,150,060) Saudi Riyals.
2020G	The Public Investment Fund transferred its entire shares in the Company to the National Center for Privatization.
2021G	GFSA accepted the bid submitted by the consortium led by Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company - Ajlan & Bros, Sulaiman Abdulaziz Al-Rajhi International Company, National Agricultural Development Company (NADEC), and Olam International Limited Company to acquire the company.
2021G	Ownership of the Company devolved from the National Center for Privatization to the Food Security Holding Company.
2022G	Completion of the merger of Food Security Holding Company with all its assets, rights, liabilities, and obligations as a merged company into Arabian Mills, whereby the new ownership structure of the Company became as follows: Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company - Ajlan & Bros (45%), Sulaiman Abdulaziz Al-Rajhi International Company (35%), National Agricultural Development Company (NADEC) (10%), and Olam International Limited Company (10%).
2022G	The Company upgraded several of its mills at the Riyadh plant, increasing its daily wheat milling capacity from 2,950 tons to 3,070 tons. Additionally, the Company added a new mill to the Riyadh plant, equipped with two distinctive production lines—one dedicated to producing bran flour and the other to traditional stone grinding.
2023G	The Company changed its name to "Arabian Mills for Food Products Company".

Source: The Company

Market Overview

The ambitious transformative projects within the framework of Vision 2030 contribute to driving the economy and underpinning the influx of migrants. Privatization and investment incentives provide new employment opportunities, especially for urban youth and women

Vision 2030 outlines new latitudes for the economic landscape in the Kingdom, leading to robust economic growth based on significant privatization efforts, stimulation of international and local investments, and infrastructure development programs. This diversification away from the dominant oil sector. As a result, the State's economy achieved a CAGR of 5.0% in the period between 2018G and 2023G, amounting to a Gross Domestic Product (GDP) of 4,052.3 billion Saudi Riyals (1,080.4 billion USD) in 2023G. This situation led to the creation of new job opportunities, particularly for Saudi youth and women, with the overall employment rate increasing by 4.8% to reach 57.8% of the total population in the third quarter of 2023G compared to 53.0% in the third quarter of 2018G,(6) and the employment rate of women increasing by 14% to reach 35.9% in the third quarter of 2022G compared to 22% in 2018G. All these developments lead towards a lifestyle characterized by a feeling of being constantly busy, concurrently raising disposable income levels, leading to a growing preference for higher-priced options in ready-to-eat foods and food service choices, resulting in increased consumer spending on food (with a compound annual growth rate of 5.3% from 2018G to 2023G, reaching SAR 298.6 billion or USD 79.6 billion). In contrast, the Kingdom's population is witnessing growth due to increased fertility rates, the influx of migrants, and a rise in the number of tourists (expected to reach 150 million annually by 2030G), naturally increasing the consumer base in the Kingdom.

The wheat flour market as a whole remains stable, organized, and localized. The retail trade share of this market is still small but is growing in a free and competitive environment

The government, through GFSA, has retained a key role in wheat purchases in the Kingdom. Wheat is supplied to the four milling companies at fixed prices. Consequently, these milling companies, which were formerly owned by GFSA before privatization in 2020G and 2021G, adhere to a fixed pricing schedule for their bulk wheat sales (bags of 45 kg or more) to approved facilities, primarily consisting of bakeries. However, these schemes do not cover the prices of smaller packages usually available in retail outlets, sold to food manufacturing companies (such as the small packages sold in 1 Kg, 2 Kg, 5 Kg and 10 Kg). This has created an expanding competitive space, offering opportunities to achieve larger profit margins and introduce new high-quality products, such as specialty flour products (often targeting health-conscious consumers).

The expected increase in demand for non-subsidized / non-price regulated flour during the forecast period is anticipated to support value growth, surpassing volume growth. The assumption is that the growth in the number of consumers, fueled by population growth and tourism, will enhance demand in terms of volume

Wheat flour has witnessed significant growth at a compound annual rate of 5.8% from 2018G to 2023G, reaching a market size of 3,508.8 thousand tons in 2023G. With population growth and increasing tourist numbers, the sector is expected to expand further, registering a compound annual growth rate of 3.2% from 2023G to 2030G. The market size is likely to reach 4,346.0 thousand tons by 2030G. It is worth noting that value growth has historically mirrored volume growth due to the importance of subsidized / price regulated sales to bakeries and food manufacturing companies, leading to a compound annual growth rate of 6.0% from 2018G to 2023G, with the market size reaching SAR 2,064.9 million (USD 550.7 million) in 2023G. During the forecast period, it is assumed that value growth will surpass volume growth, with a compound annual growth rate of 4.2% from 2023G to 2030G, resulting in sales reaching SAR 2,754 million (USD 734.6 million), attributed to the increasing demand for non-subsidized / non-price regulated flour amid the expansion of the consumer food services sector, modern retail environment, and health-conscious consumers willing to pay more for higher-quality and healthier products, such as gluten-free flour. The growing sector of baked goods and pastries/sweets also contributes to these trends. This shift naturally supports the smaller-sized packaging category (less than ten kg) in the open market, expected to increase its share of the value from 18.9% in 2023G to around 25.7% in 2030G, while the regulated flour market (45 kg bags or more) experiences a slow decline in market share.

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[6] General Authority for Statistics: labor market statistics for the third quarter of 2023G.

Despite their privatization, the four flour milling companies remain the largest contributors to the wheat flour market. They benefit from their existing expertise and follow the GFSA's instructions to produce bulk flour at regulated prices based on subsidized / price regulated wheat supplies.

Prior to 2020G, GFSA used to oversee the regulation of the wheat flour market. The market remains highly concentrated, with the four milling companies, which were previously owned by GFSA, accounting for 93.5% of the total wheat consumption in 2023G.

The leading player in the market was the First Mills Company, with a market share of 29.3% in terms of volume and 26.8% in terms of value in 2023G. It was followed by the Arabian Mills, with market shares of 28.4% and 25.3% in volume and value, respectively. However, investments made by the Arabian Mills in 2021G, allowed it to increase its market share up to 27.6% in terms of volume and 24.9% in terms of value in 2022G, and to further strengthen its position in 2023G to reach 28.4% and 25.3% in terms of volume and value, respectively. Modern Mills Company also reached a market share of 19.7% while Fourth Milling Company achieved a market share of 21.7%. The remaining 5.6% of the market belonged to imported products.

Government's efforts to support the localization of poultry production is expected to play a fundamental role in the growth of compound feeds as a whole. These efforts may also contribute to enhancing the market share of this sub-category compared to livestock feeds

The total consumption of compound feeds in 2023G reached 3,605.9 thousand tons, with total sales amounting to SAR 5,670.8 million (USD 1,512.2 million), following a robust compound annual growth rate of 6.4% in volume and a 16.8% in value from 2018G to 2023G. This significant difference between volume and value growth is attributed to the increasing demand for high-quality, value-added poultry feeds, which are sold at significantly higher prices compared to low-cost specialized livestock feeds.

This shift from low-cost livestock feeds towards value-added poultry feeds is expected stabilize during the forecast period, resulting in a compound annual growth rate between 2023G and 2030G of 4.8% in volume and 4.0% in value. Poultry feeds are expected to surpass their counterparts designated for livestock, reaching a cumulative market share of 58% in terms of volume and 64% in terms of value by 2030G.

The four flour milling companies have succeeded in entering the profitable animal feed market by producing bran as a byproduct of the wheat milling process. However, their market share remains limited compared to specialized feed production companies that leverage their facilities and existing partnerships.

The animal feed market in the Kingdom of Saudi Arabia remains dominated by three established companies: Arasco, the United Feed Manufacturing Company, and FeedCo. Together, they account for over half of the sales of compound feed by value. All three have built strong, long-term partnerships with farms and can rely on robust and proven facilities and machinery for the production and distribution of animal feed. However, the four flour milling companies have also succeeded in enhancing their specialized role within the sector, experiencing successful expansion.

Arabian Mills has positioned itself effectively in both the wheat flour and animal feed markets, relying on a product portfolio known for its quality and innovation, in addition to its strategic geographic location.

Arabian Mills holds a strategic position in both the wheat flour and animal feed sectors. It benefits, for example, from its strategic geographic locations in the north, central, and southern regions of the Kingdom, where it owns distribution centers in Hail, Riyadh, and Jazan with a total storage capacity of 43,803 tons, in addition to its production capacity that allows it to mill 4,920 thousand metric tons of wheat daily, making it one of the largest in the GCC countries. The Company's brand "Finah" has an excellent business reputation and offers a diverse portfolio in retail trade. The "Finah" brand features wheat flour packaging in the usual 1kg size but also includes whole wheat flour, making it the only local production company currently offering 100% whole wheat flour. Moreover, it offers a range of gluten-free products. On another note, the Company has established a portfolio of high-quality products, including poultry and livestock feed under the brand name "Kamil." It also plans to introduce semolina, pasta, and ready-made mixes in 2024G.

Summary of Financial Information

Summary of Statement of Profit or Loss and Other Comprehensive Income Data

SAR in 000s	2021G	2022G	2023G	Variance 2021G-2022G	Variance 2022G-2023G	CAGR 2021G-2023G
Revenue	640,776	902,808	862,082	40.9%	(4.5%)	16.0%
Direct Costs	(407,050)	(490,186)	(446,574)	20.4%	(8.9%)	4.7%
Gross Profit	**233,726**	**412,622**	**415,508**	**76.5%**	**0.7%**	**33.3%**
Selling and Distribution Expenses	(5,481)	(18,289)	(30,809)	233.7%	68.5%	137.1%
General and Administration Expenses	(97,967)	(105,245)	(78,430)	7.4%	(25.5%)	(10.5%)
Total Expenses	**(103,447)**	**(123,534)**	**(109,238)**	**19.4%**	**(11.6%)**	**2.8%**
Operating Profit	**130,278**	**289,087**	**306,270**	**121.9%**	**5.9%**	**53.3%**
Finance Costs	(10,368)	(20,709)	(121,711)	99.7%	487.7%	242.6%
Finance Income	2,253	92	17,005	(95.9%)	18383.7%	174.7%
Other Income	572	5,272	3,884	821.7%	(26.3%)	160.6%
Profit Before Zakat and Income Tax	**122,736**	**273,742**	**205,448**	**123.0%**	**(24.9%)**	**29.4%**
Zakat	(1,105)	(15,135)	(5,169)	1269.7%	(65.8%)	116.3%
Income Tax	(398)	(3,338)	-	738.7%	(100.0%)	(100.0%)
Profit For The Year	**121,233**	**255,269**	**200,279**	**110.6%**	**(21.5%)**	**28.5%**
Total comprehensive income for the year	**121,233**	**255,269**	**200,279**	**110.6%**	**(21.5%)**	**28.5%**

Source: The audited financial statements of the Company for the financial years ended 31 December 2022G and 2023G, and Management information.

Summary of Statement of Financial Position Data

SAR in 000s	As at 31 December 2021G Restated	As at 31 December 2022G Restated	As at 31 December 2023G	Variance 2021G-2022G	Variance 2022G-2023G	GAGR 2021G-2023G
Assets						
Non-current assets						
Property, plant and equipment(1)	751,019	902,421	891,999	20.2%	(1.2%)	9.0%
Right-of-use assets(1)	281,457	272,740	258,941	(3.1%)	(5.1%)	(4.1%)
Intangible Assets	9,223	68,270	64,975	640.2%	(4.8%)	165.4%
Goodwill	-	822,434	822,434	N/A	0.0%	N/A
Total non-current assets	**1,041,699**	**2,065,865**	**2,038,349**	**98.3%**	**(1.3%)**	**39.9%**
Current assets						
Inventories	142,329	119,790	98,812	(15.8%)	(17.5%)	(16.7%)
Prepayments and other current assets	25,918	20,231	15,085	(21.9%)	(25.4%)	(23.7%)
Amounts due from Related Parties	-	-	5,327	N/A	N/A	N/A
Accounts receivables	-	-	6,340	N/A	N/A	N/A
Cash and cash equivalents	327,160	573,851	127,798	75.4%	(77.7%)	(37.5%)
Total current assets	**495,408**	**713,871**	**253,361**	**44.1%**	**(64.5%)**	**(28.5%)**
Total assets	**1,537,107**	**2,779,737**	**2,291,710**	**80.8%**	**(17.6%)**	**22.1%**
Equity						
Share capital	513,150	513,150	513,150	0.0%	0.0%	0.0%
Statutory reserve	25,322	50,849	50,849	100.8%	0.0%	41.7%
Merger deficit reserve(1)	-	(658,833)	-	N/A	(100.0%)	N/A
Retained earnings(1)	620,361	713,789	258,967	15.1%	(63.7%)	(35.4%)
Total Equity	**1,158,833**	**618,955**	**822,966**	**(46.6%)**	**33.0%**	**(15.7%)**
Non-current Liabilities						
Non-current portion of lease liabilities(1)	288,068	282,874	270,539	(1.8%)	(4.4%)	(3.1%)
Long term loans	-	1,475,543	1,049,147	N/A	(28.9%)	N/A
Employees' defined benefit liabilities	301	800	3,297	165.8%	312.1%	231.0%
Total non-current liabilities	**288,369**	**1,759,217**	**1,322,983**	**510.1%**	**(24.8%)**	**114.2%**
Current liabilities						
Accounts payables	40,040	55,704	49,926	39.1%	(10.4%)	11.7%
Accrued expenses and other current liabilities	16,743	21,152	19,631	26.3%	(7.2%)	8.3%
Short term loans	-	272,406	-	N/A	N/A	N/A
Current portion of lease liabilities(1)	15,287	15,287	15,403	0.0%	0.8%	0.4%
Current portion of long-term loans	-	-	27,500	N/A	N/A	N/A
Interest payable on loans	-	16,216	12,036	N/A	(25.8%)	N/A
Advance from customers	16,333	9,286	16,143	(43.1%)	73.8%	(0.6%)
Zakat and Income Tax provision	1,503	11,515	5,122	666.1%	(55.5%)	84.6%
Total current liabilities	**89,905**	**401,565**	**145,761**	**346.7%**	**(63.7%)**	**27.3%**
Total liabilities	**378,274**	**2,160,782**	**1,468,744**	**471.2%**	**(32.0%)**	**97.0%**
Total Equity and Liabilities	**1,537,107**	**2,779,737**	**2,291,710**	**80.8%**	**(17.6%)**	**22.1%**

Source: The audited financial statements of the Company for the financial year ended 31 December 2023G, and Management information

(1) During the financial year ended 31 December 2023G, the balances as of 1 January 2022G were restated for the following accounts: property, plant and equipment, right-of-use assets, retained earnings, merger deficit reserve and lease liabilities. Accordingly, the balances as of 31 December 2021G were extracted from the audited financial statements of the Company for the financial year ended 31 December 2023G, i.e. after affecting the restatements. For more information on the restatements, refer to Section 6.7 ("**Restatement of Prior Year Financial Statements**").

Summary of Statement of Cash Flows Data

SAR in 000s	Year ended 31 December 2021G	Year ended 31 December 2022G	Year ended 31 December 2023G	Variance 2021G-2022G	Variance 2022G-2023G	GAGR 2021G-2023G
Operating Activities						
Profit before Zakat and income tax	122,736	273,742	205,448	123.0%	(24.9%)	29.4%
Adjustments to reconcile profit before zakat and income tax to net cash flows						
Depreciation of property, plant and equipment	38,395	50,574	55,977	31.7%	10.7%	20.7%
Depreciation of right-of-use assets	8,717	8,717	13,799	0.0%	58.3%	25.8%
Loss on disposal of property, plant and equipment	-	292	-	N/A	N/A	N/A
Amortization of intangible assets	89	2,515	3,081	2725.8%	22.5%	488.4%
Write-off of intangible assets	-	-	214	N/A	N/A	N/A
Interest cost on lease liabilities	10,368	10,092	3,186	(2.7%)	(68.4%)	(44.6%)
Interest cost on long-term loan	-	10,617	116,781	N/A	999.9%	N/A
Amortization of transaction costs for a long-term loan	-	-	1,744	N/A	N/A	N/A
Finance income	(2,253)	(92)	(17,005)	(95.9%)	18383.7%	174.7%
Provision (reversal of provision) for slow moving inventories	535	-	(13,220)	N/A	N/A	N/A
Provision for employees' defined benefit liabilities	219	500	2,774	128.3%	454.8%	255.9%
Changes in operating assets and liabilities:						
Inventories	(5,964)	22,540	8,363	N/A	(62.9%)	N/A
Prepayments and other current assets	3,994	5,410	5,146	35.5%	(4.9%)	13.5%
Amount due from Related Party	-	(53,857)	(1,594)	N/A	(97.0%)	N/A
Accounts receivables	-	-	(6,340)	N/A	N/A	N/A
Accounts payables	(15,302)	25,120	(5,778)	N/A	N/A	(38.6%)
Accrued expenses and other current liabilities	-	4,408	(1,521)	N/A	N/A	N/A
Advances from customers	1,993	(7,047)	6,857	N/A	N/A	85.5%
Net cash from operations	163,527	353,533	377,912	116.2%	6.9%	52.0%
Zakat and income tax paid	-	(8,460)	(11,562)	N/A	36.7%	N/A
Employees' defined benefit liabilities paid	-	-	(278)	N/A	N/A	N/A
Net cash flows from operating activities	163,527	345,072	366,072	111.0%	6.1%	49.6%
Investment Activities						
Purchase of property, plant and equipment	(88,498)	(72,014)	(19,720)	(18.6%)	(72.6%)	(52.8%)
Purchase of intangible assets	(4,118)	(881)	-	(78.6%)	(100.0%)	(100.0%)
Finance income received*	1,975	369	17,005	(81.3%)	4508.4%	193.4%

SAR in 000s	Year ended 31 December 2021G	Year ended 31 December 2022G	Year ended 31 December 2023G	Variance 2021G-2022G	Variance 2022G-2023G	GAGR 2021G-2023G
Net cash used in investment activities	(90,640)	(72,526)	(2,715)	(20.0%)	(96.3%)	(82.7%)
Financing Activities						
Payment of principal portion of lease liabilities	(4,918)	(5,194)	(12,218)	5.6%	135.2%	57.6%
Finance costs paid on loans and lease liabilities**	(10,368)	(20,709)	(124,147)	99.7%	246.0%	246.1%
Repayment of short-term and long-term loans	-	-	(673,047)	N/A	N/A	N/A
Net cash used in financing activities	(15,285)	(25,903)	(809,411)	69.5%	3,024.8%	627.7%
Net (decrease) /increase in cash and cash equivalents	57,600	246,643	(446,053)	328.2%	(280.8%)	N/A
Cash and cash equivalents at the beginning of the year	269,559	327,160	573,851	21.4%	75.4%	45.9%
Cash and cash equivalents transferred from the merger transaction	-	47	-	N/A	N/A	N/A
Cash and cash equivalents at the end of the year	327,160	573,851	127,798	75.4%	(77.7%)	(37.5%)

Source: The audited financial statements of the Company for the financial years ended 31 December 2022G and 2023G, and Management information.

* The financial information for the financial year ended 31 December 2021G was extracted from the financial information for the comparative year presented in the Company's audited financial statements for the financial year ended 31 December 2022G. Finance income received was classified within operating activities in the Company's audited financial statements for the year ended 31 December 2022G. This line item was reclassified in the Company's audited financial statements for the year ended 31 December 2023G to investing activities. As such, finance income received was classified within investing activities for the financial years ended 31 December 2021G, 2022G, and 2023G in this Prospectus.

** The financial information for the financial year ended 31 December 2021G was extracted from the financial information for the comparative year presented in the Company's audited financial statements for the financial year ended 31 December 2022G. Finance costs paid for loans and lease liability was classified within operating activities in the Company's audited financial statements for the year ended 31 December 2022G. This line item was reclassified in the Company's audited financial statements for the year ended 31 December 2023G to financing activities. As such, Finance costs paid for loans and lease liability was classified within financing activities for the financial years ended 31 December 2021G, 2022G, and 2023G in this Prospectus.

Key Performance Indicators

Key Performance Indicators	2021G (Management information)	2022G (Management information)	2023G (Management information)	Variance 2021G-2022G	Variance 2022G-2023G	CAGR 2021G-2023G
Quantities sold (tons)						
Flour	738,486	943,688	987,530	27.8%	4.6%	15.6%
Bran	182,304	230,512	245,424	26.4%	6.5%	16.0%
Feed	155,491	174,235	119,614	12.1%	(31.3%)	(12.3%)
Mills Capacity(1) (tons/year)						
Flour	1,335,000	1,380,000	1,476,000	3.4%	7.0%	5.1%
Feed	180,000	180,000	180,000	0.0%	0.0%	0.0%
Operational Utilization(2)					**Ppt.**	
Flour Mills	76.5%	94.5%	87.0%	18.4	(4.9)	13.5
Feed Mills	87.3%	97.3%	66.8%	10.0	(30.5)	(20.5
As a % of revenue					**Ppt.**	
Gross Profit Margin(3)	36.5%	45.7%	48.2%	9.2	2.5	11.7
Operating Profit Margin(4)	20.3%	32.0%	35.5%	11.7	3.5	15.2
Profit margin for the year before zakat and income tax(5)	19.2%	30.3%	23.8%	11.1	(6.5)	4.6
Profit margin for the year (6)	18.9%	28.3%	23.2%	9.4	(5.1)	4.3
Days						
DPO (days) (7)	39	43	43	10.3%	0.0%	5.0%
DIO (days) (8)	41	37	32	(9.8%)	(13.5%)	(11.7%)
As a %					**Ppt.**	
Debt to equity ratio (9)	N/A	285.0%	132.3%	N/A	(152.7)	N/A
Return on assets ratio (10)	8.4%	11.8%	7.9%	3.4	(3.9)	(0.5)
Return on equity ratio (11)	11.0%	28.7%	27.8%	17.7	(0.9)	16.8

Source: Management Information.

(1) Flour and feed capacity was calculated on an annual basis for the financial years ended 31 December 2021G 2022G, and 2023G.

(2) The operational utilization of flour and feed mills was calculated based on the number of days approved by the GFSA (formerly, the SAGO), which is set to 300 days for the financial years ended 31 December 2021G, 2022G, and 2023G.

(3) The gross profit margin for the year was calculated using the gross profit for the year/ revenues for the year.

(4) The operating profit margin for the year was calculated using the operating profit for the year/ revenues for the year.

(5) The profit margin for the year before zakat and income tax was calculated using the profit for the year before zakat and income tax/revenues for the year.

(6) The profit margin for the year was calculated using the profit for the year/revenues for the year.

(7) DPO was calculated using trade payables as at 31 December 2021G, 2022G, and 2023G / total direct costs of the year excluding employees' costs, depreciation of property, plant, equipment and depreciation of right-of-use assets, and provision for slow-moving inventories for the financial years ending as of 31 December 2021G, 2022G, and 2023G *300 days.

(8) DIO was calculated using raw materials and finished goods inventories as at 31 December 2021G, 2022G, and 2023G / total direct costs of the year excluding employees' costs, depreciation of property, plant, equipment and depreciation of right-of-use assets, and provision for slow-moving inventories for the financial years ending as of 31 December 2021G, 2022G, and 2023G *300 days.

(9) The debt-to-equity ratio was calculated using (total outstanding balances of short-term and long-term loans and interest payable on loans as at 31 December 2021G, 2022G, and 2023G) / total equity as at 31 December 2021G, 2022G, and 2023G, respectively.

(10) The return on assets ratio was calculated using the profit for the year / average total assets. Average total assets is the sum of the previous year end and current year end balances divided by 2.

(11) The return on equity ratio was calculated using the profit for the year / average total equity. Average total equity is the sum of the previous year end and current year end balances divided by 2.

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 Pricing Restrictions and the Company's Reliance on GFSA for the Supply of Wheat
2. Risks Related to the Availability and High Prices of Raw Materials
3. Risks Related to Storage Maintenance and Mismanagement
4. Risks Relating to Leases and not Owning the Lands on which the Company's Production Facilities are Located
5. Risks Related to not Having any Long-Term Contracts with the Majority of the Key Suppliers and All Key Customers
6. Risks Related to Capacity Constraints and Production Inefficiency
7. Risks Related to the Development of Production Lines and Replacement of Old Assets
8. Risks Related to the Impact of Increasing Direct Costs on the Company's Business
9. Risks Related to Safety Accidents at the Company's Production Facilities and Employees' Occupational Errors
10. Risks Related to the Company's Supply Chain
11. Risks Related to the Company's Operational Risks and Unexpected Interruptions to the Company's Business
12. Risks Related to Production Defects
13. Risks Related to Termination Clauses Set Forth in the Material Agreements Concluded by the Company
14. Risks Related to the Company's Capacity to Maintain its Brand Reputation
15. Risks Related to Retail and Wholesale Product Sales
16. Risks Related to Interruptions in the Company's IT Systems
17. Risks Related to the Company's Strategy
18. Risks Related to the Seasonality of Revenues
19. Risks Related to the Outsourcing of some Works Associated with the Company's Products
20. Risks Related to the Company's Related Party Transactions
21. Risks Relating to Protecting the Company's 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 Distribution of Cash Dividends and the Restrictions Imposed by the Funding Entities on the Distribution of Dividends
26. Risks Related to the Registration of the Company's Goodwill and the Potential Decline of its Value
27. Risks Related to the Company's Implementation of the Newly Adopted Corporate Governance Manual
28. Risks Related to 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 and the Imposition of Fines
31. Risks Related to the Company's Revenue Growth Rates
32. Risks Related to the Potential Misconduct of the Company's Employees and Third-Party Agents
33. Risks Related to the Transportation of the Company's Raw Materials and Products
34. Risks Related to the Concentration of the Company's Revenues Based on Key Customers
35. Risks Related to the Companies Law


فينه
FINAH
طحين فاخر
PATENT FLOUR
لجميع الاستخدامات
ALL PURPOSE
1kg

TABLE OF CONTENTS

Tables

Figures


فينه
FINAH
طحين فاخر
PATENT FLOUR
ALL PURPOSE
1kg

1. Definitions and Abbreviations

1.1 Glossary

Term	Definition
Underwriting Agreement	The underwriting agreement entered into between the Company, the Selling Shareholders and the Underwriter in connection with the Offering.
SWAP Agreements	Type of agreement through which non-Saudi individual investors residing outside the Kingdom and 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, by entering into Swap Agreements with a Capital Market Institution licensed by the CMA.
Participation Application Form	A participation application form used by the Participating Parties to apply for the Offer Shares during the book-building period.
Offer Shares	Fifteen million three hundred and ninety-four thousand five hundred and two (15,394,502) ordinary shares, representing 30% of the Company's capital.
Secretary	The secretary of the Board of Directors.
Management	Executive board members and senior executives of the Company.
Listing	Listing of the Company's Shares on the Main Market, in accordance with the Listing Rules.
Shares	Any ordinary share of the Company with a nominal value of (10) SAR 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 control (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) 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 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.

Term	Definition
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 (x).
CEO	The Company's Chief Executive Officer.
Zakat	Zakat imposed on Muslims under the relevant laws.
Nationalization	Nationalization requirements applicable to the labor market in Saudi Arabia.
Financial Year or FY	The Company's financial year commencing from January 1 to December 31 of each Gregorian year.
FY21G	The period commencing 01 January 2021G and ended 31 December 2021G.
FY22G	The period commencing 01 January 2022G and ended 31 December 2022G.
FY23G	The period commencing 01 January 2023G and ended 31 December 2023G.
Main Market	The market 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, 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, Issuer, or Arabian Mills	Arabian Mills for Food Products Company.
Offering	The initial public offering of fifteen million three hundred and ninety-four thousand five hundred and two (15,394,502) ordinary shares, representing 30% of the Company's capital in accordance with the terms set forth in this Prospectus.

Term	Definition
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 Saudi 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 Participation 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.
Independent Auditor	Ernst & Young Professional Services (Professional LLC).
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.
Current Shareholders or Selling Shareholders	All Current Shareholders in the Company whose names and shareholding percentages are shown in Figure 4.1 (**The Company's Ownership Structure as of the Date of this Prospectus**"), namely: – Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company - Ajlan & Bros – Sulaiman Abdulaziz Al-Rajhi International Company – The National Agricultural Development Company (NADEC)
Substantial Shareholders	Any Shareholder owning 5% or more of the Issuer's total Shares, namely Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company - Ajlan & Bros, Sulaiman Abdulaziz Al-Rajhi International Company, and the National Agricultural Development Company (NADEC).
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.
Sole Financial Advisor, Global Coordinator, Lead Manager, Bookrunner, or Underwriter	HSBC Saudi Arabia.
IFRS-KSA	The International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.
Head Office	The Company's head office in Riyadh.
Subscribers	Participating Parties and Individual Investors.

Term	Definition
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	The 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.
Saudi Exchange, Tadawul or Market	The 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 market of wheat flour, bran, feed and other related products in the Kingdom of Saudi Arabia in 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	[•] Saudi Riyal.
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 / Parties	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) or (5) above; and 7. any company controlled by any persons described at (1), (2), (3), (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.
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 Shares on the Saudi Stock Exchange.

Term	Definition
Offering Period	The Offering Period starts on Wednesday, 15/03/1446H (corresponding to 18/09/2024G), and will remain open for a period of (2) days up to and including the last Offering day on Thursday, 16/03/1446H (corresponding to 19/09/2024G).
Securities Act	The US Securities Act of 1933G, as amended.
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 3-6-2024 dated 05/07/1445H (corresponding to 17/01/2024G), 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 3-6-2024 dated 05/07/1445H (corresponding to 17/01/2024G), 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 20 customers based on sales value.
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.
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.
Nationalization Rate	The percentage of employees within any workforce who are deemed to count towards the level of Nationalization 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 Nationalization 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 Application Form	The Subscription Application Form that the Subscriber uses to apply for Offer Shares.
H	Hijri.
MoI	The Ministry of Investment in Saudi Arabia.

Term	Definition
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).

1.2 Specific Terms

Term	Definition
Flour Extraction (%)	The extraction rate is a figure representing the percentage of flour produced from wheat grain during the wheat milling process and separating the largest amount of bran and germ elements from the flour material elements inside the wheat, according to the specific extraction percentage for each type.
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 powders 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.
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.
Compound Feed	A mixture (produced by compounding) various concentrated feed ingredients in appropriate amounts.
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 promoting the development of the food commodities sector related to strategic stocks through tight regulation, reliable market information and analysis, and effective emergency response. 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 or Milling License	Flour Milling License No. 02 issued by the GFSA Governor's resolution based on the GFSA Board of Directors Resolution No. 189 dated 09/03/1442H (corresponding to 26/10/2020G) pursuant to Council of Ministers Resolution No. 632 dated 17/10/1441H (corresponding to 09/06/2020G) and amended by GFSA Governor's Resolution No. 8273 dated 21/05/1445H (corresponding to 05/12/2023G).
Distribution Channels	The chain through which the Company's products pass 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.

Term	Definition
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)	Wheat grains as an agricultural product used by mills as a raw material to produce food products such as flour.
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 (Wheat Bran)	The hard protective layer of the wheat kernel, which is a by-product 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.

2. Risk Factors

Prospective Investors 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 that may affect the Company or are 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, financial position, results of operations 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, financial position, results of operations and prospects may be adversely or materially 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 Members 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 Pricing Restrictions and the Company's Reliance on GFSA for the Supply of Wheat

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 fixed price of SAR 180 per ton. The GFSA has committed to maintaining a price differential of SAR 320 per ton between the unified price of wheat purchased (which is SAR 180 per ton) and the Company's pricing of bulk wheat flour at 1,000 kg, or packaged 45 kg wheat flour sold to beneficiaries (which is SAR 500 per ton) ("**Price Differential Commitment**") for a period ending on 12 July 2025G ("**Price Differential Commitment Period**"), in accordance with the Wheat Supply Agreement concluded between the GFSA and the Company on 15/04/1442H (corresponding to 30/11/2020G) (For further information, please refer to Section 12.5.1 ("**Material Supply Contracts**") of this Prospectus). Pursuant to the Wheat Pricing Policy issued by GFSA Board of Directors' Resolution No. 46 dated 15/10/1441H (corresponding to 07/06/2020G), and after the end of the Price Differential Commitment Period, three possible scenarios may be envisaged:

1. Maintain the Price Differential Commitment: The current situation regarding the sale price of flour to end users and commitment to price differential by the GFSA remains the same;
2. Gradually amend the Price Differential Commitment: The GFSA maintains the price differential solely with respect to flour used in the production of bread.
3. Completely repeal the Price Differential Commitment: The Price Differential Commitment is completely repealed for all types of wheat and flour products in the market.

In addition, as part of Vision 2030, the government expressed the possibility of reducing the subsidy of government fees, especially with respect to license renewal fees, visa and passport fees, work permit fees, and customs fees. It is difficult to determine the extent of the impact of any of the above structural changes on the Company. The Company may incur additional costs once the reduction of government fees' subsidy is implemented, which may adversely and materially affect the Company's business, results of operations, financial position and future prospects.

The Company's wheat purchases from the GFSA represented 31.7%, 38.3%, and 41.7% of its total purchases for the financial years ended 31 December 2021G, 31 December 2022G, and 31 December 2023G, respectively.

The Company's operations and profitability depend, mainly, on its relation with GFSA, the only supplier of Wheat (the main raw material used by the Company), to ensure timely delivery of Wheat to meet market demand. In 2020G, the Company entered into an agreement with GFSA for the supply of Wheat for a term 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 Flour Mill Operation License. In case the prices of wheat supplied to the Company are changed by the GFSA, this would materially affect the Company's margins and profitability. In addition, the non-renewal of the Wheat Supply Agreement (the "**WSA**") by the GFSA would affect the Company's ability to obtain sufficient quantities of wheat at competitive prices, and as a result, the Company 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 position, cash flows and prospects (for more information about the Wheat Supply Agreement with GFSA, please refer to Section 12.5.1 ("**Material Supply Contracts**") of this Prospectus).

In addition, any potential failure by the GFSA to provide any of the Company's production facilities 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 GFSA Wheat supplies or procurement or due to any other factors, may lead to the disruption or failure of the Company's operations and the decrease of its 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 adverse effect on the Company's business, results of operations, financial position, cash flows and prospects. (For more information about the situations in which the Parties may terminate the Wheat Supply Agreement, please refer to Table 12.12 ("**Wheat Supply Agreement ("WSA") between the Company and GFSA dated 15/04/1442H (corresponding to 30/11/2020G)**") of this Prospectus).

As part of the Company's privatization, on 25/04/1443H (corresponding to 30/11/2021G), the Company entered into a Compensation and Claims Agreement (the "**CCA**") with the Ministry of Finance, which will be valid for a period of twelve (12) years from the date of its conclusion. For more information on the CCA, please refer to Table 12.13 of Section 12.5.2 ("**Compensation and Claims Agreement Concluded with the Ministry of Finance**") of this Prospectus. In order to address the risk of the Company's total actual revenues being lower than the expected revenues (which is calculated on the basis of a mechanism set forth under the Agreement) as a result of any amendment, modification, termination or repeal of the Wheat Pricing Policy issued by GFSA Board of Directors' Resolution No. 46 dated 15/10/1441H (corresponding to 07/06/2020G), the Flour Production Mills Law or its Implementing Regulations, or the license period, the Ministry of Finance is committed to compensating the Company for any "Minimum Revenue Shortfalls", throughout the period of implementation of any wheat pricing mechanism. Minimum Revenue Shortfall means, in any relevant period, the minimum revenue 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 plus the price differential specified within the Compensation and Claims Agreement between the Company and the Ministry of Finance, and (b) the aggregate gross revenues (excluding discounts) actually received by the Company during the same period from the sale of Flour being subject to the price regulation mechanism. As previously mentioned, the Price Differential Commitment will remain valid until 12 July 2025G. Should the Price Differential Commitment be completely cancelled post the Price Differential Commitment Period ending on 12 July 2025G and the prices of flour become deregulated, the Company may not be entitled to compensation for the Minimum Revenue Shortfalls under the Compensation and Claims Agreement.

Since the Company has not filed 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 profitability 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 Price Differential Commitment may be amended or cancelled 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 amending or cancelling the Price Differential Commitment on specific categories of price-regulated 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 position and prospects.

2.1.2 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, 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. The Company's wheat purchases from GFSA accounted for 31.7%, 38.3%, and 41.7% of the Company's total purchases for the financial years ended 31 December 2021G, 2022G and 2023G, respectively. The yellow corn used in the production of animal feed is locally supplied and accounted for 12.8%, 16.9% and 20.5% approximately of the Company's total raw material purchases for the financial years ended 31 December 2021G, 2022G and 2023G, respectively. The Company purchases also the other materials used in the production of animal feed such as the soybeans, vegetables, palm oil and vitamins from local sources in KSA.

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 Company constantly maintains a certain level of inventory to avoid any market supplies related problems and any material impact which may result from the increase of raw materials prices. It is worth noting that the prices of raw materials have recently increased for several reasons, including global inflation, one of the causes of which is the Ukraine-Russia war (for more information, please refer to Section 2.2.1 ("**The Impact of Political and Economic Risks on the Company's Operations**") of this Prospectus). 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, financial position, results of operations and prospects.

2.1.3 Risks Related to Storage Maintenance and Mismanagement

The storage of wheat, flour and the Company's other products entails significant risks associated with the storage environment, including temperatures 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 wheat supplied by GFSA is transported and measured through highly accurate scales connected to an automation system that sends data to the system responsible for making such calculations and allocating stocks automatically. Wheat weight measurements are also carried out during the various stages of production (for more information, please refer to Section 4.10.2 ("**Production Operations**") of this Prospectus).

However, the Company's wheat stock is calculated by way of a manual measuring tool rather than relying on digital scales, which may result in differences in the actual stock of wheat compared to the stock reported in the financial statements. As a result, 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. Pursuant to the Wheat Supply Agreement concluded between the Company and the GFSA, the Company is not entitled to any compensation from the GFSA, if the value of wheat supplied is less than the value of wheat ordered in the purchase order by 1%.

It is worth noting that the total inventories as of 31 December 2021G, 2022G, and 2023G amounted to SAR 142.3 million, SAR 119.8 million, and SAR 98.8 million, respectively, representing 9.3%, 4.3%, and 4.3% of the Company's total assets for the said periods, respectively. The Company allocated SAR 28.4 million, SAR 28.4

million, and SAR 12.9 million as allowance for slow moving inventory for the said periods, respectively. As at 31 December 2023G, the Company's inventory included raw materials worth SAR 29.1 million (representing 29.5% of the total inventories), finished goods worth SAR 8.2 million (representing 8.3% of the total inventories) and spare parts worth SAR 73.2 million (representing 74% of the total inventories), and other inventories worth SAR 1.3 million. Accordingly, the Company is conducting a periodic stocktaking of its inventory, including spare parts. In light of such stocktaking, the Company may have to write off part of this inventory or make additional provisions to reflect its actual value. It should be noted that these spare parts are used during the production process, with the percentage of net value of spare parts amounting to about 39.2% and 44.5% of the total inventory as of 31 December 2021G and 31 December 2022G, respectively. These spare parts are classified under inventories as they do not align with the definition of "property, plant and equipment" under the IAS 16 (Property, plant and equipment), despite not being part of the Company's products. In 2023G, the Company reclassified part of the spare parts into capital spare parts with a book value amounting to SAR 25 million, and the percentage of the remaining spare parts is approximately 53.9% of the total inventories as of 31 December 2023G.

The total waste of inventory for the financial years ended 31 December 2022G and 31 December 2023G amounted to SAR 984 thousand and SAR 5.380 million, respectively, representing 0.008% and 5.4% of the total inventory as at 31 December 2022G and 31 December 2023G, respectively. The increase in total inventory waste in the financial year ended 31 December 2023G was due to the Company's write-off of a portion of its spare parts inventory that was classified as an ageing stock of SAR 5.138 million. If the Company is forced to change its policies for inventory management, this will have a material and adverse effect on the Company's business, results of operations, financial position, and prospects. The following table shows inventories details as at 31 December 2021G, 31 December 2022G, and 31 December 2023G:

Category	31 December 2021G (in SAR)	31 December 2022G (in SAR)	31 December 2023G (in SAR)
Spare parts	95,329,739	94,428,494	73,150,421
Raw materials	37,760,561	38,973,689	29,128,750
Goods in transit	31,698,745	4,547,550	-
Finished goods *	4,374,157	9,163,114	8,180,488
Other inventories	1,590,205	1,100,818	1,344,155
Minus: Allowance for slow- moving inventories	(28,423,948)	(28,423,948)	(12,922,172)
Inventories	142,329,459	119,789,717	98,811,642

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

Source: Audited financial statements for the financial year ended 31 December 2023G.

Notably, the Company has amended its provisioning policy for slow moving inventory in FY23G, where spare parts inventory items aged greater than a year are subject to a 6.67% provision for each ageing year. The useful life of spare parts is 15 years, based on the midpoint of useful lives of the Company's assets (between 10 and 25 years). Accordingly, a reversal of provision was made amounting to SAR 13.2 million in FY23G. This in turn resulted in a decrease in the direct costs by SAR 13.2 million in FY23G, which was reflected in net profits and led to an increase of SAR 13.2 million in profit for the year in FY23G. The following table shows the movement of the inventory provision during the financial years ending on 31 December 2021G, 31 December 2022G and 31 December 2023G:

SAR	FY21 (SAR)	FY22 (SAR)	FY23 (SAR)
At the beginning of the year	27,889,301	28,424,948	28,424,948
Reclassified into property, plant and equipment	-	-	(2,211,385)
Provision / (reversal of provision) during the year	534,647	-	(13,220,391)
At the end of the year	28,424,948	28,424,948	12,992,172

Source: Audited financial statements of the Company for the financial years ended 31 December 2022G and 2023G

2.1.4 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 through which the Company conducts its business. The lands on which the Company's production facilities are located are leased by the Company. Moreover, the Company leased a number of Silos from GFSA (for more information, please refer to Section 12.6 ("**Lease Agreements**") of this Prospectus).

These leases may be terminated in case 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 lands, property or facility, which may cause the Company to abandon these assets without compensation. This may also lead to the Company needing to cease its use of such properties or operations in the relevant facility, which could cause business interruptions or suspension. 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. 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. Therefore, this would have a material adverse effect on the Company's business and operations, financial position, cash flows and prospects.

It should be noted that all of the lease agreements for the Company's premises on which its productions facilities and Silos are located in Riyadh, Jazan and Hail are concluded with GFSA and expire on the date of expiration of the Flour Mill Operation License in 2046G. Thus, if such agreements are not renewed, the Company would be unable to pursue its business, which would have a material adverse effect on the Company's business, branches, operations, financial position, cash flows and prospects.

The most important and prominent existing lease agreement concluded by the Company is the lease agreement concluded with GFSA in Riyadh on 15/04/1442H (corresponding to 30/11/2020G), under which the Company leases a SQM 141,325 plot of land in Al Manakh, Riyadh ("**Riyadh Lease Agreement**"). The importance of Riyadh Lease Agreement lies in being a key enabler of the Company's business in Riyadh which forms a substantial part of the overall Company's business. The Riyadh Lease Agreement imposes many key obligations on the Company, including paying GFSA a guarantee equal to 15% of the annual rent and a compensation in case GFSA terminates the agreement due to the Company's failure to perform its obligations provided for under the Riyadh Lease Agreement. (For more information, please see Table 12.14 of Section 12.6 ("**Lease Agreements**") of this Prospectus).

It should be noted that Riyadh Lease Agreement and the lease agreement of the Company's premises in Hail with the GFSA, which expire in 2046G, both contain a rent escalation clause of 5% every three years.

The Company also entered into a sub-lease agreement with GFSA on 30/11/2020G under which the Company leases a SQM 105,013,09 plot of land in Jazan Port ("**Jazan Lease Agreement**"), under which the Company has many key obligations including to pay the GFSA a guarantee of 15% of the annual rent and a compensation in case GFSA terminates the agreement due to the Company's failure to perform its obligations provided for under the Jazan Lease Agreement. The most prominent risks associated with the Jazan Lease Agreement is that it is a sub-lease agreement related to a main lease agreement concluded on 22/06/2010G between the GFSA and the Saudi Ports Authority as the owner of the land subject to Jazan Lease Agreement ("**Main Lease Agreement**"). Given that Jazan Lease Agreement is linked to the Main Lease Agreement, any change made to the provisions of the Main Lease Agreement or termination will have a material impact on Jazan Lease Agreement, which in turn will have a material adverse effect on the Company's business, operations, financial position, cash flows and forecasts. (For more information, please see Table 12.4 of Section 12.6 ("**Lease Agreements**") of this Prospectus).

2.1.5 Risks Related to not Having any Long-Term Contracts with the Majority of the Key Suppliers and All Key Customers

The Company did not conclude any official long-term supply contracts with nine of its key suppliers. Rather, the Company purchases the raw materials from these key suppliers based on (1) short-term contracts for the supply of limited quantities of raw materials and/or (2) purchase orders and invoices (for more information on Key Suppliers, please refer to Section 4.10.4 ("**Key Suppliers**") of this Prospectus). Moreover, the Company sells its products to all its Key Customers on a cash basis without concluding any written contracts therewith (for more information on the Key Customers, please refer to Section 4.10.7 ("**Key Customers**") of this Prospectus). Given that the Company purchases the raw materials from its Key Suppliers based on short-term agreements for the supply of limited quantities of raw materials and/or purchase orders and invoices and sells its products to its Key Customers on a cash basis without concluding any written contracts therewith, the Company cannot guarantee the continuity of supply and purchase operations and that its business will not be affected in absence of long-term or written contracts with such Key Suppliers and Customers, which may result in the Company's inability to produce the required quantities of its products and to meet the requirements of its Customers in case of lack of supply of any of the raw materials required for its production operations. Moreover, the Company may be unable to sell the necessary quantities of its products to its Key Customers to achieve the required profitability margins, which may result in overstocking of unsold products.

The value of the Company's transactions with its Key Suppliers for the financial years ended 31 December 2021G, 31 December 2022G and 31 December 2023G based on purchase orders amounted to SAR 102,292,358, SAR 112,263,521 and SAR 40,427,348, respectively, which represented 17.6%, 17.1%, and 6.9% of the Company's total purchases for the financial years ended 31 December 2021G, 31 December 2022G and 31 December 2023G, respectively.

Whereas the value of the Company's transactions with Key Suppliers for the financial years ended 31 December 2021G, 31 December 2022G and 31 December 2023G based on short-term contracts amounted to SAR 18,117,537, SAR 14,831,984 and SAR 34,840,297, respectively, which represented 3.1%, 2.3%, and 5.9% of the Company's total purchases for the financial years ended 31 December 2021G, 31 December 2022G and 31 December 2023G, respectively.

Consequently, the Company's business and relationship with its Suppliers and Customers would be adversely affected in the event any of them terminates its business with the Company in the future or has recourse to other companies on the local market or otherwise, which will in turn adversely and materially affect the Company's business, results of operations, financial position and prospects. Furthermore, given that the transactions conducted by virtue of purchase orders and invoices and on a cash basis are subject to public liability rules, they may involve unclear rights and obligations of the Company and its Key Suppliers and Customers with regard to the delivery and receipt of products, their prices, payment and collection terms, guarantee and quality conditions, liability limits and controls and other generally accepted standard terms provided for under such contracts. Therefore, there is a higher possibility of disputes arising between the Company and its Key Suppliers and Customers. Such disputes may harm the Company's reputation and result in its expenses increase, revenues decrease, market share decline and loss of its Key Suppliers and Customers, which will have a material adverse effect on the Company's business, results of operations, financial position and prospects (for more information, please refer to Section 2.1.30 ("**Risks Related to Litigation Involving the Company and the Imposition of Fines**") of this Prospectus).

2.1.6 Risks Related to Capacity Constraints and Production Inefficiency

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

The Company's ability to increase sales of its products depends on the production capacity of its mills, which, as at the Financial Year ended 31 December 2023G, had a daily milling capacity of 4,920 tons of Wheat. The Company intends to add production lines in an effort to increase its mills' production capacity in the short term, but there is no guarantee that the Company will be able to achieve the same within the expected deadlines or that its production capacity after addition of new lines will be sufficient to meet the increasing demand on its products. Furthermore, increasing the production capacity by more than the quantities set forth under the Mill Operation License requires GFSA approval and the Company cannot guarantee obtaining such approval in a reasonable time or obtaining it at all. Also, the Company's inability to predict the levels of demand on its products or failure to increase its production capacity to meet the increasing demand will limit its growth and cause it miss commercial opportunities.

In addition, the Company's profitability is dependent on the Company's ability to maximize efficiencies in the production of flour. Gaining additional efficiencies may become more difficult for the Company over the years. For example, as at the date of this Prospectus, the Company converts approximately 75% of the Wheat it obtains into flour. However, the Company may not be able to increase its operational efficiency when needed, which would adversely affect the Company's profitability and weaken its competitive position.

The Company's initiatives to increase its productivity and maximize its mills' production efficiency include raising production capacities through the modernization of mills that the Company plans to undertake in the coming years. As at the Financial Year ending 31 December 2023G, the total production capacity of the Company's mills is 4,920 tons of Wheat per day. The production efficiency of Wheat milling reached also 76.5%, 94.5% and 87.0% in the financial years ended 31 December 2021G, 31 December 2022G and 31 December 2023G, respectively. Also, a percentage ranging between 2% and 4% of wheat is wasted during milling operations as a result of the nature of the milling process and the resulting dust and loss of moisture. It should be noted that the Wheat milling production capacity was calculated based on 300 working days per year. Given that the Company's mills operate at a relatively maximum production efficiency, should the Company wish to increase its productivity to meet the market demand, it will have to remarkably increase its capital expenditures. Works related to maximizing the production efficiency of the Company's mills may also lead to such mills being out of service during the period of work implementation, noting that the Company has increased the productivity of one of its flour mills in Riyadh factory, during the financial years 2019G to 2021G, from 360 tons per day to 520 tons per day, at a total cost of SAR 36 million, which resulted in the cessation of production in the aforementioned mills during the period of work implementation. The Company also carried out maintenance and development work for two other mills in Riyadh factory, which led to maximizing the production efficiency of each mill to 50 tons per day.

However, if the Company's operations are not sufficiently efficient, this would have an impact on its profitability given that the Company operates in a competitive environment, which would result in turn in a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.7 Risks Related to the Development of Production Lines and Replacement of Old 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. If the Company fails to assess the economic feasibility of establishing new production 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, financial position, results of operations and prospects.

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 increase the Company's operating expenses, which would have a material adverse effect on the Company's business, financial position, results of operations, and prospects.

Moreover, the Company's competitiveness, success and growth 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. It is worth noting that the total fully depreciated assets as at 31 December 2021G, 31 December 2022G, and 31 December 2023G amounted to SAR 2.3 million, SAR 2 million, and SAR 2.22 million, respectively, knowing that the largest portion of depreciated assets concerns equipment and machinery. The total depreciating assets in the financial year ending 31 December 2024G is expected to amount to SAR 1.9 million.

If the Company fails to complete construction on schedule, find new sites to expand its range of operations, expand its customer base to absorb the additional products to be provided by the new factories, run the mills efficiently or otherwise achieve the expected benefits of the new facilities, or to replace or upgrade 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, financial position, results of operations and prospects.

2.1.8 Risks Related to the Impact of Increasing Direct Costs on the Company's Business

The Company's direct costs 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 Wheat purchase from the GFSA; 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.

In particular, the Company's direct costs increased from SAR 407.1 million for the Financial Year ended 31 December 2021G, to SAR 446.6 million for the Financial Year ended 31 December 2023G, as a result of the increase of the quantities of consumed raw materials and of the direct costs including the fuel and electricity consumption resulting from the increased production operations of the Company in addition to the equipment maintenance costs and increased depreciation of property, plant and equipment.

Prolonged increased direct costs may also have a negative impact on the Company's profit margins and revenue, especially if the company is unable to increase its 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 the Company's direct costs with respect to the costs of raw materials and transportation. In addition, the price of fuel, water and electricity and labor cost have increased in recent years. Furthermore, any further increase in Nationalization requirements of the Company's workforce may lead to an increase in the Company's direct costs (for more information, please refer to Section 2.2.8 ("**Risks Related to Nationalization, Non-Saudi Employees, and Other Labor Law Requirements**") of this Prospectus). The Company's direct costs amounted to 64%, 54% and 52% of the Company's revenues for the financial years ended 31 December 2021G, 2022G, and 2023G, respectively. Any increases in the Company's direct costs will also reduce its cash flow, profit margin and funds available to operate the Company's current business and for future expansion. This would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.9 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, 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. It is worth noting that the use of high-voltage milling machinery and equipment inherent in the Company's business (as is the case for industrial projects) may involve significant health and safety risks.

Occupational errors committed by employees' and / or potential health, safety and security events (such as fires, light vehicle incidents, falls from height, personal injuries and fatalities, electrocutions, and incidents involving equipment) may have a material impact on the Company's business. Fatalities or serious injuries to employees may occur due to these 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 and production lines, which would adversely and materially affect the Company's business, results of operations, financial position or prospects, and therefore the Company's share price.

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 laws and 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, and therefore the Company's share price.

2.1.10 Risks Related to the Company's Supply Chain

The Company relies in its production of flour and other products on the purchase of its principal raw material, Wheat, from GFSA (for more information, please refer to Section 2.1.1 ("**Risks Related to Pricing Restrictions and the Company's Reliance on GFSA for the Supply of Wheat**") and Section 2.1.2 ("**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 the 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, soybeans, salt, limestone, clover, vegetable oils and various vitamins) are agricultural products and other raw materials 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 the relevant Saudi governmental agricultural policies and regulations. The Company purchases wheat from GFSA and sells its produced flour at a fixed price, whereby the GFSA has committed to maintaining a price differential of SAR 320 per ton between the unified price of wheat purchased (which is SAR 180 per ton) and the Company's pricing of bulk wheat flour at 1,000 kg, or packaged 45 kg wheat flour sold to beneficiaries (which is SAR 500 per ton), which provides the Company with a buffer against the wheat prices fluctuations. It should be noted that this commitment will be effective until 12 July 2025G. Nevertheless, the Company is still exposed to price changes in raw materials such as 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 products prices, this will negatively and materially affect the Company's business, results of operations, financial position and prospects.

2.1.11 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 inherent risks, including the malfunction or failure of equipment and tools, the disruption or slowdown of processes and procedures and the below expected level performance in terms of production, efficiency and effectiveness. The Company's operations rely on coordination of raw materials supply, 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 and work systems. The operation of the Company's production facilities is prone to a number of risks, including physical damage to buildings, 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, explosions, 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 in general, in addition to other unexpected accidents beyond the Company's control. The percentage of unplanned production downtime in the financial years ended 31 December 2021G, 31 December 2022G, and 31 December 2023G amounted to 11.98%, 2.27%, and 1.26% of the total working hours, respectively. 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 production 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 materially affect the Company's business, results of operations, financial position and prospects.

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.

Moreover, the Company regularly fumigates its plats and facilities for pest control, during which the Company may suspend its production operations. Thus, should the Company be obliged to stop its production operations during fumigation, this will adversely and materially affect the Company's business, results of operations, financial position and prospects.

In the event of critical equipment failures, the Company may incur significant losses due to repair costs or potential loss of revenues throughout the period during which the production plant remains out of service or may incur liability for damages or injuries, leading to increased insurance costs. Such losses may not be sufficiently covered by the Company's insurance policy or compensated through future performance. Moreover, the production facility shutdown and production disruption may adversely affect the production quantities, people and environment. Should the Company be unable to address the same or should it be perceived to be unable to do so, this would affect the Company's revenues and profitability, which would in turn have an adverse and material effect the Company's business, reputation, results or operations, financial position and prospects.

2.1.12 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 public 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, financial condition, results of operations and prospects.

2.1.13 Risks Related to Termination Clauses Set Forth in the Material Agreements Concluded by the Company

The Company has entered into several Material Agreements under which the other party may terminate these Agreements in cases of termination contained therein, or in the event of a breach by the Company if such breaches are not remedied within the agreed upon remedy periods. In certain cases, these agreements can also be terminated with the approval of both the Company and the other party. Notably, the Company and the National Agricultural Development Company (NADEC) (a Related Party) agreed to terminate the distribution agreement and the service level agreement concluded between them prior to the end of their term. According to the agreed termination terms, the Company paid an amount of SAR 10,000,000 to the National Agricultural Development Company (NADEC). In addition, the Company and Olam International Limited Company (which was considered a Related Party at the time) agreed to terminate the operational services agreement concluded between them before the expiry of its term (for more information, please refer to Section 2.1.20 ("**Risks Related to the Company's Related Party Transactions**") of this Prospectus). Notably, some cases of termination are outside of the Company's control, which include - without limitation - the change in the relevant laws in a way that negatively affects the parties' obligations, the persistence of a force majeure event over a specified period, the expiry followed by the non-renewal of the Flour Mill Operation License. All such cases are outside the Company's control and may lead to the termination of the relevant agreements, which in turn, would have a material adverse effect on the Company's business, results of operations, financial position or prospects, and therefore the Company's share price (please refer to Section 12.5 ("**Material Agreements**") of this Prospectus, to get a summary of these agreements, including the most important clauses related to termination, obligations and the parties' liability).

2.1.14 Risks Related to the Company's Ability to Maintain its Brand Reputation

The Company sells its products under two trademarks, "Finah" and "Kamil". The Company uses its trademark "Finah" for its flour and other Wheat derivatives products and "Kamil" trademark for its feed products. Maintaining and continually enhancing the value of these trademarks will be critical to the success of the Company's business and growth strategy. The value of a trademark is based, in large part, on the degree to which consumers react positively to the trademark. Trademark value could diminish significantly due to a number of factors, including as an example consumer perception that the Company has acted in an irresponsible manner, adverse publicity about its products sold under such trademark, its 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. With the growing use of social and digital media by consumers, and the speed and extent that information or misinformation and opinions can be shared, negative posts or comments about the Company, its trademarks, or products on these platforms could seriously damage the trademark and reputation of the Company. Any damage to the Company's trademark 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 adverse effect on the Company's business, results of operations, financial position and prospects. The Company registered its trademark "Arabian Mills" with the Saudi Authority for Intellectual Property, the details of which are set out in Section 12.10 ("**Intellectual Property**") of this Prospectus. Should the Company fail to successfully register its trademark or should any third-party object to the registration thereof, the Company would be unable to use said trademark which could have a negative effect on the Company's operations, financial position and results of operations.

2.1.15 Risks Related to Retail and Wholesale Product Sales

The Company intends to develop its sales through retail and wholesale channels, as it currently derives a small portion of its operating revenues from sales through this channel. The Company sells its retail products, including its "Finah" trademark products, to large Retailers (such as supermarkets and hypermarkets) and to other Retailers, and sells its flour and other Wheat derivatives products to local Wholesalers and distributors and local retail outlets.

The percentage of the Company's revenues of flour and its derivatives through wholesale constituted 96.6%, 97.6%, and 96.4% of the Company's total revenues for the financial years ended 31 December 2021G, 31 December 2022G, and 31 December 2023G, respectively, while the percentage of the Company's revenues through retail represented 3.4%, 2.4%, and 3.7% of the Company's total revenues for the financial years ended 31 December 2021G, 31 December 2022G, and 31 December 2023G, respectively.

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 with which the Company deals also carry products of the Company's competitors. While the Company has market leadership positions in the geographic areas in which it operates, there is a risk that Retailers or distributors may give greater priority to products of the Company's competitors, or form alliances with them or their own trademarks other than with respect to 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 position and prospects.

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

The Company's operations, including research, development, production, accounting, storage, and delivery, are highly dependent on its information technology systems. The Company depends on these systems, especially on the SAP ERP, 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.

Given the size of the Company, its SAP ERP system faces some deficiencies in financial reporting, as it is not fully automated and requires a high level of manual inputs by the Company's employees. This 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, and therefore have an adverse effect on the Company's business and results of operations.

External and internal IT related 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 its private 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 position, 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 position and prospects.

2.1.17 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. The Company seeks to explore additional opportunities to expand its products portfolio and to promote its trademark and strategic partnerships by offering new products such as pasta, ready cake mix, and gluten-free products and by creating new sale channels such as wholesale and retail outlets (such as hypermarkets and supermarkets).

However, there can be no assurance the Company will be successful in achieving its strategy. The successful implementation of the Company's strategy 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 and SFDA.
- 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 competitors 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 financing resources) on acceptable terms;
- 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; 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.

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 adversely 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 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.

As the complexity of the Company's operations increases in terms of type and scale, 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 position and prospects.

2.1.18 Risks Related to the Seasonality of Revenues

The revenues of the Company are subject to seasonal fluctuations. In general, flour sales are highest in the Blessed Month of Ramadan and lowest during the summer. For example, the Company's sales of feed and bran increased in the financial year ended 31 December 2022G (compared to the financial year ended 31 December 2021G) by 49.3% and 84.8%, respectively, as a result of lower rainfall levels during that year, while the Company's sales of feed decreased in the financial year ended on 31 December 2023G (compared to the financial year ended on 31 December 2022G) by 33.5%, as a result of higher rainfalls resulting in an increase in the area of natural pastures in that area during that year. The Company's sales of bran increased in the financial year ended 31 December 2023G (compared to the financial year ended 31 December 2022G) by 3.8%. The Company will not be able to anticipate such seasonal variations in sales, and such seasonal variations will affect the Company's revenues.

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.) and other natural factors affecting the climate (such as the amount of precipitation, air humidity, soil moisture, sandstorms, and temperature increases and decreases) 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 position and prospects.

2.1.19 Risks Related to Outsourcing Works Associated with the Company's Products

The Company outsources some of its production operations related to the Company's products, such as research and development. Accordingly, the Company is prone to risks related to the capacity of third parties to provide the services which meet the Company's needs. If the cost of such services increases more than expected, and if any of the third parties is unable to provide sufficient services, faces financial or any other difficulties or violates its contractual obligations, the Company could face operational difficulties and incur a high cost and damage to its reputation. In such case, the Company will be obliged to have recourse to other third parties which could result in a cost increase and business disruption, affecting therefore – materially and adversely - the Company's business or financial position and prospects.

2.1.20 Risks Related to the Company's Related Party Transactions

In the course of normal operations, the Company deals with many Related Parties. As at the date of this Prospectus, the Company has transactions which are not subject to official contracts with the National Agricultural Development Company (NADEC) and Al-Watania Poultry which sell animal bran products. (for more information, please refer to Section 12.7 ("**Transactions and Contracts with Related Parties**") of this Prospectus). During the General Assembly dated 29/05/1445H (corresponding to 13/12/2023G), the Shareholders approved all of the Company's transactions with Related Parties.

The total value of the Company's transactions with Related Parties amounted to SAR 59.1 million and SAR 40 million for the financial years ended 31 December 2022G and 31 December 2023G, respectively. It is worth noting that the balances due from Related Parties amounted to SAR 5.3 million (which represented approximately 0.23% of the Company's total assets) as of 31 December 2023G. There were no balances due from Related Parties as of 31 December 2021G and 31 December 2022G. In addition, balances due to

Related Parties amounted to SAR 277,398 (which represented 0.02% of the Company's total liabilities) as at 31 December 2023G. There were no balances due to Related Parties as of 31 December 2021G and 31 December 2022G.

The Company's Management believes that all Related Party transactions carried out until the date of this Prospectus 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 position, and prospects. There can be no guarantee that the Company will be able to renew its contracts with such Related Parties when expired. 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 Parties 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 of the Company, who is deemed to have an interest, cannot participate in the deliberation process for such Related Parties 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 Relating to Protecting the Company's Trademarks

The Company has registered eight (8) trademarks in Saudi Arabia on which it relies, i.e. "Second Milling Company", "Ghazeer", "Finah" (in orange), "Finah" (in green), "Finah" (in black), "Kamil" (in green), "Kamil" (in black) and "Arabian Mills". Details of these trademarks are set out in Section 12.10.1 ("**Trademarks**") 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 adversely and materially affect the Company's operations, financial position, 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 efforts to such litigation. Furthermore, the outcome of a dispute may require the Company to enter into royalty or licensing agreements with regard to any of its trademarks, 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. The Company registered its trademark "Arabian Mills" with the Saudi Authority for Intellectual Property, the details of which are set out in Section 12.10 ("**Intellectual Property**") of this Prospectus. Should the Company fail to successfully register its trademark or should any third-party object to the registration of the said trademark, the Company would be unable to use this trademarks which could have a negative effect on the Company's operations, financial position and results of operations.

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 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 Company 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 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. 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 Food Security Holding Company, the Company became a party to the Murabaha Facility Agreement concluded with HSBC Saudi Arabia and Saudi Awwal Bank on 28/11/2021G as amended on 27/06/2022G and on 13/09/2023G (the "Financing Document"), which includes long-term and short-term loans as follows: (1) a Saudi Riyal term Murabaha acquisition facility in an aggregate amount equal to SAR 1,500,000,000; (2) a Saudi Riyal bridge Murabaha facility in an aggregate amount equal to SAR 273,046,719; (3) a Saudi Riyal term Murabaha capital expenditure facility in an aggregate amount equal to SAR 125,000,000; and (4) a Saudi Riyal revolving working capital Murabaha facility in an agreement amount equal to SAR 150,000,000, with the profit margin being calculated as follows:

- Working capital Murabaha facility and the bridge Murabaha facility: 0.90%;
- The Murabaha acquisition facility and capex Murabaha facility: 1.0% for the first 4 years, 1.25% between the fourth and tenth years, and 1.85% between the tenth year and the payment date.

The financial leverage ratios(7) reached 285.0% and 132.3% for the financial years ended 31 December 2022G and 31 December 2023G, respectively.

The value of the Company's finance costs (comprising the interest on loans including long-term loans cost amortization) amounted to SAR 10,616,851 and SAR 118,525,342 for the financial years ended 31 December 2022G and 31 December 2023G, respectively. The Company had no finance costs during the financial year ended 31 December 2021G.

The Financing Document includes the provision of the following guarantees: (1) the Company's Shares Pledge Agreement dated 13/09/2023G concluded between the Company and Abdulaziz Alajlan Sons For Trading & Real Estate Investment Co., the National Agricultural Development Company (NADEC), Sulaiman Bin Abdulaziz Al-Rajhi International Co. and HSBC Saudi Arabia; (2) the Company's Accounts Pledge Agreement dated 13/09/2023G concluded between the Company and HSBC Saudi Arabia and Saudi Awwal Bank, which includes the revenue account pledge, in which the insurance proceeds are deposited, the payments account pledge, in which capital injections are deposited, the facility service account pledge, in which the amount required to service the facilities is deposited, the bank collection account and the disbursement account; (3) the assignment of receivables dated 13/09/2023G in respect of the proceeds of the compensation and claims agreement made between the Company and HSBC Saudi Arabia; (4) the security sharing agreement dated 28/11/2021G as amended and supplemented pursuant to the amendment and supplemental agreement dated 13/09/2023G made between the Company and HSBC Saudi Arabia; (5) the order note with a value

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(7) The financial leverage ratios were calculated by adding (the long-term and current portion of the loans and the interest payable on loans) / total equity

of SAR 2,048,046,719 issued by the Company in favor of HSBC Saudi Arabia; and (6) the order note with a value of SAR 204,804,672 issued by the Company in favor of HSBC Saudi Arabia. It should be noted that, in accordance with the provisions of the Financing Document, HSBC Saudi Arabia Bank must return the Order Notes to its relevant issuers in any of the following cases: (1) when HSBC Saudi Arabia Bank considers that the discharge date has occurred and HSBC Saudi Arabia Bank believes that none of the obligors is liable for paying any amounts to HSBC Saudi Arabia or (2) when the Order Note is substituted in accordance with the provisions of the Financing Document. Notably, an amount of SAR 1,749,891,457 has been withdrawn by the Company under the Financing Document, as at the date of this Prospectus (for more information on these facilities, please refer to Section 12.8 (“**Credit Facilities and Loans**”) of this Prospectus).

These facilities include standard conditions, including a pledge not to mortgage movable assets to third parties, with the Company undertaking that there will be no financial restrictions on any of the returns, current or future assets, except for permissible financial restrictions (for more information, please refer to 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 Financing Document, whether such actions are conducted in one transaction or several transactions or in a series of transactions (interconnected or otherwise). The Company also commits to use any insurance proceeds for the early repayment of its existing debts in accordance with the facilities, and that the Debt Service Coverage Ratio shall not be less than 1.3:1.0. In addition, pursuant to the Financing Document, an interruption of business of the Company will result in a breach, which will also result in a breach in respect of the financial indebtedness. (For more information about these facilities, please refer to Section 2.1.25 (“**Risks Related to the Distribution of Cash Dividends and the Restrictions Imposed by the Funding Entities on the Distribution of Dividends**”) of this Prospectus).

The Current Shareholders of the Company shall maintain ownership of at least 51% of the Company’s shares. In the event of the failure by current shareholders to maintain this percentage, an early repayment and acceleration of the Company’s indebtedness under the financing document might be triggered, except in certain circumstances, including: (a) obtaining prior approval from HSBC Saudi Arabia, or (b) offering the Company’s shares through an initial public offering. 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 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.

In addition, the facilities agreements concluded by the Company provide variable interest rates (SIBOR + Murabaha margins). However, the Company does not carry out any hedging activities to mitigate the risks associated with variable interest rates. Accordingly, any fluctuations in the interest rates would have an effect on the financing cost, and thus on the Company’s profitability. Any interest rate increase would adversely and materially affect the Company’s business, results of operation, financial position and prospects.

2.1.25 Risks Related to the Distribution of Cash Dividends and the Restrictions Imposed by the Funding Entities on the Distribution of Dividends

The distribution of dividends depends on several factors including the Company’s ability to make profits, its financial position, available credit limits, general economic conditions, cash flows, working capital requirements, capital expenditures, other factors subject to the discretion of the Board of Directors regarding the dividend distribution recommendation, as deemed appropriate. The Financing Document concluded by the Company with HSBC Saudi Arabia and Saudi Awwal Bank includes the following conditions which the Company must fulfill before dividing distributions:

- The Debt Service Coverage Ratio should exceed 1.10:1.00.
- The distribution of dividends shall be in accordance with the applicable regulations.
- The Company shall deposit the required amount into the facilities service account before the proposed distribution.
- No ongoing breach shall exist, nor shall a proposed distribution lead the Company to breaching its obligations.

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. (For more information 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).

2.1.26 Risks Related to the Registration of the Company's Goodwill and the Potential Decline of its Value

Food Security Holding Company acquired the Company in late 2021G for a purchase price of approximately SAR 2.15 billion, while the value of the Company's net assets amounted to SAR 1.14 billion. Following the merger with Food Security Holding Company in late 2022G, the goodwill book value (representing the surplus of the consideration paid for the Company's specified net assets) was transferred to the Company's assets with a value of SAR 822.4 million (representing 36% of the Company's total assets as of 31 December 2023G). The cost of any decline in the Company's goodwill value could materially and adversely affect the Company's business, financial position and results of operations. It is worth noting that the goodwill is not automatically amortized, but is rather evaluated periodically to determine any decrease in its value. In addition, goodwill may need to be evaluated in certain cases such as a deterioration of general economic conditions, change in the operating or regulatory environment, intensification of competition in the competitive environment, negative or decreasing cash flows, or non-completion of acquisitions as expected. The decline of the Company's goodwill may have a material and adverse effect on the Company's business, financial position and results of operations (for further details, please refer to Section 6.4 ("**Basis of preparation**") of this Prospectus).

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

The Ordinary General Assembly of the Company approved the implementation of the Corporate Governance Manual updated on 29/05/1445H (corresponding to 13/12/2023G). The updated Governance Manual includes rules and procedures prepared based on the Corporate Governance Regulation issued by the CMA, in addition to the Audit Committee and Nomination and Remuneration Committee Work Regulations. 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 the formation of the Board and its committees, independence requirements, as well as rules related to conflict of interests and Related Party Transactions.

On 30/04/1445H (corresponding to 14/11/2023G), the Board of Directors approved the re-formation of the Audit Committee and the Nomination and Remuneration Committee (for further details, please refer to Section 5.2 ("**Company and Board Committees**") of this Prospectus). In the event of 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 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 Lack of Experience in Managing a Publicly Listed Company

The Senior Executives have limited 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 adverse effect on the Company's business, its operating and financial results and its 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, sabotage and other risks. 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 adverse effect on the Company's business, results of operations, financial position, and prospects.

2.1.30 Risks Related to Litigation Involving the Company and the Imposition of Fines

The Company, its Directors, or officers may become involved in lawsuits and regulatory actions with parties including suppliers, customers, 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. It is worth noting that, in 2023G, the GFSA imposed fines on the Company for not complying with the provisions and regulations of the Flour Production Mills Law and for carrying out the following: (1) selling price-regulated flour to customers who were not registered on the mills' online platform and failing to provide their information or obtain prior GFSA approval for such sale, and (2) accepting customer requests to join the mills online platform, without obtaining prior approval from the GFSA. The total fines imposed on the Company during 2023G amounted to SAR 56.4 million. The Company appealed these fines. Therefore, the Committee for Reviewing Violations of the Provisions and Regulations of the Flour Mills issued a fine against the Company of SAR 6.0 million which have been paid in full by the Company to GFSA. As at the date of this Prospectus, the Company is not a party in any material lawsuits.

2.1.31 Risks Related to the Company's Revenue Growth Rates

The Company's revenues consist of revenue from the sale of flour, wheat byproducts, and feed, 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). In addition, such sectors are subject to many of the risks mentioned in this section of the Prospectus, which, if they were to occur, may affect the business of such sectors and hence the Company's revenue growth rates. Accordingly, the Company may not be successful in its efforts to increase its revenues or grow its business.

Revenue growth rates in prior periods should not be considered as indicative of future growth rates. The Company may not be able to overcome the risks and difficulties it may face in the milling and food sector, as the demand for products in the Kingdom may decline or the Company may be forced to cut back on flour production with resulted decrease in the Company's revenues as a whole, which would have a material adverse effect on the Company's business, results of 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 regulations. 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 have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

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

Sometimes, the Company relies on ground transportation for the delivery of part of the wheat supplied by GFSA to the mills and to deliver 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 any breach of the applicable laws and regulations, 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 main 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.

2.1.34 Risks Related to the Concentration of the Company's Revenues Based on Key Customers

The concentration of the Company's revenues from its Key Customers (the Company's top 20 customers based on sales value) amounted to 32.9%, 34.4% and 37.3% during the financial years ended 31 December 2021G, 2022G, and 2023G, respectively. In addition, the concentration of the Company's revenues resulting from its flour sales from its Key Customers (the Company's top 20 customers based on sales value) amounted to 52.3%, 48.8%, and 47.3% during the financial years ended 31 December 2021G, 2022G, and 2023G, respectively. To the extent that any of these customers terminate or significantly reduce their volume of business with the Company in the future, and such volumes are not offset by new customers, the Company may not be able to achieve its target sales (for further information, please refer to Section 2.1.5 ("**Risks Related to not Having any Long-Term Contracts with the Majority of the Key Suppliers and All Key Customers**") of this Prospectus. The loss of any Key Customer may be outside the Company's control, and could include their unwillingness to do business, changes in their strategy, their assessment of the products supplied being below agreed quality standards, interruption in their business or their own financial and operational position. Such loss of Key Customers, when not offset by new customers, could have a material adverse effect on the Company's business, results of operations, financial position, cash flows and future prospects.

2.1.35 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 19/01/2023G (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. It should be noted that the Company did not approve its financial statements for FY22G within the statutory period stipulated in the Companies Law.

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 rules. 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.

2.1.36 Risks Related to Exchange Rate Fluctuations

Since the Company engages in transactions that are not denominated in Saudi Riyals, 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 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 and the Euro) could adversely and materially affect the Company's results of operations, financial position, and prospects.

2.1.37 Risks Related to Zakat

The Zakat, Tax and Customs Authority (ZATCA) stated in its letter No. 30446/16/1439 dated 14/09/1439H (corresponding to 29/05/2018G) that the Company is not subject to Zakat given that its capital is derived from public funds to which the payment of Zakat is not required. Accordingly, the Company was deemed to be exempt from paying Zakat for the financial year ended 31 December 2020G (noting that the Company was wholly owned by the PIF and subsequently the NCP, during those years).

On 25/04/1443H (corresponding to 30/11/2021G), the NCP transferred all its shares in the Company to Food Security Co. under a share purchase agreement entered into by and between the NCP and Food Security Holding Company executed on 04/12/1442H (corresponding to 13/07/2021G), (for further information, please refer to Section 4.6 ("**Overview of the Company and Growth of its Capital**") of this Prospectus. Following the completion of the transfer of the Company's shares, the ownership of the Company was transferred from the public sector to the private sector, where Food Security Holding Company became the owner of the entire capital of the Company. Accordingly, Company became subject to Zakat.

The Company has submitted Zakat returns for the financial years ending 31 December 2021G and 2022G. As at the date of this Prospectus, ZATCA has not issued any final Zakat assessments for the Company since its incorporation.

On 30/11/2022G, the Company completed its merger with Food Security Holding Company, and the Company became the only remaining entity after such transaction. Going forward, the Company will be solely responsible for Zakat after such transaction, and may also be responsible for any assessments determined by ZATCA in connection with the Zakat returns submitted by the Food Security Holding Company for the financial years ending 31 December 2021G.

The Company's Zakat and Income Tax provision amounted to SAR 1.5 million, and SAR 11.5 million and SAR 5.1 million respectively, as at the financial years ended 31 December 2021G, 2022G and 2023G.

The Selling Shareholders have declared that they would be liable for any additional amounts that may be claimed by ZATCA for the periods preceding the listing of the Company's Shares on the Exchange. In the event ZATCA raises any claims relating to any financial years following the listing of the Company's Shares on the Exchange, the Company will bear such claims. If this risk materializes, the Company will have to pay additional zakat amounts, which may be substantial. Accordingly, any material zakat claims would have a material adverse effect on the Company's 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 shall be considered closed for the relevant period (i.e. it falls within the statutory time limit).

2.1.38 Risks Related to the Concentration of the Company's Revenues in Specific Geographical Areas

The majority of the Company's revenues are generated from sales achieved by the Company's facility in Riyadh, amounting to approximately 66%, 64%, and 66% of total revenues for the financial years ended on 31 December 2021G, 2022G, and 2023G, respectively. If the Company's revenues generated from its Riyadh facility decrease, or if any failure occurs in the Riyadh facility and its operations cease, this will have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.39 Risks Related to the Restatement of Financial Statements due to Accounting Errors

During 2023G, 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 as of 1 January 2022G and 31 December 2022G. Such restatements impacted a number of items in the Company's financial statements, including: property, machinery and equipment, right-of-use assets, lease liabilities, retained earnings and merger deficit reserve.

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

Table No. (2.1): Impact of restatements on the statement of financial position as at 1 January 2022G

SAR in 000s	As previously reported	Restatement	Restated value
Right-of-use assets	174,341	107,116	281,457
Lease liabilities	196,238	107,116	303,354
Property, plant and equipment	767,556	16,537	751,019
Retained earnings	636,899	16,537	620,361

Source: Audited financial statements of the Company for the financial year ended 31 December 2023G.

Table No. (2.2): Impact of restatements on the statement of financial position as at 31 December 2022G

SAR in 000s	As previously reported	Restated	Restated value
Right-of-use assets	165,624	107,116	272,740
Lease liabilities	191,044	107,116	298,160
Retained earnings	730,327	16,537	713,789
Merger Deficit reserve	675,371	16,537	658,833

Source: Audited financial statements of the Company for the financial year ended 31 December 2023G.

For further information about such restatements, please see Section 6.7 ("**Restatement of Prior Year Financial Statements**").

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.

2.1.40 Risks Related to the Concentration of the Company’s Transactions with its Key Suppliers and its Reliance thereon

The Company relies on its transactions with its Key Suppliers for the success of its operations. The Company purchases its main raw material (wheat) from the GFSA, which is its main supplier. The Company’s wheat purchases from the GFSA accounted for 31.7%, 38.3% and 41.7% of the Company’s total purchases for the financial years ended 31 December 2021G, 31 December 2022G and 31 December 2023G, respectively (for further information, please see section 2.1.1 (“**Risks Related to Pricing Restrictions and the Company’s Reliance on GFSA for the Supply of Wheat**”) and section 12.5.1 (“**Material Supply Contracts**”) of this Prospectus.

The Company also purchases yellow corn and soybean meal, packaging materials, prevention and safety materials, other production materials, transport and construction services and maintenance services and spare parts from its other Key Suppliers. The Company’s purchases from its other Key Suppliers accounted for 20.7%, 19.3% and 12.8% of the Company’s total purchases for the financial years ended 31 December 2021G, 31 December 2022G and 31 December 2023G, respectively (for further information please see section 2.1.2 (“**Risks Related to the Availability and High Prices of Raw Materials**”) and section 4.10.4 (“**Key Suppliers**”) of this Prospectus).

It may be difficult for the Company to ensure continuity of supply and that the Company’s business is unaffected if the Company is unable to maintain its relations with any of its Key Suppliers, specifically the GFSA (as the Company’s main supplier), or its current benefits from them, this will have a material and negative impact on the Company’s business, results of operations, financial situation and future expectations. This in turn may result in the Company not being able to meet the requirements of its customers. The Company’s business and relationship with its customers will be adversely affected, should any of the Key Suppliers terminate their business with the Company, which will have a material and negative impact on the Company’s business, results of operations, financial position and prospects.

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 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 suffer from political or security instability at the present time. 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, tariffs or trade relations between Saudi Arabia and other countries or any changes in their local policies, such as the imposition of unilateral 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 business, results of operations, financial position and prospects.

2.2.2 Risks Related to the Increasing Competition in the Industry in 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 retail 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 trademarks 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 06/03/2019G) 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 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 (for more information, please refer to Section 2.1.30 ("**Risks Related to Litigation Involving the Company and the Imposition of Fines**") and Section 12.11 ("**Litigation**") of this Prospectus).

The occurrence of any of the abovementioned risks would have a material and adverse effect on the Company's business, results of operations, financial position 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 several government authorities for its business operations and activities. These permits, licenses and approvals include, without limitation, commercial registration certificates for the Company issued by the MoC, GFSA licenses, licenses issued by the SFDA and registers held at SFDA, civil defense permits, membership certificates with the relevant chambers of commerce and trademark registration certificates.

The Company is also subject to the supervision of the GFSA, as a number of inspection visits are conducted to the Company's production facilities on a regular basis to monitor the quality followed by the Company. The GFSA also has the authority to impose fines in the event of non-compliance with safety standards or decline in quality. The Company is also obligated to obtain the approval of the GFSA to export wheat, flour, or price-regulated products outside the Kingdom, to import any quantity of wheat, or to mortgage any of the assets used in wheat milling operations, as well as other conditions that must be followed in accordance with the Main Milling License issued to the Company (for further information, please refer to Section 12.4 ("**Material Government Consents, Licenses and Certificates**") of this Prospectus). If the Company materially violates the terms of this License, and does not remedy such violation within thirty (30) days of receiving a written notification from the GFSA, this may lead to suspension (for a maximum period of three (3) months from the date of receipt of the GFSA's notice) or revocation of the main license. For example, any of the following cases, without limitation, constitutes a material violation of the Milling License:

- 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 price-regulated wheat provided by GFSA (which remains valid for milling purposes) without the latter's consent, which consent shall not be unreasonably withheld or delayed.
- The Company's production of price-regulated flour falls short of the targeted production capacity of its price-regulated 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 price-regulated 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) as well as labor laws and regulations of the Kingdom.
- In case of non-compliance with the applicable laws and regulations of the Kingdom relating to anti-money laundering, anti-bribery, and anti-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 and others. Each approval is dependent on the satisfaction of certain conditions. 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.

The Company obtained a Civil Defense permit for its branches in Riyadh and Hail but did not obtain a Civil Defense permit for its branch in Jazan, due to its location within the port boundaries, under the supervision of the High Commission for Industrial Security, which imposes additional requirements for obtaining the Civil Defense Permit. These requirements have been met, and a Civil Defense Permit is being obtained for the Company's branch in Jazan. For more information about MoMRAH's municipal licenses obtained by the Company and its branches, 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. It should be noted that the Company has been already subject to fines imposed thereon by the GFSA (For further information, please refer to Section 2.1.30 ("**Risks Related to Litigation Involving the Company and the Imposition of Fines**").

2.2.6 Risks Related to Compliance with the Environmental Law

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. As such, environmental compliance and remediation could result in substantially increased capital requirements and operating costs which could adversely affect the Company's business, results of operations, financial condition and prospects.

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 policies 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 Nationalization, Non-Saudi Employees, and Other Labor Law Requirements

The Nationalization (Nitaqat) program was adopted pursuant to the Ministerial Resolution No. 4040 dated 12/10/1432H (corresponding to 10 September 2011G), where the Ministry of Human Resources and Social Development obligates institutions to employ Saudi nationals. Compliance with Nationalization requirements is a local regulatory requirement necessitating that all private institutions (except regional headquarters) 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 the companies' licensed activities and the number of employees. As at 31 December 2023G, the Company and its branches have been classified based on its various entities, with the wholesale and retail entity classified under the medium green category (with a Nationalization Rate of 30.09%), and the industries entity classified under the medium green category (with a Nationalization Rate of 30.09%), which means that the Company complies with the current Nationalization requirements, and will be able to secure new work visas to employ additional non-Saudi employees from abroad and transfer sponsorships of current non-Saudi employees, among other things. All companies must also register their employees under the proper profession in which they serve. If an employee is found to serve in a profession other than the one set out in his registration document, violating establishments may be subject to penalties, including a fine that could amount to SAR 1,000. As at the date of this Prospectus, the distribution of the Company's employees among its professions is inaccurate. In addition, there is a discrepancy between the numbers of the Company's employees registered with the GOSI and MHRSD. The Company is working on updating the numbers of its employees and distributing them among its branches at the GOSI and MHRSD, which process may result in a change in its Nationalization Rates and thus its category (Nitaq). The Company does not guarantee that it will maintain its classification under the required category to conduct its business after completing such process. If the Company's classification fell to the red category, the Company would not be able to apply for new work visas or issue or renew work permits, which, in turn, would have a material and adverse effect on the Company's business, results of operations, financial condition and future prospects.

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 manpower companies. The fees for transferring employees from one company to another start from SAR 2,000 (depending on the number of times an employee has transferred their sponsorship in the past). These fees double in case non-Saudi employees are transferred for a second time. For further information on the employees, please refer to Section 4.17 ("**Employees**") of this Prospectus. 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 certificates include, for a first-time violating entity, a fine of up to SAR 20,000 for each employee working in violation of the law, and these fines increase in case of repeated violations. The Company may not be able to apply for new work visas, which, in turn, would have a material and adverse effect on the Company's business, results of operations, financial condition and future prospects.

In addition, under the Saudi Labor Law, each foreign employee must carry out the profession stated on his / her Iqama. The penalties for entities hiring employees whose actual profession does not correspond with the profession appearing on their Iqama include, for a first-time violating entity, a fine of SAR 1,000 for each employee working in violation of the law.

The Company may not be able to fulfil current or amended Nationalization 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 Nationalization 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 4.18 ("**Nationalization Strategy**") of this Prospectus).

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 (from 25/12/2017G until 30/06/2023G), by the statuary 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 financial year ended 31 December 2018G, and such assessment did not result in any differentials owed by the Company for said year. The Zakat, Tax and Customs Authority did not conduct any assessments with respect to VAT for FY19G, FY20G, FY21G, and FY22G.

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.

2.3 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 own 70% 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 will be adversely affected, 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 any of their Shares prior to obtaining the approval of the GFSA and the CMA(8), 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.

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[8] Where (1) Substantial Shareholders must not dispose of their shares within six months (6) following the date of commencement of trading of shares on the Saudi Exchange in accordance with the provisions of the OSCOs, as well as (2) in accordance with the terms of the Company's GFSA license, the Company shall not make any direct change in the ownership of the Company or any change in control of the owners or shareholders of the Company (whether direct or indirect) with respect to more than 5% of the Company's shares, unless approved by the GFSA. It should be noted that the CMA's approval must be obtained to release this restriction.

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. 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, 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 (For further information, please refer to Section 12.8 ("**Credit Facilities and Loans**") of this Prospectus). 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.

2.3.7 Risks Related to Non-Qualified Foreign Investors Not Being Able to Directly Hold Shares

Under applicable laws and regulations, non-Qualified Foreign Investors wishing to participate in the Offering must enter into swap arrangements with Capital Market Institutions, pursuant to which they acquire an economic benefit in the Offer Shares. Non-Qualified Foreign Investors are able to trade these interests through Capital Market Institutions who will hold the legal title to the Shares. Accordingly, non-Qualified Foreign Investors will not hold the legal title to the Shares, nor will they be able to vote the Shares in which they hold an economic benefit.

3. Overview of the Market and Industry

3.1 Introduction

Arabian Mills for Food Products Company (the "Company") has commissioned Euromonitor International, an independent provider of strategic market research, to prepare a market study on the wheat flour, bran, animal feed and other related products within Saudi Arabia.

The information below is based on an independent market study prepared by Euromonitor, which has given and not withdrawn its written consent for its market report to be published in (the) Prospectus as at the date of its publication. Euromonitor does not itself, nor do any of its employees or relatives, have shares or interests of any kind in the Company or any of its Subsidiaries.

Estimates and prospects set out in this Industry and Market Data section have been prepared on the basis of a market research study prepared by Euromonitor, which includes research estimates based on various official published sources such as Passport and trade opinion surveys conducted by Euromonitor with a sample of key players across both core and small markets.

Therefore, Euromonitor International believes that it used suitable sources of information and methodologies for this study but due to the nature of the techniques and methodologies used in market research does not guarantee nor pledge as to the accuracy or completeness of such information. References to Euromonitor International Limited should not be considered as the opinion of Euromonitor International Limited as to the value of any security or the advisability of investing in The Company.

The Company's Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Euromonitor International Limited and set out in this Industry and Market Data section has not been independently verified by The Company or any other party and neither they nor Euromonitor International Limited give any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

3.2 Research methodology

All data, analysis and research estimates in this section are based on research work conducted between October 2023G and November 2023G including and updated in March 2024G: (i) Desk research to collect publicly available secondary sources of data including statistics on macroeconomic indicators, demographics from entities such as General Food Security Authority (GFSA), General Authority for Statistics (GASTAT), Saudi Central Bank, Euromonitor International's internal database (Passport), and trade press on food industry, companies and third party reports; and (ii) Trade survey analysis of the opinions and perspectives of a sample of leading companies across the Saudi Arabian market (iii) Cross-checks and analysis of all sources to build an industry consensus on the market size and historic trends.

It is noted that Arabian Mills provided their audited sales data for the period, 2020G to 2023G which was used to estimate their shares. Share for Arabian Mills across core markets is calculated using the company's audited sales data over the total market size as estimated by Euromonitor International in this MDD section.

3.3 Forecasting bases and assumptions

Euromonitor International based the Euromonitor International Report on the following assumptions: (i) the social, economic, and political environment is expected to remain stable in Saudi Arabia during 2023G-2030G (ii) there will be no external shock, such as financial crisis that affects the demand and supply of the sector across core markets during the same period; (iii) key drivers that tend to influence growth/demand during 2020G-2023G and 2023G-2030G, include growing target population, inflation, GDP growth and government expenditure on the sector.

3.4 Executive summary

Ambitious transformational projects under Saudi Vision 2030 boost the economy and support an influx of expatriates, while privatization and investment incentives lead to additional employment options, specifically for young urbanites and women.

Saudi Vision 2030 is reshaping the economic landscape of the country, leading to strong economic growth through significant privatization efforts, incentives for international and national investments, large infrastructure programs as well as economic diversification away from the historically dominant oil sector. As a result, the country's economy witnessed a 5.0% CAGR between 2018G and 2023G reaching a GDP of SAR4,052.3 billion (USD1080.4 billion) in 2023G, creating new employment opportunities, especially among younger Saudis and women: overall employment gained 4.8 percentage points to reach 57.8% of the total population 2023G Q3 as compared to 53.0% in 2018G Q3(9), while female employment increased by 14 percentage points to reach 35.9% in Q3 2022G as compared to 22% in 2018G. These developments are leading to increasingly busy lifestyles, but also to expanding disposable incomes. As a result, higher priced convenient ready-made food options and consumer food service offers are witnessing growing success, leading to an increase in consumer expenditures on food (CAGR 2018G-2023G: 5.3% to reach SAR298.6 billion or USD79.6 billion). Population growth through high fertility rates and an influx of expatriates as well as growing tourism numbers (expected to reach 150 million per annum by 2030G) on the other hand are naturally increasing the number of consumers in the kingdom.

The larger wheat flour market remains stable, regulated, and localized, with a smaller but growing retail segment operating in a free and competitive market

The government, through GFSA, has retained a key role in wheat purchases in the Kingdom. Wheat is supplied to the four milling companies at fixed prices. Consequently, these milling companies, which were formerly owned by GFSA before privatization in 2020G and 2021G, adhere to a fixed pricing schedule for their bulk wheat sales (bags of 45 kg or more) to approved facilities, primarily consisting of bakeries. However, these schemes do not cover the prices of smaller packages usually available in retail outlets, sold to food manufacturing companies (such as the small packages sold in 1 Kg, 2 Kg, 5 Kg and 10 Kg). This has created an expanding competitive space, offering opportunities to achieve larger profit margins and introduce new high-quality products, such as specialty flour products (often targeting health-conscious consumers).

Growing demand for unsubsidized / non price regulated flour expected to support higher value growth than volume growth over the forecast period, while growing consumer numbers due to strong population growth and increasing tourism is said to generate additional volume demand

The wheat flour exhibited significant growth of 5.8% CAGR between 2018G and 2023G, thereby reaching a market size of 3,508.8 thousand tons in 2023G. On the back of a growing population and increasing tourism numbers, the industry is expected to further expand with a forecast CAGR of 3.2% (2023G-2030G), likely reaching a market size of 4,346.0 thousand tons by 2030G. Historically, value movements imitated volume growth due to the significance of subsidized / price-regulated sales to bakeries and food manufacturers, leading to a 2018G-2023G value CAGR of 6.0% and reaching a market size of SAR2,064.9 million (USD550.7 million) in 2023G. Over the forecast period, value growth is expected to exceed volume growth and reach a CAGR of 4.2% between 2023G and 2030G, hence reaching sales of SAR2,754 million (USD734.6 million). The difference stems from the growing demand for unsubsidized / non-price regulated flour through the expanding consumer foodservice industry, a modern retail landscape, health-conscious consumers open to paying a higher price for healthier quality products, such as gluten-free flour and a growing baked goods and pastry industry. These developments are naturally supporting the free market segment of smaller pack sizes (1-10kg) which will likely increase its value share from 18.9% in 2023G to around 25.7% in 2030G, with price-regulated flour (45kg and above) slowly losing share.

Even after the privatization, the four milling companies remain the key players within wheat flour, benefiting from existing expertise and a GFSA mandate to produce price-controlled bulk sizes while benefiting from subsidized / price regulated wheat supply

Publicly governed through GFSA before 2020G, the wheat flour market is still highly concentrated, with the formerly GFSA-owned four milling companies accounting for 93.5% in value terms of the total flour consumption 2023G.

First Mills emerged as the leading player with a volume share of 29.3% and a value share of 26.8% in 2023G. This was closely followed by Arabian Mills which had a volume and value market share of 28.4% and 25.3% respectively. Arabian Mills driven by its investments made in 2021G helped the company to reach 27.6% market share in volume and 24.9% share in value, while also consolidating its position in 2023G by reaching

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[9] GASAT Saudi: Labor Market Statistics Q3/2023G

28.4% and 25.3% in volume and value share. The remaining two milling companies (MC3 and MC4) hold a value market share of 41.4% in 2023G and the remaining 6.5% is contributed by imported products.

Government supported localization of poultry production is expected to become a key growth driver for compound animal feed as a whole, while also strengthening the proportion of this subcategory in comparison to livestock feed

In 2023G, total compound animal feed consumption reached 3,605.9 thousand tons and total sales of SAR5,670.8 million (USD1,512.2 million) after experiencing a robust historic volume CAGR of 6.4% and an impressive value CAGR of 16.8% between 2018G and 2023G. The substantial difference between volume and value was supported by growing demand for significantly higher priced added-value quality products within poultry feed compared to low-cost specialized livestock feed.

The shift from lower cost livestock towards added-value poultry feed is expected to stabilize over the forecast period, resulting in an anticipated forecast CAGR of 4.8% between 2023G and 2030G in volume terms and a 4.0% CAGR in value terms. Additionally, poultry feed is forecasted to exceed livestock volumes and reach an accumulated share of 58% in volumes in 2030G, a figure translating into a 64% value share in 2030G.

Exhibiting the production of bran as a by-product during flour milling, the four milling companies have all successfully entered the profitable feed market. Nonetheless, their share remains limited in comparison to specialized feed companies, benefiting from established structures and partnerships

The feed market in Saudi Arabia remains in the hands of three established companies: ARASCO, United Feed Manufacturing Company and FEEDCO, accounting for over half of all compound feed value sales. All three players have established strong and longstanding partnerships with farms and can rely on robust and reliable production and distribution structures tested over time. Nonetheless, all four milling companies have established their niche within the industry and witness a successful expansion.

Arabian Mills is well positioned within wheat flour and animal feed through an innovative quality portfolio and a strategic location

Arabian Mills is strategically positioned within the wheat flour and animal feed industries. The company benefits for example from its strategic locations in north, central and southern Saudi Arabia, with distribution hubs in Hail, Riyadh, and Jazan and a total warehouse capacity of 43,803 tons as well as a wheat milling capacity of 4,920 metric tons daily (one of the largest in the GCC). The company's Finah brand is well established within the B2B sector and also offers a diverse retail portfolio. Finah does not only feature the standard 1kg wheat flour packs, but also whole wheat flour (currently the only local manufacturer offering a 100% whole wheat flour to consumers) as well as a range of gluten-free products. Beyond flour, Arabian Mills has also established a quality portfolio of poultry and ruminant feed under the Kamil brand and is planning to introduce semolina, pasta, and ready mixes portfolios in the Q3 and Q4 of 2024G.

3.5 Macroeconomic and demographic overview

3.5.1 Macroeconomic overview

As the GCC's largest economy, Saudi Arabia's impressive growth from 2018G to 2023G results from a strategic shift away from oil dependence and successful implementation of socioeconomic reforms and assistance programs

In 2023G, Saudi Arabia reported a nominal GDP of SAR4.1 trillion (USD 1.1 trillion), reflecting a 5.0% CAGR from 2018G to 2023G.(10) In 2020G, the nation faced a significant -4.3% (real GDP growth) economic decline brought about by the COVID-19 pandemic. Nevertheless, Saudi Arabia bounced back vigorously, witnessing a 4.3% growth in 2021G and an 8.7% surge in 2022G(11), ranking among the world's most robust economic rebounds. This resurgence can be attributed to heightened domestic and global demand, ongoing reform initiatives, and effective policies. In 2023G, economic uncertainties and agreements made by OPEC+ to restrict oil output led to stagnant growth of 0.5%.(12)

While the nation traditionally depended on the oil sector for economic sustenance, the Vision Realization Initiatives of Saudi Vision 2030 has played a pivotal role in diversifying the economy. This deliberate shift has led to enhanced infrastructure, increased investments from both domestic and foreign sources, and a rise in private consumption, all contributing to overall economic expansion.(13) To bolster this growth, the Kingdom's Public Investment Fund committed SAR150 billion (USD40.0 billion) annually from 2021G to 2022G for major

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[10] Euromonitor International Passport estimates from official statistics and published sources

[11] Ibid

[12] Reuters (2023G): What OPEC+ oil output cuts are already in place and what could change

[13] Ministry of Finance (2022G). Saudi Arabia Budget

infrastructure projects. In April 2020G, Saudi Arabia introduced a SAR120 billion (USD32.0 billion) stimulus package, allocating SAR70 billion (USD18.6 billion) to support the private sector through exemptions and deferred government payments, while the Saudi Central Bank (SAMA) injected SAR50 billion (USD13.3 billion) into the banking sector.(14) In 2023G, the Saudi Public Investment Fund (PIF) emerged as the leading sovereign fund worldwide, having invested SAR118.5 billion (USD31.6 billion) across 49 deals.(15)

Saudi Arabia is experiencing a boost in food production and consumer food services, driven by a thriving tourism industry and substantial infrastructure development. In 2023G, the tourism sector in the kingdom successfully reached its goal of accommodating 100 million tourists.(16) The tourism sector has demonstrated remarkable resilience, with international visitors for Hajj and Umrah reaching an impressive 13.5 million in 2023G.(17) The current contribution of the Saudi tourism sector to the nation's GDP is in the range of 3 to 4 percent. The government updated its tourism goals as part of "Vision 2030", aiming for tourism to make up 10% of GDP by 2030G and draw in 150 million visitors by the same year, compared to the original target of 100 million.(18) This initiative primarily aims to enhance religious tourism, targeting 30 million visitors per year by 2030G, and introduce various leisure and entertainment projects. Moreover, Saudi Arabia's "Giga Projects" are ambitious initiatives to boost the economy, generate employment, and draw in foreign investment, and eventually enable population growth. Neom is the flagship project of Vision 2030, a planned megacity. Other projects like Amaala and Diriyah Gate have initiated numerous contracts and are expected to positively impact tourism upon completion.(19)

The Kingdom's ongoing privatization efforts, combined with its food security aspirations, have created a conducive environment for growth within the food production and manufacturing sector

In 2020G, Saudi Arabia initiated an ambitious privatization campaign, beginning with The First Mills Company and Modern Mills, followed by Arabian Mills and The Fourth Milling Company in 2021G. These strategic steps align with the Kingdom's overarching objective of fortifying food security, driven by factors like the COVID-19 pandemic, rising food prices, and supply disruptions for key staples such as wheat and rice. Saudi Arabia's comprehensive efforts involve introducing the SAR37.5 billion (USD10 billion) Food Security Plan in 2022G(20), alongside initiatives like the National Program to Reduce Food Loss and Waste(21); and the Agricultural Development Fund.(22) These actions demonstrate the Kingdom's commitment to achieving food self-sufficiency. In 2021G, the Saudi Ministry of Environment, Water, and Agriculture allocated SAR100 million (USD26.5 million) for the development of vertical farming technologies. In 2023G, Saudi Arabia unveiled a SAR3.8 billion (USD1 billion) investment plan to expand greenhouse infrastructure and increase grain storage capacity to 3.5 million tons, solidifying its dedication to food security and sustainable agriculture.

As a part of the National Food Security Strategy, SALIC (Saudi Agricultural and Livestock Investment Company) is actively implementing the Saudi Agricultural Investment Abroad Program, aimed at diversifying Saudi Arabia's wheat sources. This effort is reinforced by SALIC's strategic global partnerships and acquisitions, including a 35.4% stake in Olam Agricultural Holding (Nigeria), full ownership of Australian Lamb Co, a 9.2% stake in LT Foods (India), and a majority share in the privatized Canadian Wheat Board in collaboration with Bunge.(23) By the end of 2022G, SALIC had successfully delivered over 1 million tons of wheat through various agreements, meeting 30% of the Kingdom's wheat needs. In the pursuit of enhanced food security, Saudi Arabia is actively encouraging domestic companies to engage in foreign agricultural ventures through SALIC. This strategic move is essential to safeguard the Kingdom's wheat supply, particularly since Russia and Ukraine(24) accounted for a significant portion of Saudi Arabia's wheat imports in both 2021G and 2022G.

Furthermore, the Kingdom's commitment to agricultural sustainability and food security is reflected in investments in the local food manufacturing sector. Through privatization initiatives involving national milling companies, Saudi Arabia is targeting SAR75.0 billion (USD20.0 billion) in investments in its domestic food industry by 2035G.(25) The focus will be on sectors such as dairy, bakery, confectionery, and beverages. This dedication is expected to benefit businesses involved in wheat supply and processing. In this regard, the Saudi Authority for Industrial Cities and Technology Zones signed investment agreements totaling SAR232 million (USD61.8 million) in June 2023G.(26)

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[14] SAMA (2021G). Saudi Arabia Islamic Finance Report

[15] Ashraq Al-Awsat - Saudi Arabia's PIF is the world's most active sovereign fund

[16] Gulf Business (2024G). Saudi Arabia visited by 100 million tourists in 2023G

[17] General Statistics Authority (2022G). Hajj and Umrah statistics

[18] Arab News (2023G). Saudi Arabia's tourism sector set for a golden decade thanks to game-changing 2023G

[19] Construction Week Online (2023G). Saudi Giga projects update: All you need to know

[20] Arab News (2022G). Saudi Arabia launches USD10 billion food security plan: Minister

[21] Zawya (2022G). Saudi Grains Organization launches campaign to cut food waste costing over USD10 billion annually

[22] Agricultural Development Fund (2023G) (adf.gov.sa)

[23] Arab News (2023G). PIF's SALIC supplies 30% of Saudi Arabia's wheat demand

[24] CNBC (2022G). Saudi finance minister warns of global food crisis caused by Ukraine war

[25] Al Arabiya (2023G). Saudi Arabia seeks USD20 billion investment in food industry, aims to double exports

[26] Arab News (2023G). Saudi Arabia attracts USD61.8 million investments in the food industry

Growing disposable incomes drive increased food spending amid inflation and changing tax rates

During the review period, consumer expenditure in Saudi Arabia exhibited noteworthy trends, partly influenced by various factors, including the country's VAT increase from 5% to 15% in July 2020G, which led to inflationary pressures. Despite these changes, consumer spending grew at a CAGR of 4.8% during 2018G-2023G, reaching SAR1.6 trillion (USD0.4 trillion) in 2023G.(27) The growth of disposable income per capita, which reached SAR45,945 (USD12,254) in 2022G and increased by 6.9% to SAR49,138 (USD 13,103) in 2023G, played a significant role in supporting consumer expenditure. Successful economic diversification and reforms have led to a strong job market, elevating incomes for citizens. This rise in income is driving increased consumer spending across diverse sectors. The increase in consumer spending on food and beverages is driven by a younger urban population with higher incomes and a preference for Westernized lifestyles and tastes. This shift in demographics has led to a rise in on-the-go consumption trends. Therefore, the total consumer expenditure is projected to increase from SAR1.6 trillion (USD0.4 trillion) in 2023G to SAR2.3 trillion (USD0.6 trillion) in 2030G, reflecting a CAGR of 5.4%. Likewise, spending on breads and cereals is expected to experience a CAGR of 5.6%, reaching SAR53.4 billion (USD14.2 billion) in 2030G, up from SAR36.4 billion (USD9.7 billion) in 2023G.

Table No. (3.1): Key Macroeconomic Indicators in Saudi Arabia, 2018G-2030G

Category	Data Type	2018G	2019G	2020G	2021G	2022G	2023F	2030F	CAGR % 2018G-23	CAGR % 2023-30F
Nominal GDP	SAR trillion	3.17	3.14	2.75	3.26	4.16	4.05	5.89	5.0%	5.5%
Nominal GDP per capita	SAR	105,135	104,598	87,268	106,485	1,29,203	124,073	164,261	3.4%	4.1%
Real GDP*	SAR trillion	2.73	2.75	2.63	2.74	2.98	2.99	3.72	1.9%	3.1%
Real GDP growth	%	2.8	0.8	(4.3)	4.3	8.7	0.5	2.6	-	-
Total Government Revenue	SAR billion	906	927	782	965	1,268	1,212	-	6.0%	-
Oil revenue	SAR billion	611	594	413	562	857	755	-	4.3%	-
Non-Oil revenue	SAR billion	294	332	369	403	411	458	-	9.2%	-
Total Government expenditure	SAR billion	1,079	1,059	1,076	1,039	1,164	1,293	-	3.7%	-
Disposable income per capita	SAR	39,709	42,037	38,463	44,718	45,954	49,138	66,173	4.4%	4.3%
Inflation	%	2.5	-2.1	3.4	3.1	2.5	2.3	2.1	-	-
Total consumer expenditure	SAR billion	1,247.9	1,317.7	1,267.5	1,436.6	1,540.5	1,579.6	2,289.9	4.8%	5.4%
Consumer expenditure per capita	SAR	41,327	43,832	40,170	46,668	47,877	47,663	58,415	2.9%	2.9%
Consumer expenditure on food	SAR million	230,547	243,179	235,358	267,432	285,125	298,589	355,517	5.3%	2.5%
Consumer expenditure on bread and cereals	SAR million	28,097	29,043	28,240	32,396	35,072	36,467	53,424	5.4%	5.6%
No. of consumer foodservice outlets	Units	25,872	26,943	26,253	26,408	28,013	29,554	40,600	2.7%	6.6%

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[27] Euromonitor International. (2021G). Economy, Finance and Trade: Saudi Arabia

Category	Data Type	2018G	2019G	2020G	2021G	2022G	2023F	2030F	CAGR % 2018G-23	CAGR % 2023-30F
Sales from foodservice outlets	SAR million	88,326	91,821	56,449	71,292	84,482	97,019	162,944	1.9%	10.9%
Foodservice outlets # of transactions	Million	2,139	2,265	1,277	1,652	1,924	2,203	3,934	0.6%	12.3%

Source: Euromonitor International estimates from United Nations (UN), World Bank (WB), International Monetary Fund (IMF), General Authority for Statistics (GasTAT), Ministry of Education, Ministry of Health, SAMA and Euromonitor's Economies and Consumers database. Note: *Real GDP is calculated with base year as 2010G. 2022G and 2030G data are estimated Euromonitor forecasts.

3.5.2 Demographic dynamics

The resurgence of Saudi Arabia's population and the promising outlook for expatriate-driven economic growth is steering towards a higher demand for diversified consumer foodservice options

In 2023G, Saudi Arabia's population reached 33.1 million, driven by the native Saudi population, which accounted for 58.4% of the total population (as of 2022G). This increase was supported by a 1.9% CAGR between 2018G and 2023G.(28) Remarkably, between 2021G to 2023G, the Kingdom's robust efforts to attract international investment and advance economic liberalization resulted in a notable increase in the expatriate population.

The changing demographics are expected to significantly impact the availability and popularity of outdoor entertainment and consumer foodservice choices. Looking forward, Saudi Arabia's strong commitment to attracting foreign investment and economic growth is likely to bring in more expatriates. This is anticipated to lead to a rise in the consumption of convenient ready-to-eat meals and wheat-based products, both within households and at outdoor food and beverage establishments. Saudi Arabia's population burgeons due to high birth rates, expatriate influx, and government-led initiatives and it is expected to grow at a CAGR of 2.4% during the period 2023G-2030G to reach 39.2 million by the end of the period.

The economic and employment strategies in Saudi Arabia, with a particular focus on women, combined with changing demographics, are strengthening the middle class, and spurring increased food consumption

In 2023G, Saudi Arabia witnessed a substantial percentage of its population actively engaged in the economy, accounting for 63.4% of individuals aged 15 to 49 years.(29) The country's economic transformation strategy predominantly revolves around initiatives aimed at creating job opportunities and enhancing skills, with a specific emphasis on youth and women. These efforts include programs like Doroob, Tamheer, and Qiyadayat, highlighting Saudi Arabia's commitment to fostering economic development and empowerment.

This shift had a noticeable impact on the middle class, which expanded to include approximately 28.0% of households in Saudi Arabia during 2023G. This growth was driven by the demographic dividend, with a sizable and youthful urban workforce in their prime earning and spending years. Consequently, there was a surge in demand for various food and beverage offerings, particularly in sectors like quick-service dining, casual dining, and ready-to-eat products.

In Saudi Arabia, efforts are underway to expand the country's economy beyond oil, and women are considered a crucial asset in this diversification process. The government's Vision 2030 acknowledges that a more diverse and inclusive workforce can stimulate economic development. By the end of Q3 2023G, female labor force participation had risen to 35.9%.(30) The growing percentage of women within the general population, which went up from 38.5% in 2018G to 39.0% in 2023G, along with their heightened involvement in the labor force, has increased consumer expenditure, particularly in food products like bread, cereal, pasta, and baked goods.

Looking forward, Saudi Arabia's population is expected to continue growing, particularly among those below 18 years of age. This segment is anticipated to account for 12 million by 2030G and is projected to expand with a 2.2% CAGR from 2023G to 2030G.(31) This growth is anticipated to sustain the demand for essential food items like bread and wheat-based products, supported by favorable demographic trends, urbanization, women empowerment, and robust household sizes. The evolving demographic landscape in Saudi Arabia presents both opportunities and challenges for its economic and social development.

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[28] General Authority for Statistics (2022G)

[29] Euromonitor International Passport estimates from official and published sources

[30] Atlantic Council: The rising female workforce in Saudi Arabia and its impact on the private sector

[31] Euromonitor International Passport estimates from official and published sources

Population growth and Vision 2030 infrastructure initiatives have driven significant urbanization with major cities and less developed regions all experiencing transformative changes in the retail and food and beverages sectors

Urbanization in the Kingdom has surged primarily due to two key factors: a growing population and the ambitious infrastructure development efforts under Vision 2030. This urban population grew at a CAGR of 2.1% over the review period 2018G-2023G, resulting in 28.1 million urban residents in 2023G, making up a significant 84.9% of the total population.

In 2022G, Riyadh, serving as Saudi Arabia's financial and economic epicenter, spearheaded urbanization efforts by hosting 26.7% of the population, totaling 8.6 million residents.(32) Furthermore, Riyadh stands out for its high-income households, with 4.7% reporting annual earnings exceeding SAR560,000 (USD 149315.8) This transformation was propelled by a substantial SAR3.0 trillion (USD800 billion) plan aiming to nearly double the city's size and accommodate 15 to 20 million residents by 2030G.(33) Additionally, Makkah Al Mukarramah, Al Madinah Al Munawwarah, and the Eastern Province followed Riyadh as the most densely populated regions, comprising 24.9%, 6.6%, and 15.9% of the total population in 2022G respectively.(34) These Tier 1 cities consistently attract domestic and foreign investments and stimulate private consumption, playing a pivotal role in the nation's economic landscape.

Alat, Saudi's newly formed entity owned by Saudi Arabia's Public Investment Fund (PIF), has collaborated with SoftBank, Carrier, Dahua, and Tahakom, pledging SAR375.1 billion (USD100 billion) by 2030G to establish a sustainable manufacturing hub in Riyadh for electronics and industrial goods.(35) Separately, Riyadh's culinary scene is experiencing a period of exciting growth with the arrival of numerous international restaurants, offering everything from Parisian-style burgers to authentic Chinese cuisine. McDonald's operates 242 outlets in Saudi Arabia, with half of it situated in Riyadh. With major brands such as KFC, Pizza Hut, and Krispy Kreme generating over 90% of its revenue, Americana Restaurants International aims to open 300 additional stores following its highly successful listing on the Saudi and Abu Dhabi stock markets.(36) Alshaya Group, offering popular food brands like Starbucks and Shake Shack, The Cheesecake Factory, and Texas Roadhouse established a new production facility in Riyadh to serve 400 Starbucks stores nationwide.(37) The KSA online grocery market, notably in Riyadh, has grown with new B2B players like Sary and Retailo digitizing wholesale supply. Tech advancements like robots and drones will revolutionize last-mile delivery, fostering sector growth.(38) Grocery retail is witnessing expansion as Tamimi effectively concluded the acquisition of Al Raya For Food Stuffs Company JSC ("Al Raya"), a notable supermarket chain, securing complete ownership of 100%. (39)Additionally, BinDawood intends to launch six new stores.(40)

Saudi Arabia's commitment to infrastructure development and sustainable growth is fostering urbanization in less developed and remote areas, which are also being actively promoted for cultural tourism. These regions include the Asir region, which accounted for 6.3% of the total population in 2022G(41) and where Saudi Arabia is launching a new road project to connect Greater Abha with Abha, Ahad Rafidah, and Khamis Mushait in the province. Efforts by Ministry of Environment, Water and Agriculture to boost sustainable agriculture in Hail, while Jazan being a pivotal industrial hub is playing a key role in diversified downstream oil production, Tabuk's prominence in its rich mineral resources, Dammam with its substantial oil reserves and Jeddah with is historical significance and coastal charm boosting tourism and hospitality sector are creating employment opportunities and fostering economic growth in all of these cities.

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[32] General Authority for Statistics (2022G)

[33] Arab News (2021G). USD800 billion plan to turn Riyadh into cultural hub for the Middle East

[34] General Authority for Statistics (2022G)

[35] Reuters: Saudi fund-backed firm partners with Chinese surveillance maker

[36] Arab News: Americana eyes up hundreds more restaurants after stellar stock market debut

[37] World Coffee Portal. Alshaya Group opens Starbucks production factory in Saudi Arabia

[38] Research News Today. The Great shift: Online grocery market to transform last mile delivery in KSA

[39] Baker Botts Press Release (2024G): Baker Botts Represents Supermarket Chain Tamimi Markets In Its Expansion Into New Markets In Saudi Arabia

[40] Arabian Gulf Business Insight (2023G) - BinDawood plans expansion after profit rise

[41] General Authority for Statistics (2022G)

Table No. (3.2): Key Demographic Indicators in Saudi Arabia, 2018G-2030G

Category	Data Type	2018G	2022G	2023F	2030F	CAGR % 2018G–23	CAGR 2023-30F
Total Population	‘000	30,196	32,175	33,140	39,200	1.9%	2.4%
Male Population	‘000	18,581	19,679	20,216	23,598	1.7%	2.2%
Female Population	‘000	11,615	12,497	12,925	15,602	2.2%	2.7%
Total Population – Saudi Nationals	‘000	17,086	18,792	-	-	2.4%	-
Total Population - Expats	‘000	13,111	13,383	-	-	0.5%	-
Population Aged 0-18	‘000	9,842	10,084	10,344	12,038	1.0%	2.2%
Population Aged 65 & Above	‘000	720	862	909	1,290	4.8%	5.1%
Urban Population	‘000	25,318	27,262	28,132	33,722	2.1%	2.6%
Riyadh region	‘000	8,031	8,592	-	-	1.7%	-
Makkah region	‘000	7,715	8,021	-	-	1.0%	-
Madinah region	‘000	2,010	2,138	-	-	1.6%	-
Qassim region	‘000	1,262	1,336	-	-	1.4%	-
Eastern Region	‘000	4,747	5,125	-	-	1.9%	-
Asir region	‘000	1,864	2,024	-	-	2.1%	-
Jazan region	‘000	1,311	1,405	-	-	1.8%	-
Number of Households	‘000	6,303	6,573	6,772	8,020	1.4%	2.4%
Average Household Size	Nos.	5.6	5.5	-	5.5	(0.4%)	-
Middle-class households	‘000	1,856	1,918	1,894	2,323	0.8%	2.4%
Total employed population	‘000	15,883	18,533	19,094	22,565	3.9%	2.5%
Total employed population – Saudi Nationals	‘000	6,253	8,813	-	-	9.0%	-
Unemployment Rate	%	6.1%	5.6%	5.5%	5.7%	-	-
Unemployment Rate – Saudi Nationals	%	12.9%	9.4%	-	-	-	-
Employed Total Population	%	52.6%	57.6%	57.6%	57.6%	-	-
Employed Male Population	%	38.2%	37.3%	37.1%	38.4%	-	-
Employed Female Population	%	5.8%	7.5%	7.9%	8.7%	-	-

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

3.6 Overview of the wheat flour industry in Saudi Arabia

3.6.1 Production and value chain

GFSA and SALIC oversee wheat procurement, aiming to ensure food security in Saudi Arabia

GFSA (General Food Security Authority), primarily regulates wheat flour milling in Saudi Arabia. It acts as the exclusive purchaser of both domestic and imported wheat. Simultaneously, and under the supervision of the GFSA, the Ministry of Environment, Water, and Agriculture (MEWA) is actively working to transfer the exclusive importing rights for subsidized / price regulated food-grade wheat to the Saudi Agricultural and Livestock Investment Co (SALIC), which is owned by the Public Investment Fund (PIF). In the foreseeable future, SALIC is expected to assume responsibilities in terms of food-grade wheat procurement, wheat storage, and the maintenance of wheat stocks. GFSA contracts international entities through SALIC or independent investment companies registered with Ministry of Environment, Water and Agriculture (MEWA). SALIC has consistently played a substantial role in this endeavor, making investments in various major producing, and exporting countries like Australia, Brazil, and Canada. The company forges agreements with global farms to provide an annual supply of 3-4.5 million tons of wheat, aiming to bolster the country's food security.(42) Wheat imports grew at a CAGR of 5.6% in the period 2018G-2023G reaching 4.0 million tons at the end of 2023G. Local production of wheat, while increasing, amounting to 625,453 tons in 2023G following a CAGR of 17.5% between 2020G and 2023G.(43)

Imported wheat is then stored in grain silos across key Saudi cities, with a combined capacity of 3.4 million metric tons (MT) by the end of 2023G.(44) Of this, GFSA owns and operates 2.7 million tons of Saudi total silos' capacity, while the remaining 745,000 tons is stored by the four private flour milling companies across 14 different locations nationwide.

Milling companies exclusively handle all wheat processing in the Kingdom

The Kingdom's wheat processing is managed by the four private milling companies: First Mills, Arabian Mills, Modern Mills, and The Fourth Milling Company. Each offers a diverse range of flour products both domestically and internationally.

First Mills, situated in Jeddah along the Red Sea, operates flour mills spread across the Kingdom with a daily milling capacity of 4,900 tons.(45) The company was the first of several flour milling privatizations in Saudi Arabia, being acquired by Al Raha Al-Safi Food Company consortium as of 2020G. Headquartered in Riyadh, Arabian Mills operations span across central, southern, and northern Saudi Arabia, boasting a daily milling capacity of 4,920 tons of wheat.

Meanwhile, Modern Mills, located in the southern city of Khamis Mushait, boasts a daily capacity of 3,451 tons for wheat milling.(46) At the beginning of 2021G, it was acquired by a consortium comprising the Saudi company Al-Rajhi and two United Arab Emirates (UAE) companies, Al Ghurair Foods and Masafi. Lastly, MC4, which is based in Dammam, operates flour mills in with a combined daily wheat milling capacities of 3,150 tons.(47)

While wheat grain is primarily imported, local production of wheat flour accounts for 98% of the total wheat flour market in Saud Arabia

The Covid-19 pandemic caused a significant reduction in wheat imports to approximately three million tons in 2020G and 2021G, As a result, the country had to resort to its stockpiled wheat reserves in storage facilities. Nevertheless, wheat imports returned to pre-pandemic levels during 2022G, totaling 3.4 million tons and further increased by 18.7% to reach 4.0 million tons in 2023G contributing to 86.4% of the total wheat procured for milling in Saudi Arabia.(48) In the same year, local wheat production totaled 625.5 thousand tons, accounting for 13.6% of the overall 4.6 million tons of total wheat available for further processing.

Wheat flour imports, however, was expected to be a mere 2.0% of the market in 2023G, with the overwhelming majority, 98.0%, being locally produced.(49) Kuwait and the UAE held a prominent position in the import market, making up roughly 90% of all incoming shipments in the same year. However, wheat flour imports have significantly decreased on the back of both a growing preference for domestic products and government's

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[42] Euromonitor International estimates from secondary research, including GFSA database, and insights from expert interviews.
[43] USDA International Production Assessment Division (IPAD)
[44] USDA. (2023G). Saudi Arabia: Grain and Feed Annual
[45] First Mills 2023G, annual report – page number 10
[46] USDA. (2023G). Saudi Arabia: Grain and Feed Annual
[47] USDA. (2023G). Saudi Arabia: Grain and Feed Annual
[48] SAGO. (2022G). Annual Report
[49] Euromonitor International estimates from secondary research, including ITC Trademap, and insights from expert interviews.

efforts to enhance local production. The downward trajectory is expected to persist, with imports projected to further decline to 60,500 tons by 2030G.

The wheat flour consumption market recorded a 5.8% CAGR in over 2018G-2023G, with around 3.5 million tons consumed at the end of the review period. Growth was partially supported by the Kingdom's economy drive, the recovery of the tourism flows, an expanding packaged food sector, the rebound of HORECA along with business-friendly reforms.

Table No. (3.3): Wheat flour total production in Saudi Arabia 2018G-2030G

Category	Data Type	2018G	2019G	2020G	2021G	2022G	2023G	2030F	CAGR 2018G-23	CAGR 2022G-30
Total local production of wheat flour	'000 tons	2,601.6	2622.6	2,650.1	2,637.8	3,423.9	3,488.5	4,348.4	6.0%	3.2%
Total sales of wheat flour from local production	'000 tons	2,550.1	2,588.8	2,608.9	2,621.3	3,350.2	3,438.4	4,285.6	6.2%	3.2%
Imported wheat flour	'000 tons	93.1	98.6	101.2	89.3	74.6	70.4	60.5	(5.4%)	(2.1%)

Global wheat prices 2018G-2025G

Category	Data Type	2018G	2019G	2020G	2021G	2022G	2023F	2024F	2025F
Global wheat prices	SAR per ton	787.5	757.5	870.0	1,181.3	1,612.5	1,293.8	1,256.3	1,200.0

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.

Global wheat prices are obtained from The World Bank – Commodity Market Prices latest publication (October 2023G) available from 2018G - 2025G

Note: 2030G forecasts estimated by Euromonitor based on expert interviews. Imports for 2023G was estimated based on contracts placed during the year. Local production numbers and imports were based on Euromonitor expert interviews.

3.6.2 Consumption

Flour sold in 45kg bags with controlled prices, is primarily purchased by bakeries

In 2023G, approximately 79.0% of the total sales were generated by 45kg bags, while 13.7% of the sales originated from bulk volumes.(50) The remaining 7.4% of food-graded wheat flour volume sales were generated by 1-10kg retail packs.(51) Demand for 45kg bags saw the fastest growth in volume terms (6.4% CAGR between 2018G and 2023G), due to a growth in the foodservice sector throughout the period and a surge in new bakery registrations in 2023G. Price points for 45kg bags are intricately linked to the type of flour in question and are fixed. Prices in the smaller pack sizes (i.e., 1-10kgs) however, are not regulated and have seen an upward trend in the review period. During 2020G and 2021G, the consumption of wheat flour remained relatively flat at 2.7 million tons at the wake of the Covid-19 pandemic and its impact on consumers habits and businesses operations.(52) However, in 2022G, a substantial rebound occurred thanks to the ease of the Kingdom's Covid-19 control measures that allowed consumer foodservice establishments (including both HORECA and sit-in bakeries) and schools to reopen and facilitated a revamp in the number of tourists arriving to the country. Therefore, demand surged by an impressive 26.3% year-on-year in 2022G to reach 3.4 million tons and it further grew by 2.5% to reach 3.5 million tons in 2023G.

By 2030G, 1-10kg pack sizes are expected to contribute to 25.7% of the market in value terms, while 45kg packs and bulk volumes are anticipated to comprise 62.6% and 11.7%, respectively.(53) Hence, the 1-10kg retail packs for household consumption are expected to grow at a CAGR of 8.8% in real value terms as compared

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[50] Euromonitor International estimates Passport Packaged Food database (Edition 2023G), secondary research, and insights from expert interviews.

[51] Ibid

[52] Euromonitor International estimates Passport Packaged Food database (Edition 2023G), secondary research, and insights from expert interviews.

[53] Euromonitor International estimates Passport Packaged Food database (Edition 2023G), secondary research, and insights from expert interviews.

to 3.9% and 2.8% CAGR for bulk volumes and 45kg bags over the forecast period, respectively. Moderate inflationary pressures are also set to play a role in the value growth registered by smaller pack sizes in the near term. Continuing with the demand for flour by the bakeries, HORECA, food manufacturers and in the retail segment, wheat flour consumption is expected to reach 4.3 million tons by 2030G. Between 2023G and 2030G, value sales of wheat flour are anticipated to increase at a CAGR of 4.2%, reaching SAR2,754.9 million (USD734.6 million) in the later year.

Manufacturers and a well-organized network of wholesalers and distributors control the supply chain of food-grade wheat flour

Approximately four-fifths of the total sales were generated by 45kg bags. In the realm of B2B operations, more than 525 appointed distributors are serving 11,700 establishments, with licensed bakeries making up approximately 6,500 of this network. These distributors have a specific focus on delivering 45 kg bags of wheat flour to licensed bakeries, which are highly preferred for their cost-effective and subsidized accessibility. 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 was estimated at SAR23.2 billion (USD6.2 billion) in 2023G, after recording a CAGR of 4.9% in current value terms from 2018G.

In the meantime, wholesalers distribute wheat flour in various pack sizes of 1-10kg, to both modern and traditional retailers, as well as convenience stores. These also typically supply the HORECA channel with wheat flour in packs ranging between 1-10kg. This comprehensive distribution system ensures that both bakeries, HORECA and retailers have easy access to the precise quantity of flour required for their day-to-day operations, ultimately leading to the creation of an efficient and well-organized supply chain.

Bakery-80% and Premium-70% flour contribute the highest share in consumption of wheat flour predominantly for making bread, the staple food in Saudi Arabia

The Kingdom's wheat flour market includes four primary grades based on extraction rate and blend of different grades. As of 2023G, the prominent flour grades included bakery-80% (81.1% volume share), and premium-70% (10.2%). The remaining was accounted by volume sales of whole wheat, others including pastry flour (typically at 60-65%) as well as flour mixes where in the '%' refers to the flour output as a % of the total wheat ground.

The demand for bakery-80% and premium-70% wheat flour is projected to surge at CAGRs of 2.9% and 3.9% each between 2023G and 2030G, due to a consistent appetite for baked goods, driven by the thriving consumer foodservice channel and tourism industry. The increase is credited to the anticipated 6.6% CAGR in consumer foodservice outlets from 2023G to 2028G and the expected 7.4% CAGR in inbound tourism trips from during the same period. While forecasts of the foodservice industry are not available for 2030G, the plans for attracting over a 150 million tourists per annum by 2030G is likely to push growth even further. Therefore, overall consumption figures of bakery-80% and premium-70% wheat flours are set to increase to 3.5 million tons and 451,988 tons by 2030G, respectively, highlighting the enduring importance of bread and wheat-based products in Saudi Arabia's culinary landscape.

Whole wheat 90-95% flour represents the healthiest choice among wheat flour varieties.(54) In recent years, a growing appetite for whole-wheat flour has emerged within the country, primarily driven by the perceived health benefits associated with it. Albeit still in its infancy stages, increasing consumption was particularly notable among health-conscious consumers, young adults and those dealing with health conditions like diabetes and obesity. In 2023G, it exhibited an 10.2% volume share, and it is projected to record a 4.5% CAGR up to 2030G, ultimately reaching 352,029 tons.(55)

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[54] Euromonitor International estimates Passport Packaged Food database (Edition 2023G), secondary research, and insights from expert interviews.

[55] Euromonitor International estimates Passport Packaged Food database (Edition 2023G), secondary research, and insights from expert interviews.

Table No. (3.4): Total wheat flour consumption by pack sizes and channels 2018G-2030G

Category	Unit	2018G	2019G	2020G	2021G	2022G	2023G	2030F	CAGR % 2018G-23	CAGR % 2023 - 30F
Wheat Flour	SAR million	1,544.3	1,578.3	1,630.2	1,614.3	1,968.8	2,064.9	2,754.9	6.0%	4.2%
By Pack Size										
Bulk/loose	SAR million	219.5	219.5	220.8	222.5	229.9	246.8	322.3	2.4%	3.9%
45 kg	SAR million	1,047.5	1,067.4	1,069.2	1,066.6	1,424.9	1,427.0	1,725.4	6.4%	2.8%
1 - 10 kg	SAR million	277.3	291.3	340.3	325.2	314.0	391.1	707.2	7.1%	8.8%
By Type										
Premium - 70%	SAR million	226.4	233.3	244.2	237.2	285.9	301.5	411.9	5.9%	4.6%
Bakery - 80%	SAR million	1,099.0	1,115.5	1,124.0	1,120.7	1,427.5	1,449.3	1,770.7	5.7%	2.9%
Whole Wheat	SAR million	117.8	123.8	134.0	131.8	141.4	163.1	311.3	6.7%	9.7%
Others (Pastry flour)	SAR million	101.1	105.8	128.0	124.6	114.0	151.0	261.1	8.4%	8.1%
By Channel										
Retail	SAR million	227.4	244.0	290.6	267.9	261.6	303.5	520.7	5.9%	8.0%
Bakeries	SAR million	826.3	845.9	863.1	847.9	1,132.8	1,132.4	1,341.6	6.5%	2.5%
Food Manufacturers	SAR million	275.7	275.9	273.2	278.5	307.6	337.0	419.3	4.1%	3.2%
HORECA	SAR million	214.9	212.5	203.4	220.0	266.7	292.0	473.3	6.3%	7.1%
Wheat Flour	000 Tons	2,643.2	2,687.4	2,710.1	2,710.6	3,424.8	3,508.8	4,346.0	5.8%	3.1%
By Pack Size										
Bulk/loose	000 Tons	426.3	426.3	428.7	432.0	446.3	479.3	625.8	2.4%	3.9%
45 kg	000 Tons	2,034.0	2,072.7	2,076.0	2,071.1	2,766.8	2,770.9	3,350.4	6.4%	2.8%
1 - 10 kg	000 Tons	182.9	188.4	205.4	207.6	211.7	258.6	369.8	7.2%	5.2%
By Type										
Premium - 70%	000 Tons	271.3	276.8	279.5	279.5	352.7	363.3	452.0	6.0%	3.2%
Bakery - 80%	000 Tons	2,148.5	2,180.7	2,197.5	2,190.9	2,791.3	2,839.3	3,468.0	5.7%	2.9%
Whole Wheat	000 Tons	177.3	182.6	184.5	191.8	226.0	249.1	352.0	7.0%	5.1%
Others (Pastry flour)	000 Tons	46.1	47.3	48.6	48.4	54.8	57.1	74.0	4.4%	3.8%
By Channel										
Retail	000 Tons	189.8	200.7	226.4	217.9	228.5	242.1	334.6	5.0%	4.7%
Bakeries	000 Tons	1,604.4	1,642.5	1,675.9	1,646.3	2,188.5	2,201.8	2,575.0	6.5%	2.3%

Category	Unit	2018G	2019G	2020G	2021G	2022G	2023G	2030F	CAGR % 2018G-23	CAGR % 2023 - 30F
Food Manufacturers	000 Tons	535.4	535.8	530.5	540.8	601.5	635.1	829.2	3.5%	3.9%
HORECA	000 Tons	313.6	308.4	277.3	305.6	406.3	429.8	607.1	6.5%	5.1%

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.

In terms of wheat-based food staples, while pasta and noodles are relatively small category compared to bread, they are expected to see higher growth driven by the consumers looking for quick and easy to cook meals specifically by younger consumers. Moreover, the influence of western cuisines is driving the demand for pasta and noodles in Saudi Arabia. As a result of this, the pasta market is expected to grow at a CAGR of 8.5%, from SAR795.2 million (USD212.1 million) in 2023G to reach SAR1,198.0 million (USD319.5 million) by 2028G, while the noodles market is expected grow at 8.4% CAGR, from SAR1,471.6 million (USD392.4 million) in 2023G to reach SAR2,203.3 million (USD587.5 million) by 2028G.

Table No. (3.5): Retail market size for baked goods and other products by value 2018G-2028G

Category	Unit	2018G	2019G	2020G	2021G	2022G	2023G	2028F	CAGR % 2018G-23	CAGR % 2023-28F
Baked Goods	SAR million	18,212.1	18,603.2	19,578.2	19,871.8	21,758.7	23,181.8	35,348.7	4.9%	8.8%
Bread	SAR million	7,455.5	7,573.2	7,982.6	8,127.9	8,839.4	9,460.6	14,731.2	4.9%	9.3%
Cakes	SAR million	3,482.4	3,572.0	3753.9	3814.5	4,241.7	4,491.6	6,709.7	5.2%	8.4%
Pastries	SAR million	6,800.6	6,980.3	7,324.7	7,409.2	8,124.3	8,649.1	13,102.6	4.9%	8.7%
Dessert Mixes	SAR million	318.8	314.1	343.1	345.3	366.5	384.4	524.9	3.8%	6.4%
Others	SAR million	154.8	163.6	173.9	174.9	186.8	196.1	280.3	4.8%	7.4%
Noodles	SAR million	753.8	784.9	1,249.30	1,311.90	1,391.60	1,471.60	2,203.30	14.3%	8.4%
Pasta	SAR million	530.2	565	668.5	667.3	749.7	795.2	1,198.00	8.4%	8.5%
Retail market size for baked goods and other products by volume 2018G-2028G										
Baked Goods	‘000 tons	2,779.1	2,784.6	2,854.9	2,822.9	2,923.2	3,031.3	3,709.6	1.8%	4.1%
Bread	‘000 tons	2,393.3	2,397.7	2,462.6	2,437.6	2,528.8	2,626.5	3,229.1	1.9%	4.2%
Cakes	‘000 tons	102.8	102.3	103.3	101.9	104.2	106.9	125.5	0.8%	3.3%
Pastries	‘000 tons	260.7	262.6	266.5	261.5	268.2	275.6	330.1	1.1%	3.7%
Dessert Mixes	‘000 tons	12.9	12.5	12.8	12.4	12.5	12.6	13.80	-0.5%	1.8%
Others	‘000 tons	9.4	9.5	9.7	9.5	9.5	9.7	11.1	0.6%	2.7%
Noodles	‘000 tons	42.3	43.6	64	65.3	66.9	68.6	82.0	10.2%	3.6%
Pasta	‘000 tons	67.3	70.2	75.4	73	74.5	76.3	91.8	2.5%	3.8%

Source: Euromonitor International, Packaged Food Database, 2022G

Note: 2030G forecasts are not available for the above categories

3.6.2.1 Semolina

Growing demand for semolina-based dishes in addition to growth in foodservice are driving consumption of semolina in Saudi Arabia

Semolina consumption stood at 60,600 tons in 2023G, achieving a growth of 1.5% over 2022G, while the overall value increased to SAR160.6 million (USD42.8 million) in 2023G, a marginal 1.0% annual growth from SAR159.0 million (USD42.24 million) in 2022G.(56)

The overall consumption of Semolina is expected to increase from 60,600 tons in 2023G to 66,500 tons in 2030G showing a CAGR of 1.3%.(57) This expected growth will be driven by increasing demand from foodservice as the population grows and tourism expands. The increasing preference of semolina-based pasta in addition to the popularity of couscous and Arabic semolina desserts will likely influence this growth.

Table No. (3.6): Semolina demand in Saudi Arabia 2018G-2030G

Category	Unit	2018G	2019G	2020G	2021G	2022G	2023F	2030F	CAGR % 2018G-23	CAGR % 2023G-30F
Total Semolina	SAR million	125.8	95.5	115.1	120.5	159.0	160.6	212.1	5.0%	4.1%
Total Semolina	000 Tons	80.5	59.9	69.4	59.2	59.7	60.6	66.5	-5.5%	1.3%
Imports	000 Tons	73.3	51.5	59.8	46.6	-	-	-	-	-
Production	000 Tons	7.2	8.4	9.6	12.6	-	-	-	-	-

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

3.6.3 Competitive landscape

First Mills and Arabian Mills dominate the wheat flour market by supplying more than half of the overall demand of wheat flour in Saudi Arabia

The four milling companies lead in the supply of wheat flour to the Saudi market. The leading wheat flour supplier is First Mills which accounts for 29.3% and 26.8% share of volume and value market size respectively for the year 2023G. Arabian Mills holds the second-largest share in the wheat flour market, closely trailing First Mills and commanding a substantial 28.4% market share in 2023G, equivalent to 996,869 tons. The other entities which cumulatively held a volume share of 40.3% were led by Modern Mills, established in the southern city of Khamis Mushait, and the Fourth Milling Company based in Dammam.

Apart from the milling companies, approximately 2.0% of the total wheat flour market, in volume terms, was contributed by imports in 2023G. The largest importer is the Kuwait Flour Mills & Bakeries company, which is known for its wide distribution network and a set of diverse product portfolio. Another smaller wheat flour importing company is IFFCO, a UAE-based manufacturer that sells wheat flour in Saudi Arabia. Imports significantly declined in 2023G as local production ramped up to satisfy demand and will likely continue to hold a marginal share of the market.

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[56] Euromonitor estimates based on secondary research and expert interviews

[57] Euromonitor forecast based on secondary research and expert interviews

Table No. (3.7): Volume and value market share of leading players, 2021G - 2023G

Name of Leading Player	Volume			Value		
	2021G	2022G	2023G	2021G	2022G	2023G
First Mills	33.5%	28.2%	29.3%	31.1%	25.8%	26.8%
Arabian Mills	27.2%	27.6%	28.4%	24.3%	24.9%	25.3%
Modern Mills	20.2%	23.4%	21.1%	18.1%	21.3%	19.7%
Fourth Milling Company*	15.8%	18.6%	19.1%	14.4%	18.3%	21.7%
Imports	3.3%	2.2%	2.0%	12.1%	9.7%	6.5%

Source: Euromonitor estimates from expert interviews, secondary research and audited sales data shared (for Arabian Mills). 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.

Note: *The shares of is calculated based on the market size and the shares of the rest of the milling companies and imports

3.7 Overview of the animal feed industry and Bran in Saudi Arabia

3.7.1 Production and value chain

Total compound animal feed is popular for its balanced nutrition and role in promoting animal growth, health, and productivity

Animal feeding practices in Saudi Arabia are essential for the agricultural and livestock sectors. Three primary categories of animal feed cater to specific dietary requirements. Traditional Animal Feed consisting of items like alfalfa, barley, and grass hay, has remained a steadfast component of livestock nourishment for many years. It can be used in isolation or blended with other feeds. Total Compound Animal Feed is produced by grinding, pelleting, and conditioning a mixture of ingredients like pulses, maize, corn, soybean meal, oil, and wheat/rice bran, tailored to the dietary needs of different animals. A compound feed manufacturer's main aim is to use available resources efficiently and economically to create a well-balanced and safe feed. This feed should meet the nutritional needs of farm animals and help them perform at their best. Total Mixed Ration (TMR) is ideal for dairy cattle as it provides a well-rounded diet comprising elements such as corn, maize, soybean, rice bran, forage, supplements, and other components.

Total compound animal feed, a vital nutritional source for a wide variety of animals, is primarily locally produced and relies on wheat bran from milling companies as a key ingredient. Manufacturing compound animal feed encompasses the acquisition of raw materials, including wheat bran, corn, and soybean meal, followed by grinding, meticulous blending, and, in some cases, pelleting, all while adhering to rigorous quality control standards to produce nutritious and balanced animal feed. Corn and soybeans are imported, but bran comes from milling companies as a by-product of wheat milling. Total compound animal feed manufacturers in the Kingdom are categorized as either 'Captive' or 'Accessible,' depending on their target customer base and utilization of the production. A captive compound animal feed mill doesn't typically produce feed for external markets, focusing solely on serving the designated farm's requirements. Accessible compound feed manufacturers, on the other hand are independent feed producers that operate in an open market, serving non-captive farms in the Kingdom of Saudi Arabia and they are not limited to serving specific, vertically integrated farms and can distribute their feed products more broadly.

3.7.2 Consumption

The compound feed market is on the verge of expansion, thanks to government efforts promoting local poultry production

The compound animal feed industry is poised for success in Saudi Arabia, driven by the rising need for animal protein and strong government backing for the agricultural sector. The expanding population in the country is fueling a greater appetite for meat and dairy products, both of which heavily rely on compound animal feed for livestock. Furthermore, government initiatives aimed at enhancing food security and stimulating local agricultural production are projected to further elevate the demand for animal feed. Hence, the overall market is expected to grow at a CAGR of 4.8% during 2023G-2030G to reach 5.0 million tons at the end of the forecast period.(58)

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[58] Euromonitor estimates from expert interviews and secondary research

Table No. (3.8): Consumption of eggs, poultry, and meat (2018G-2023G)

Category	Unit	2018G	2019G	2020G	2021G	2022G	2023F	2028F	CAGR % 2018G-23	CAGR % 2023-28F
Eggs	000 Tons	159.6	160.6	181.0	196.3	223.6	246.1	434.9	9.0%	12.1%
Beef and Veal	000 Tons	132.3	131.5	136.0	136.0	142.4	145.6	173.6	1.9%	3.6%
Lamb, Mutton, and Goat	000 Tons	142.2	139.4	140.1	140.2	139.2	137.9	150.3	-0.6%	1.7%
Poultry	000 Tons	1,222.4	1,235.0	1,264.9	1,254.4	1,323.1	1,350.4	1,545.8	2.0%	2.7%

Source: Euromonitor International, Fresh Foods Database, 2023G

Note: 2030G forecasts are not available for the above categories

The demand for compound feed is primarily rooted in its capacity to yield healthier outputs, suitable for various purposes such as meat production, consumption, breeding, and raising of animals. In 2022G, Saudi Arabia experienced robust growth in total compound animal feed demand due to significant transformations in the Kingdom's poultry market. Imports of poultry declined, with the Saudi Food and Drug Authority (SFDA) temporarily banning chicken imports from 11 poultry plants in Brazil(59) due to safety concerns. Furthermore, avian influenza outbreaks led to the temporary suspension of poultry product imports from six affected European and Asian countries. In 2023G, in alignment with the strategy to boost food security, support the farming sector, and boost the supply chain, farmers, breeders, and large poultry projects located in Hail, Asir, and the governorates of Shaqra, Al-Aflaj, and Tathleeth in Saudi Arabia secured SAR1.5 billion (USD 400 million) in funding from the Kingdom's Agricultural Development Fund.(60) Thus, the total animal feed consumption increased steadily at a CAGR of 6.4% from 2018G to 2023G, reaching 3.6 million tons by the end of 2023G, with poultry feed's share increasing from 37.4% in 2018G to 47.0% in 2023G. Supporting the future growth, the Ministry of Environment, Water and Agriculture (MEWA) department expects local production of poultry meat to account for 80% by 2025G and 100% by 2030G.(61) The market for poultry animal feed is expected to grow at a 8.0% CAGR during the forecast period 2023G-2030G to reach 2.9 million tons in volume terms.(62)

In 2023G, the demand for compound animal feed, particularly for livestock such as lamb and calf, reached around 1.8 million tons. In terms of value, the livestock compound animal feed market was valued at SAR2.1 billion (USD0.6 billion) in 2023G.(63) The pricing of livestock feed is influenced by the composition of ruminant feed. The introduction of higher-grade variants by new feed mills, along with the increasing preference for compound feed over traditional options, led to a doubling of livestock feed prices since 2018G growing at a CAGR of 16.5% during 2018G-2023G. Compound animal feed for livestock is expected to grow at a CAGR of 1.4% to reach 2.0 million tons by 2030G. The market for compound animal feed for other animals reached around 118,515 tons in 2023G and expected CAGR at a modest 1.6% in volume terms to reach 132,079 tons by 2030G.

Table No. (3.9): Total compound animal feed (livestock, poultry, and others) consumption by type, in value and volume terms, 2018G-2030G

Category	Unit	2018G	2019G	2020G	2021G	2022G	2023G	2030F	CAGR % 2018G-23	CAGR % 2023-30F
Total Compound Animal Feed	Tons	2,641.0	3,150.6	3,643.7	3,250.4	3,476.1	3,605.9	5,013.2	6.4%	4.8%
Livestock	Tons	1,546.7	1,820.4	1,943.6	1,761.0	1,776.9	1,787.5	1,974.0	2.9%	1.4%
Poultry	Tons	988.1	1,214.2	1,583.8	1,389.0	1,594.4	1,699.9	2,907.1	11.4%	8.0%
Others	Tons	106.2	116.0	116.3	100.4	104.9	118.5	132.1	2.2%	1.6%

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[59] Reuters Report (May 2021G): Saudi Arabia bans poultry from 11 Brazilian processing plants

[60] Arab News (2023G) - Saudi Agricultural Development Fund approves $400m to improve farm productivity

[61] USDA Report (June 2021G): Saudi Arabia Drastically Reduces Poultry Imports

[62] Euromonitor forecasts based on expert interviews and secondary research

[63] Euromonitor estimates from expert interviews and secondary research

Category	Unit	2018G	2019G	2020G	2021G	2022G	2023G	2030F	CAGR % 2018G-23	CAGR % 2023-30F
Total Compound Animal Feed	SAR million	2,611.6	3,455.8	4,178.9	4,289.2	5,710.4	5,670.8	7,477.4	16.8%	4.0%
Livestock	SAR million	994.0	1,388.6	1,585.8	1,841.8	2,296.6	2,130.1	2,189.9	16.5%	0.4%
Poultry	SAR million	1,351.5	1,743.7	2,388.3	2,199.3	3,029.4	3,068.3	4,784.0	17.8%	6.6%
Others	SAR million	266.1	323.5	204.8	248.1	384.4	472.4	503.5	12.2%	0.9%

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, and sheep), poultry, 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.

3.7.3 Competitive landscape – Animal Feed

Compound animal feed market is relatively consolidated with the top three players holding over 51% share in 2022G

The compound animal feed market is led by private animal feed manufacturers such as ARASCO (31.2%), UFMC (14.3%), FEEDCO (9.5%) followed by Modern Mills, First Mills and Arabian Mills with a combined share of 14.3% in value terms during 2023G.

ARASCO Animal Feed, a distinguished arm of the Saudi-based ARASCO (Arabian Agricultural Services Company), specializes in the manufacturing and distribution of animal feed products. The company has an installed capacity of 4 million tons. The United Feed Manufacturing Company (UFMC) focuses on livestock feed, and it manufactures compound animal feed for United Feed Co. one of the largest importers of barley and grains in Saudi Arabia. FEEDCO, is known for its product quality and the ability to transition between poultry and livestock. The company maintains a widespread network of sales representatives and marketing offices across the Kingdom, ensuring widespread product availability.

Along with the milling of wheat flour, First Mills and Arabian Mills produce bran that comes as a by-product of the wheat milling process, which the companies use as constituents for the production of compound animal feed. First Mills focuses on livestock and other animal feed. Arabian Mills has a daily feed milling capacity of 600 tons (2023G) and targets livestock and is expanding into poultry.

Table No. (3.10): Market value share of total compound animal feed (livestock, poultry, and others), 2022G and 2023G

Name of the Leading Player	2022G	2023G
ARASCO	30.9%	31.2%
UFMC	10.9%	14.3%
FEEDCO	9.3%	9.5%
Modern Mills	7.0%	7.1%
First Mills	4.5%	4.8%
Arabian Mills	3.5%	2.3%
Others	33.9%	30.8%

Source: Euromonitor estimates from expert interviews, secondary research, and audited sales data shared (mainly for Arabian Mills). 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, 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, 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.

3.7.4 Bran

Growing demand for poultry meat and livestock animal feed is driving the demand for bran consumption in animal feed

During milling processes, bran is produced as a by-product of wheat milling. In the flour milling process, up to 23% of milled volume generated is bran. Bran is a main ingredient in the production of animal feed and is used as a nutrient-rich dietary fiber. Total bran consumed in the country was 748,389 tons in 2023G.

Of the locally produced wheat bran, the four milling companies consume an estimated 261,836 tons (~34.9%) of bran as an ingredient for the production of animal feed in 2023G.(64) With the consistently growing demand for livestock animal feed specifically in the dairy sector and growing demand for poultry meat, the utilization of bran is estimated to reach about 931,943 tons by 2030G growing at a CAGR of 3.2% for the period, 2022G-2030G.

Table No. (3.11): Bran demand in Saudi Arabia 2018G-2030G

Category	Unit	2018G	2019G	2020G	2021G	2022G	2023G	2030F	CAGR % 2018G-23	CAGR % 2023-30F
Total Bran	000 Tons	784.9	758.8	779.7	668.5	737.6	748.4	931.9	-0.9%	3.2%
Imports	000 Tons	212.6	189.8	319.6	169.0	21.5*	-	-	-	-
Local Production	000 Tons	572.3	568.9	460.1	499.6	716.1	-	-	-	-
Total Bran	SAR million	556.0	539.4	555.0	619.6	669.6	676.3	718.0	4.0%	0.9%

Source: Euromonitor estimates from expert interviews, secondary research, official national and international statistics such as GFSA / SAGO annual reports, Trade Map, USDA GAIN reports, USDA IPAD platform. Note: All values are calculated at manufacturer / importer selling price. Note: *Imports for 2022G captured as reported by markets exporting wheat bran to Saudi Arabia since trade data is yet to be published for Saudi Arabia as of September 2023G.

3.7.5 Competitive landscape – Bran

During the milling process, bran, constituting approximately 23% of wheat derivatives, is generated. This is utilized as a cost-effective component in animal feed production. Arabian Mills capitalizes on owning bran material to produce highly profitable categories like poultry and ruminant feed. In a strategic move to compete with leading feeders in Saudi Arabia, Arabian Mills is introducing five specialized, high-quality products. In 2023G, Arabian Mills lead the market for bran with a value share of 32.6% and SAR220.6 million (USD58.8 million) in sales. First Milling company also focuses on livestock and poultry along with other animal feed, benefiting from cost-saving advantages due to its proximity to flour mills and has a value market share of 20.7% in 2023G with SAR140.3 million (USD 37.4 million). The rest of the market includes Modern Mills, Fourth Milling company, and imports accounting for a share of 46.6%, SAR315.4 million (USD84.1 million) as of 2023G.

Table No. (3.12): Market value share of Bran 2023G

Name of the Leading Player	2023G
Arabian Mills	32.6%
First Milling Company	20.7%
Modern Mills	16.2%
Others	30.4%

Source: Euromonitor estimates from expert interviews, secondary research, and audited sales data shared (mainly for Arabian Mills). 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.

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[64] Euromonitor estimates based on SAGO Annual report 2022G

3.8 Competitive Positioning of the Company

Arabian Mills' substantial milling capacity, foray into poultry feed expansion, and the introduction of value-added flour-based products are the driving forces behind its growth

Headquartered in Riyadh, Arabian Mills, previously The Second Milling Company, was founded during the last phase of the privatization of the Saudi milling industry through a significant SAR2.1 billion bid.(65) It stands as one of the prominent participants in the Flour Mills Privatization Program initiated by SAGO. Arabian Mills operates mills in North Central and Southern Saudi Arabia, providing them with a strategic advantage. Hail in the north serves as the distribution hub for the northern and northeastern regions, while Riyadh caters to the central and eastern areas. In contrast, the mill in Jazan serves the southern and western regions. Arabian Mills has strategically located warehouses to serve as central regional depots for both feed and flour categories, including B2B and B2C channels. Their total warehouse capacity in 2022G was approximately 43,803 tons, with silos capable of storing 202,000 tons.

In terms of wheat milling capacity, Arabian Mills boasts one of the largest in the Kingdom and in the entire Gulf Cooperation Council (GCC), with a daily capacity of 4,920 metric tons. The company is one of the leading sellers of 45kg and bulk/loose wheat flour catering mainly to the bakeries, food manufacturers and HORECA in the B2B sector under its brand name Finah and accounts for 96% of the company's wheat flour sales by value in 2023G. The company serves over 6,401 beneficiaries through its 375 distributors and over 281 direct customers in the B2B space. In the B2C sector, they offer seven different 1kg flour products, including whole wheat flour, chapati flour, all-purpose flour, superior flour for pastries and sweets, vitamin D all-purpose flour, vitamin D whole wheat flour, and pizza flour. The company introduced revamped 2kg, 5kg, and 10kg flour packs in the third quarter of 2023G. In 2023G, they established a dedicated whole wheat mill, the only one in the Kingdom, with a capacity of 150 metric tons per day, a unique offering in Saudi Arabia. Additionally, the Company is planning to produce 'Chakki Fresh Atta,' which is gaining popularity. As the Premium flour category is also growing in the Saudi Arabia, Arabian Mills is planning to launch 2kg and 5kg flour packs which are likely to compete with imported brands from Kuwait and the UAE. Collaborating with an Italian company, they are developing gluten-free products under the Finah brand, including gluten-free flour, pasta, cornflakes, and corn snacks, catering to the increasing prevalence of celiac disease in the Kingdom. In Saudi Arabia, awareness of gluten-related disorders is growing, leading to increased demand for gluten-free products. The market for these products was valued at SAR300.0 million (USD80.0 million) in 2023G.(66) Arabian Mills boasts its abilities to meet the specific needs of its customers by producing different types of wheat flour with varying protein contents. The company sells its wheat flour products over 485 retailers and wholesalers in addition to 9 modern trade retailers including over 550 branches in the B2C sector in the pack sizes of 1-10 kg and accounting for 4% of the company wheat flour sales in value as of 2022G. The company also distributes to over 500 outlets small groceries and wholesalers.

As a milling company, Arabian Mills benefits from owning bran material, they leverage this advantage to produce highly profitable categories such as poultry and ruminant feed, boasting a daily production capacity of 600 metric tons and offering a total of 29 SKU variants in their feed range, encompassing both ruminant and poultry feed. Their animal feed brand, Kamil, is known for its superior nutrient value and quality. Arabian Mills is launching five specialized high-quality products aimed at rivaling the top feeders in Saudi Arabia.

The poultry feed sector faces a substantial gap between demand and supply, driven by Vision 2030's goal of achieving food security. By 2028G, the government aims to cease frozen chicken imports, incentivizing local players to enhance production. Arabian Mills is adapting its equipment and feed mills in Riyadh and Hail to meet the increasing demand. They are also collaborating with poultry consultants and have successfully initiated trials of layers feed. The Hail feed mill has started to produce poultry feed as well in the fourth quarter of 2023G. Within the poultry feed sector, there are distinct regional preferences. To illustrate, broiler feed sees greater demand in the southern regions, while layer mash is favored in the northern areas. Arabian Mills presence across different geographical areas within Saudi Arabia helps in catering services to the entire market. The company is focusing on expanding its warehouses in three regions, in Jeddah / Makkah in the west, Dammam in the east and Tabuk in the north to have a nationwide presence with distribution capabilities.

Arabian Mills is planning to introduce coarse and fine semolina to the B2C and B2B markets, while also producing white semolina and focusing on value-added products such as blended Semolina (combining durum-based Semolina with white semolina) for the retail market. Semolina is used to create various Saudi-based products like Basbousa and other sweets. Arabian Mills is planning to introduce their pasta and ready mixes for categories, including pancakes and Basbousa mixes, under the popular Finah brand, which serves as their B2C flour brand. Ready mixes are popular in Saudi Arabia for their convenience, consistency, versatility, and cultural appeal. The market for ready mixes was valued at SAR 819.1 million (USD218.4 million).(67) The

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[65] Reuters: Saudi Arabia completes mills privatisation

[66] Euromonitor estimates based on primary and secondary research

[67] Euromonitor estimates based on primary and secondary research

company is considering private labeling for Finah and contract manufacturing for products like spaghetti and macaroni, with Arabian Mills providing the formulations, using Arabian Mills produced flour and semolina. The Company will also have total control over packaging and quality.

Arabian Mills is poised to make a substantial impact in the Saudi food industry and adapt to evolving market requirements by introducing fresh products and making operational adjustments to support expansion.

4. The Company

4.1 Overview of the Company and its Business Activities

Arabian Mills for Food Products Company is a closed Saudi joint stock company registered with commercial registration No. 1010465464 dated 10/02/1438H (corresponding to 10/11/2016G), issued in the city of Riyadh, Kingdom of Saudi Arabia, pursuant to Council of Ministers Resolution No. G/12 dated 11/01/1438H (corresponding to 12/10/2016G). According to its commercial registration, the Company's head office is located in Riyadh, postal code 11452, P.O. Box 6847. The Company operates under (i) Milling License No. 02, issued by Resolution of the Governor of the General Food Security, under GFSA Board of Directors' Resolution No. 189, dated 09/03/1442H (corresponding to 26/10/2020G), pursuant to Council of Ministers Resolution No. 632, dated 17/10/1441H (corresponding to 09/06/2020G) amended by the GFSA Governor Resolution No. 8273 dated 21/05/1445H (corresponding to 05/12/2023G), and (ii) Secondary Milling License No. 1, issued by the Governor of the General Food Security Authority, dated 30/12/1444H (corresponding to 18/07/2023G), and (iii) licenses from the Ministry of Industry and Mineral Resources obtained by the Company for its factories, including Riyadh Plant License No. 2811331, Hail Plant License No. 311328, and Jazan Plant License No. 222, and (iv) licenses from the Saudi Food and Drug Authority obtained by the Company for its factories, including Riyadh Plant License No. AFE000384, Hail Plant License No. AFE000374, and Jazan Plant License No. AFE000334. According to its commercial registration, the current capital of the Company is five hundred thirteen million one hundred fifty thousand and sixty (513,150,060) Saudi Riyals, divided into fifty-one million three hundred fifteen thousand and six (51,315,006) fully paid ordinary shares with a nominal value of ten (10) Saudi Riyals per share.

The Company was established with the purpose of producing wheat and feed products and supplying them throughout the Kingdom. The main commercial activities of the Company include the production and storage of flour, other wheat derivatives, and feed. The Company aims to meet the needs of customers in the Kingdom, adhering to the highest quality standards in accordance with the specifications set by the General Food Security Authority, the Saudi Food and Drug Authority, and the GCC Standardization Organization.

The Company owns two trademarks for its products, namely "Finah" and "Kamil." The Company uses its "Finah" trademark for its food products, including various types of flour, semolina, wheat germ, and wheat bran intended for human consumption. On the other hand, the Company utilizes its "Kamil" trademark for its feed products, which include poultry feed, various types of livestock feed, and wheat bran intended for animal consumption. All Company products are provided through a network of authorized distributors and retail stores across the Kingdom. Additionally, the Company sells some of its products directly to customers from its factories or through its affiliated distribution centers. The Company boasts a broad customer base, including major companies, wholesale and retail traders, as well as individual consumers.

The Company relies on its three factories equipped with the latest technologies located strategically in the cities of Riyadh (in the central region of the Kingdom), Hail (in the northern region of the Kingdom), and Jazan (in the southern region of the Kingdom). As of the date of this Prospectus, the total production capacity of the Company's flour mills is approximately 4,920 tons per day, and its total production capacity for feed is around 600 tons per day.

The Company is considered one of the leading companies in the field of flour production in the Kingdom. According to market studies, the Company has the second-largest market share in the flour market, equal to 27.8%, equivalent to 943,688 tons of flour.

The Company's revenues amounted to 640.8 million Saudi Riyals, 902.8 million Saudi Riyals, and 862.1 million Saudi Riyals for FY ending on 31st of December 2021G, 2022G, and 2023G, respectively. The Company's gross profit amounted to 233.7 million Saudi Riyals, 412.6 million Saudi Riyals, and 415.5 million Saudi Riyals for the same periods, respectively. According to the Market Study Consultant, the flour sales market, in which the Company operates, is expected to grow at a compound annual rate of 3.2% between 2023G and 2030G.

4.2 Vision and Mission of the Company

4.2.1 Vision

The Company's vision is to become the preferred choice for consumers by offering a range of diverse and high quality products.

4.2.2 Mission

The Company's mission is to live up to consumer taste by producing flour and flour derivatives, manufacturing animal feed, utilizing qualified national workforce, and offering competitive prices to contribute to enhancing food security.

4.3 Strengths and Competitive Advantages of the Company

The Company has cultivated several key strengths gained through the adoption of diverse strategies, enabling it to gain competitive advantages and solidify its leading position in the consumer staples market in the Kingdom. The main strengths and competitive advantages of the Company include:

4.3.1 Leading Market Position in Consumer Staple Products

The Company is among the market leaders in the regions in which it currently operates. Based on the Market Study, the Saudi flour market was valued at approximately SAR 2.0 billion in 2022G, and is expected to grow at a CAGR of approximately 4.4% between 2022G and 2030G. The Company was the second largest producer of flour in the Kingdom in 2022G, having grown its flour market share by volume from approximately 27.2% in 2021G to approximately 27.8% in 2022G by increasing its customer base, expanding distribution networks and developing new sales channels. The Company's milling capacity is among the largest in the Kingdom and the GCC, with a daily flour production capacity of approximately 4,920 metric tons, and the Company is one of the leading sellers of 45 kg and bulk wheat flour.

The Company also holds a notable position in the Saudi animal feed market, which was valued at approximately SAR 5.7 billion in 2022G and is expected to grow at a CAGR of approximately 4.6% between 2022G and 2030G, according to the Market Study. Within the Saudi animal feed market, the Company is among the top 10 largest players, with a market share of approximately 3.5% in 2022G.

4.3.2 Strong Presence in the Riyadh Market Coupled with A Diverse Geographic Reach Across the Kingdom

The Company is based in Riyadh, which provides it a unique and well-established market access to the largest city in the Kingdom and to the advantages tied to the city's population growth, increase in tourism and other favorable demographic factors. The capital of the Kingdom, Riyadh serves as its financial and economic epicenter, with approximately 8.6 million residents (approximately 27% of the Kingdom's total population), including many high-income households, with approximately 4.7% of households in the city reporting annual earnings exceeding SAR 560,000. Riyadh is also expected to benefit from a SAR 3 trillion (USD 800 billion) plan aiming to nearly double the city's size and accommodate 15 to 20 million residents by 2030G. In Riyadh, the Company's business-to-business sales channel serves 181 distributors. The Company's Riyadh production facility has a daily flour milling capacity of approximately 3,070 tons, a daily feed production capacity of approximately 300 tons and storage capacity of approximately 80,000 tons. The Riyadh facility serves the central and eastern regions of the Kingdom. Given its presence in Riyadh, the Company benefits from considerably lower distribution costs in these regions than other milling companies in different locations.

In addition to the Company's presence in Riyadh, it benefits from a diverse geographic reach in other regions of the Kingdom as well. Its production facility in Hail serves as the distribution hub for the northern and north-eastern regions of the Kingdom, and has a daily flour milling capacity of approximately 650 tons, a daily feed production capacity of approximately 300 tons and storage capacity of approximately 50,000 tons. The Hail production facility further capitalizes on its proximity to one of the main regions for livestock farming. The Jazan production facility serves the southern and western regions of the Kingdom and has a daily flour milling capacity of approximately 1,200 tons as well as a storage capacity of approximately 72,000 tons. The Jazan Plant does not produce feed products.

The Company's sales are not limited to the locations of its main branches in Riyadh, Hail and Jazan, as the Company is present in other regions through its distribution centers and warehouses(68). These strategically located distribution centers and warehouses serve as depots in the central and western regions for the Company's products in the flour, animal feed and other wheat derivatives categories. The Company is focusing on expanding its warehouses in three regions, with Tabuk in the north, Dammam in the east and Jeddah in the west, in order to have a nationwide presence with distribution capabilities.

4.3.3 State-Of-The-Art Facilities with Advanced Technology and A Highly Skilled and Experienced Milling Team

The Company's three plants in the Kingdom, in aggregate, have a daily flour milling capacity of approximately 4,920 tons of wheat, per day and an animal feed production capacity of approximately 600 tons, per day with a warehouse capacity of 43,803 and a silo storage capacity of approximately 202,000 tons. These facilities are fully fitted out with world-class machinery and equipment and benefit from the Company's implementation of advanced technology and streamlined operations, which enable the Company to reduce downtime and increase daily output while maintaining the high product quality. The Company uses an automated grain receiving and storage monitoring system ("Hercules") which provides real time data on intakes, inventories and outbound materials, enabling improved traceability, quality control, efficiency and flexibility of operations.

The Company's Riyadh facility has advanced production lines specializing in the production of whole wheat flour with leading edge technology, traditional stone grinding used to produce chakki fresh atta flour, as well as providing it with an enhanced capability in the production of health and wellness focused products.

The Company has implemented significant operational improvements in recent years through dedicated efforts to increase the output of four (of the six) production lines in the Riyadh production facility as well as in the Hail facility. The Company also has a strong network of IT infrastructure and has successfully implemented the SAP system in its operations.

In addition, the Company benefits from having one of the most experienced, knowledgeable and seasoned milling teams in the Kingdom with at least 10 certified millers with an average experience of more than 15 years. This plays a key role in maintaining the operational efficiency and lower downtime of the Company's production facilities, as demonstrated by a 81.1% reduction in aggregate downtime across all its production facilities, in 2022G compared to 2021G.

The Company has received various accreditations such as ISO9001, ISO 14001, ISO 45001, ISO 31001 and ISO 22000 and strongly adheres to food safety standards, demonstrating the high-quality of its products and operational processes.

4.3.4 Diverse Array of Products with a Robust Pipeline of New Products

The Company offers a wide variety of flour, animal feed and wheat derivatives products, with new products constantly in development. The Company markets its flour products under the "Finah" trademark. In addition to its bulk and 45 kg wheat flour sales in the business-to-business sales channel, the Company has also entered into the retail sector, offering seven different 1kg flour products including whole wheat flour, chapatti flour, patent all-purpose flour, superior flour for pastries and sweets, vitamin D all-purpose flour, vitamin D whole wheat flour, and pizza flour as well as chakki fresh atta flour, which is gaining popularity. The Company has also recently introduced 2 kg, 5 kg, and 10 kg flour packs, to further meet the varying needs of its customers.

The Company also has the capability to meet specific customer needs by producing different types of wheat flour with varying protein contents. In 2023G, the Company established a dedicated whole wheat mill with a daily capacity of approximately 150 tons, in its Riyadh facility, thereby enhancing its capabilities in health and wellness focused products.

In addition to its existing product portfolio, the Company also has a robust pipeline of new value-added products, such as pasta and ready mixes. In response to the increasing popularity of gluten-free products, the Company has also collaborated with an Italian company to develop (i) pasta (which will be produced by the Italian company under the Company's own trademark); and (ii) gluten-free products under the "Finah" brand, including gluten-free flour, pasta, cornflakes, and corn snacks.

In the other hand, the animal feed sector, the Company offers 29 products which include both ruminant and poultry feed. The animal feed products are sold under the "Kamil" brand and are known for their superior nutrient value and quality. The Company also plans to launch new poultry feed products, which are expected

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[68] As at the date of this Prospectus, the Company is in the final stages of launching its distribution centers and warehouses.

to be a key growth driver for the Company's compound animal feed more generally, driven by government supported localization of poultry production, which in turn will lead to a higher demand for added-value poultry feed products, which will contribute at a higher rate to the Company's profit margins (compared to low-cost livestock feed).

4.3.5 Long-Standing Customer Relationships and Reliable Partnerships with Suppliers

The Company benefits from well-established and stable customer relationships. In 2022G, the Company distributed its products to approximately 6,400 beneficiaries through 375 distributors and 281 direct customers in the business-to-business sales channel, and to 485 retailers and wholesalers and nine modern trade retailers with +550 branches in the retail and wholesale sales channel.

The Company also has a unique advantage of being present in both the business-to-business segment as well as the fast-growing retail and wholesale segment of the Saudi flour market. The Company has launched an app to facilitate online sales and aims to expand its delivery services towards retail and wholesale customers through the establishment of its own fleet of delivery trucks.

The Company also has long-standing relationships with its Key Suppliers: (i) the GFSA for wheat (which represented approximately 63% of the Company's raw material costs incurred during the financial year ended 31 December 2023G), with which the Company has entered a long term, 25-year supply agreement; and (ii) feed suppliers for corn, soybean meal, alfalfa and other raw materials (representing approximately 7-10% of raw material costs).

4.3.6 Highly Experienced Management Team

The Company is led by a management team with extensive experience in the management of milling and agriculture companies (for more information, please refer to Section 5.3 "**Senior Management**" of this Prospectus). The management team's expertise and entrepreneurial spirit are evident in several key initiatives launched following the Company's privatization, including initiatives focused on increasing production capacity and efficiency, adjusting and improving flour formulations to better meet customer needs, and launching new initiatives to develop products that enhance the Company's value-added offerings, enrich its product range, and diversify its livestock feed range to increase sales and profit margins.

4.4 Company Strategies

The Company was founded in 2016G during the last phase of the privatization of the Saudi milling industry and was formerly a part of GFSA's wheat mills group. The Company has experience of over four decades in the production of flour, other wheat derivatives and animal feed products, and is the second largest wheat milling company in the Kingdom with a market share of approximately 28%. The Company is strategically well-positioned in both the wheat flour and animal feed industries. Since the privatization, the Company has made several dedicated efforts to enhance its market leadership, grow its customer base and continue to provide high-quality products. Based on its extensive experience of operating in the market, the Company has identified the following strategic roadmap to drive the future growth and realize its vision:

a. Consolidate and enhance its leading position in the market.
b. Maintain and build on current operational efficiency and excellence.
c. Expand presence in B2B as well as retail and wholesale sales channels.
d. Offer high-quality products catering to changing consumer preferences.

4.4.1 Consolidating and Enhancing Market Leadership

According to the Market Study, the Company is the second largest wheat flour milling company in the Kingdom by value and is also a key player in the compound animal feed market. The Company has implemented several measures to enhance its market leadership, which resulted in an increase of its flour market share by volume from approximately 27.2% in 2021G to approximately 27.8% in 2022G.

The Company has been highly active in launching new products catering to changing consumer needs and has also built a strong pipeline of new products to be launched to continue capturing additional share of the market. The Company has also made dedicated efforts to enhance the positioning of its 'Finah' and 'Kamil' trademarks by implementing a go-to-market strategy. Several key initiatives include redesigning the packaging with a modern look and feel, developing a marketing and promotional plan and establishing post-sales support as well as determining an optimal pricing model based on market dynamics and competition.

4.4.2 Maintaining and Building on Current Operational Efficiency and Excellence

The Company places high importance on driving business efficiencies and building on its operational excellence. Recently, the Company has endeavored to drive operational efficiency across all business processes. Some of the key initiatives include:

- **Silos**: The Company is focused on enhancing and increasing automation the monitoring systems for its silos to improve traceability, quality control and operational flexibility.
- **Milling**: The Company is focusing on enhancing its technical capabilities in the milling processes with the objective of increasing efficiency and generating higher output. These efforts resulted in daily increase of flour milling by 350 tons in the Riyadh facility. Similar efforts were also carried out at Hail and Jazan plants, thereby improving their utilization. The Company achieved a reduction in the aggregate mill downtime across its facilities by 81.1% from 11.98% in 2021G to 2.27% in 2022G.
- **Warehouse, distribution and logistics**: The Company is strategically establishing new warehouses and distribution centers to broaden its geographic footprint. Simultaneously, efforts are underway to enhance the efficiency of current warehouses through innovative redesigns and ongoing monitoring and refinement of operational processes. Additionally, there is a dedicated focus on minimizing transportation costs and leveraging technology to improve the standards of quality control.
- **Procurement**: The Company has been focused on optimizing its procurement processes through measures such as automation and renegotiating purchase contracts to reduce the purchase price.
- **Workforce**: The Company is focused on supporting local talent, reducing dependence on outsourced employees and improvement and refinement of the recruitment process. The Company is committed to Nationalization and supporting local talent.
- **Technology**: The Company is highly focused on using best-in-class technology and increasing automation across its functions, including milling, warehousing, supply chain and finance. The Company has successfully implemented the SAP system in its operations.

4.4.3 Expanding Presence Through Various Channels, Including B2B, As Well As Retail and Wholesale Channels

The Company has a well-established presence in the B2B space and is also focusing on expanding its presence in the retail and wholesale channel. In the B2B channel, the Company currently serves approximately 6,400 beneficiaries through 375 distributors and 281 direct customers and has been focused on expanding its customer base by drawing in new customers through measures such as offering rebates and establishing after-sales support.

In the retail and wholesale sales channel, the Company currently offers its products to approximately 485 retail and wholesale trade entities and nine modern trade entities with over 550 branches. The Company aims to enhance its presence in the rapidly growing retail and wholesale sector by introducing specially designed products to meet consumer needs, packaged in modern packaging, as well as strategically enhancing the value of its "Finah" trademark through targeted promotional campaigns, increased existence on social media, and the launch of its dedicated application.

4.4.4 Providing High-Quality Products Catering to Changing Consumer Preferences

The Company places utmost importance on delivering top-tier products and focuses on rigorous quality assurance. The Company stays attuned to evolving consumer preferences by introducing new products and targeting higher growth sectors.

Quality assurance and laboratory control play crucial roles in the Company's ability to ensure customer satisfaction, as they enable the Company to maintain consistent product quality and performance. In order to achieve this, laboratory equipment is maintained in line with global standards for food hygiene and safety. The Company also conducts annual extensive tests for flour, feed and raw materials, packaging and additives to ensure quality and adherence to applicable standards.

In order to tailor its product portfolio to changing consumer preferences, the Company also focusses on introducing new products which are gaining popularity in the Saudi market. The Company plans to target these growing consumer preferences, including in the health and wellness sector, by introducing whole wheat flour, gluten-free products and whole wheat derived products. In addition, the Company plans to launch new products such as different varieties of pasta (such as spaghetti, nocciole and vermicelli), ready-mixes (such as pizza mix, Arabic dessert mixes, and Western dessert mixes), and gluten free products (including gluten-free corn snacks, cornflakes, corn and rice penne) over the course of 2024G. This will enable the Company to enter new fast-growing categories, such as the pasta market in the Kingdom, which is expected to grow at a CAGR of approximately 6.3% during 2022G-2027G, driven by an increasing demand from foodservice channel in line with population and tourism growth.

The Company also plans to launch additional lines of poultry feed which is expected to be a key growth driver for the compound animal feed sector, driven by government support of localization of poultry production. The Saudi poultry feed market was valued at approximately SAR 3.0 billion in 2022G and is expected to grow at a CAGR of approximately 7.7% during 2022G-2030G.

4.5 Key Developments of the Company since Establishment

The Company was established in 2016G by virtue of Council of Ministers Resolution No. G/12 as a closed joint-stock company owned by the Public Investment Fund under the name “Second Milling Company.” The establishment of the Company took place within the framework of GFSA’s privatization program, launched in 2009G, aiming to increase operational efficiency, improve financial performance, support economic growth, and enhance operational technological efficiency in the flour milling sector in the Kingdom. GFSA was established by Royal Decree No. M/14 on 25/03/1392H (corresponding to 09/05/1972G). Since its establishment, GFSA established several flour mills across the Kingdom, including the plants currently owned by the Company in Riyadh (in the Central Region of the Kingdom), Hail (in the Northern Region), and Jazan (in the Southern Region). In 2011G, the Council of Economic and Development Affairs (formerly the Supreme Economic Council) approved a strategy to privatize the food and feed sectors, consolidating all milling operations into four independent companies and subsequently privatizing them.

In 2017G, all assets related to the Company’s operations in Riyadh, Hail, and Jazan were transferred from GFSA to the Company, which commenced its operational activities as an independent entity operating on commercial principles in preparation for privatization.

In 2020G, in line with the privatization strategy, the Public Investment Fund assigned its entire shareholding in the Company to the National Center for Privatization, as per Council of Ministers Resolution No. 631 dated 17/10/1441H (corresponding to 10/06/2020G). Subsequently, the National Center for Privatization offered the entire shares of the Company to strategic private sector investors. Qualified investors conducted the necessary due diligence and submitted financial proposals to acquire the Company. In 2021G, the sale of Arab Mills Company was awarded to the consortium led by Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company - Ajlan & Bros, Sulaiman Abdulaziz Al-Rajhi International Company, National Agricultural Development Company (NADEC), and Olam International Limited Company. Consequently, the Food Security Holding Company was established, and all shares of Arab Mills Company were transferred thereto in late 2021G. In 2022G, the merger of the Food Security Holding Company was completed, encompassing all its assets, rights, liabilities, and obligations, making it a merged company within Arab Mills Company.

Key developments related to the Company and its operations historically and since its establishment are summarized as follows:

Table No. (4.1): Key Developments of the Company since Establishment

Year	Event/Development
1977G	The Company’s current plant in Riyadh was established by GFSA.
1982G	The Company’s current plant in Hail was established by GFSA.
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 in the Kingdom.
2011G	The Supreme Economic Council approved the privatization of milling companies, consolidating milling operations into four independent companies in preparation for privatization.
2016G	The Company’s current plant in Jazan was established by GFSA.
2016G	The Council of Ministers issued Resolution No. 35 approving GFSA’s privatization program and the establishment of the Company as a closed joint-stock company owned by the Public Investment Fund.

Year	Event/Development
2017G	The company commenced its operational activities as an independent entity.
2019G	The General Assembly approved the increase of the Company's capital from five hundred thousand (500,000) Saudi Riyals to five hundred and thirteen million one hundred and fifty thousand and sixty (513,150,060) Saudi Riyals.
2020G	The Public Investment Fund transferred its entire shares in the Company to the National Center for Privatization.
2021G	GFSA accepted the bid submitted by the consortium led by Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company - Ajlan & Bros, Sulaiman Abdulaziz Al-Rajhi International Company, National Agricultural Development Company (NADEC), and Olam International Limited Company to acquire the company.
2021G	Ownership of the Company devolved from the National Center for Privatization to the Food Security Holding Company.
2022G	Completion of the merger of Food Security Holding Company with all its assets, rights, liabilities, and obligations as a merged company into Arab Mills Company, whereby the new ownership structure of the Company became as follows: Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company - Ajlan & Bros (45%), Sulaiman Abdulaziz Al-Rajhi International Company (35%), National Agricultural Development Company (NADEC) (10%), and lam International Limited Company (10%).
2022G	The Company upgraded several of its mills at the Riyadh plant, increasing its daily wheat milling capacity from 2,950 tons to 3,070 tons. Additionally, the Company added a new mill to the Riyadh plant, equipped with two distinctive production lines—one dedicated to producing whole-wheat flour and the other to traditional stone grinding.
2023G	The Company changed its name to "Arabian Mills for Food Products Company".

Source: The Company

4.5.1 Key Developments in the Results of the Company's Operations Since its Privatization

Since its privatization, the Company has experienced significant growth in revenue and profitability during the two financial years ended 31 December 2022G and 31 December 2023G. Key factors contributing to this growth include:

- **Revenues During the Financial Year Ended 31 December 2022G**: The Company's revenue amounted to SAR 903 million during the financial year ended 31 December 2022G, at a growth rate of 40.9% compared to its revenue during the financial year ended 31 December 2021G, which amounted to SAR 641 million. This growth was supported with the increase of the Company's flour milling capacity from 2,950 tons per day to 3,070 tons per day, whereby the quantities of flour sold increased by 27.8%, and the volume of feed sold increased by 12.1% during the same period. The growth of the Company's revenue resulted in an increase in its market share of flour from 24.3 during 2021G to 24.9 in 2022G.
- **Cost Efficiencies During the Financial Year Ended 31 December 2022G**: The Company's revenue growth during the financial year ended 31 December 2022G was accompanied with notable improvement in profitability with gross profit, EBITDA and profit for the year margins increasing by 9.2%, 11.2% and 9.4% as compared to the financial year ended 31 December 2021G, to reach 45.7%, 38.9% and 28.3%, respectively during the financial year ended 31 December 2022G. The primary factor behind the profitability improvement is driven by positive gross profit change. The contribution profit per ton increased from SAR 339 per ton in 2021G to SAR 420 per ton in 2022G, the significant increase in contribution profit led to a significant improvement in gross profit, which increased by 76.5% representing a margin of 45.7% (i.e. 9.2% higher than the margin recorded in 2021G). The improvement in contribution margin per ton was driven by several factors, including the significant increase in volumes sold of bran and feed by 26.4% and 12.1%, respectively; coupled with the increase in average selling price of bran and feed by 46.2% and 33.2% respectively.
- **Revenues During the Financial Year Ended 31 December 2023G**: Revenue during the financial year ended 31 December 2023G decreased by 4.5% as compared to the financial year ended 31 December 2022G to SAR 862 million due mainly to the decline in the revenue generated from feed sales, which witnessed a 33.5% decline to SAR 133 million during the financial year ended 31 December 2023G, as compared to SAR 200 million during the financial year ended 31 December 2022G as a result of higher precipitation leading to the availability of natural feed,

therefore reducing demand for compound feed from farmers. Despite the significant decline in feed revenues, the Company managed to increase revenue in the flour and bran segments, with revenues of SAR 521 million and SAR 220 million, respectively, growing by 6.2% and 3.8% compared to the financial year ended 31 December 2022G, respectively.

- **Cost Efficiencies During the Financial Year Ended 31 December 2023G**: Despite a decline in revenue during the financial year ended 31 December 2023G, the Company maintained and improved its profit margins, with gross profit margin(69) and EBITDA margin(70) increasing by 2.5% and 5.1% as compared to 2022G to 48.2% and 44.0% in 2023G, respectively. Improved profitability is mainly due to an increase in gross profit margin, which resulted from lower direct costs. Moreover, the Company's net profit margin for the year(71) decreased by 5.1% due to increased financing costs as a result of the merger that resulted in the transfer of Food Security Holding Company loans to the Company's balance sheet.

4.6 Overview of the Company and Growth of its Capital

The Company was incorporated as a Saudi closed joint-stock company in Riyadh pursuant to Ministerial Resolution No. G/12, dated 11/01/1438H (corresponding to 12/10/2016G), under commercial registration No. 1010465464 dated 10/02/1438H (corresponding to 10/11/2016G), under the name "Second Milling Company" as a single-person closed joint-stock company wholly-owned by the PIF, pursuant to Ministerial Resolution No. G/227 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 fully paid-up nominal value at ten Saudi Riyals (SAR 10) per share. Set out below is the Company's share distribution upon incorporation.

Table No. (4.2): The Company's Ownership Structure upon Incorporation

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

Source: The Company

On 03/02/1441H (corresponding to 02/10/2019G), the Extraordinary 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 five hundred and thirteen million one hundred and fifty thousand and sixty (513,150,060) Saudi riyals, divided into fifty-one million three hundred and fifteen thousand and six (51,315,006) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, through the transfer of five hundred and twelve million six hundred and fifty thousand and sixty Saudi Riyals (SAR 512,650,060) from the other reserves account to the capital account, and the issuance of fifty-one million two hundred and sixty-five thousand and six (51,265,006) ordinary shares. The following table sets out the Company's ownership structure following the aforementioned capital increase:

Table No. (4.3): The Company's Ownership Structure as of 03/02/1441H (corresponding to 02/10/2019G)

Shareholder	No. of shares	Value per Share (SAR)	Total Value of Shares (SAR)	Shareholding (%)
The PIF	51,315,006	10	513,150,060	100%
Total	**51,315,006**	**-**	**513,150,060**	**100%**

Source: The Company

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[69] Gross profit margin is calculated as gross profit for the year / revenue for the year.

[70] EBITDA margin is calculated as (operating profit + depreciation of property, plant and equipment and right-of-use assets + amortization of intangible assets) / revenue for the year.

[71] Net profit margin is calculated as profit for the year / revenue for the year.

On 18/10/1441H (corresponding to 10/06/2020G), pursuant to the Council of Ministers' Resolution No. 631, the PIF transferred all of its shares in the Company, totaling fifty-one million three hundred and fifteen thousand and six (51,315,006) 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 transfer of shares:

Table No. (4.4): The Company's Ownership Structure as of 18/10/1441H (corresponding to 10/06/2020G)

Shareholder	No. of shares	Value per Share (SAR)	Total Value of Shares (SAR)	Shareholding (%)
The NCP	51,315,006	10	513,150,060	100%
Total	**51,315,006**	**-**	**513,150,060**	**100%**

Source: The Company

On 25/04/1443H (corresponding to 30/11/2021G), the NCP transferred all its shares in the Company, totaling fifty-one million, three hundred and fifteen thousand and six (51,315,006) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to Food Security Holding Co. under a share purchase agreement entered into by and between the NCP and Food Security Holding Co. executed on 04/12/1442H (corresponding to 13/07/2021G). (For more information, please refer to Section 4.6 ("**Overview of the Company and Growth of its Capital**") of this Prospectus).

The Current Shareholders, along with Olam International Limited Company, have established Food Security Holding Company as a mixed limited liability company registered in the commercial register No. 1010725602 dated 20/11/1442H (corresponding to 30/06/2021G), as a special purpose entity (SPE) 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, along with Olam International Limited Company (which was one of the Shareholders of the Company at the time), was awarded the tender that took place during the Company's privatization, FSHC acquired all of the Company's shares. Prior to the acquisition of the Company, the capital of FSHC amounted to five hundred thousand Saudi Riyals (SAR 500,000) divided into fifty thousand (50,000) shares, with a nominal value of (10) Saudi Riyals per share, with 45% owned by Abdulaziz Alajlan Sons for Trading & Real Estate Investments Company - Ajlan & Bros; 35% by Sulaiman Abdulaziz Al-Rajhi International Company; 10% by the National Agricultural Development Company (NADEC); and 10% by Olam International Limited Company. The following table shows the details of the ownership structure of Food Security Holding Company before acquiring the of the Company:

Table No. (4.5): The Ownership Structure of Food Security Holding Company Before the Acquisition of the Company

Shareholder	Number of Shares	Par Value (SAR)	Total Share Value (SAR)	Ownership Percentage
Abdulaziz Alajlan Sons for Trading & Real Estate Investments Company - Ajlan & Bros	22,500	10	225,500	45%
Sulaiman Abdulaziz Al-Rajhi International Company	17,500	10	175,500	35%
National Agricultural Development Company (NADEC)	5,000	10	50,000	10%
Olam International Limited Company	5,000	10	50,000	10%
Total	**50,000**	**-**	**500,000**	**100%**

Source: The Company

Prior to the acquisition of the Company, the total assets of FSHC based on the separate financial statements of FSHC for the period from 30/06/2021G until 31/12/2021G amounted to approximately SAR 2,268,193,847, the total equity amounted to SAR 418,386,562, while the total liabilities amounted to SAR 1,849,807,285.

The Current Shareholders, along with Olam International Limited Company, acquired the Company through the Food Security Holding Company at a purchase price approximately 2.15 billion Saudi Riyals, and the transaction Cost amounted to approximately 50 million Saudi Riyals, including bank debt fees, a reserve account for debt service before financing, in addition to development costs and success fees. This acquisition was financed using debt at 83% of the amount and cash at 17% of the amount, which includes a bank loan amounted 1.7 billion Saudi Riyals at the SAIBOR rate in addition to the applicable margin, and in accordance with certain guarantees including, but are not limited to, a pledge on the shares of the then owners of Food Security Holding Company, i.e. (1) Abdulaziz Alajlan Sons for Trading & Real Estate Investments Company - Ajlan & Bros; (2) National Agricultural Development Company (NADEC); and (3) Sulaiman Abdulaziz Al-Rajhi International Company, as a guarantee by the then Shareholders to cover the debt.

Table No. (4.6): The Company's Ownership Structure as of 25/04/1443H (corresponding to 30/11/2021G)

Shareholder	No. of shares	Value per Share (SAR)	Total Value of Shares (SAR)	Shareholding (%)
Food Security Holding Co.	51,315,006	10	513,150,060	100%
Total	**51,315,006**	**-**	**513,150,060**	**100%**

Source: The Company

On 17/02/1444H (corresponding to 13/09/2022G), the General Assembly approved the Company's merger with FSHC, a limited liability company registered under commercial registration no. 1010725602 dated 20/11/1442H (corresponding to 30/06/2021G), with all its assets, rights, liabilities and obligations, as a company merged with the Arabian Mills, with the Company being the merging company, in accordance with the provisions of the Merger Agreement entered into by and between the two companies on 08/02/1444H (corresponding to 04/09/2022G). The Merger became effective on 23/04/1444H (corresponding to 17/11/2022G). The following table sets out the Company's ownership structure following the aforementioned merger:

Table No. (4.7): The Company's Ownership Structure as of 23/04/1444H (corresponding to 17/11/2022G)

Shareholder	No. of shares	Value per Share (SAR)	Total Value of Shares (SAR)	Shareholding (%)
Abdulaziz Alajlan Sons for Trading & Real Estate Investments Company - Ajlan & Bros	23,091,752	10	230,917,520	45%
Sulaiman Abdulaziz Al Rajhi International Company	17,960,252	10	179,602,520	35%
The National Agricultural Development Company (NADEC)	5,131,500	10	51,315,000	10%
Olam International Limited Company	5,131,500	10	51,315,000	10%
Total	**51,315,006**	**-**	**513,150,060**	**100%**

Source: The Company

On 21/01/1445H (corresponding to 08/08/2023G), Olam International Limited Company sold all its shares in the Company, totaling five million one hundred and thirty-one thousand five hundred (5,131,500) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company - Ajlan & Bros, pursuant to the provisions of the Share Sale and Purchase Agreement dated 28/05/1444H (corresponding to 21/12/2022G).

The following table sets out the Company's ownership structure following the transfer of shares:

Table No. (4.8): The Company's Ownership Structure as of 21/01/1445H (corresponding to 08/08/2023G)

Shareholder	No. of shares	Value per Share (SAR)	Total Value of Shares (SAR)	Shareholding (%)
Abdulaziz Alajlan Sons for Trading & Real Estate Investments Company - Ajlan & Bros	28,223,254	10	282,232,540	55%
Sulaiman Abdulaziz Al Rajhi International Company	17,960,252	10	179,602,520	35%
The National Agricultural Development Company (NADEC)	5,131,500	10	51,315,000	10%
Total	**51,315,006**	**-**	**513,150,060**	**100%**

Source: The Company

On 16/03/1445H (corresponding to 01/10/2023G), Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company - Ajlan & Bros sold 4.87% of its shares, amounting to two million five hundred thousand (2,500,000) ordinary shares, to the National Agricultural Development Company (NADEC). The following table sets out the Company's ownership structure following the transfer of shares:

Table No. (4.9): The Company's Ownership Structure as of 16/03/1445H (corresponding to 01/10/2023G)

Shareholder	No. of shares	Value per Share (SAR)	Total Value of Shares (SAR)	Shareholding (%)
Abdulaziz Alajlan Sons for Trading & Real Estate Investments Company - Ajlan & Bros	25,723,254	10	257,232,540	50.13%
Sulaiman Abdulaziz Al Rajhi International Company	17,960,252	10	179,602,520	35%
The National Agricultural Development Company (NADEC)	7,631,500	10	76,315,000	14.87%
Total	**51,315,006**	**-**	**513,150,060**	**100%**

Source: The Company

On 21/04/1445H (corresponding to 05/11/2023G), the Extraordinary General Assembly approved to change the Company's name to Arabian Mills for Food Products Company.

4.7 Overview of the Company's Structure

As of the date of this Prospectus, the Company's current share capital is five hundred and thirteen million one hundred and fifty thousand and sixty Saudi Riyals (SAR 513,150,060), divided into fifty-one million three hundred and fifteen thousand and six (51,315,006) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per Share. Set out below is the Company's Ownership Structure Pre- and Post-Offering:

Table No. (4.10): The Company's Ownership Structure Pre- and Post-Offering, as of the date of this Prospectus

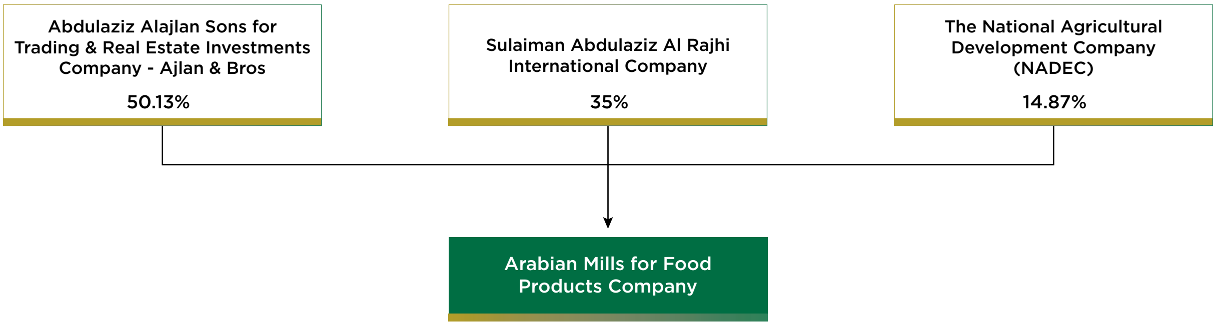
Shareholder	Pre-Offering			Post-Offering		
	No. of Shares	Shareholding (%)	Par Value (SAR)	No. of Shares	Shareholding (%)	Par Value (SAR)
Abdulaziz Alajlan Sons for Trading & Real Estate Investments Company - Ajlan & Bros	25,723,254	50.13%	257,232,540	18,006,278	35.09%	180,062,780
Sulaiman Abdulaziz Al Rajhi International Company	17,960,252	35%	179,602,520	12,572,176	24.50%	125,721,76
The National Agricultural Development Company (NADEC)	7,631,500	14.87%	76,315,000	5,342,050	10.41%	53,420,500
The Public	-	-	-	15,394,502	30%	153,945,020
Total	**51,315,006**	**100%**	**513,150,060**	**51,315,006**	**100%**	**513,150,060**

Source: The Company

4.8 Overview of the Shareholders

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

Figure (4.1): The Company's Ownership Structure as of the Date of this Prospectus



Note: The Ownership Structure above has been presented in a simplified manner. For more information about the ownership structure for each of Abdulaziz Alajlan Sons for Trading & Real Estate Investments Company - Ajlan & Bros, Sulaiman Abdulaziz Al Rajhi International Company, and the National Agricultural Development Company (NADEC), please see the sections below.

4.8.1 Abdulaziz Alajlan Sons for Trading & Real Estate Investments Company - Ajlan & Bros

Abdulaziz Alajlan Sons for Trading & Real Estate Investments Company - Ajlan & Bros is a closed joint-stock company, with a capital of two million Saudi Riyals (SAR 2,000,000), divided into two hundred thousand (200,000) shares, with a nominal value of ten Saudi Riyals (SAR 10) per share, registered under commercial registration No. 1010181162, dated 29/07/1423H (corresponding to 06/10/2002G), in Riyadh.

The main activities of Abdulaziz Alajlan Sons for Trading & Real Estate Investments Company - Ajlan & Bros include general contracting for buildings (construction, demolition, and restoration), wholesale and retail trade, entering into tenders, purchase of land to construct buildings thereon and to invest in the sale or lease thereof, for the Company's benefit; managing and developing real estate, and maintaining and operating residential, commercial, and hotel complexes, malls, governmental, tourism and entertainment establishments, restaurants, kitchens, catering services, cooked and uncooked food, transportation, storage and refrigeration, gas stations, car service centers and spare parts, marketing services, import and export for third parties and commercial agencies.

The following table sets out the ownership structure of Abdulaziz Alajlan Sons for Trading & Real Estate Investments Company - Ajlan & Bros, as of the date of this Prospectus.

Table No. (4.11): Ownership Structure of Abdulaziz Alajlan Sons for Trading & Real Estate Investments Company - Ajlan & Bros, as of the date of this Prospectus

Shareholder	Shareholding (%)	No. of Shares
Ajlan Abdulaziz Ajlan	25%	50,000
Mohammed bin Abdulaziz Ajlan	25%	50,000
Fahad bin Abdulaziz Ajlan	25%	50,000
Fahad bin Saad bin Abdulaziz Ajlan	5%	10,000
Ajlan bin Saad bin Abdulaziz Ajlan	5%	10,000
Abdullah bin Saad bin Abdulaziz Ajlan	5%	10,000
Wadha bint Saad bin Abdulaziz Ajlan	2.5%	5,000
Raya bint Saad bin Abdulaziz Ajlan	2.5%	5,000
Fahdah bint Saad bin Abdulaziz Ajlan	2.5%	5,000
Sarah bint Saad bin Abdulaziz Ajlan	2.5%	5,000
Total	**100%**	**200,000**

Source: The Company

4.8.2 Sulaiman Abdulaziz Al Rajhi International Company

Sulaiman Abdulaziz Al Rajhi International Company is a limited liability company, with a capital of five hundred thousand Saudi Riyals (SAR 500,000), divided into five hundred (500) shares, with a nominal value of one thousand Saudi Riyals (SAR 1,000) per share, registered under commercial registration No. 1010218806, dated 03/04/1427H (corresponding to 01/05/2006G), in Riyadh.

The main activities of Sulaiman Abdulaziz Al Rajhi International Company include the activities of integrated office administrative services, building construction, construction, construction of roads and railway lines, construction of utility projects, construction work related to other civil engineering projects, site preparation, electrical installations, cultivation of tropical and subtropical fruits, support activities for crop production, cultivation of cereals except rice, leguminous crops and oilseeds, cultivation of other non-permanent crops, road transport of goods, warehousing, transportation and warehousing, wholesale for a fee or on a contract basis, wholesale of trade of agricultural raw materials and live animals, wholesale of agricultural machinery, equipment and supplies, other types of retail sale in non-specialized stores, wholesale of machinery and other equipment, wholesale of waste, scrap and other products not classified elsewhere, retail sale of food in specialized stores, sale of solid, gas, and liquid fuels and other related wholesale products, manufacturing flour mill products, and processing and preserving meat.

The following table sets out the ownership structure of Sulaiman Abdulaziz Al Rajhi International Company, as of the date of this Prospectus.

Table No. (4.12): Ownership Structure of Sulaiman Abdulaziz Al Rajhi International Company, as of the date of this Prospectus

Partner	Shareholding (%)	No. of Shares
Sulaiman bin Abdulaziz Al Rajhi Holding Company	100%	500
Total	**100%**	**500**

Source: The Company

4.8.2.1 Sulaiman bin Abdulaziz Al Rajhi Holding Company

Sulaiman bin Abdulaziz Al Rajhi Holding Company (single-person company) is a limited liability company, with a capital of two million Saudi Riyals (SAR 2,000,000), divided into two hundred thousand (200,000) shares, with a nominal value of ten Saudi Riyals (SAR 10) per share, registered under commercial registration No. 1010315289, dated 24/09/1432H (corresponding to 24/08/2011G), in Riyadh.

The main activities of Sulaiman bin Abdulaziz Al Rajhi Holding Company (single-person company) include managing its subsidiaries or participating in the management of other companies in which it contributes and providing the necessary support thereto, investing in stocks and other securities, owning the necessary real estate and movables to carry out its activity, providing loans and guarantees, financing its subsidiaries, and owning and exploiting industrial property rights such as patents, trademarks, industrial trademarks, franchise rights, and other moral rights, and leasing them to its subsidiaries or other parties.

The following table sets out the ownership structure of Sulaiman bin Abdulaziz Al Rajhi Holding Company (single-person company), as of the date of this Prospectus.

Table No. (4.13): Ownership Structure of Sulaiman Abdulaziz Al Rajhi Holding Company, as of the date of this Prospectus

Partner	Shareholding (%)	No. of Shares
Suliman bin Abdulaziz Al Rajhi Endowment Foundation	100%	200,000
Total	**100%**	**200,000**

Source: The Company

4.8.2.2 Sulaiman Bin Abdulaziz Al Rajhi Endowment Foundation

Sulaiman Bin Abdulaziz Al Rajhi Endowment Foundation is a Saudi sole proprietorship, with a capital of fifty thousand (SAR 50,000) Saudi Riyals, registered under commercial registration No. 1010315110 dated 22/09/1432H (corresponding to 22/08/2011G), in Riyadh.

The Foundation was established pursuant to executed endowment deed No. 32133934 dated 15/06/1432H corresponding to 17/06/2011G from the General Court in Riyadh, and is a non-profit foundation.

4.8.3 The National Agricultural Development Company (NADEC)

The National Agricultural Development Company (NADEC) is a listed joint-stock company, with a capital of one billion and sixteen million and four hundred thousand Saudi Riyals (SAR 1,016,400,000), divided into one hundred and one million six hundred and forty thousand (101,640,000) shares, of equal nominal value of ten Saudi Riyals (SAR 10) per share, registered under commercial registration No. 1010018795 dated 26/12/1398H (corresponding to 26/11/1978G), in Riyadh.

The main activities of the National Agricultural Development Company (NADEC) include the following:

- Commercial agricultural and food production of plant and animal quality using scientific methods, such as growing grains, vegetables, fruits, and feed, producing raw milk and its derivatives, juices, and drinking water, raising livestock and poultry, etc., and marketing them for commercial purposes.
- Reclamation of agricultural lands to achieve the above purpose.

- Manufacturing, storing, canning and marketing agricultural products for commercial purposes. In order to achieve its objectives, the Company may own real estate, agricultural lands, means of transportation, and establish facilities and maintenance workshops to the extent required by its work.
- Establishing silos, manufacturing flour, baked goods, pastries, sweets, and other bakery products, and marketing and distributing them for commercial purposes.
- Importing and exporting agricultural, animal and food products.
- Renting, owning, using and maintaining warehouses and food preservation refrigerators.
- Transporting the Company's agricultural, animal and food products inside and outside cities.
- Establishing and repairing irrigation and watering canals, main water storage towers, and drilling and maintaining water wells.
- Extending, maintaining and repairing irrigation pipes.
- Operating irrigation systems for agricultural projects.

The following table sets out the ownership structure of the Substantial Shareholders of the National Agricultural Development Company (NADEC), as of the date of this Prospectus.

Table No. (4.14): Ownership Structure of the Substantial Shareholders of the National Agricultural Development Company (NADEC), as of the date of this Prospectus

Shareholder	Shareholding (%)	No. of Shares
Saudi Agricultural and Livestock Investment Joint Stock Company	38.648%	116,577,827
The Public*	61.352%	185,062,173
Total	**100%**	**301,640,000**

Source: The Company

*Includes the ownership of the members of the Board of Directors of the National Agricultural Development Company (NADEC).

4.9 Subsidiaries

As of the date of this Prospectus, the Company does not have any subsidiaries.

4.10 Overview of the Company's Activities

The Company was established with the purpose of producing wheat and feed products and supplying them across the Kingdom. The main business activities of the Company include the production and storage of flour, other wheat derivatives, and animal feed. The Company strives to meet the needs of its customers in the Kingdom, adhering to the highest quality standards according to the specifications set by the General Food Security Authority (GFSA), the Saudi Food and Drug Authority (SFDA), and the GCC Standardization Organization (GSO).

The Company owns two trademarks for its products, namely "Finah" and "Kamil." The "Finah" trademark is used for its food products, including various types of flour, semolina, wheat germ, and wheat bran intended for human consumption. On the other hand, the "Kamil" trademark is used for its feed products, including poultry feed, livestock feed of various types, and wheat bran intended for animal consumption. All company products are provided through a network of authorized distributors and retail stores across the Kingdom. Some products are also sold directly to customers from its plants or affiliated distribution centers.

The Company has a wide customer base, including large companies, wholesale and retail traders, and individuals. In its operations, the Company relies on its three plants equipped with the latest technologies strategically located in Riyadh (in the central region of the Kingdom), Hail (in the northern region), and Jazan (in the southern region). As of the date of this Prospectus, the total production capacity of the Company's plants is approximately 4,920 tons of flour per day, and the total feed production capacity is around 600 tons per day.

4.10.1 Key Performance Indicators

The following table sets forth the Company's key performance operating metrics for FY21G, FY22G and FY23G.

Table No. (4.15): The Company's Key Performance Indicators

Key Performance Indicator	FY21G	FY22G	FY23G
Sales volume (million tons)	1.07	1.3	1.4
YOY% volume growth	(0.23%)	25.29%	7.7%
Revenue (million SAR)	640.8	902.8	862.1
Revenue growth during the year/period (%)*	4.56%	40.89%	(4.51%)
Annual milling capacity (ton of wheat) (on the basis of 300 Business Days)**	1.3	1.3	1,5
Milled wheat	1,021,368	1,309,108	1,337,407
Milling Production Efficiency**	77%	95%	89%
Revenue per ton (SAR/ton)	595.36	669.52	492,31
Revenue growth per ton during the year/period (%)	4.80%	12.46%	(26.47%)
Flour production (tons)	752,154	963,750	1,010,626
Bran production (tons)	282,705	349,876	325,231
Feed production (tons)	157,089	175,063	119,265

Source: The Company

* Calculated on the basis of the current year minus the previous year divided by the previous year.

** The capacity of wheat milling was calculated on the basis of 300 days per year.

4.10.2 Production Operations

4.10.2.1 Overview of Flour Production

The Company commences flour production operations by utilizing wheat grains supplied by GFSA. The grains undergo weighing and inspection to ensure compliance with the required specifications before being transported to the Company's silos. Subsequently, the wheat grains are transferred to the Company's mills, where a sorting process takes place to remove metals and impurities using various suction and sieving equipment. Quality control measures, including monitoring the wheat's quality specifications and moisture levels, are implemented at multiple stages. The wheat undergoes milling through automatic mills with high-end technology, separating the flour from wheat bran and wheat germ in each stage. Regular samples are taken from each milling stage to examine the flour's quality, monitor gluten and protein levels, and conduct other chemical, physical, and biological tests. Before packaging the flour, vitamins and minerals are added as per the GFSA standards. The flour is then weighed and stored in the Company's silos. Subsequent thereto, the flour is packaged into containers or bags based on the specified weights. Bulk packaging is also done for delivery to customer-affiliated transport trucks.

During the financial years ended 31 December 2021G, 2022G, and 2023G, the Company employed a continuous production method for its flour production operations, which involves continuous filling of the milling machines with raw materials, step by step, until the final products are extracted.

4.10.2.2 Overview of Feed Production

The Company utilizes secondary products resulting from the flour milling process, including wheat bran, along with other materials such as corn, soybean meal, and alfalfa, to produce a range of animal feed products. The feed production process involves grinding and processing feed components through automated mobile platforms. The Company produces both ground and cubed feeds. Initially, raw materials are weighed using highly accurate machines, and samples are taken from each to examine the quality thereof, monitoring levels of protein, minerals, fibers, moisture, and other chemical, physical, as well as biological tests. Subsequently, grinding and production processes take place using high-tech specialized devices. The feed grinding step is crucial in creating a uniform mixture that facilitates easy digestion for animals. A portion of the ground feed is allocated as a final product, while the remaining ground feed moves to the next stage, which is the pelleting phase, which is used to produce cubed feeds, where the ground feeds undergo steam cooking and are shaped through specialized devices in various sizes to suit different types of livestock or poultry. Finally, the cubed feeds are cooled, stored in designated silos, and then packaged in bags or containers, sold based on their weights and sizes, it is bulk-packaged in customer-affiliated transport trucks designated for this purpose. Additionally, the quality of the feeds is examined at each stage of the production process.

The Company also produces wheat bran prepared for animal consumption, which is among the secondary products resulting from the milling process. It is sold to the Company's customers after being packaged in bags according to weight and size. Additionally, it is bulk-packaged in customer-affiliated transport trucks designated for this purpose.

During the FY21G, FY22G, and FY23G, the Company relied on a batch process system for its feed production operations, which involves processing batches of raw materials in each operation until completion before releasing the next batch for processing.

4.10.2.3 Overview of the Production of Other Wheat Derivatives

The Company also produces other wheat derivatives, including semolina, wheat germ, and wheat bran prepared for human consumption. These secondary products resulting from the milling process are sold to the Company's customers after being packaged in bags or small containers, according to weight and size. The Company's sales of bran products are characterized by a 0% waste rate.

4.10.2.4 The Company's Plants

The Company relies on its three state-of-the-art plants strategically located in Riyadh (in the central region of the Kingdom), Hail (in the northern region), and Jazan (in the southern region). The total production capacity of the Company's plants is approximately 4,920 tons of flour per day, and the total production capacity for feed is about 600 tons per day. The Company's plants are adjacent to GFSA's storage silos, providing a significant advantage by allowing direct supply of wheat from GFSA's silos to the Company's silos through automated transporters. The Company's plants are subject to regular maintenance, and through the application of effective procedures to improve maintenance efficiency and reduce malfunctions, the Company was able to achieve a significant reduction in the aggregate mill downtime across its facilities by 81.1% from 11.98% in 2021G to 2.27% in 2022G.

The following table provides an overview of the Company's mills:

Table No. (4.16): Overview of the Company's Production Facilities

	Riyadh Facility	Hail Facility	Jazan Facility	Total
Year Established	1977G	1982G	2016G	-
Daily Wheat Milling Capacity (tons) (as of 30 December 2023G)	3,070	650	1,200	4,920
Annual Wheat Milling Capacity (tons) (on the basis of 300 Business Days)	921,000	195,000	360,000	1,476,000
Daily Feed Capacity (tons) (as of 30 December 2023G)	300	300	-	600
Silo Storage Capacity (tons) (as of 30 December 2023G)	80,000	50,000	72,000	202,000
FY22G Wheat Milled - pure flour (tons)	877,390	202,273	229,445	1,309,108
FY22G Milling Production Efficiency (tons)	639,826	149,667	172,848	962,342
FY22G annual production - animal feed (tons)	87,641	87,422	-	175,063
FY22G annual production - other (tons)	1,455	28	2	1,486
Revenue (SAR million), FY22G	575.8	179.6	147.4	902.8
As a % of total revenue, FY22G	64%	20%	16%	100%

Source: The Company

All of the Company's plants comply with regulatory standards, including those of GFSA and SFDA, which regularly inspect and approve these facilities. The Company is required to obtain approval from GFSA for any increase or decrease in its flour production capacity. Additionally, the Company has obtained Quality Management System certificates from the International Organization for Standardization (ISO). For more information about the Company's certificates, please refer to section 12.4 ("**Material Government Consents, Licenses and Certificates**") of this Prospectus. The Company's plants are equipped with the best milling equipment available globally from top international suppliers such as Buhler (Switzerland) and Ocrim (Italy).

4.10.2.4.1 Riyadh Facility

The Riyadh facility was inaugurated in 1977G, making it the oldest and largest facility within the Company. The Riyadh facility has the capacity to process all raw materials and produce all products within the Company's scope, primarily serving the both the Central and Eastern regions' markets of the Kingdom. As of FY23G, the storage capacity of the Riyadh facility's silos was 80,000 tons, with a daily wheat milling capacity of 3,070 tons and the ability to produce 300 tons of feed daily.

The Riyadh facility includes eleven silos for storing and preserving wheat, in addition to six independent mills that produce various types of flour. It also houses a dedicated feed production plant. Each flour mill and the feed production plant have control rooms for independently monitoring and controlling production processes, enhancing operational efficiency and ensuring product quality.

The Riyadh facility also includes thirteen production lines for packaging its products. This comprises three lines for packaging flour products in one-kilogram and two-kilogram weights, seven lines for packaging flour products in weights of ten kilograms, five kilograms, and forty kilograms, and three lines for packaging the company's feed products. The facility is equipped with warehouses for storing all its products.

The factory features six dedicated docks for handling and directly delivering products from the warehouses to the company's customers. Additionally, it has special stations to supply bulk products to customer-affiliated transport trucks. These docks include four docks for flour packaging, two docks for packaging wheat bran intended for animal consumption, and two docks for packaging feeds.

In 2022G, a new flour mill was established within the six flour mills of the Riyadh facility. This mill includes two distinctive production lines, one dedicated to producing whole-wheat flour, and the other employing traditional milling methods (stone milling) for producing fresh Chakki Atta flour.

The Riyadh facility The Riyadh factory is also distinguished by having the largest laboratory for quality control and assurance. Within the Riyadh facility laboratory, there is a dedicated section for research and development, which focuses on developing the Company's products and introducing new production methods focusing on high efficiency or for producing products with different characteristics. For more information on quality assurance and control, please refer to section 4.15 ("**Quality Assurance and Control**") of this Prospectus. The Riyadh facility complies with regulatory standards, including those of the SFDA and GFSA. It has also obtained quality management system certificates from the International Organization for Standardization (ISO).

4.10.2.4.2Hail Facility

The Hail facility was inaugurated in 1982G. The Hail facility has the capability to process all raw materials and produce all the products within the Company's scope of work. It primarily serves the markets of the Kingdom's northern region, strategically catering to one of the key regions for livestock and poultry breeders in the country. As of FY23G, the storage capacity of the Hail facility silos amounted to 50,000 tons, with a daily wheat grinding capacity of 650 tons and a feed production capacity of 300 tons.

The Hail facility includes fifteen silos for storing and preserving wheat, in addition to one mill that produces various types of flour. It also has a dedicated feed production facility. Both the flour mill and the feed production facility have control rooms to independently monitor and control production processes, enhancing the efficiency of production and quality control of the products.

The Hail facility also features six production lines for packaging its products. This includes three lines for packaging flour products in one and two-kilogram sizes, two lines for packaging the Company's feed products, and one line for packaging wheat bran prepared for both human and animal consumption. The facility is equipped with warehouses for storing all its products.

The facility includes three dedicated docks for handling and directly delivering products from the warehouses to the Company's customers. Additionally, there are special stations to supply specialized customer-affiliated transport trucks with bulk products. These docks consist of one dock for flour packaging, one dock for packaging wheat bran intended for animal consumption, and one dock for packaging feed.

The Hail facility also houses a laboratory for monitoring and ensuring the quality of its products. The facility complies with regulatory standards, including those of the SFDA and GFSA. The facility has obtained quality management system certificates from the International Organization for Standardization (ISO).

4.10.2.4.3Jazan Facility

The Jazan facility was inaugurated in 2016G and stands as the Company's newest facility. The Jazan facility has the capacity to produce all flour products and other wheat derivatives, primarily serving the markets of both the southern and western regions of the Kingdom. As of FY23G, the storage capacity for the silos at the Jazan facility amounted to 72,000 tons, while its wheat milling capacity reached 1,200 tons per day. The Jazan facility does not produce feed products.

The Jazan facility comprises fifty-four silos for storing and preserving wheat, in addition to two mills producing various types of flour. Each of the mills has control rooms for independent monitoring and control of production processes, enhancing the efficiency of production operations, operational processes, and product quality control.

The Jazan facility also includes six production lines for packaging its products, comprising four lines for packaging flour products in kilogram and two-kilogram sizes, and two lines for packaging wheat bran intended for both human and animal consumption. The facility has warehouses for storing all of its products. Additionally, the Company has recently leased and equipped a new warehouse in a location near the company, further enhancing its storage capacity.

The facility has one dedicated dock for handling and delivering products directly from the warehouses to the company's customers, along with special stations to supply bulk products to specialized customer-affiliated transport trucks.

The Jazan facility is equipped with a laboratory for monitoring and ensuring the quality of its products. It complies with regulatory standards, including those set by the SFDA and GFSA. The facility has obtained quality management system certificates from the International Organization for Standardization (ISO).

4.10.3 Company Products

4.10.3.1 Overview

The Company produces flour products, animal feed, and other wheat derivatives. The revenue from sales of flour products accounted for 61.1%, 54.3%, and 59.6% of the Company's total revenue for the financial years ended 31 December 2021G, 2022G, and 2023G, respectively. Revenue from feed sales constituted 17.9%, 22.2%, and 15.2% of the Company's total revenue for FY21G, FY22G, and FY23G, respectively. Meanwhile, revenue from the sales of other wheat derivatives amounted to 20.9%, 23.5%, and 25.2% of the Company's total revenue for the financial years ended 31 December 2021G, 2022G, and 2023G, respectively.

4.10.3.2 Flour Products

The Company produces various types of flour for diverse purposes, catering to a broad customer base consisting of individuals and wholesale traders. Flour products are manufactured based on market requirements and consumer preferences, with market demands being evaluated to determine production quantities accordingly. The Company uses its "Finah" trademark for its flour-based food products.

Flour types are typically classified based on their extraction rate from wheat. Flour is extracted from whole wheat grains during the milling process, where the nutritious starchy tissue elements in wheat grains are separated from bran and wheat germ. The remaining quantity of wheat grains after the flour extraction process is referred to as the "extraction rate." If the extraction rate is low, it means that a larger proportion of bran and wheat germ has been removed, resulting in a smoother and whiter flour. On the other hand, a higher extraction rate means that the flour contains more bran and wheat germ, making the flour coarser and closer to whole grains.

The Company produces the following flour varieties:

- Finah Baking Flour (Extraction 80%), used for all types of bread. The Company's sales of baking flour constitute 75.9% of flour sales, as of FY23G.
- Premium Finah Flour (Extraction 65%), used in the preparation of pastries and sweets.
- Premium Finah Flour (Extraction 70%), for various uses.
- Finah Pizza Flour (Extraction 70%), used in pizza preparation.

- Vitamin D Enriched Finah Flour (Extraction 70%), for various uses.
- Finah Shabbati Flour (Extraction 85%), used in Shabbati bread preparation.
- Premium Whole Wheat Finah Flour (Extraction 90% with added fine bran), used in some traditional Saudi Arabian dishes.
- Whole Wheat Finah Flour (Extraction 100%), used in popular dishes.
- Vitamin D Enriched Whole Wheat Finah Flour (Extraction 100%), used in brown bread production.
- Fresh Chakki Atta Finah Flour (Extraction 100%), used in the production of chips, tandoori bread, roti, paratha, and prata. It is the most commonly used flour in Indian cuisine.
- The Company sells its products either in bulk or in bags or packaging, with most of these bags or packages ranging in weight from 1 kg to 45 kg.

4.10.3.3 Feed Products

The Company utilizes a portion of the bran resulting from the flour milling process, as well as raw materials such as corn, soybean meal, and clover, in addition to various vitamins, minerals, and other nutritional supplements to produce a range of animal feed products, including poultry feed and livestock feed (such as cattle fattening feed, lamb feed, horse feed, foal feed, pigeon feed, rabbit feed, sheep and goat feed, and cattle feed). Furthermore, the Company sells wheat bran specifically prepared for animal consumption separately to its customers. The production of feed products is tailored to market requirements and consumer preferences, with market needs being assessed to determine production quantities. The company uses the trademark "Kamil" for its feed products.

These feed products are typically offered in large packages of 50 kg and are usually sold to feed dealers, livestock and poultry breeders, as well as associations dealing with livestock and poultry breeders across the Kingdom. The Company prides itself on producing high-quality animal feed products with a focus on the health of animals, which is a top priority for the company. The production of feeds is highly efficient, utilizing by-products from the flour milling process. Unlike the regulation of flour products, the sale of feed is not subject to regulation. Therefore, the Company has the ability to set prices for these products according to market demands. The Company considers the feed products market as highly promising, thanks to government incentives for agricultural producers to increase poultry and livestock production, aiming to improve self-sufficiency in the Kingdom.

Additionally, the Company offers wheat bran prepared for animal consumption to its customers in bulk or in large 40 kg packages. These are typically sold to feed producers, feed traders, farmers, and breeders of livestock and poultry, as well as associations dealing with these breeders.

4.10.3.4 Other Wheat Derivative Products

The Company produces a number of wheat-derived products, including the following:

- Semolina, which includes both fine and coarse semolina.
- Wheat bran prepared for human consumption.

4.10.4 Key Suppliers

Wheat is the primary raw material used in the production of the Company's products. The Company purchases wheat at fixed prices from GFSA, which, in turn, acquires it from local farmers in the Kingdom at a specified price. Additionally, the Company imports additional wheat from international suppliers to meet demand. Purchases of wheat from the General Food Security Authority constituted 31.7 38.3%, and 41.7% of the total raw material purchases for the Company for the financial years ended 31 December 2021G, 2022G and 2023G, respectively.

The Company purchases other raw materials including yellow corn used in the production of animal feed. These raw materials constituted approximately 19%, 32.3% and 25.2% of the Company's total raw material purchases for the financial years ended 31 December 2021G, 2022G and 2023G, respectively. The Company also purchases materials used in the production of animal feed, such as soybean meal, alfalfa, vegetable oils, and vitamins, from local suppliers most of the time.

Additionally, the Company acquires primary packaging materials, such as plastic and paper packaging, and food packaging, mainly from suppliers located within the Kingdom.

The Company maintains a reserve inventory of raw materials at its facilities to cover production requirements for a specific period of three months. The quantity of this reserve inventory of raw materials varies based on storage requirements and the shelf life of different goods. Additionally, the Company does not hold a significant reserve of wheat at its facilities since GFSA regulates and manages its wheat inventory. Therefore, the Company relies on GFSA to provide the necessary quantities of wheat at appropriate times (for further information, please see section 2.1.40 ("**Risks Related to the Concentration of the Company's Transactions with its Key Suppliers and its Reliance thereon**").

The following table illustrates the Company's top ten suppliers based on each supplier's contribution to purchases during the financial year ended 31 December 2021G:

Table No. (4.17): Company's top ten suppliers during the financial year ended 31 December 2021G

No.	Supplier	Source	Type of Contractual Relationship	Supply Value (SAR)	Supplied Products	Supply Percentage from Total Purchases
1	Supplier 1 for the financial year ended 31 December 2021G	Local	The Supply Contract Concluded Between the Company and the General Food Security Authority on 30/11/2020G	184,455,779	Wheat	31.69%
2	Supplier 2 for the financial year ended 31 December 2021G	Local	Purchase Orders	39,763,714	Yellow Corn and Soybean Meal	6.83%
3	Supplier 3 for the financial year ended 31 December 2021G	Local	Purchase Orders	32,429,002	Construction Services	5.57%
4	Supplier 4 for the financial year ended 31 December 2021G	Local	Short-term Contracts	18,117,537	Packaging Materials	3.11%
5	Supplier 5 for the financial year ended 31 December 2021G	Local	Purchase Orders	9,087,622	Yellow Corn and Soybean Meal	1.56%
6	Supplier 6 for the financial year ended 31 December 2021G	Local	Purchase Orders	5,557,640	Construction Services	0.95%
7	Supplier 7 for the financial year ended 31 December 2021G	Local	Purchase Orders	5,329,675	Prevention and Safety Materials	0.92%
8	Supplier 8 for the financial year ended 31 December 2021G	Local	Purchase Orders	3,718,680	Construction Services	0.64%
9	Supplier 9 for the financial year ended 31 December 2021G	Local	Purchase Orders	3,563,206	Yellow Corn and Soybean Meal	0.61%
10	Supplier 10 for The financial year ended 31 December 2021G	Local	Purchase Orders	2,842,819	Construction Services	0.49%
Total Supply Value: SAR 304,865,674						
Total Supply Percentage from Total Purchases: 52.37%						

Source: The Company

The following table illustrates the Company's top ten suppliers based on each supplier's contribution to purchases during the financial year ended 31 December 2022G.

Table No. (4.18): Company's top ten suppliers during the financial year ended 31 December 2022G

No.	Supplier	Source	Type of Contractual Relationship	Supply Value (SAR)	Supplied Products	Supply Percentage from Total Purchases
1	Supplier 1 for the financial year ended 31 December 2022G	Local	The Supply Contract Concluded Between the Company and the General Food Security Authority on 30/11/2020G	251,910,001	Wheat	38.30%
2	Supplier 2 for the financial year ended 31 December 2022G	Local	Purchase Orders	50,087,882	Yellow Corn and Soybean Meal	7.62%
3	Supplier 3 for the financial year ended 31 December 2022G	Local	Purchase Orders	11,545,977	Packaging Materials	1.76%
4	Supplier 4 for the financial year ended 31 December 2022G	Local	Purchase Orders	11,764,027	Prevention and Safety Materials	1.79%
5	Supplier 5 for the financial year ended 31 December 2022G	Local	Short-term Contracts	14,831,984	Yellow Corn and Soybean Meal	2.26%
6	Supplier 6 for the financial year ended 31 December 2022G	Local	Purchase Orders	17,487,102	Yellow Corn and Soybean Meal	2.66%
7	Supplier 7 for the financial year ended 31 December 2022G	Local	Purchase Orders	3,719,560	Transportation	0.57%
8	Supplier 8 for the financial year ended 31 December 2022G	Local	Purchase Orders	5,453,291	Packaging Materials	0.83%
9	Supplier 9 for the financial year ended 31 December 2022G	Local	Purchase Orders	5,056,667	Construction Services	0.77%
10	Supplier 10 for the financial year ended 31 December 2022G	Local	Purchase Orders	7,149,015	Yellow Corn and Soybean Meal	1.09%
Total Supply Value: SAR 379,005,506						
Supply Percentage from Total Purchases: 57.65%						

Source: The Company

The following table illustrates the Company's top ten suppliers based on each supplier's contribution to purchases during the financial year ended 31 December 2023G.

Table No. (4.19): Company's top ten suppliers during the financial year ended 31 December 2023G

No.	Supplier	Source	Type of Contractual Relationship	Supply Value (SAR)	Supplied Products	Supply Percentage from Total Purchases
1	Supplier 1 for the financial year ended 31 December 2023G	Local	The Supply Contract Concluded Between the Company and the General Food Security Authority on 30/11/2020G	245,618,022	Wheat	41.66%
2	Supplier 2 for the financial year ended 31 December 2023G	Local	Short-term Contracts	29,675,490	Yellow Corn and Soybean Meal	5.03%
3	Supplier 3 for the financial year ended 31 December 2023G	International	Purchase Orders	12,705,340	Maintenance Services and Spare Parts	2.16%
4	Supplier 4 for the financial year ended 31 December 2023G	Local	Purchase Orders	7,550,870	Production Materials	1.28%
5	Supplier 5 for the financial year ended 31 December 2023G	Local	Purchase Orders	7,505,042	Maintenance Services and Spare Parts	1.27%
6	Supplier 6 for the financial year ended 31 December 2023G	Local	Purchase Orders	6,693,628	Packaging Materials	1.14%
7	Supplier 7 for the financial year ended 31 December 2023G	Local	Short-term Contracts	5,164,807	Yellow Corn and Soybean Meal	0.88%
8	Supplier 8 for the financial year ended 31 December 2023G	Local	Purchase Orders	2,545,729	Packaging Materials	0.43%
9	Supplier 9 for the financial year ended 31 December 2023G	Local	Purchase Orders	1,821,387	Maintenance Services and Spare Parts	0.31%
10	Supplier 10 for the financial year ended 31 December 2023G	International	Purchase Orders	1,605,352	Maintenance Services and Spare Parts	0.27%
Total Supply Value: SAR 320,885,667						
Supply Percentage from Total Purchases: 54.43%						

Source: The Company

4.10.5 Standard Supply Terms

The Company entered into a supply agreement with GFSA on 30/11/2020G, in which GFSA undertook to supplying wheat to the Company for a period of 25 years. It is worth noting that the purchase price of wheat from the GFSA is linked to the price of flour sold to the Company's customers, leading to a specified profit margin for the Company when selling these products, which supports the purchase price compared to the market price of wheat (for more information, please refer to Table 12.12 ("**Wheat Supply Agreement ("WSA") between the Company and GFSA dated 15/04/1442H (corresponding to 30/11/2020G)**") on this Prospectus). The Company also standardizes its relationships with two other major suppliers through short-term supply contracts that include commercial terms such as product purchase prices, delivery and payment terms, contract duration, termination and renewal provisions (if any), and other terms (for more information, please refer to section 12.5 ("**Material Agreements**") of this Prospectus). The Company deals with seven other major suppliers based on purchase orders and invoices.

4.10.6 Distribution Channels

The Company developed robust distribution channels across the Kingdom. The Company owns three main distribution channels: the B2B sales channel, wholesale and retail sales channel, and the feed sales channel. The following table illustrates the distribution of the Company's revenues according to each distribution channel for FY21G, FY22G and FY23G:

Table No. (4.20): Net Distribution Channel Revenue

Distribution Channel	FY21G (SAR million)	FY22G (SAR million)	FY23G (SAR million)
B2B sales sector*	368.6	470	494
Wholesale and retail sales sector**	24.5	23.3	36.7
Feed sales sector	249.2	412.8	351.8
Total	**637.9**	**903.9**	**875.4**

Source: The Company

* It should be noted that the revenues of this sector include the revenues of sales sector to government entities.

** It should be noted that this sector is referred to in the financial statements as the retail sales sector.

4.10.6.1 B2B Sales Sector

GFSA regulates the Company's sales of subsidized / price-regulated flour products to eligible corporate and institutional customers. The Company obtains GFSA approval to register these customers, along with the selling price of flour and the allocated quantity for each customer. It is worth noting that the selling price of flour is standardized by GFSA. Following the guidelines of GFSA, and to be able to submit a registration request for new customers to thereto, the Company first conducts an evaluation process, which includes field visits to the facilities of any potential new customer, assessments of their production lines, production capacity, and an estimate of the weekly quantity of flour required based on their production capacity. After completing the assessment, it is submitted to GFSA for approval.

This channel is the Company's primary distribution channel, accounting for approximately 91.8% of its total sales as of FY23G. The customers in this distribution channel consist of companies that incorporate flour into their operations. These include large-scale industrial production companies, major commercial bakeries, as well as smaller entities such as restaurants, hospitality companies, and small bakeries. Flour is primarily distributed through this channel in 45 kg bags or in bulk quantities directly loaded into customer trucks. The Company sells its products through this channel either via GFSA-accredited distributors or by engaging directly with customers. The Company has more than 276 clients and 370 distributors in this distribution channel, which primarily focuses on flour sales.

4.10.6.2 Wholesale and Retail Sales Sector

The Company's sales of its products through the wholesale and retail sector are divided into four secondary distribution channels as follows:

- Modern Trade: Within this secondary distribution channel, the focus is on wholesale to customers from retail stores (hypermarkets and supermarkets) and other retail outlets.
- Wholesale Trade: In this secondary distribution channel, the Company sells its products to various wholesalers and local distributors.

- Direct Sales: Within this secondary distribution channel, the Company sells its products to local retail stores through its sales representatives.
- E-commerce: This secondary distribution channel targets individual customers directly through the Company's website (finahshop.com) and its mobile application (Finah), or through online stores and delivery apps that display the Company's products.

The sales sector specifically handles the Company's sales of flour and wheat derivatives.

4.10.6.3 Feed Sales Sector

The Company typically sells its feed products, including poultry feed and various types of livestock feed, to feed traders, livestock and poultry farmers, and associations dealing with livestock and poultry breeders throughout the Kingdom. This is done through dedicated sales facilities located in the Company's plant facility premises. Additionally, wheat bran intended for animal consumption is usually sold to feed producers, feed traders, farm owners, and livestock and poultry breeders, also through dedicated sales facilities within the Company's plant facility premises. In 2022G, the Company held a market share of 3.5% in the feed sector in terms of value.

4.10.7 Key Customers

The Company's sales to its top twenty customers (in terms of sales value), amounted to approximately SAR 211.1 million, SAR 310.9 million and SAR 326.1 million, representing approximately 32.9%, 34.4%, and 37.3% of the Company's total revenues for the financial years ended 31 December 2021G, 2022G, and 2023G, respectively.

The following table illustrates the Company's key customers based on their contribution to revenues during the financial year ended 31 December 2021G.

Table No. (4.21): Company's Key Customers During the financial year ended 31 December 2021G

No.	Customer	Distribution Channel	Type of Contractual Relationship	Net Sales Value (SAR)	Products Sold	% of Contribution to Revenue
1	Customer 1 for the financial year ended 31 December 2021G	B2B Sales Sector	Purchase Orders	36,961,115	Flour	5.77%
2	Customer 2 for the financial year ended 31 December 2021G	B2B Sales Sector	Purchase Orders	30,562,953	Flour	4.77%
3	Customer 3 for the financial year ended 31 December 2021G	B2B Sales Sector	Purchase Orders	18,004,960	Flour	2.81%
4	Customer 4 for the financial year ended 31 December 2021G	B2B Sales Sector	Purchase Orders	16,980,429	Flour	2.65%
5	Customer 5 for the financial year ended 31 December 2021G	Feed Sales Sector	Purchase Orders	12,655,938	Feed	1.98%
6	Customer 6 for the financial year ended 31 December 2021G	Feed Sales Sector	Purchase Orders	12,066,350	Bran	1.88%
7	Customer 7 for the financial year ended 31 December 2021G	Feed Sales Sector	Purchase Orders	11,960,775	Bran	1.87%
8	Customer 8 for the financial year ended 31 December 2021G	Feed Sales Sector	Purchase Orders	9,171,414	Bran	1.43%
9	Customer 9 for the financial year ended 31 December 2021G	B2B Sales Sector	Purchase Orders	9,057,198	Flour	1.41%

No.	Customer	Distribution Channel	Type of Contractual Relationship	Net Sales Value (SAR)	Products Sold	% of Contribution to Revenue
10	Customer 10 for the financial year ended 31 December 2021G	B2B Sales Sector	Purchase Orders	8,154,772	Flour	1.27%
11	Customer 11 for the financial year ended 31 December 2021G	Feed Sales Sector	Purchase Orders	5,783,600	Bran	0.90%
12	Customer 12 for the financial year ended 31 December 2021G	Feed Sales Sector	Purchase Orders	5,309,138	Bran	0.83%
13	Customer 13 for the financial year ended 31 December 2021G	B2B Sales Sector	Purchase Orders	5,121,885	Flour	0.80%
14	Customer 14 for the financial year ended 31 December 2021G	B2B Sales Sector	Purchase Orders	4,922,295	Flour	0.77%
15	Customer 15 for the financial year ended 31 December 2021G	Feed Sales Sector	Purchase Orders	4,652,325	Bran	0.73%
16	Customer 16 for the financial year ended 31 December 2021G	Feed Sales Sector	Purchase Orders	4,399,863	Bran	0.69%
17	Customer 17 for the financial year ended 31 December 2021G	Feed Sales Sector	Purchase Orders	4,040,475	Bran	0.63%
18	Customer 18 for the financial year ended 31 December 2021G	Feed Sales Sector	Purchase Orders	4,022,251	Bran	0.63%
19	Customer 19 for the financial year ended 31 December 2021G	B2B Sales Sector	Purchase Orders	3,661,032	Flour	0.57%
20	Customer 20 for the financial year ended 31 December 2021G	Feed Sales Sector	Purchase Orders	3,658,063	Bran	0.57%
Total Sales Value: SAR 211,146,831						
Percentage of Contribution to Revenues: 32.9%						

Source: The Company

The following table illustrates the Company's Key Customers based on their contribution to revenues during the financial year ended 31 December 2022G.

Table No. (4.22): Company's Key Customers During the financial year ended 31 December 2022G

No.	Customer	Distribution Channel	Type of Contractual Relationship	Net Sales Value (SAR)	Products Sold	% of Contribution to Revenue
1	Customer 1 for the financial year ended 31 December 2022G	B2B Sales Sector	Purchase Orders	40,203,160	Flour	4.45%
2	Customer 2 for the financial year ended 31 December 2022G	B2B Sales Sector	Purchase Orders	39,839,916	Flour	4.41%
3	Customer 3 for the financial year ended 31 December 2022G	Feed Sales Sector	Purchase Orders	24,179,196	Bran	2.68%
4	Customer 4 for the financial year ended 31 December 2022G	B2B Sales Sector	Purchase Orders	21,990,313	Flour	2.43%
5	Customer 5 for the financial year ended 31 December 2022G	Feed Sales Sector	Purchase Orders	20,227,788	Bran	2.24%
6	Customer 6 for the financial year ended 31 December 2022G	Feed Sales Sector	Purchase Orders	20,188,235	Bran	2.23%
7	Customer 7 for the financial year ended 31 December 2022G	Feed Sales Sector	Purchase Orders	17,204,848	Feed	1.90%
8	Customer 8 for the financial year ended 31 December 2022G	Feed Sales Sector	Purchase Orders	16,533,708	Bran	1.83%
9	Customer 9 for the financial year ended 31 December 2022G	B2B Sales Sector	Purchase Orders	15,413,974	Flour	1.71%
10	Customer 10 for the financial year ended 31 December 2022G	Feed Sales Sector	Purchase Orders	13,012,436	Bran	1.44%
11	Customer 11 for the financial year ended 31 December 2022G	B2B Sales Sector	Purchase Orders	12,583,808.00	Flour	1.39%
12	Customer 12 for the financial year ended 31 December 2022G	B2B Sales Sector	Purchase Orders	9,571,920.80	Flour	1.06%
13	Customer 13 for the financial year ended 31 December 2022G	Feed Sales Sector	Purchase Orders	8,605,990.00	Feed	0.95%
14	Customer 14 for the financial year ended 31 December 2022G	B2B Sales Sector	Purchase Orders	8,199,639.18	Flour	0.91%
15	Customer 15 for the financial year ended 31 December 2022G	Feed Sales Sector	Purchase Orders	7,938,663.10	Bran	0.88%
16	Customer 16 for the financial year ended 31 December 2022G	B2B Sales Sector	Purchase Orders	7,327,216.00	Flour	0.81%
17	Customer 17 for the financial year ended 31 December 2022G	B2B Sales Sector	Purchase Orders	7,040,803.93	Flour	0.78%

No.	Customer	Distribution Channel	Type of Contractual Relationship	Net Sales Value (SAR)	Products Sold	% of Contribution to Revenue
18	Customer 18 for the financial year ended 31 December 2022G	B2B Sales Sector	Purchase Orders	7,027,595.04	Flour	0.78%
19	Customer 19 for the financial year ended 31 December 2022G	Feed Sales Sector	Purchase Orders	7,016,193.30	Bran	0.78%
20	Customer 20 for the financial year ended 31 December 2022G	B2B Sales Sector	Purchase Orders	6,822,284.00	Flour	0.75%
Total Sales Value: SAR 310,927,687						
Percentage of Contribution to Revenues: 34.4%						

Source: The Company

The following table illustrates the Company's key customers based on their contribution to revenues during the fiscal year ended 31 December 2023G.

Table No. (4.23): Company's Key Customers During the fiscal year ended 31 December 2023G

No.	Customer	Distribution Channel	Type of Contractual Relationship	Net Sales Value (SAR)	Products Sold	% of Contribution to Revenue
1	Customer 1 for the financial year ended 31 December 2023G	B2B Sales Sector	Purchase Orders	46,074,034	Flour	5.26%
2	Customer 2 for the financial year ended 31 December 2023G	B2B Sales Sector	Purchase Orders	35,730,572	Flour	4.08%
3	Customer 3 for the financial year ended 31 December 2023G	Feed Sales Sector	Purchase Orders	22,775,764	Bran	2.60%
4	Customer 4 for the financial year ended 31 December 2023G	B2B Sales Sector	Purchase Orders	21,773,169	Flour	2.49%
5	Customer 5 for the financial year ended 31 December 2023G	Feed Sales Sector	Purchase Orders	20,888,799	Bran	2.39%
6	Customer 6 for the financial year ended 31 December 2023G	Feed Sales Sector	Purchase Orders	19,264,225	Bran	2.20%
7	Customer 7 for the financial year ended 31 December 2023G	B2B Sales Sector	Purchase Orders	18,948,065	Flour	2.16%
8	Customer 8 for the financial year ended 31 December 2023G	Feed Sales Sector	Purchase Orders	16,638,309	Bran	1.90%
9	Customer 9 for the financial year ended 31 December 2023G	Feed Sales Sector	Purchase Orders	15,967,227	Bran	1.82%
10	Customer 10 for the financial year ended 31 December 2023G	Feed Sales Sector	Purchase Orders	13,813,292	Bran	1.58%
11	Customer 11 for the financial year ended 31 December 2023G	Feed Sales Sector	Purchase Orders	12,512,414	Feed	1.43%

No.	Customer	Distribution Channel	Type of Contractual Relationship	Net Sales Value (SAR)	Products Sold	% of Contribution to Revenue
12	Customer 12 for the financial year ended 31 December 2023G	B2B Sales Sector	Purchase Orders	12,149,416	Flour	1.39%
13	Customer 13 for the financial year ended 31 December 2023G	Feed Sales Sector	Purchase Orders	10,774,098	Feed	1.23%
14	Customer 14 for the financial year ended 31 December 2023G	B2B Sales Sector	Purchase Orders	10,603,967	Flour	1.21%
15	Customer 15 for the financial year ended 31 December 2023G	B2B Sales Sector	Purchase Orders	9,401,815	Flour	1.07%
16	Customer 16 for the financial year ended 31 December 2023G	B2B Sales Sector	Purchase Orders	8,998,067	Flour	1.03%
17	Customer 17 for the financial year ended 31 December 2023G	B2B Sales Sector	Purchase Orders	8,101,056	Flour	0.93%
18	Customer 18 for the financial year ended 31 December 2023G	B2B Sales Sector	Purchase Orders	7,529,227	Flour	0.86%
19	Customer 19 for the financial year ended 31 December 2023G	Feed Sales Sector	Purchase Orders	7,412,989	Bran	0.85%
20	Customer 20 for the financial year ended 31 December 2023G	Feed Sales Sector	Purchase Orders	6,792,508	Bran	0.78%
Total Sales Value: SAR 326,149,013						
Percentage of Contribution to Revenues: 37.3%						

Source: The Company

4.11 Geographical Spread, Distribution Centers and Warehouses

The Company's most significant sales occur in the regions where its factories are located, specifically in Riyadh, Hail, and Jazan. The Riyadh facility primarily serves the markets of the Central and Eastern regions of the Kingdom, while the Hail facility caters to the Northern region markets. The Jazan facility serves the markets of the Southern and Western regions.

In late 2023G, the Company also opened its first distribution center in the city of Mecca. This strategic location was chosen to boost the Company's sales, benefiting from the high population density in the area. The distribution center offers various capabilities, primarily increasing the storage capacity for the Company's products, thereby enhancing its production capabilities. It caters to customer orders from major companies, wholesale and retail traders, and individuals. The distribution center facilitates order reception, invoicing, and direct customer service according to their needs, featuring a product display showroom. It helps ensure the efficient and timely delivery of the Company's products to customers, minimizing logistic costs, and improving customer satisfaction. Additionally, the distribution center allows the Company to reach a broader market and directly serve customers in regions where its facilities are not present. The Company aims to expand its network of distribution centers in alignment with its expansion plans and market requirements. Furthermore, the Company recently leased and equipped a new warehouse in a nearby area, enhancing its storage capacity. For more information on distribution centers and warehouses, please refer to section 12.4 ("**Material Government Consents, Licenses and Certificates**") of this Prospectus.(72)

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[72] As of the date hereof, the Company is still in the final stages of opening its distribution center and leasing its new warehouse. This section and the legal information section will be amended to align with any updates that may occur during the review of the draft prospectus.

4.12 Promotional, Marketing and Advertising Campaigns

The Company's marketing strategy for its "Finah" brand aims to make it the preferred brand for its customers while increasing the brand's value and characteristics, associating it with reliability, quality, and value. The Company endeavors to focus on consumer experiences, along with creating and monitoring advertising and marketing initiatives that consider customer preferences and habits across the Kingdom of Saudi Arabia. The Company implements an integrated communication model to attract various advertising channels and touchpoints, including digital media (such as social media platforms including Snapchat, Instagram, X, TikTok, and YouTube) and in-store displays (such as hanging logos, floor stickers, display screens, arches, and decorative shelves). The Company also utilizes a growth marketing approach, obtaining data from marketing campaigns to drive expansion, which helps the Company anticipate changes and plan for continuous development. A significant foundation for the effective execution of its marketing plan is the focus on digital marketing. Regular promotional posts on social media platforms and interaction with various influencers are key elements to increase the Company's customer base and attract more consumers. The Company also engages in periodic reviews of its shelf strategy with its leading retail partners.

4.13 Research & Development (R&D)

Research and development are key drivers towards the Company's future growth. The Company's Research & Development Department is responsible for formulating product development strategies, including Quality Department assessment of performance regularly by studying product samples to enhance quality and expand into additional product categories with added value, presenting them to the market. The Company strives to offer diverse and innovative products to meet market needs, focusing on increasing profitability and expanding the Company's product portfolio to include additional categories still under development. For more information, please refer to section 4.22 ("**Future Plans and Growth Opportunities**") of this Prospectus. The Company engages in continuous research & development activities to gain competitive advantages by developing new flour formulations for distinctive products and expanding its market share. The Company also plans to enhance its operational capacity by adopting equipment, tools, and new spare part purchase plans. In addition to these initiatives, the Company recruits experienced professionals in the milling industry and seeks technical consultations to improve its milling machines and capabilities.

Research and development operations involve several stages, starting with the ideation phase for new products or improvements to current products. Ideas can stem from various sources, such as consumer trends, market research, or external partners. The next stage involves concept development, which includes identifying the target market, defining product features and key benefits, and conducting initial feasibility assessments. Subsequently, the research and planning stage commences, involving intensive research procedures to gather relevant information through methods like competitor analysis and consumer surveys. The R&D team then formulates a detailed plan outlining project goals, timelines, and resource requirements. The formulation and prototyping stage follows, wherein the R&D team crafts the recipe or composition for the food product based on the concept. Initial models are created to test different formulations, enhance sensory characteristics, improve nutritional composition, and ensure product stability. Moving on, the testing and evaluation stage subjects the initial prototypes to rigorous tests and assessments to ensure agreement with required specifications. This includes sensory analysis, microbiological and chemical testing, nutritional analysis, and shelf-life studies. The expansion and production stage begins once the final formula is completed, focusing on expanding the production process, which involves adapting the recipe and production techniques to maintain product quality and efficiency.

Following this, the regulation and compliance stage involves monitoring product compliance with various regulatory requirements. Before the product is launched in the market, marketing and sales teams collaborate with R&D to design packaging materials, and in some cases, the product may be released on a limited scale to assess market acceptance. Finally, the product is launched into the market. Even after the product launch, R&D operations continue to improve the product based on consumer feedback, market trends, and emerging technology. Continuous research and monitoring help identify innovation opportunities and enhance cost-effectiveness and sustainability improvements.

4.14 Intellectual Property

The Company heavily relies on its trademark names to drive the success of its business and strengthen its competitive position in the market. As of the date of this Prospectus, the Company has registered eight (8) trademarks in the Kingdom that play a key role in its operations. These trademarks include "The Second Mills Company", "Ghazir", "Finah" (in orange), "Finah" (in green), "Finah" (in black),"Kamil"(in green)," Kamil"(in black), and the "Arabian Mills". For further information about the Company's trademarks, please refer to Section 12.10 ("**Intellectual Property**") and Section 2.1.14 ("**Risks Related to the Company's Ability to Maintain its Brand Reputation**") of this Prospectus.

4.15 Quality Assurance and Control

The Company's quality control team is responsible for ensuring the safety and quality of the products distributed to customers. The quality team comprises highly qualified individuals with previous experience working as quality controllers in the food sector, who possess the necessary expertise to assess the quality of a variety of products, each with different quality considerations and requirements. Quality control activities take place at the Company's three laboratories located within its facilities in Riyadh, Hail, and Jazan. The Company is committed to producing its products according to the highest quality standards, in compliance with the quality specifications set by the GFSA, SFDA, and the GCC Standardization Organization. Regular inspection visits are conducted by the GFSA (specifically for flour products) and the SFDA (for all other Company products except flour) to ensure Company compliance with guidelines and instructions regarding quality assurance and control.

The Company is committed to ensuring that customers receive high-quality products. Therefore, the quality assurance process extends across the entire supply chain, and quality assurance inspections are conducted based on the following stages:

- **Quality Testing for New Raw Materials**: After the procurement team identifies new suppliers for specific raw materials, the quality team obtains samples from these new suppliers and analyzes them based on accepted market quality standards. This includes various tests such as chemical tests (moisture content, protein, fiber) and physical tests (size, odor, ensuring freedom from insect infestation). After conducting the analysis, the quality team recommends the new supplier with the highest quality raw materials to the purchasing team who will coordinate the final approval of the new supplier. The procurement team then requests nutritional information and technical data sheets from the supplier, which the quality team reviews and analyzes to identify any issues and match them with the product specification. The quality team ensures that the supplier's technical data sheet complies with SFDA standards; otherwise, the use of these raw materials is not allowed. The supplier, if not already on the Company's list of approved suppliers, is subsequently approved after successful quality tests. Suppliers are evaluated by the Quality Department according to the specific procurement procedure defined by the International Organization for Standardization (ISO).
- **Quality Control during Production**: The quality assurance team examines and analyzes periodic samples of the Company's products during the production process. The Quality Department conducts regular sample inspections and adheres to a schedule for external quality checks by sending random samples to external laboratories to verify the sample's quality within the physical, chemical, or microbial parameters.
- **Quality Control during Storage**: The quality assurance team continuously monitors the temperature of each storage area during the product storage period, ensuring compliance with proper storage standards to maintain the original product quality throughout the storage period.
- **After Sales Quality Control**: The quality assurance team conducts regular visits to warehouses of major customers to monitor the quality of product storage and preservation according to the regulations and standards related to food storage and safety.

4.16 Environment, Health and Safety

The Company is committed to excellence in matters related to the Environment, Health, and Safety (EHS) by prioritizing safety and environmental protection in all its operations, plans, and decisions. Therefore, the Company has adopted comprehensive systems and procedures in all its activities for responsible management of EHS matters, taking into account environmental, health, and safety considerations. This is aimed at ensuring safe working conditions for employees, visitors, and contractors.

The Company was granted several certificates from the International Organization for Standardization (ISO), indicating that its EHS management system complies with global standards (for more information, please refer to section 12.4 "**Material Government Consents, Licenses and Certificates**" of this Prospectus). The Company follows an approach based on risk identification to avoid exposing employees, visitors, and contractors to injury or illness, and to protect the environment. This proactive approach helps identify controls and procedures to prevent any injury, illness, or environmental damage. The Company also implements an intensive training plan to ensure that employees have the necessary skills based on an assessment of needs, and conducts routine inspection and auditing operations to ensure compliance with EHS regulations. The Company monitors its adherence to procedures and standards related to environmental conservation, in accordance with specific EHS systems and procedures.

The Company's Quality Department oversees the systems and procedures related to EHS, following a risk-based approach to protect employees, visitors, and contractors from injury and illness, as well as to safeguard the environment. This proactive approach helps identify controls and procedures to prevent any injury, illness, or environmental damage. The Company also recognizes the environmental impacts resulting from its activities and operations. Therefore, the Quality Department supervises and ensures compliance with established procedures to deal with emissions, liquid waste, and solid waste at the source, to minimize the impact on the environment. The Company has installed state-of-the-art fire detection and firefighting systems in all its facilities, which undergo routine maintenance and monitoring in line with National Fire Protection Association (NFPA) standards. It is noteworthy that EHS considerations are a top priority for the Company when purchasing machinery and equipment.

The Company is actively working to enhance its performance in the field of environmental and social governance with the aim of expanding its customer base. The Company measures its performance in occupational health and safety against prevailing global standards, and monitors performance objectives and tracks them using a set of key performance indicators developed by its management as part of its strategies. Reports are regularly submitted, including the monitoring and evaluation of solutions, which are then reviewed and assessed by the Company's management. Risk assessment is conducted periodically and quarterly. The Company has established goals related to environmental, social, health, and safety governance, including the formation of a team to manage quality, health, safety, and the environment. The Company has developed auditable policies in the areas of health, safety, and the environment, and has also improved practices related to energy consumption, irrigation, handling of hazardous waste, and vaporization.

4.17 Employees

As of the financial year ended 31 December 2023G, the Company had 622 employees, of whom 228 were Saudi nationals. The following table sets out the distribution of the Company's employees in the financial years ended 31 December 2021G, 2022G and 2023G.

Table No. (4.24): Details of the Number of Company Employees

Sector	Department	Number of Employees								
		FY21G			FY22G			FY23G		
		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
Operations Management	1. Production 2. Engineering and maintenance 3. Projects and automation 4. Supply chains "storage-procurement-transportation"	510	141	369	395	69	326	397	88	309
Human Resources	1. Human resources 2. Support services	102	78	24	79	57	22	59	33	26
Sales	Sales	22	21	1	28	20	8	43	23	20
Marketing	Marketing	6	6	0	4	2	2	2	0	2
Quality Management	Quality	55	21	34	44	20	24	42	21	21
Legal Management	1. Legal and Compliance 2. Security, Safety, Occupational Health and Licenses	0	0	0	1	1	0	45	45	0
Financial Management	1. Accounts 2. Information technology	39	29	10	27	14	13	33	18	15
Internal Audit	Internal Audit	2	2	0	0	0	0	0	0	0
Total No. of Employees		**736**	**298**	**438**	**578**	**183**	**395**	**622**	**228**	**394**

Source: The Company

4.18 Nationalization Strategy

The Nationalization 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 (HRSD) 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 Nationalization requirements and are therefore entitled to a number of benefits, such as: obtaining, issuing 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 Nationalization requirements and may be subject to certain punitive measures, such as limiting their ability to renew non-Saudi employees' work licenses, transfer sponsorship of non-Saudi employees from other parties, or obtaining new work visas. As at the date of this Prospectus, the Company is updating the number of its employees and their distribution across its various departments at both the General Organization for Social Insurance (GOSI) and the Ministry of Human Resources and Social Development (MHRSD), which may result in a change of its Nationalization rate and therefore its categories. For more information, please refer to Section 2.2.8 ("**Risks Related to Nationalization, Non-Saudi Employees, and Other Labor Law Requirements**") of this Prospectus.

By virtue of its position as a leading Saudi company, the Company plays a major role as a national leading company in sponsoring and empowering national cadres in line with the Saudi Vision 2030 and in the implementation of the Nationalization resolutions issued by the Ministry of Human Resources and Social Development (MHRSD). The Company's Nationalization strategy is centered on nurturing and developing Saudi talents in the food and feed industry. For that purpose, the Company has developed numerous initiatives in order to meet and exceed the required Nationalization Rate. The objectives of the Company's Nationalization strategy include increasing the ratio of its Saudi employees, training them and qualifying them to provide them with the required skills, in addition to developing strategic partnerships with institutes and universities to provide appropriate educational and training opportunities according to operational needs, developing initiatives to present the field of flour milling and increase its attractiveness in the labor market, while encouraging innovation in the local industry and supporting research and development to develop new technologies and innovative local products to attract outstanding competencies.

The following tables sets out the Nationalization Rates and Nitaqat category of the Company and its branches, as at the financial year ended 31 December 2023G.

Table No. (4.25): Nationalization Ratios of the Company as of the Financial Year Ended 31 December 2023G

Branch	Activity	Sub-activity	Nitaqat Category	Nationalization Rate
Head Office	Wholesale and retail	Trade of special and healthy food	Medium Green	40.08%
Riyadh Branch	Industries	Manufacture of other food products not elsewhere classified	Medium Green	30.9%
Hail Branch	Industries	Manufacture of cattle feed	Medium Green	30.9%
Jazan Branch	Wholesale and retail	Trade of special and healthy food	Medium Green	30.9%

Source: The Company

4.19 Business Activities or Assets in Other Jurisdictions

As at the date of this Prospectus, the Company has no commercial activities or assets in other jurisdictions beyond the Kingdom.

4.20 Certificates

The Company has been awarded several ISO certifications for its production facilities in Riyadh, Hail, and Jazan. For further information about these certifications, please refer to Section 12.4 ("**Material Government Consents, Licenses and Certificates**") of this Prospectus.

4.21 Company Departments

The Company operates its business through several different departments and administrative divisions, as follows:

4.21.1 Operations Department

The Operations Department is responsible for the Company's production-related work, including sourcing, materials management, operations planning, inventory, distribution, logistics, demand forecasting, order fulfillment, product development, technical service provision and other related functions. This department includes engineering and maintenance division, production division, project and automation division, and supply chain division that includes warehousing, procurement and logistics services.

4.21.2 Human Resources Department

The Human Resources Department is responsible for managing the Company's human resources through an innovative and flexible approach to the sound management of human and strategic resources, and provides support to and supervises the workforce within the Company. Some of the tasks carried out by the Human Resources Department are the following:

- Searching for suitable employees and selecting them for various jobs.
- Providing special trainings for employees and developing their performance.
- Following up and evaluating employees' performance and identifying potential room for improvement.
- Managing employees' salaries, incentives, and benefits.
- Developing and updating policies related to work as well as employees' rights and responsibilities.
- Ensuring the suitability and convenience of the workplace for employees.
- Dealing with personal issues or problems encountered by employees.
- Updating and developing HR management systems and programs to meet the Company's changing needs, on an ongoing basis.
- Identifying future workforce needs and ensuring the availability of suitable staff to meet such needs and succession planning.

The Human Resources Department includes the Human Resources Operations division, the Recruitment division, the Payroll and HR IT division, the Job Performance and Training division, and the Support Services division which is responsible for providing support and auxiliary services (such as transportation, cleaning, office fit out, and work environment) to the Company's departments.

4.21.3 Legal Department

The Legal Department provides legal support to the Company and aims to help the Company achieve its strategic objectives in a lawful and legitimate manner, in order to preserve the Company's value and assets. The Legal Department provides advice on a wide range of strategic matters, involving business development, commercial activities, quality, and market entry, including:

- Providing sound legal advice on all matters related to existing and future businesses, including developing legal strategies to support business initiatives, and providing appropriate solutions to manage and mitigate the Company's exposure to legal risks in countries in which the Company operates.
- Identifying and analyzing, appropriate solutions for the global legal and business risks to which the Company is exposed as well as risks related to the Company's reputation; and ensuring that business strategies comply with applicable laws, regulations and align with the Company's policies.
- Providing guidance and suggesting appropriate structures when contracting and maintaining licensing agreements, strategic alliances, complex business transactions, mergers and acquisitions, and other business-to-business collaborations.
- Supporting the business development strategy by conducting legal due diligence for new opportunities, drafting and reviewing complex transaction documents and providing support in the negotiation phase.

- Providing legal advice and consultations on any existing or potential disputes; advising on whether the case shall be brought before courts or settled; and managing responses to all legal inquiries and investigations.
- Providing guidance and support to the Company Secretary on matters affecting Company governance, the General Assembly, and Board Committees, regarding the development and implementation of Company Governance policies and processes, as well as maintaining Company records and retaining and safeguarding documents.
- Providing support in reviewing public announcements, press releases, and annual reports, and advising the Company Management on media interaction, to ensure compliance with applicable laws.
- Identifying best practices to follow when making decisions, which is achieved by developing procedures and systems that help evaluate performance, submit reports, and monitor on a periodic basis; and striking to achieving a delicate balance between the interests of various stakeholders (be they shareholders, employees, or customers).
- Ensuring that the Company complies with all applicable laws and regulations, including monitoring new legislation, assessing any potential impacts resulting therefrom, and developing appropriate and compliant strategies.
- Ensuring that the Company operates in accordance with applicable local and international laws and regulations; following laws and regulations that may affect the Company's business and ensuring that the Company operates in accordance therewith.
- Conducting risk assessments by identifying and providing recommendations to mitigate potential risks related to non-compliance.
- Providing training to employees on compliance issues and how to deal with them.
- Dealing quickly and effectively with any deviations or violations of laws and regulations; identifying the grounds thereof and taking appropriate measures to avoid the recurrence thereof.
- Maintaining the safety and security of workers and property, as well as the health of employees during working hours. The Legal Department is responsible for ensuring the safety of employees and property through security patrols, the verification of identities, and the management of surveillance systems. This Department also develops and implements preventive measures to avoid potential accidents and ensure the employees' compliance therewith.
- Providing ongoing training to employees to raise awareness of the importance of safety in the workplace and how to deal with emergencies.
- Dealing with accidents if they occur, by investigating their causes and providing recommendations to avoid any recurrence in the future.
- Ensuring that the work environment is free of any sort of harm (whether environmental such as air quality, or physical such as exposure to chemicals) to the employees' health.

The Legal Department includes the legal affairs, compliance, security, safety, occupational health, and licensing.

4.21.4 Finance Department

The Finance Department is responsible for recording all the Company's transactions, preparing reports on its financial condition in accordance with IFRS-KSA endorsed in the Kingdom, facilitating the work of the treasury, and setting the Company's budgets and forecasts. In particular, the Finance Department is responsible for:

- Facilitating the task of setting the Company's budgets and forecasts, and monitoring compliance with such budgets.
- Ensuring that financial transactions are recorded correctly and in a timely manner, and that records are updated.
- Ensuring that financial reports are submitted on a monthly, quarterly and annual basis, within the required deadlines.
- Ensuring that fixed assets and inventory are correctly recorded in the books of accounts and properly maintained.
- Ensuring proper management of cash and debt service, financing needs, and availability of funds and liquidity to meet the Company's cash obligations.

- Managing and implementing a framework to allocate capital to assets and long-term investments in the best possible way.
- Establishing robust relationships with the Zakat, Tax and Customs Authority (ZATCA), complying with the standards thereof, and ensuring that the Company is able to properly meet applicable requirements.
- Facilitating the external audit, and ensuring that audits are completed within the required time frame.
- Leading business analysis, and managing cash flow and forecasting thereof.
- Managing period closing and reporting, including submitting statutory and third-party reports.
- Ensuring compliance with IFRS-KSA, and providing a true and fair view of the Company's financial performance.
- Complying with internal policies and procedures in order to support a robust internal control.
- Developing, maintaining and improving IT infrastructure, such as networks, servers and inventory systems.
- Ensuring that operating systems and software applications are installed, updated and maintained.
- Protecting data and information from cyber threats, through the development and implementation of security policies and procedures.
- Setting up a disaster recovery plans and ensuring business continuity during emergencies.
- Providing technical support to employees and resolving IT issues.
- Designing and developing customized software to meet the Company's needs.
- Managing and expanding the use of cloud technologies and hosted solutions.
- Protecting IT resources (such as data centers) from threats.
- Ensuring compliance with laws and regulations related to IT and cybersecurity.
- Providing trainings for employees on best practices in the field of cybersecurity.

The Finance Department includes accounts management, IT management and cybersecurity.

4.21.5 Internal Audit Department

The Internal Audit Department aims to improve the effectiveness of the Company's risk management, control and governance processes across all its business departments and functions. In particular, the Internal Audit Department evaluates and provides reasonable assurance that the risk management, control and governance systems are operating as intended to enable the Company's purposes and achieve its objectives. Moreover, the Internal Audit Department is responsible for identifying deficiencies in internal controls and making recommendations to improve the Company's operations, in terms of effective performance and efficiency, in addition to assessing the security of Information as well as risks associated therewith.

4.21.6 Sales Department

The Sales Department handles all tasks related to following up on the Company's sales, increasing and attracting additional customers, achieving sales goals, achieving a continuous balance between demand and supply for sales, examining the differences between the Company's profits and revenues, considering the market needs and requirements, meeting customers' needs, and developing the Company's products.

4.21.7 Marketing Department

The Marketing Department is responsible for developing the Company's marketing strategies, endeavoring to strengthen and improve the Company's reputation, brand, and projects with the aim of increasing the number of customers. Towards that end, the Marketing Department handles the communication with suppliers and customers through all communication channels, including social media. In addition, the Marketing Department is responsible for managing the Company's website, branding, and promotional materials.

4.21.8 Quality Department

The Company's Quality Department applies quality standards for products distributed to customers. The Quality Department is responsible for preparing periodic reports to measure quality, by subjecting product samples to various tests on a periodic basis, and adheres to a schedule for external quality checks by sending random samples to external laboratories to verify their quality with respect to the physical, chemical, or microbial conditions thereof. The Quality Department also supports the development of new products by ensuring that quality standards are met, and seeks to improve quality with suppliers. Random testing procedures are carried out during the processing and receipt of products from suppliers. Furthermore, this department is responsible for investigating customer complaints related to products.

4.22 Future Plans and Growth Opportunities

The Company intends to increase its market share with respect to its core product portfolio of flour, feed, and other wheat derivatives by leveraging its experience, production capabilities, in-depth knowledge of the food and feed market, as well as its successful relationships with many market players. The Company periodically considers broadening its geographic footprint across the different regions of the Kingdom, where its products are not widely available, by establishing additional distribution centers and warehouses, mainly in the Western, Eastern and Northern regions. In addition, the Company seeks to increase its production capacity by continuously expanding and upgrading its production facilities, and setting up new flour mills and new feed production plants with high production capacities of 600 tons and 400 tons per day, respectively, also setting up additional production lines, flour mills, or feed production facilities, according to market needs. Moreover, the Company strives to explore additional opportunities to expand its product portfolio and strengthen its brands and strategic partnerships, by entering new markets, such as pasta (including, for example, spaghetti, nocciole and vermicelli), ready-made mixes (including, for example, pizza mix, Arabic dessert mixes, and Western dessert mixes) and gluten-free products (including, for example, triangular flakes made from gluten-free corn, gluten-free cornflakes, and corn and rice penne). All of the above are part of the Company's strategies aimed at developing its business. For more information about the Company's strategies, please refer to Section 4.4 ("**Company Strategies**") of this Prospectus.

4.23 Business Continuity

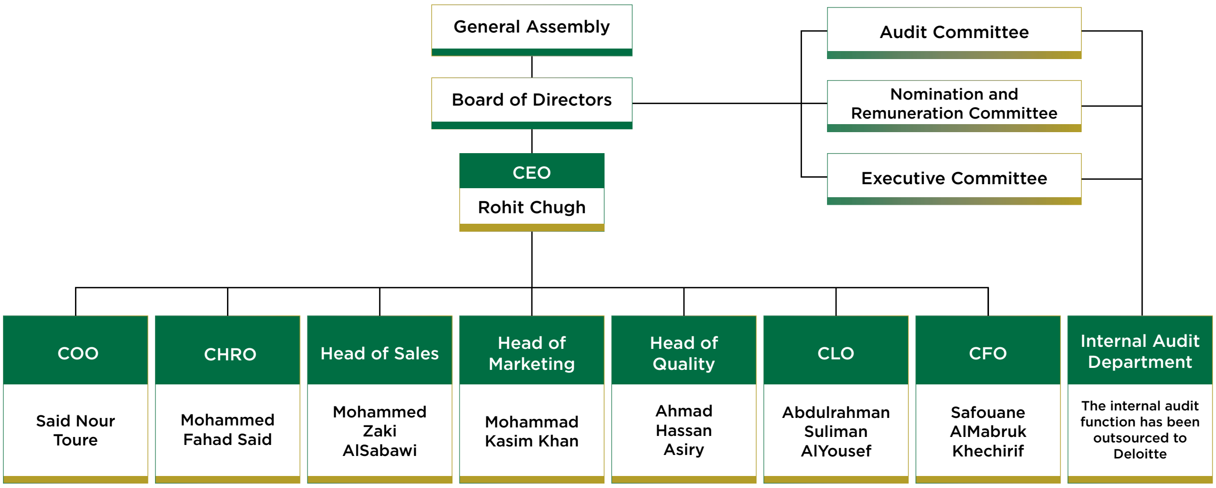
The Directors hereby acknowledge that there has been no suspension or interruption in the Company's business during the twelve-month period preceding the date of this Prospectus, which would affect or have a significant impact on the Company's financial position, and no material change in the Company or its business is contemplated as at the date of this Prospectus.

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, the Nomination and Remuneration Committee, and the Executive 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



Source: The Company

Table No. (5.1): The Company's Ownership Structure Pre- and Post-Offering

Shareholder Name	Shareholding (Pre-Offering)			Shareholding (Post-Offering)		
	No. of Shares	Direct Ownership	Par Value (SAR)	No. of Shares	Direct Ownership	Par Value (SAR)
Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company - Ajlan & Bros	25,723,254	50.13%	257,232,540	18,006,277	35.09%	180,062,770
Sulaiman Abdulaziz Al-Rajhi International Company	17,960,252	35.00%	179,602,520	12,572,176	24.50%	125,721,760
The National Agricultural Development Company (NADEC)	7,631,500	14.87%	76,315,000	5,342,050	10.41%	53,420,500
Public	-	-	-	15,394,503	30.00%	153,945,030
Total	**51,315,006**	**100.00%**	**513,150,060**	**51,315,006**	**100.00%**	**513,150,060**

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 nine (9) members who are natural persons, to be appointed by the Shareholders' Ordinary General Assembly for a period not exceeding four (4) years. The duties and responsibilities of the Board of Directors shall be defined in both the Company's Bylaws and the Company's Corporate Governance Manual in accordance with the Companies Law and the Implementing Regulations of the Companies Law for Listed Joint-Stock Companies, as well as the Corporate Governance Regulations.

As at the date of this Prospectus, the Board of Directors is comprised of nine (9) members. The Company's General Assembly appointed the current Board of Directors for a term extending from 05/11/2023G until 04/11/2027G.

The following table sets out the names of the Board members and particulars thereof, as at the date of this Prospectus.

Table No. (5.2): The Company's Members of the Board of Directors:

No.	Name	Nationality	Age	Position	Status	Direct Ownership		Indirect Ownership	
						Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
1	Ajlan bin Abdulaziz bin Ajlan Al-Ajlan	Saudi	63	Chairman	Non-executive	-	-	12.5325%(73)	8.7725(74)
2	Alaa bin Abdullah bin Mohammed Al-Hashem	Saudi	47	Vice-Chairman	Non-executive	-	-	-	-
3	Ali bin Abdul Rahman bin Tahih Al- Hazmi	Saudi	62	Member	Non-executive	-	-	-	-
4	Ahmed bin Ali bin Abdullah Al-Dakheel	Saudi	63	Member	Non-executive	-	-	-	-
5	Mohammed bin Abdulaziz bin Ajlan Al- Ajlan	Saudi	54	Member	Non-executive	-	-	12.5325%(75)	8.7725(76)
6	Solaiman bin Abdulaziz bin Saleh Al- Tuwaijri	Saudi	57	Member	Non-executive	-	-	-	-
7	Naif bin Abdulrahman bin Abdullah Al-Ajlan	Saudi	47	Member	Independent	-	-	-	-
8	Mishal bin Amar bin Abdulwahid Al-Khudairy	Saudi	36	Member	Independent				
9	Fahad bin Suleiman bin Abdulrahman Al-Nuhait	Saudi	42	Member	Independent				

Source: The Company

* The members of the Board of Directors were appointed at the Extraordinary General Assembly Meeting held on 21/04/1445H (corresponding to 05/11/2023G).

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[73] Mr. Ajlan bin Abdulaziz bin Ajlan Al-Ajlan holds a 12.5325% indirect ownership interest pre-offering, as a result of a 25% ownership interest in Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company - Ajlan & Bros, which, in turn, owns 50.13% of the Issuer's shares pre-offering.

[74] Mr. Ajlan bin Abdulaziz bin Ajlan Al-Ajlan holds a 8.7725% indirect ownership interest pre-offering, as a result of a 25% ownership interest in Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company - Ajlan & Bros, which, in turn, shall own 35.09% of the Issuer's shares post-offering.

[75] Mr. Mohammed bin Abdulaziz bin Ajlan Al-Ajlan holds a 12.5325% indirect ownership interest pre-offering, as a result of a 25% ownership interest in Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company - Ajlan & Bros, which, in turn, owns 50.13% of the Issuer's shares pre-offering.

[76] Mohammed bin Abdulaziz bin Ajlan Al-Ajlan will hold a 8.7725% indirect ownership interest post-offering, as a result of a 25% ownership interest in Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company - Ajlan & Bros, which, in turn, will own 35.09% 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:

5.1.2.1 Board of Directors:

The Company's Board of Directors represents all shareholders and shall act carefully and loyally when managing the Company, preserving its interests, fostering its growth, and increasing its value. The Board of Directors bears the responsibility for the Company's activities, and may delegate certain powers to committees, entities, or individuals. In all cases, the Board of Directors is not allowed to issue a general or indefinite-term delegation. The Board of Directors is responsible for leadership and guidance, adopting the Company's strategic goals and objectives, overseeing their implementation, managing risks, establishing an effective internal control system, monitoring performance, and preparing reports thereon.

According to Article 15 of the Company's Corporate Governance Manual, and considering the powers vested with the General Assembly, the Board of Directors shall have the broadest powers in managing the Company's affairs and overseeing all of its matters. The Board of Directors shall have, among others, the following powers:

- Formulating plans, policies, strategies, and key objectives for the Company, supervising their periodic implementation and review, as well as ensuring the availability of necessary human and financial resources, including:
  - Developing the Company's comprehensive strategy, major business plans, risk management policies, procedures, reviewing, directing, and guiding them.
  - Determining the optimal capital structure, financial goals, and approving various budget projections.
  - Overseeing major capital expenditures, asset ownership, and disposal.
  - Setting performance goals, monitoring execution, and assessing overall Company performance.
  - Regularly reviewing, approving organizational and functional structures.
  - Verifying the availability of necessary human and financial resources to achieve the Company's key goals and plans.
- Establishing and overseeing internal control systems and rules, including:
  - Establishing a written policy to address actual and potential conflicts of interest for members of the Board of Directors, executive management, and shareholders, including misuse of Company assets and facilities, as well as misconduct resulting from transactions with Related Parties.
  - Ensuring the integrity of financial and accounting systems, including systems related to financial reporting.
  - Implementing appropriate control systems to assess and manage risks, by creating an overall assessment of the risks the Company may face and fostering a Company-wide risk management culture, presenting them transparently to stakeholders and relevant parties associated with the Company.
  - Conducting an annual review of the effectiveness of the Company's internal control procedures.
- Developing clear and specific policies, standards, and procedures for Board membership, and implementing the same, subject to approval by the General Assembly.
- Establishing a written policy governing the relationship with stakeholders.
- Developing policies and procedures regarding the Company's compliance with regulations, disclosing essential information to shareholders and stakeholders, as well as ensuring Executive Management's compliance therewith.
- Supervising the financial management of the Company, its cash flows, and financial and credit relations with external parties.
- Proposing to the Extraordinary General Assembly any measures as deemed appropriate regarding the following:
  - increasing or decreasing the share capital of the Company; and
  - dissolving the Company before the end of its term as specified in its bylaws or deciding the continuity of the Company.

- Providing suggestions to the Ordinary General Assembly as to what it deems appropriate regarding:
  - using the reserve of the Company, if such has not been allocated to a specific purpose under the Bylaws;
  - forming additional financial allocations or reserves for the Company; and
  - the method of distributing the net profits of the Company.
- Ensuring the accuracy and integrity of the data and information which must be disclosed pursuant to the applicable policies and regulations in respect of disclosure and transparency;
- Developing effective communication channels allowing shareholders to continuously and periodically review the various aspects of the Company's businesses as well as any material developments;
- Preparing the Company's interim and annual financial statements and approving them before publishing them;
- Preparing the Board report and approving it before publishing it.
- Forming specialized committees of the Board pursuant to resolutions that shall specify the term, powers and responsibilities of such committees as well as the manner used by the Board to monitor such committees. Such resolutions shall also specify the names of the members and their duties, rights and obligations and shall evaluate the performance and activities of these committees and their members;
- Specifying the types of remunerations granted to the Company's employees, such as fixed remunerations, remunerations linked to performance and remunerations in the form of shares without prejudice to the Implementing Regulations of the Companies Law for Listed Joint Stock Companies;
- Notifying the Ordinary General Assembly while convening of the businesses and contracts in which any Board member has direct or indirect interest. The notification shall include the information provided by the member to the Board and shall be accompanied by a special report of the Company's external auditor.
- Setting the values and standards that govern the work at the Company.

5.1.2.2 Chairman of the Board of Directors

Pursuant to Article 12 of the Company's Bylaws, the Board of Directors shall, at its first meeting, appoint from among its members a Chairman, and may also appoint from among its members a Vice Chairman and a Managing Director. The Chairman shall have all the powers set forth under Article 12 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 Company's Corporate Governance Manual, the main responsibilities of the Chairman of the Board of Directors shall include the following:

- The Chairman of the Board shall be responsible for leading the Board and ensuring the performance of its duties.
- In particular, the Chairman of the Board shall have the following responsibilities:
  - Ensuring that the Board of Directors provides effective leadership and vision of the Company.
  - Ensuring participation by the Board of Directors in setting the Company's objectives, strategies and policies.
  - Ensuring the availability of an adequate control system, to follow-up and achieve the Company's objectives.
  - Directing the discussions of the Board of Directors in order to effectively make use of time and address the important issues of the Company.
  - Preparing agendas of the Board meetings, taking into consideration any matters raised by Board members or the auditor, and consulting with Board members and the CEO upon preparing the Board's agenda.
- Ensuring that the Board members are empowered and motivated to undertake their required role at meetings.
- Ensuring that the Board members have the opportunity to express their opinions.
- Ensuring that the Board members obtain adequate, clear, and accurate information in due course.

- Ensuring that all decisions are properly reflected in the minutes of meetings.
- Participating in the continuous development of the Board as a whole, and its members individually.
- Monitoring the Corporate Governance Regulations.
- Convening meetings of the Board of Directors whenever necessary.
- Ensuring that there are actual communication channels with shareholders and conveying their opinions to the Board.

5.1.2.3 Vice Chairman of the Board of Directors

The Vice Chairman of the Board of Directors shall replace the Chairman of the Board of Directors in his absence.

5.1.2.4 Board Secretary

The Board of Directors shall appoint a Secretary, whether from among its members or from outside the Board, and determine his duties, powers, and remuneration in its appointment resolution. The Secretary may not be dismissed except by a decision of the Board.

The responsibilities of the Secretary include the following:

- Documenting the Board meetings and preparing minutes therefor, which shall include the discussions and deliberations taking place during such meetings, as well as the place, date, and times on which such meetings commenced and concluded; 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 Chairman of the Board, all of the attending members and the Secretary;
- Retaining the reports submitted to the Board and the reports prepared thereby;
- Providing the Board members with the agenda of the Board meeting and related worksheets, documents and information and any additional documents and information related to the topics included in the agenda items, as requested by any Board member;
- Ensuring that the Board members comply with the procedures approved by the Board;
- 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 minutes to the Board members to provide their opinions on them before signing the same;
- Ensuring that the Board members receive, fully and promptly, a copy of the minutes of the Board's meetings as well as the information and documents related to the Company;
- Coordinating among the Board members;
- Regulating the disclosure register of the Board and Executive Management as per Article 89 of the Corporate Governance Regulations; and
- Providing assistance and advice to the Board members

5.1.2.5 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 not entered into any service or work contracts with members of the Company's Board of Directors. The Board members shall receive their remuneration in accordance with the provisions of the Company's Bylaws, the remuneration policy for members of the Board of Directors, members of the Board committees, and Executive Management from the Company's Corporate Governance Manual.

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.

5.1.4.1 Ajlan bin Abdulaziz bin Ajlan Al-Ajlan

Age:	63 years
Nationality:	Saudi
Current Position:	Chairman of the Board of Directors – Non-Executive
Appointment Date:	05/11/2023G
Academic Qualifications:	– Bachelor of Business Administration from Napier University, Scotland, 2019G. – Master of Business Administration from London Business School, 2003G.
Current Memberships:	– Chairman, Ajlan & Bros for Trading & Real Estate Investments Company, a limited liability company engaging in the field of investment and real estate development, from 1994G. – Chairman, Abdulaziz Al-ajlan Sons for Trading & Real Estate Investments Company, a closed joint stock company engaging in the field of sale and purchase of land and real estate, from 2002G. – Chairman, Ajlan & Bros Holding Group, a limited liability company engaging in the field of management of subsidiaries of holding companies, from 2015G. – Chairman of the Chamber of Commerce and Industry, Riyadh, from 2018G. – Board Member, Saudi Export Development Authority, a government body engaging in the field of non-oil Saudi exports, from 2020G.
Previous Memberships:	– Chairman, Federation of Saudi Chambers of Commerce, from 2020G until 2023G. – Chairman, Federation of Gulf Chambers of Commerce, from 2022G until 2023G. – Board Member, Saudi American Business Council, from 2020G until 2023G. – Member, Business Development Committee at the Chamber of Commerce and Industry in the Ministry of Commerce, from 2020G until 2023G. – Member, Follow-up and Monitoring Committee for the implementation of the National Employment plan in the public and private sectors, from 2020G until 2023G. – Chairman, Development Initiatives Committee of the Saudi Council of Chambers, from 2020G until 2023G. – Chairman, Arbitration Committee for the Settlement of Disputes between the Chambers of the Council of Saudi Chambers, from 2020G until 2023G. – Member, Riyadh Regional Council, from 2018G to 2020G. – Chairman, Economy and Development Committee of the Riyadh Regional Council, from 2018G until 2022G

Source: The Company

5.1.4.2 Alaa bin Abdullah bin Mohammed Al-Hashem

Age:	47 years
Nationality:	Saudi
Current Position:	Vice Chairman - Non-Executive
Appointment Date:	05/11/2023G
Academic Qualifications:	– Certified Manager Certificate, from the Institute of Directors, UK, 2016G – Master of Business Administration from Lancaster University, UK, 2003G. – Bachelor’s degree in Accounting from King Fahd University of Petroleum and Minerals, KSA ,1998G.
Current Executive Positions:	CEO, Sulaiman bin Abdulaziz Al-Rajhi Holding Company, a limited liability company engaging in the field of rehabilitation and structuring of administrative, financial and operational operations, from 2023G.
Previous Executive Positions:	– Managing Director, Center for Governance of the Public Investment Fund, a limited liability company engaging in the field of business consulting and services, from 2022G until 2022G. – Strategic Consultant, Roland Berger Company, a limited liability company engaging in the field of management consulting, from 2020G until 2020G. – Chairman of the Advisory Board, Roland Berger Company, a limited liability company engaging in the field of management consulting, from 2020G until 2020G. – Independent Consultant, from 2018G until 2020G. – Chairman of the Post-Investment Business at Malaz Capital Company, a closed joint stock company engaging in the field of investment and asset management, from 2016G until 2018G. – Independent Consultant, from 2014G until 2016G. – Principal and Head of Business Development, Deloitte Company, a professional consulting company engaging in the field of financial consulting, from 2013G until 2014G. – CEO, Gulf Real Estate Development Company, a closed joint stock company engaging in the field of real estate development, from 2009G until 2013G. – Director of New Business Development, Ahmed Hamad Al-Gosaibi & Bros Group, a general partnership engaging in the field of family investment management, from 2008G until 2009G. – Vice Chairman of Investment Banking Services at Arab Banking Corporation, a mixed gulf joint stock company engaging in the field of investment banking and asset management, from 2006G until 2008G. – Regional Director of Private Banking Services at the Saudi National Bank, a listed joint stock company, from 2003G until 2006G.
Current Memberships:	– Board Member, National Agricultural Development Company (NADEC), a public joint-stock company engaging in the agricultural and food production field, from 2024G. – Board Member, Center for Governance of the Public Investment Fund, a limited liability company engaging in the field of business consulting and services, from 2022G. – Member of the Audit Committee, Al-Balad Development Company, a closed joint stock company engaging in the field of real estate development, from 2022G. – Member of the Investment Committee, Al-Soudah Development Company, a closed joint stock company engaging in the field of infrastructure investment, from 2022G. – Board Member, Sulaiman bin Abdulaziz Al-Rajhi Holding Company, a limited liability company engaging in the field of rehabilitation and structuring of administrative, financial and operational operations, from 2021G. – Chairman of the Audit Committee, Awqaf Investment Company, a closed joint stock company engaging in investment and serving as the investment arm of the General Authority for Awqaf, from 2020G.

Previous Memberships:	– Member of the Audit Committee, Hail Region Development Authority, a government body, from 2022G until 2023G. – Board Member, Al-Ahsa Valley Investment Company Limited, a closed joint stock company engaging in the field of investment and asset management, from 2020G until 2021G. – Board Member, Saudi Technology Development and Investment Company, a closed joint stock company, from 2018G until 2021G. – Chairman, Algerian Saudi Investment Company, an Arab joint venture company owned by the governments of Saudi Arabia and Algeria engaging in the field of investment and asset management, from 2019G until 2021G. – Board Member, National Agricultural Development Company (NADEC), a listed joint stock company engaging in the field of agricultural and food production, from 2018G until 2021G. – Board Member, Emirates NBD, a branch of an Emirati company licensed by the Capital Market Authority, from 2019G until 2021G. – Member of the Audit Committee, Salama Cooperative Insurance Company, a listed joint stock company engaging in the field of insurance, from 2016G until 2020G.

Source: The Company

5.1.4.3 Mohammed bin Abdulaziz bin Ajlan Al- Ajlan

Age:	54 years
Nationality:	Saudi
Current Position:	Board Member - Non-Executive
Appointment Date:	05/11/2023G
Academic Qualifications:	Intermediate Certificate, from AlSharafia School, Riyadh, 1406H.
Current Memberships:	– Chairman, Saudi-Chinese Business Council, a council working on increasing commercial and economic exchanges between the private sectors in the Kingdom of Saudi Arabia and the People's Republic of China, from 2019G. – Vice Chairman, Ajlan & Bros Group, a limited liability company engaging in the field of management of subsidiaries of holding companies, from 2015G. – Chairman of the Executive Committee, Saudi-Chinese Business Council, a council working on increasing commercial and economic exchanges between the private sectors in the Kingdom of Saudi Arabia and the People's Republic of China, from 2015G. – Board Member, King Abdulaziz Public Library at Beijing University, People's Republic of China, from 2018G. – Vice Chairman, Ajlan & Bros for Trading & Real Estate Investments Company, a limited liability company engaging in the field of real estate investment and development, from 2007G. – Vice Chairman, Abdulaziz Al-Ajlan Sons for Trading & Real Estate Investments Company, a closed joint stock company engaging in the field of sale and purchase of land and real estate, from 2007G.
Previous Memberships:	Vice Chairman, Saudi-Chinese Business Council, a council working on increasing commercial and economic exchanges between the private sectors in the Kingdom of Saudi Arabia and the People's Republic of China, from 2015G until 2019G.

Source: The Company

5.1.4.4 Ali bin Abdulrahman bin Tahih Al-Hazmi

Age:	62 years
Nationality:	Saudi
Current Position:	Board Member - Non-Executive
Appointment Date:	05/11/2023G
Academic Qualifications:	– Master's degree in Mechanical Engineering from the University of Michigan, USA, 1984G. – Bachelor's degree in Mechanical Engineering from the University of Michigan, USA, 1982G.
Current Executive Positions:	CEO, Ajlan & Bros Holding Group, a limited liability company engaging in the field of management of subsidiaries of holding companies, from 2015G.
Previous Executive Positions:	– Governor of the Saline Water Conversion Corporation (SWCC), a Saudi government institution, from 2016G until 2020G. – Chairman, Saudi Aramco Refinery Company (SASREF), a limited liability company engaging in the field of petroleum from 2013G until 2016G. – General Manager, Ras Tanura Refinery Company, a limited liability company engaging in the field of petroleum from 2012G until 2013G. – Chairman and CEO, Saudi Aramco Base Oil Company (Luberef), a listed joint stock company, from 2011G until 2012G.
Current Memberships:	– Chairman, Al-Jubail International Water Company, a limited liability company engaging in the field of seawater conversion, from 2021G – Chairman, Bayahi Ajlan & Bros Food Company, a limited liability company engaging in the field of food from 2023G. – Chairman, Maghrabi Ajlan & Bros Food Company, a limited liability company engaging in the field of agricultural from 2023G. – Chairman, Al-Sharq Advanced Fertilizers Company, a limited liability company engaging in the field of fertilizer industry from 2023G. – Chairman, Advanced Gas Lines Company, a limited liability company engaging in the field of gas supply from 2023G. – Chairman, Green Edge Renewable Energy Company, a limited liability company engaging in the field of energy from 2023G.

Source: The Company

5.1.4.5 Ahmed bin Ali bin Abdullah Al-Dakheel

Age:	61 years
Nationality:	Saudi
Current Position:	Board Member - Non-Executive
Appointment Date:	05/11/2023G
Academic Qualifications:	– Bachelor's degree in Industrial Management Sciences, from King Fahd University of Petroleum and Minerals, KSA, 1985G. – Certificate of Advanced Project Management Systems in Project Management Systems, from the Toyo Academy of Engineering, Japan, 1986G.
Current Executive Positions:	CEO, Sulaiman Abdulaziz Al Rajhi International Investment Company, a limited liability company engaging in the field of agricultural investment, from 2020G.
Previous Executive Positions:	– CEO, Al Essa Advanced Project Company, a closed joint stock company engaging in the field of industrial projects, from 2014G until 2017G. – CEO, Al Babtain Power and Telecommunication Company, a listed joint stock company engaging in the field of industry, energy and communications, from 2012G to 2014G. – General Manager, Obeikan Industrial Investment Company, a closed joint stock company engaging in the field of industry and packaging, from 2006G until 2012G. – General Manager, Arak Healthcare Company, a listed joint stock company engaging in the pharmaceutical industry, from 1994G until 2005G. – Director of the Materials Handling Department, Ibn Al Baytar Company, a listed joint stock company engaging in the field of basic industry, from 1986G until 1993G.
Current Memberships:	– Member, Saudi Business Council for the West African Region from 2023G. – Chairman, Saudi Business Council for the Territory of Central Asian Region, and for Georgia, Azerbaijan and Armenia from 2022G. – Board Member, Sahara International Petrochemical Company (Sipchem International), a listed joint stock company engaging in the petrochemical field, from 2022G. – Chairman, Nomination and Remuneration Committee of Sahara International Petrochemical Company (Sipchem International), a listed joint stock company engaging in the petrochemical field, from 2022G. – Member, Saudi Business Council of the Republic of Uzbekistan, from 2021G. – Board Member, Sulaiman Abdulaziz Al-Rajhi International Investment Company, a limited liability company engaging in the field of agricultural and food investment, from 2020G. – Board Member, Al Watania for Industries Company, a closed joint stock company engaging in the field of manufacturing, from 2020G. – Member, Nomination and Remuneration Committee of Al Watania for Industries Company, a closed joint stock company engaging in the field of manufacturing, from 2020G. – Chairman, Al Rajhi International Company for Agricultural Investment in Egypt, a closed joint stock company engaging in the field of agricultural and food investment, from 2020G. – Board Member, Middle East Electrical Industries Company, a closed joint stock company engaging in the field of energy, from 2018G. – Member, Executive Committee of the Middle East Electrical Industries Company, a closed joint stock company engaging in the field of energy, from 2018G.
Previous Memberships:	– Managing Director and Board Member, Huntair Arabia, a limited liability company engaging in the industrial field, from 2014G until 2017G. – Managing Director and Board Member, Middle East Environmental Protection Company, a limited liability company engaging in the field of environment, from 2012G until 2015G. – Board Member, Dat-Con Company, Slovenia, a limited liability company engaging in the field of digital technology, from 2018G until 2021G.

Source: The Company

5.1.4.6 Solaiman bin Abdulaziz bin Saleh Al-Tuwaijri

Age:	57 years
Nationality:	Saudi
Current Position:	Board Member - Non-Executive
Appointment Date:	05/11/2023G
Academic Qualifications:	– Master's degree in International Sports Law from the Higher Institute of Law and Economics (ISDE), Spain, 2019G – PhD in Accounting, from Case Western Reserve University, USA, 1998G. – Master's degree in Accounting from the University of Illinois, USA, 1994G. – Bachelor's degree in Industrial Management, from King Fahd University of Petroleum and Minerals, KSA, 1990G.
Current Executive Positions:	CEO, of the National Agricultural Development Company (NADEC), a listed joint stock company engaging in the field of agricultural and food production, from 2021G.
Previous Executive Positions:	– CEO, Saudi Arabian Amiantit Company, a listed joint stock company engaging in the field of pipe industry, from 2008G until 2021G. – Managing Director, Saudi Arabian Amiantit Company, a listed joint stock company engaging in the field of pipe industry, from 2008G until 2018G. – General Manager, Al-Othman Agriculture Production And Processing Company (NADA), a closed joint stock company engaging in the field of agricultural and food production, from 2005G until 2008G. – Director of Joint Services, Zajoul for Advanced Communications Technology Company, a limited liability company engaging in the field of communications and information technology, from 2003G until 2005G. – Secretary General, the University Higher Education Fund, a government institution engaging in the field of higher education development, from 2001G until 2003G. – Chairman of the Accounting Department at King Fahd University of Petroleum and Minerals, a public university, from 2000G until 2001G.
Current Memberships:	– Member of the Audit Committee, Saudi Electricity Company, a listed joint stock company engaging in the field of generation, transmission and distribution of electric power, from 2018G. – Board Member, Walaa Cooperative Insurance Company, a listed joint stock company engaging in the field of cooperative insurance and reinsurance, from 2007G. – Chairman of the Executive Committee, Walaa Cooperative Insurance Company, a listed joint stock company engaging in the field of cooperative insurance and reinsurance, from 2016G. – Chairman of the Risk Committee, Walaa Cooperative Insurance Company, a listed joint stock company engaging in the field of cooperative insurance and reinsurance, from 2022G. – Board Member, Amiantit Group, a listed joint stock company engaging in the field of pipe industry, from 2021G. – Chairman, First Abu Dhabi Bank, a listed joint stock company engaging in the field of investment services, from 2021G. – Chairman of the Executive Committee, Saudi Fisheries Company, a listed joint stock company engaging in the field of agricultural and fish production, from 2023G. – Chairman of the Audit Committee, Prince Mohammed bin Salman Reserve, a government body engaging in the field of protection and rehabilitation of ecosystems, from 2021G. – Member of the Risk and Audit Committee, Makkah Region Development Authority, a governmental body engaging in the field of developing Makkah region, from 2021G. – Member of the Audit Committee, National Development Fund, a governmental body engaging in the field of financial sector, development funds and banks, from 2020G.

Previous Memberships:	– Board Member, National Agricultural Development Company (NADEC), a listed joint stock company engaging in the field of agricultural and food production, from 2018G until 2022G. – Member of the Nomination Committee, National Agricultural Development Company (NADEC), a listed joint stock company engaging in the field of agricultural and food production, from 2018G until 2021G. – Chairman of the Audit Committee, Chemical Development Company, a limited liability company engaging in the field of chemicals, from 2012G until 2015G. – Board Member, Amiantit Rubber Industry Company Limited, a limited liability company engaging in the field of pipe industry, from 2008G until 2021G. – Board Member, Amiantit fiberglass Industry Company Limited, a limited liability company engaging in the field of pipe industry, from 2008G until 2021G. – Board Member, Ameron Saudi Arabia Limited, a limited liability company engaging in the field of pipe industry, from 2008G until 2019G. – Board Member, Bondstrand Limited Company, a limited liability company engaging in the field of pipe industry, from 2008G until 2021G. – Board Member, Saudi Arabian Ductile Iron Pipes (SADIP), a limited liability company operating in the pipe industry, since 2008G until 2021G. – Member of the Board of Directors of the Saudi Arabian Concrete Products Company (SACOP), a limited liability company engaging in the field of pipe industry, from 2008G until 2021G. – Board Member, Fiberglass Pipes and Ductile Iron Pipes Limited Company, a limited liability company engaging in the field of the pipe industry, from 2008G until 2021G. – Member of the Audit Committee, of the Higher Education Fund, a government institution that works to develop higher education and support its institutions, from 2010G until 2012G. – Member of the Internal Audit Committee, Saudi Organization of Certified Public Accountants, a Saudi professional body, from 2009G until 2011G. – Member of the Audit Committee, Riyad Bank, a listed joint stock company, from 2005G until 2010G. – Member of the Executive Committee, Zajoul for Advanced Communications Technology Company, a limited liability company engaging in the field of communications and information technology, from 2004G until 2005G. – Board Member, Mulkia Investment Company, a closed joint stock company engaging in the field of financial and investment services, from 2015G until 2020G. – Chairman of the Audit Committee, Mulkia Investment Company, a closed joint stock company engaging in the field of financial and investment services, from 2015G until 2021G. – Vice Chairman, Takween Advanced Industries, a listed joint stock company engaging in the field of plastic industries, from 2011G until 2021G. – Chairman of the Executive Committee of the National Agricultural Development Company (NADEC), a listed joint stock company engaging in the field of agricultural and food production, from 2018G until 2021G. – Board Member, National Grid SA Company, a limited liability company engaging in the field of electric power transmission, from 2010G until 2012G. – Chairman, Infrastructure Engineering and Contracting Company, a limited liability company engaging in the field of contracting, from 2008G until 2021G. – Member of the Audit Committee, Alawwal Bank, a listed joint stock company engaging in the field of banking and financial services, from 2018G to 2019G – Member of the Nomination Committee, Institute of Finance & Management (IOFM), USA, an academic institution, from 2014G until 2015G. – Board Member, Institute of Finance & Management (IOFM), USA, an academic institution, from 2012G until 2018G.

Previous Memberships:	– Member of the Audit Committee, Institute of Finance & Management (IOFM), USA, an academic institution, from 2014G until 2018G. – Member of the Audit Committee, GIB Capital Company, a closed joint stock company engaging in the field of financial sector, from 2012G until 2013G. – Member of the Audit Committee, Al Khozama Management Company, a limited liability company engaging in the field of real estate investments, from 2009G until 2013G. – Chairman of the Audit Committee, Walaa Cooperative Insurance Company, a listed joint stock company engaging in the field of cooperative insurance and reinsurance, from 2007G until 2015G. – Chairman, Amiantit International Holding Company, a limited liability company engaging in the field of financial services, from 2008G until 2021G. – Chairman, Amiantit Management Company, a limited liability company engaging in the field of providing administrative services, from 2008G until 2018G. – Chairman, BWT Saudi Arabia Company, a limited liability company engaging in the field of construction, management and maintenance of water purification and sewage plants, from 2008G until 2018G. – Chairman, Ameblo Company, a closed joint stock company engaging in the field of in the pipe industry, from 2008G until 2018G. – Chairman, International Water Distribution Co. (Tawzea), a limited liability company engaging in the field of operating and maintaining water and sanitation facilities and providing municipal and industrial water solutions, from 2008G until 2021G. – Board Member, International Infrastructure Management and Operation Company Limited (AmiWater), a limited liability company engaging in the field of pipe industry, from 2008G until 2021G.

Source: The Company

5.1.4.7 Naif bin Abdulrahman bin Abdullah Al-Ajlan

Age:	47 years
Nationality:	Saudi
Current Position:	Board Member - Non-Executive
Appointment Date:	05/11/2023G
Academic Qualifications:	– PhD in Artificial Intelligence from the University of Waterloo, Canada, 2006G. – Master's degree in Electrical Engineering, from King Saud University, Riyadh, 2002G. – Bachelor's degree in Electrical Engineering, from King Saud University, Riyadh, 1998G.
Current Executive Positions:	Consultant, King Abdullah Institute for Consulting Studies and Research, a government body specialized in consulting, from 2000G.
Previous Executive Positions:	– Dean, King Salman Institute for Entrepreneurship, a government institute engaging in the field of entrepreneurship, from 2014G to 2016G. – Assistant Vice Chairman of Innovation, King Saud University, a public university engaging in the field of research and education, from 2009G until 2013G – Director of the Innovation Center, King Saud University, a public university engaging in the field of research and education, from 2008G until 2013G.
Current Memberships:	– Member, Digital Transformation Committee (DTC), Kafalah Program, a financing guarantee program for small and medium enterprises, from 2022G. – Member of the Board of Trustees, Riyadh Economic Forum, a non-profit forum engaging in the field of major economic policies and studies in the kingdom, from 2021G.
Previous Memberships:	– Member, Scientific Council, King Saud University, a public university engaging in the field of research and education, from 2018G until 2022G. – Member of the Executive Committee, for the preparation of the national strategy for the transition to the knowledge community, a government committee engaging in the field of strategic planning, from 2011G until 2013G. – Board Member, Riyadh Technology Valley Company, a limited liability company engaging in the field of investing creativity and innovation, attracting national competencies and employing them in various technical, service, knowledge and vital fields, from 2011G until 2012G.

Source: The Company

5.1.4.8 Mishal bin Amar bin Abdulwahid Al-Khudairy

Age:	36 years
Nationality:	Saudi
Current Position:	Board Member - Non-Executive
Appointment Date:	05/11/2023G
Academic Qualifications:	– Bachelor's degree in Commerce from McGill, Canada, from 2009G. – Real Estate Development Certificate in real estate studies from New York University, USA, 2014G. – General Certificate, dealing in securities (CME-1), from the Capital Market Authority, 2018G. – Certified Real Estate Appraiser Certificate, from the Saudi Authority for Accredited Valuers, in 2019G.
Current Executive Positions:	– Managing Partner, Advanced Development Real Estate Investments Company, a limited liability company engaging in the field of real estate development, from 2013G. – Real Estate Development Management Consultant, Malaz Capital Company, a closed joint stock company engaging in the field of portfolio management, from 2018G.
Previous Executive Positions:	Assistant Manager of the Transactions Department, PricewaterhouseCoopers, a professional consulting company, from 2010G until 2013G.
Current Memberships:	– Board Member, Diyar AlKhayyal Real Estate Development Company, a limited liability company engaging in the field of real estate development, from 2022G. – Board Member, Derayah REIT Fund, a closed-end real estate investment trust, from 2016G. – Board Member, Derayah Income-generating Real Estate Fund, a closed-end private real estate investment fund, from 2016G. – Board Member, Derayah Real Estate Fund, which is a closed private real estate investment fund, from 2016G.
Previous Memberships:	– Board Member, Mawten Real Estate Company, a closed joint stock company engaging in the field of real estate development, from 2019G until 2022G. – Member of the Nomination and Remuneration Committee, Mawten Real Estate Company, a closed joint stock company engaging in the field of real estate development, from 2021G until 2022G. – Board Member, Derayah Income-generating Real Estate Fund, a closed-end private real estate investment fund, from 2016G until 2018G.

Source: The Company

5.1.4.9 Fahad bin Suleiman bin Abdulrahman Al-Nuhait

Age:	42
Nationality:	Saudi
Current Position:	Board Member - Non-Executive
Appointment Date:	05/11/2023G
Academic Qualifications:	– Master's degree in Major Project Management from the University of Oxford, UK, 2022G. – Leadership Development Program Certificate, from Harvard University, USA, 2018G. – Master's degree in Financial Management, from the University of Newcastle, UK, 2009G. – Certified Financial Analyst (CFA) Certificate from the CFA Institute, 2017G. – Bachelor's degree in Business Administration, from King Saud University, KSA, 2003G.
Current Executive Positions:	CEO, Halal Products Development Company, a closed joint stock company engaging in the field of halal products investment, from 2023G.
Previous Executive Positions:	– General manager, Industrial Investments and Finance, NEOM, a closed joint stock company engaging in the field of developing NEOM project, from 2019G until 2023G. – General Manager, of Investments in Emerging Sectors, Saudi Arabian Industrial Investments Company (Dussur), a closed joint stock company engaging in the field of industrial investment, from 2017G until 2019G. – Head of the Investment Team, Arab Investment Company, a closed joint stock company engaging in the field of diversified investment, from 2013G until 2017G. – Chief Investment Manager, Arab Investment Company, a closed joint stock company engaging in the field of diversified investment, from 2010G until 2013G. – Director of Export Guarantee, Saudi Fund for Development, from 2005G until 2010G.
Current Memberships:	– Chairman, Saudi Coffee Company, a closed joint stock company engaging in the field of agriculture and retail, from 2021G. – Board Member, Al-Hammadi Investment Company, a listed joint stock company engaging in the field of health, from 2019G. – Board Member, BRF Arabia Company, a company under incorporation engaging in the field of meat, from 2023G. – Member of the Audit Committee, Nayifat Finance Company, a listed joint stock company engaging in the field of finance, from 2023G. – Member of the Nomination and Remuneration Committee, GDC Middle East Company, a closed joint stock company operating in the aviation sector, from 2019G.
Previous Memberships:	– Board Member, Saudi Jordanian Investment Fund (SJIF), a closed joint stock company engaging in the investment field, from 2021G until 2023G. – Board Member, Middle East and North Africa Fund of the International Finance Company, an investment fund engaging in the field of financial institutions, from 2014G until 2017G. – Board Member, Egyptian Propylene & Polypropylene Production Company (EPP), a closed joint stock company engaging in the petrochemical field, from 2014G until 2017G. – Board Member, PowerFest Fund, an investment fund between Ecopower Company and Saudi National Bank (AlAhli) (formerly Samba Financial), from 2015G until 2017G. – Board Member, International Company for Financial Leasing (Incolice), a listed joint stock company engaging in the field of finance, from 2013G until 2017G. – Board Member, Bedaya Mortgage Finance Company, a closed joint stock company engaging in the field of mortgage finance, from 2016G until 2017G.

Source: The Company

5.1.4.10 Abdulrahman Suliman Al-Yousef

Age:	41 years
Nationality:	Saudi
Current Position:	Secretary of the Company's Board of Directors
Appointment Date:	21/04/1445G (corresponding to 05/11/2023G)
Academic Qualifications:	– Bachelor's degree from the College of Shari'ah (Islamic Law) from Imam Mohammad Ibn Saud Islamic University (IMSIU), KSA in 2007G. – Diploma degree in Systems Studies (Occupational Master's degree) from the Institute of Public Administration, KSA, 2009G.
Current Executive Positions:	– General Manager of the Internal Audit Department in Charge of the Company, from 2023G. – Head of the Occupational Safety, Security and Health Department in the Company, from 2022G. – Head of the Legal Affairs and Compliance Department in the Company, since 2022G.
Previous Executive Positions:	General Manager of the Legal Affairs Department at Herfy Food Services Company, a listed joint stock company engaging in the field of food industry, from 2009G until 2022G.
Other Current Memberships:	– Member of the Saudi Bar Association from 2018G. – Member of the Saudi Judicial Scientific Association from 2016G. – Member of the Saudi Institute of Internal Auditors from 2024G.

Source: The Company

5.2 Company and Board Committees

The Board of Directors shall form committees in order to run the Company better. 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 of: the Audit Committee, the Nomination and Remuneration Committee and the Executive Committee formed by the Company's General Assembly.

The following is a summary of the structure, responsibilities and current members of each permanent committee.

5.2.1 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 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 also responsible for ensuring compliance with the Corporate Governance Regulations and practices issued by the CMA and the Company's Corporate Governance Manual. The most recent Charter of the Audit Committee was approved by the General Assembly on 29/05/1445H (corresponding to 13/12/2023G). The scope of the Committee's work shall include all actions that enable it to fulfil its functions, including:

- Analyzing the Company's interim and annual financial statements and providing its recommendations thereon to the Board of Directors 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 formation 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, any person assuming his duties, the Company's Compliance Officer or the external 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.
- Reviewing the external auditor's comments on the financial statements and monitoring the actions taken regarding them.
- Reviewing with Management and the external auditor the effect of regulatory and accounting initiatives on the Company's financial statements.
- Regularly reporting to the Board any issues that arise with respect to the quality or integrity of the Company's financial statements, compliance with legal or regulatory requirements, and the performance and independence of the external auditor.
- Reviewing the Company's general policies and procedures as well as internal and external auditor, to reasonably assure the adequacy of financial accounting principles and practices applied by the Company.
- Examining the effectiveness of the Company's internal control systems, including information security and control.
- Monitoring and overseeing the performance and activities of the Internal Auditor and the Company's Internal Audit Department, to ensure the availability of the necessary resources and their effectiveness in performing the assigned tasks and duties.
- Reviewing and commenting on significant additions or changes to existing policies and procedures adopted by the Management and providing opinion and recommendations thereon.
- Reviewing and analyzing the internal controls system and preparing a report about the adequacy of such system and other activities that it conducts within its competence. The Board shall make available sufficient copies of said report at the Company's head office at least twenty-one (21) days prior to date set for the General Assembly meeting, in order to provide each shareholder with a copy of said report.
- Recommending to the Board, on an annual basis, the nomination, dismissal, and remuneration of the Company's external auditors as well as reporting on their independence and any other relevant matter.
- Reviewing and confirming the independence of external auditors by obtaining statements from them on relationships between the external auditors and the Company, including non-audit services, and discussing the relationships with the external auditors.
- Reviewing external auditors' reports; working with and supporting the external auditors where practicable to provide an alternative communication link between the external auditors and the Board.
- Overseeing the arrangements for the completion of the year-end audited financial statements.
- Reviewing with the external auditor the audit plan (specifically the scope and approach of the proposed audit), including coordinating audit efforts with the internal auditor.
- Reviewing with the external auditor the audited financial statements covering the audit approach and accounting adjustments and providing recommendations for improving the internal controls and any other significant audit findings to the Board.
- Annually reviewing and evaluating the external auditor's qualifications, performance, and independence, including a review and evaluation of the lead partner, taking into account the opinions of the Company's Management and internal auditors, and present its conclusions to the Board.
- Reviewing the terms and specifications regarding any special audit consultancy assignment performed by the external auditors, and the remuneration pertaining thereto.
- On a regular basis, meeting with the external auditors to discuss specific matters that the Audit Committee or the auditors deem necessary to discuss in private.
- Setting the purpose, authority, and responsibility of the Internal Audit Department to provide and undertake the ongoing assessments of the Company's operations, risk management processes and internal controls system, in coordination with the senior management and Audit Committee.
- Recommending to the Board of Directors the appointment of the head of the Internal Audit Department, or an internal auditor, and proposing the remuneration thereof.

- Overseeing the Internal Audit Department's works and reviewing its charter, scope, efficiency, independence, objectivity, performance, and work plan. Reviewing with the internal auditor the results of the internal audit on a quarterly basis, or as deemed necessary, and reviewing periodical and annual internal audit reports.
- Reviewing the summary of all internal audit reports, including Management replies and the exceptions noted, and pursuing the implementation of corrective measures in connection with the comments outlined in the internal audit report.
- Supervising the Company's Internal Audit Department to ensure its effectiveness in executing its activities and duties.
- Reviewing and approving the annual audit plan and all major changes to the plan.
- Ensuring that there are no unjustified restrictions or limitations; reviewing and concurring on the appointment, replacement, or dismissal of the internal auditor.
- At least once per year, review the performance of the internal auditor and concur on the annual compensation and salary adjustment, if required.
- Reviewing the effectiveness of the Internal Audit Department, including compliance with the Institute of Internal Auditors' international standards for the professional practice of internal auditing.
- On a regular basis, meet with the internal auditor to discuss any matters that should be discussed privately according to the Audit Committee or the Internal Audit Department.
- Reviewing the effectiveness of the controls system, extent of compliance with laws and regulations, and the results of investigating and following up (including any disciplinary action) of any instances of non-compliance.
- Reviewing the findings of any examinations done by regulatory authorities and any auditor observations.
- 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.
- Raising issues to the Board of Directors where action is deemed necessary and making recommendations for actions to be taken.
- Reviewing the process for communicating the Code of Business Conduct and Ethics to Company's personnel, and for monitoring compliance therewith.
- Obtaining regular updates from Management and the Company's general counsel/advisor regarding compliance matters.
- Overseeing and enhancing the risk management framework adopted by the Company.
- 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 and maintaining written policies and procedures to identify, measure, monitor and control all major risks associated with the Company's operations and objectives.
- 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.
- Receiving the results of the annual study conducted by the internal auditor regarding the implementation of the Company's risk management policies and procedures and presenting recommendations for changes, if any issues are revealed in connection with management deficiencies or problematic methodologies used for measuring risks.
- Providing administrative oversight of all prudential reviews, following up on any administrative procedures required within the relevant areas of business, and ensuring that there is room for a more comprehensive and broader analysis of future risks, taking into account trends.
- Conducting a critical assessment of the Company's business strategies and plans from a risk perspective.
- Examining risk assessment and management policies, including the main financial risks faced by the Company and the measures taken by the Company's management to monitor and control these risks.

- Periodically reviewing key risk assessment activities, examining legal claims against the Company, and reviewing the Company's business continuity plan.
- Examining the effectiveness and/ or weaknesses of the Company's system of controls and security of the Company's information system and the status and adequacy of management information systems and other information technologies with management, external auditors and internal auditor.
- Consider and review any significant relevant findings and recommendations made by the external auditors and the Internal Audit Department, as well as management responses thereto; including consideration of the schedule for implementing recommendations to correct identified weaknesses in security controls and systems, including any significant risks related to key controls with management, external auditors and internal auditors.
- Reviewing coordinating audit efforts between the internal auditor and the external auditors to ensure that the audit includes the main system controls and risk areas related to IT controls.

The Audit Committee shall consist of at least three (3), and at most, five (5) Board members to be appointed by the Board of Directors for a period of four (4) renewable years, and shall begin and end in consistency with the Board's cycle, provided that the Committee shall include at least one (1) independent member, no executive member of the Board, and a competent member in financial and accounting affairs.

The following members were appointed to the Audit Committee pursuant to a Resolution of the Board of Directors on 30/04/1445H (corresponding to 14/11/2023G).

Table No. (5.3): Audit Committee Members

No.	Name	Position	Capacity
1	Solaiman bin Abdulaziz bin Saleh Al-Tuwaijri	Chairman of the Audit Committee	Non-executive Board member
2	Alaa bin Abdullah bin Mohammad Al-Hashem	Member of the Audit Committee	Non-executive Vice Chairman
3	Mishaal bin Ammar bin Abdulwahed Al-Khudairy	Member of the Audit Committee	Independent Board member

Source: The Company

The following is a brief overview of the Members of Audit Committee:

5.2.1.1 Solaiman bin Abdulaziz bin Saleh Al-Tuwaijri

Please refer to Section 5.1.4.6 for further details regarding the experience, and current and previous positions of Solaiman bin Abdulaziz bin Saleh Al-Tuwaijri.

5.2.1.2 Alaa bin Abdullah bin Mohammad Al-Hashem

Please refer to Section 5.1.4.2 for further details regarding the experience, and current and previous positions of Alaa bin Abdullah bin Mohammad Al-Hashem.

5.2.1.3 Mishaal bin Ammar bin Abdulwahed Al-Khudairy

Please refer to Section 5.1.4.8 for further details regarding the experience, and current and previous positions of Mishaal bin Ammar bin Abdulwahed Al-Khudairy.

5.2.2 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 Management team members, 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 29/05/1445H (corresponding to 13/12/2023G). The Committee's scope of work includes all duties designed to enable it to fulfil its functions, including:

- Providing recommendations to the Board for the nomination of its members, at the General Assembly meeting.

- Preparing a description of the capabilities and qualifications required for membership of the Board.
- Reviewing the structure of each Board committee and providing recommendations to the Board to approve the members to work as members of each committee.
- Providing job descriptions for the Executive, Non-Executive and Independent Directors and Senior Executives and setting procedures to be followed, if the position of a member of the Board or a Senior Executive becomes vacant; and
- Selecting, developing and evaluating potential candidates for Executive Management positions, including the CEO, and overseeing the development of succession plans for the Executive Management.
- Determining, on an annual basis, the extent of compliance of each member of the Board and Executive Management, with the Company's Code of Conduct and Ethics and reporting any violations thereof to the Board of Directors.
- Reviewing the structure and composition of the Board of Directors and Executive Management.
- Annually reviewing the skills and expertise required of the Board members and the Executive Management; determining the strengths and weaknesses of the Board and Executive Management and recommending remedy solutions that serve the Company's interests.
- Annually ensuring the independence of Independent Directors and the absence of any conflicts of interest if a Board member also acts as a member of the Board of directors of another company;
- Determining the strengths and weaknesses of the Board and recommending remedy solutions that serve the Company's interests.
- Preparing a clear policy for the remunerations of the Board members, its committees and the Executive Management, and presenting such policy to the Board in preparation for approval by the General Assembly
- The Committee shall have direct responsibility for recommending remuneration to the Board. In discharging this responsibility, the Committee shall seek to attract, motivate, reward and retain Directors of high integrity and superior ability who are focused on enhancing long-term shareholder value.
- Providing recommendations to the Board of Directors regarding the remuneration of the Board Committees and the Company's senior executives in accordance with the approved policy.
- Clarifying the relation between the paid remunerations and the adopted remuneration policy and highlighting any material deviation from that policy.

The Nomination and Remuneration Committee shall be composed of at least three (3) members and no more than five (5) members appointed by the Company's Board of Directors for a period of four (4) renewable years. The Nomination and Remuneration Committee term of office shall not exceed the term of the Board of Directors.

The following members were appointed to the Nomination and Remuneration Committee pursuant to a Resolution of the Board of Directors on 30/04/1445H (corresponding to 14/11/2023G).

Table No. (5.4): Nomination and Remuneration Committee Members

	Name	Position	Capacity
1	Fahad bin Suleiman bin Abdulrahman Al-Nuhait	Chairman of the Nomination and Remuneration Committee	Independent Board member
2	Mohammed bin Abdulaziz bin Ajlan Al- Ajlan	Member of the Nomination and Remuneration Committee	Non-executive Board member
3	Naif bin Abdulrahman bin Abdullah Al-Ajlan	Member of the Nomination and Remuneration Committee	Independent Board member
4	Solaiman bin Abdulaziz bin Saleh Al- Tuwaijri	Member of the Nomination and Remuneration Committee	Non-executive Board member

Source: The Company

The following is a brief overview of the Members of Nomination and Remuneration Committee:

5.2.2.1 Fahad bin Suleiman bin Abdulrahman Al-Nuhait

Please refer to Section 5.1.4.9 for further details regarding the experience, and current and previous positions of Fahad bin Suleiman bin Abdulrahman Al-Nuhait.

5.2.2.2 Mohammed bin Abdulaziz bin Ajlan Al- Ajlan

Please refer to Section 5.1.4.3 for further details regarding the experience, and current and previous positions of Mohammed bin Abdulaziz bin Ajlan Al- Ajlan.

5.2.2.3 Naif bin Abdulrahman bin Abdullah Al-Ajlan

Please refer to Section 5.1.4.7 for further details regarding the experience, and current and previous positions of Naif bin Abdulrahman bin Abdullah Al-Ajlan.

5.2.2.4 Solaiman bin Abdulaziz bin Saleh Al- Tuwaijri

Please refer to Section 5.1.4.6 for further details regarding the experience, and current and previous positions of Solaiman bin Abdulaziz bin Saleh Al- Tuwaijri.

5.2.3 Executive Committee

The main function of the Executive Committee is to provide assistance to the Board of Directors in performing any activities and tasks delegated by the Board, with the aim of managing the Company's business. The most recent Charter of the Executive Committee was approved by the General Assembly on 29/05/1445H (corresponding to 13/12/2023G). The Committee's scope of work includes all functions and activities that the Committee repeatedly undertakes in implementing its responsibilities, including:

- Providing assistance to the Board of Directors by performing the activities and tasks delegated by the Board, with the aim of managing the Company's business.
- Providing assistance to the Board of Directors in setting the Company's main strategic objectives and investment strategies.
- Assisting the Board in defining and establishing the Company's vision and mission.
- Developing a business plan based on the Company's vision and mission and assisting the Board of Directors by developing short-term and long-term business plans.
- Facilitating the Board of Directors' task in determining the main strategic objectives and results to be achieved for the Company.
- Assisting the Board of Directors in reviewing the Company's performance periodically to determine whether the Company is achieving its short-term and long-term goals.
- Reviewing and approving all major investment decisions, in line with approved Company strategies.
- Forming or restructuring any joint venture or partnership and any expenses associated therewith.
- Creating a portfolio for the Company to increase its market share and achieve the highest possible profits for owners and shareholders.
- Enhancing and developing the Company's technologies and technical support.
- Managing the relationship with vendors and some key suppliers.
- Establishing business processes, operational policies and procedures to be followed in the Company's daily operations, monitoring the extent of compliance with these procedures, identifying any challenges the Company faces in adhering to these policies and procedures, and presenting action plans to overcome the challenges.
- Monitoring the general development of employees by offering them regular training and developing their general skills.
- Exploring ways to conduct business in an economically viable and efficient manner to respond to and satisfy customers' aspirations.
- Ensuring that there is proper coordination and appropriate means of communication between senior management and the Board of Directors.

- Developing succession plans periodically to evaluate employee needs based on business requirements and monitoring the performance of Executive Management with regard to the implementation of the business plan developed by the Board of Directors.
- Conducting inquiries or studies about the Company's internal issues that fall within the scope of its work and responsibilities, and appointing an independent legal advisor or other independent advisors, at the Company's expense, as it deems necessary to improve the performance of the Committees.
- The Chairman of the Executive Committee may, after discussing with the members of the Committee, retain or remove any advisor appointed by the Committee to assist the Company in achieving its responsibilities. He shall also have the authority to approve fees or bear other compensation or conditions for retaining the advisor, and the Company shall compensate such fees.
- The Committee shall have the powers of the Board of Directors to perform and approve any activities assigned by the Board, with the exception of the following:
  - Approving the annual budget.
  - Approving interim and annual financial reports.
  - Adopting the Company's business strategies.
- Performing other activities, as may be assigned by the Board of Directors from time to time.

The Executive Committee shall be composed of at least three (3) members and no more than five (5) members appointed by the Company's Board of Directors for a period of four (4) renewable years. The Executive Committee term of office shall not exceed the term of the Board of Directors.

The following Members were appointed to the Executive Committee pursuant to a Resolution of the Board of Directors on 30/04/1445H (corresponding to 14/11/2023G).

Table No. (5.5): Executive Committee Members

	Name	Position
1	Ajlan bin Abdulaziz bin Ajlan Al-Ajlan	Chairman of the Committee
2	Ali bin Abdul Rahman bin Tahih Al- Hazmi	Member
3	Ahmed bin Ali bin Abdullah Al-Dakheel	Member

Source: The Company

The following is a brief overview of the Members of Executive Committee:

5.2.3.1 Ajlan bin Abdulaziz bin Ajlan Al-Ajlan

Please refer to Section 5.1.4.1 for further details regarding the experience, current and previous positions of Ajlan bin Abdulaziz bin Ajlan Al-Ajlan.

5.2.3.2 Ali bin Abdul Rahman bin Tahih Al- Hazmi

Please refer to Section 5.1.4.4 for further details regarding the experience, current and previous positions of Ali bin Abdul Rahman bin Tahih Al- Hazmi.

5.2.3.3 Ahmed bin Ali bin Abdullah Al-Dakheel

Please refer to Section 5.1.4.5 for further details regarding the experience, and current and previous positions of Ahmed bin Ali bin Abdullah Al-Dakheel.

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 eight (8) members, as set out in the table below:

Table No. (5.6): Senior Management Details

No.	Name	Nationality	Age	Position	Appointment Date to the Current Position	Direct Ownership Ratio		Indirect Ownership Ratio	
						Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
1	Rohit Chugh	Indian	49	CEO	01/01/2022G	-	-	-	-
2	Safouane AlMabruk Khechirif	Tunisian	49	CFO	15/12/2021G	-	-	-	-
3	Abdulrahman Suliman Al-Yousef	Saudi	41	CLO	03/04/2022G	-	-	-	-
4	Mohammed Fahad Bin Said	Saudi	46	CHRO	01/09/2022G	-	-	-	-
5	Said Nour Toure	Senegalese	43	COO	04/12/2022G	-	-	-	-
6	Ahmad Hassan Asiry	Saudi	37	Head of Quality	31/08/2023G	-	-	-	-
7	Mohammed Zaki Mohammed Al-Sabawi	Palestinian	50	Head of Sales	10/01/2023G	-	-	-	-
8	Mohammad Kasim Munney Khan	Indian	44	Head of Marketing	31/03/2023G	-	-	-	-

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:

5.3.2.1 Rohit Chugh

Age:	49 years
Nationality:	Indian
Current Position:	CEO
Appointment Date:	01/01/2022G
Academic Qualifications:	– Bachelor's degree in Electronic Engineering, from Shri Govindram Seksaria Institute of Technology and Science, Indore, India, 1995G. – Diploma in Management and Marketing, from the Graduate Institute of Financial Research, from Xavier School of Management, in Jamshedpur, India, 2000G.
Previous Executive Positions:	– Senior Vice Chairman, Olam International Company, a limited joint stock company in Singapore, engaging in the field of food and agriculture, from 2016G until 2021G. – Assistant Vice Chairman for Sales and Marketing, Vodafone Company, a listed joint stock company in England, engaging in the field of telecommunications, from 2015G until 2016G. – General Manager, Coca-Cola Company, India, a limited liability company of India, engaging in the field of beverage, from 2011G until 2015G. – Regional Manager, Asian Paints Company Limited, a limited liability company in India, engaging in the field of manufacturing, sale and distribution of paints and coatings, from 2003G until 2011G. – Region Sales Manager, ITC Agro Tech Foods (Conagra), a limited liability company in India, engaging in the field of manufacturing, marketing and selling a range of food products and edible oils, from 2001G until 2003G.

Source: The Company

5.3.2.2 Safouane AlMabruk Khechirif

Age:	49 years
Nationality:	Tunisian
Current Position:	Chief Finance Officer (CFO)
Appointment Date:	15/12/2021G
Academic Qualifications:	– Master's in Accounting and Business Administration, from the Higher Institute of Accounting and Enterprise Management, Tunisia, 2000G. – Professional Certificate in International Financial Reporting Standards (IFRS), from PricewaterhouseCoopers Company, Tunisia, 2007G.
Previous Executive Positions:	– CFO, Golden Chicken Company, a closed joint stock company, KSA, engaging in the field of food and beverage manufacturing, from 2020G until 2022G. – North Africa, Egypt and Sudan Finance Director, General Electric Company (GE), a joint stock company engaging in the field of energy, from 2018G until 2020G. – NAF and Egypt Finance Director at General Electric Company (GE), a joint stock company engaging in the field of energy, from 2012G until 2018G. – MEA Finance Director, Sopra HR Software Company, a limited liability company in Tunisia, engaging in the field of Enterprise Resource Planning and Software, from 2010G until 2012G. – CFO, L'Appetissante IFFCO Group, a limited liability company, UAE, engaging in the field of fast-moving consumer goods, from February 2010G until September 2010G. – CFO, Azure Gabon - Bintel Group Bahrain, a limited liability company engaging in the field of telecommunications, from 2009G until 2010G.
Other Previous Memberships:	Board Member, General Electricity Company (joint venture), a limited liability company engaging in the field of energy, from 2018G until 2020G.

Source: The Company

5.3.2.3 Abdulrahman Suliman Al-Yousef

Please refer to Section 5.1.4.10 for further details regarding the experience, current and previous positions of Abdulrahman Suliman Al-Yousef.

5.3.2.4 Mohammed Fahad bin Said

Age:	46 years
Nationality:	Saudi
Current Position:	Chief Human Resources and Support Services Officer (CHRO)
Appointment Date:	01/09/2022G
Academic Qualifications:	Bachelor's degree in Business Administration, from King Saud University, KSA, 1999G.
Previous Executive Positions:	– Chairman of the Joint Services Department in the Company, from 2017G until 2019G. – Director General of Administrative Development, at the General Food Security Authority (GFSA), from 2013G until 2017G. – Vice Director General of Administrative Development, at the General Food Security Authority (GFSA), from 2011G until 2013G.
Other Current Memberships:	– Member of the Society for Human Resource Management (SHRM), a community engaging in the field of human resources for the interests of the human resources profession in the kingdom, from 2023G. – Member of the Saudi Management Association (SMA), a leading scientific association in the field of management in the kingdom, from 2023G.
Other Previous Memberships:	– Member of the Privatization Committee, of the General Food Security Authority (GFSA), from 2013G until 2022G. – Representative of the General Food Security Authority (GFSA), at the Bureau of Experts at the Saudi Council of Ministers, from 2013G until 2022G. – Secretary of the Privatization Committee of the General Food Security Authority (GFSA), from 2013G until 2022G. – Secretary of the Specialized Committee Supervising the Privatization of Flour Mills Sector, in the General Food Security Authority (GFSA), from 2015G until 2022G. – Secretary of the Company's Board of Directors, from 2016G until 2021G. – Secretary of the Board of Directors, First Mills Company, a listed joint stock company, from 2016G until 2020G. – Secretary of the Board of Directors, Modern Mills Company for Food Products, a joint stock company, from 2016G until 2020G. – Secretary of the Board of Directors, Fourth Mills Company, a joint stock company, from 2016G until 2021G. – Secretary of the Executive Committee of the Company's Board of Directors, from 2019G until 2021G. – Secretary of the Nomination and Remuneration Committee of the Company's Board of Directors, from 2019G until 2021G. – Secretary of the Executive Committee of the Board of Fourth Mills Company, a joint stock company, from 2019G until 2021G. – Secretary of the Executive Committee of the Board of Directors of First Mills Company, a listed joint stock company, from 2019G until 2020G. – Secretary of the Executive Committee of the Board of Modern Mills Company for Food Products, a joint stock company, from 2019G until 2020G. – Secretary of the Nomination and Remuneration Committee of the Board of Fourth Mills Company, a joint stock company, from 2019G until 2021G. – Secretary of the Nomination and Remuneration Committee of the Board of Directors of First Mills Company, a listed joint stock company, from 2019G until 2020G. – Secretary of the Nomination and Remuneration Committee of the Board of Modern Mills Company for Food Products, a joint stock company, from 2019G until 2020G. – Member of the Qualification Team working on the qualification of investors wishing to purchase the four Mills Companies and the study of their files, a team formed by the specialized committee supervising the privatization of the flour mills sector at in the General Food Security Authority (GFSA), from 2018G until 2022G.

Source: The Company

5.3.2.5 Said Nour Toure

Age:	51 years
Nationality:	Senegalese
Current Position:	Chief Operating Officer
Appointment Date:	04/12/2022G
Academic Qualifications:	– Master's degree in Business Administration, from the International School of Management (ISM), Senegal, 2012G. – Diploma in Grain Science, from the International Association of Operative Millers, USA, 2009G. – Postgraduate Certificate in food and Drug Quality Control (food control major), from Cheikh Anta Diop University, Senegal, 2005G. – Master of Engineering (chemical engineering and food science), from Cheikh Anta Diop University, Senegal, 2003G. – Fellowship Diploma, in Technology in Applied Biology and Chemical Engineering (food sector major), from Cheikh Anta Diop University, Senegal, 2000G.
Previous Executive Positions:	– Operations Manager, Soya Company, a closed joint stock company engaging in the field of animal feed and edible oils, from 2016G until 2022G. – Operations Manager, National Feed and Flour Production & Marketing Company, Abu Dhabi, a closed joint stock company engaging in the field of animal feed, from 2015G until 2016G. – Factory Manager, Grand Mills (food), Abu Dhabi, a listed joint stock company engaging in the field of animal feed, from 2012G until 2015G. – Operations Manager, GMC Kenz Group, Rabat, a limited liability company engaging in the field of flour and semolina mills, from 2011G until 2012G. – Chairman of Manufacturing, Grand Mills Company, Dakar, Senegal, a limited liability company engaging in the field of flour and animal feed mills, from 2005G until 2011G.

Source: The Company

5.3.2.6 Ahmad Hassan Asiry

Age:	39 years
Nationality:	Saudi
Current Position:	Head of Quality
Appointment Date:	31/08/2023G
Academic Qualifications:	– Bachelor's degree in Chemistry, from King Khalid University, KSA, 2008G. – Master's degree in Analytical Chemistry, from the University of Hull, UK, 2011G.
Previous Executive Positions:	Chairman, of the Quality Assurance and Industrial Safety Sector of the Company, from 2017G until 2022G.
Other Current Memberships:	Member of the Saudi Quality Council, a professional and non-profit initiative aimed at mastering quality in the Kingdom, engaging in the field of quality and mastery, from 2023G.

Source: The Company

5.3.2.7 Mohammed Zaki AlSabawi

Age:	41 years
Nationality:	Palestinian
Current Position:	Head of Sales
Appointment Date:	10/01/2023G
Academic Qualifications:	– Diploma, in Marketing, from Frederick Institute of Technology (FIT), Cyprus, 1992G. – Bachelor's degree, in Business Administration, from the Applied Science Private University, Jordan, 1996G.
Previous Executive Positions:	– General Manager of Sales, Delta Food and Water Company, a limited liability company engaging in the field of manufacturing, bottling and distribution of bottled water, KSA, from 2021G until 2022G. – General Manager of Sales, Nestle Waters Company, a closed joint stock company engaging in the field of bottled water manufacturing, bottling and distribution, KSA, from 2007G until 2021G.

Source: The Company

5.3.2.8 Mohammad Kasim Munney Khan

Age:	44 years
Nationality:	Indian
Current Position:	Head of Marketing
Appointment Date:	31/03/2023G
Academic Qualifications:	– Bachelor's degree of Sciences, from Agra University, India, 1996G. – Diploma, in Business Administration, from Symbiosis International University, India, 2008G. – Certificate of Executive Education Program, in Digital Marketing, from the Indian Institute of Management in Bangalore, India, 2016G.
Previous Executive Positions:	Head of Marketing, Al-Daajan Holding Company, a holding company engaging in the field of food industry, from 2017G until 2019G.

Source: The Company

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.

Table No. (5.7): Summary of Employment Contracts with Senior Management

No.	Name	Position	Appointment Date	Contract Termination Date
1	Rohit Chugh	CEO	01/01/2022G	31/12/2026G
2	Safouane AlMabruk Khechirif	CFO	15/12/2021G	14/12/2026G
3	Abdulrahman Suliman AlYousef	CLO	03/04/2022G	02/04/2026G
4	Mohammed Fahad Bin Said	CHRO	01/09/2022G	31/08/2026G
5	Ahmad Hassan Asiry	Head of Quality	04/12/2022G	03/12/2024G

No.	Name	Position	Appointment Date	Contract Termination Date
6	Said Nour Toure	COO	31/08/2023G	30/8/2024G
7	Mohammed Zaki Mohammed AlSabawi	Head of Sales	10/01/2023G	09/01/2024G
8	Mohammad Kasim Munney Khan	Head of Marketing	31/03/2023G	30/03/2024G

Source: The Company

5.4 Remuneration of Directors and Senior Executives

Under the Company's Bylaws, the Board of Directors' remuneration shall consist of a percentage of net profits, in-kind benefits, an attendance allowance, or any other benefits determined by the Ordinary General Assembly. The remuneration of Senior Executives shall be also determined by virtue of each respective employment contract in accordance with the Company's remuneration policy for members of the Board of Directors, members of the Board committees, and Executive Management. Furthermore, neither the Directors nor the Senior Executives have powers to borrow from the Company or vote on a contract or arrangement in which they have a direct or indirect material interest.

It should be noted that no in-kind benefits have been paid to the Board members and Senior Management for the financial years ended 31 December 2021G, 2022G, and 2023G. 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 2021G, 2022G, and 2023G.

Table No. (5.8): Remuneration of Board Members and Senior Executives

SAR	31 December 2021G	31 December 2022G	31 December 2023G
Board Members	2,248,712	N/A	4,509,037*
Senior Executives	5,809,279	5,838,398	8,817,536

Source: The Company

* Rewards were paid to members of the Audit Committee and the Nominations and Rewards Committee in the fiscal year ended December 31, 2023G in the amount of SAR 335,000 and SAR 235,000, respectively. They are included among the emoluments paid to the members of the Governing Council listed in the above table.

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.

The Company's Corporate Governance Manual requires the implementation of a clear and transparent disclosure process, ensures 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. The Corporate Governance Regulations shall apply to the Company from the date of Listing. 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. The Company considers ongoing compliance with these regulations to be an important factor in its continued success.

5.5.2 Key Corporate Governance Requirements

The key corporate governance requirements that the Company complies, and will comply, 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 29/05/1445H (corresponding to 13/12/2023G), the Company's Extraordinary General Assembly approved the revised Company's Corporate Governance Manual and internal regulations. The Company's Corporate Governance Manual comprises of the following internal policies and charters:

- Board of Directors Charter;
- Audit Committee Charter;
- Nomination and Remuneration Committee Charter;
- Executive Committee Charter;
- Code of Conduct and Ethics;
- Disclosure Policy;
- Conflicts of Interest Policy;
- Dividend Distribution Policy;
- Remuneration Policy for members of the Board of Directors, members of the Board committees, and Executive Management; and
- Board Membership Procedures, Standards and Policies.

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 nine (9) 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, which gives each Shareholder voting rights equivalent to the number of Shares he holds. Each Shareholder has the right to use all of his voting rights for one nominee or to divide his voting rights between his selected nominees without any duplication of votes. This method increases the chances of minority shareholders appointing their representatives to the Board by exercising their cumulative voting rights in favor of a single candidate.

Pursuant to the provisions of the Corporate Governance Regulations, the Company's Board of Directors formed the Audit Committee on 30/04/1445H (corresponding to 14/11/2023G), which consists of three (3) non-executive members. On 30/04/1445H (corresponding to 14/11/2023G), the Board of Directors formed the Nomination and Remuneration Committee consisting of four (4) members. On 30/04/1445H (corresponding to 14/11/2023G), the Board of Directors also formed the Executive Committee consisting of three (3) members. The Company's General Assembly approved the updated charters of the Audit Committee, the Nomination and Remuneration Committee, and the Executive Committee at its meeting held on 29/05/1445H (corresponding to 13/12/2023G).

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 of 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 has a direct or indirect interest in those transactions or contracts. 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 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 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 with 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 date, place and agenda of the General Assembly on Exchange website, the Company’s website, or though other technology means, at least twenty-one days prior to the date thereof.
- 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, 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 six of 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 Company's shares, 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. Pursuant to the views of the Company's Management, all the Company's transactions carried out with Related Parties until the date of this Prospectus 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 agreements and 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, in which the members of the Board of Directors have interest, were approved at the General Assembly Meeting held on 29/05/1445H (corresponding to 13/12/2023G) in accordance with the requirements of Article seventy-one (71) of the Companies Law.

Table No. (5.9): Details of Related Parties' Agreements and Transactions in which a Board Member has an Interest

Related Party	Nature of Transaction	Interested Board Member	Nature of Relationship	Value of Transactions during FY21G[*****]	Value of Transactions during FY22G	Value of Transactions during FY23G[******]
				(SAR)		
National Agricultural Development Company (NADEC)[*]	Sale of animal bran products	– Solaiman Abdulaziz Saleh Al-Tuwaijri – Alaa bin Abdullah AlHashem	– CEO of National Agricultural Development Company (NADEC) – Board member of National Agricultural Development Company (NADEC)	N/A	20,188,234	22,775,765
National Agricultural Development Company (NADEC)[**]	Fees for canceling the distribution agreement and service level agreement entered into between the National Agricultural Development Company (NADEC) and Food Security Holding Company, before the merger of Food Security Holding Company with the Company.	– Solaiman Abdulaziz Saleh Al-Tuwaijri – Alaa bin Abdullah AlHashem	– CEO of National Agricultural Development Company (NADEC) – Board member of National Agricultural Development Company (NADEC)	N/A	N/A	10,000,000
National Poultry Company	Sale of animal bran products	Alaa bin Abdullah AlHashem	CEO of Solaiman Abdulaziz Saleh Al-Tuwaijri Company, which is one of the owners of AlWatania Poultry[***]	N/A	N/A	3,457,752 [*******]
Olam International Limited Company	Operational services	Saurabh Mehra (former Board member)	CEO of Olam Group[****]	N/A	38,950,310	N/A

Source: The Company

[*] On 29/05/1445G (corresponding to 13/12/2023G), the Extraordinary General Assembly of the Company approved the transactions concluded between the Company and National Agricultural Development Company (NADEC) during the financial years ended 31 December 2021G, 31 December 2022G, and the nine-month period ended 30 September 2023G of an amount of SAR 4,646,546, SAR 23,216,471 and SAR 18,856,636.25, respectively. In addition to the transactions to be concluded between the Company and the National Agricultural Development Company (NADEC) during the last quarter of the financial year ended on 31 December 2023G in an amount not exceeding SAR 8,000,000, and approved the same for the following year.

[**] On 29/05/1445G (corresponding to 13/12/2023G), the Extraordinary General Assembly of the Company approved the termination of the distribution agreement and service level agreement concluded between the National Agricultural Development Company (NADEC) and the Food Security Holding Company, of an amount of SAR 10,000,000.

[***] On 29/05/1445G (corresponding to 13/12/2023G), the Extraordinary General Assembly of the Company approved the transactions to be concluded between the Company and National Poultry Company during the last quarter of the financial year ended on 31 December 2023G in an amount not exceeding SAR 5,000,000, and approved the same for the following year.

[****] On 29/05/1445G (corresponding to 13/12/2023G), the Extraordinary General Assembly of the Company approved the businesses and contracts concluded between the Company and Olam International Limited Company, as the company and Olam International Limited Company had previously concluded an agreement related to operational services, and an agreement to settle the termination of the operational services agreement in an amount of SAR 2,763,180 and SAR 30,922,506.71.

[*****] The total value of the transactions with Related Parties amounted to SAR 234 million in the financial year ended 31 December 2021G, noting that these amounts relate to the transactions conducted between the Company and the GFSA before the acquisition of the Company by Food Security Holding Company; excluding the amounts related to the purchase of wheat and other raw materials from the GFSA.

[******] Notably, the Company paid SAR 3,732,511 and SAR 3,520,603 in the financial year ended 31 December 2023G to settle the income tax and the offering expenses, respectively, due from Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company.

[*******] The Company's transactions with National Poultry Company (a Related Party) have been included under the "advances from customers" item in the Company's financial statements for the year ended on 31 December 2023G, and were not included under the "related party transactions and balances" item in such financial statements.

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6. Management Discussion and Analysis of Financial Position and Results of Operations

6.1 Introduction

The Company's Management Discussion and Analysis section provides an analytical view of the Arabian Mills for Food Products', a Saudi closed joint stock company ("**the Company**"), operational performance and financial position as at and for the years ended 31 December 2021G, 2022G and 2023G. This section and the attached notes have been prepared based on the audited financial statements of the Company for the years ended 31 December 2023G that includes the financial information for the comparative year ended 31 December 2022G and the audited financial statements for the years ended 31 December 2022G that includes the financial information for the comparative year ended 31 December 2021G.

The Company's audited financial statements for the years ended 31 December 2021G, 2022G and 2023G have been prepared in accordance with International Financial Reporting Standards ("IFRS") and other standards and issuances in the Kingdom of Saudi Arabia approved by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (here in after referred to as "**International Financial Reporting Standards approved in the Kingdom of Saudi Arabia**") and have been audited by Ernst & Young Professional Services (hereinafter referred to as "EY" or the "Auditor") as stated in their report included herein. These financial statements are included in Section 20 ("**Financial Statements and Auditor's Report**") of this Prospectus.

Neither EY, nor any of its subsidiaries, affiliates or any of their employees (from the engagement team serving the Company) or their relatives, own any shares or shares of any kind in the Company, which may affect its independence as at the date of issuance of the Independent Auditor's report on the audited financial statements included in this Prospectus. As of the date of this Prospectus, the Independent Auditor provided the written consent to the reference to its role as Independent Auditor of the Company's financial statements for the financial years ended on 31 December 2021G, 2022G and 2023G and this approval has not been withdrawn or amended as at the date of this Prospectus.

All amounts in this section have been rounded to the nearest thousand Saudi riyals unless otherwise noted, and numbers and percentages have been rounded to the nearest decimal place. Therefore, the sum of these numbers may differ from what is stated in the tables. Accordingly, all ratios, key performance indicators and growth rates are based on rounded figures.

Unless stated otherwise, the financial information as of and for the financial year ended 31 December 2021G was extracted from the financial information for the comparative year presented in the Company's audited financial statements for the financial year ended 31 December 2022G. The financial information of the Company as of and for the financial year ended 31 December 2022G was extracted from the restated financial information for the comparative year presented in the audited financial statements of the Company for the financial year ended 31 December 2023G. During the financial year ended 31 December 2023G, the Company restated certain amounts and balances included in the audited financial statements for the year ended 31 December 2022G to reflect the appropriate accounting treatment and classification. For more information about the restatements, refer to Section 6.7 ("**Restatement of Prior Year Financial Statements**").

This section may include statements in connection with the Company's future prospects, based on the executive management's current plans and expectations regarding the Company's growth and results of operations, and financial conditions, and therefore such statements may involve risks and unconfirmed expectations that may lead to material differences from the Company's actual results as a result of multiple factors and events, including the factors discussed in Section 2 ("**Risk Factors**") in this Prospectus.

6.2 Directors' Declaration for Financial Information

The Board of Directors declare the following:

1. The Directors declare that the financial information contained in this section was extracted without material change and is presented in accordance with the audited financial statements of the Company for the financial years ended 31 December 2022G, and 2023G and the accompanying notes that was prepared by the Company in accordance with IFRS as endorsed in KSA.
2. The Directors declare that the Company has sufficient working capital for a period of at least (12) months immediately following the date of publication of the Prospectus.
3. The Directors declare that there has been no significant adverse change in the financial or commercial position of the Company in the three financial years immediately preceding the application for registration and offering of securities set out in this Prospectus and the period included in the audited report until the date of approval of this Prospectus. The members of the Board of Directors confirm that all material facts related to the Company and its financial performance have been disclosed in this Prospectus, and that there are no other information, documents, or facts if they are omitted, the data contained in this Prospectus will become misleading.
4. The Directors declare that the Company does not have any property, including any contractual securities or other assets, the value of which is subject to fluctuations or is difficult to ascertain, which significantly affects the assessment of its financial position, which were disclosed in Section 6.6.2 ("**Statement of financial position data**") of this Prospectus.
5. The Directors declare that the Company has not provided any commissions, discounts, brokerage fees or any other non-cash compensation in connection with the issuance or offering of any securities to any of the members of the Board of Directors or suggested members of the Board of Directors and senior executives and those in charge of issuance or offering of these securities or the experts who received any of these payments or benefits during the three years immediately preceding the date of submitting an application for acceptance and offering of securities subject to this Prospectus.
6. The Directors declare that the Company does not have any loans or other liabilities whether covered by a personal guarantee or other kind of guarantee or covered by a mortgage, including any overdrafts from bank accounts, and does not have any secured liabilities or liabilities under acceptance or acceptance credit or any lease purchase liabilities except as disclosed in Section 6.6.2.3.4 ("**Loans**") of this Prospectus.
7. The Directors acknowledge that, except as disclosed in Section 6.5 ("**Principal Factors Affecting the Operations of the Company**") and Section 2 ("**Risk Factors**") of this Prospectus, to their knowledge the Company has no information on any government policies or economic, financial, monetary, political or any other factors that have a material impact (directly or indirectly) on the Company's operations.
8. The Directors declare that the Company has no intention of making any material change in its activity.
9. The Directors declare that the Company's operations have not been interrupted in a way that have affected or significantly affected its financial position during the last twelve months.
10. The Directors declare that none of the Company's capital are subject to the right of option, except as disclosed in Section 12.5 ("**Material Agreements**") of this Prospectus.
11. The Directors declare that the Company has provided comprehensive details in this section of any potential liabilities and has accounted for and recorded a provision for the obligations contained in management's discussion and analysis of the financial position and results of operations.
12. The Directors declare that the Company's properties are not subject to any mortgages, rights, or encumbrances as at the date of this Prospectus.
13. The Directors declare that the Company has provided extensive details in this section of all fixed assets and investments, including contractual securities and other assets whose value is volatile or difficult to estimate.
14. The Directors declare that the Company has not issued debt instruments, term loans, secured or unsecured mortgages, current or approved, but not issued, except for what was disclosed in Section 6.6.2.3.4 "**Loans**" of this Prospectus.
15. The Directors declare that there was no qualification in the audit reports on the financial statements of the Company in the past three years preceding the date of submitting the registration application and initial public offering application of this Prospectus.

16. The Directors declare that there have been no material changes in the accounting policies of the Company in the past three years preceding the date of submitting the registration application and initial public offering application of this Prospectus.
17. The Directors declare that no material changes have been made/or obligated to make any material amendments to the published audited financial statements of the Company in the past three years preceding the date of submitting the registration application and initial public offering application, except for what was disclosed in Section 6.7 (“**Restatement of Prior Year Financial Statements**”) of this Prospectus.
18. The Directors declare that no material restructuring has been made to the Company in the past three years preceding the date of submitting the registration application and initial public offering application of this Prospectus.
19. The Directors declare that except for what is mentioned in this Prospectus, neither the members of the Board of Directors nor any of their relatives have any shares or interest of any kind in the Company, if applicable. Company incorporation and background

6.3 Company overview

6.3.1 Establishment of the Company and changes in ownership structure

Arabian Mills for Food Products Company (formerly: The Second Milling Company) (the “Company”) is a Saudi Closed Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010465464 dated 10 Safar 1438H (corresponding to 10 November 2016G). The national address of the Company is Al Manakh District, Riyadh 14313, Kingdom of Saudi Arabia. The Company’s licensed activities include Packing and grinding wheat, packing and grinding grits, semolina, and bulgur, manufacture of concentrated feed for animals, manufacture of livestock feed, wholesale of bakery products, trade of specialty and healthy foods, land transportation of goods, storage in ports and customs or free zones, and integrated office administrative services activities.

The Company was formed by the Public Investment Fund (the “Former Owner”) pursuant to the resolution of the Council of Ministers no. (35) of 27 Muharram 1437H (corresponding to 9 November 2015G) approving the adoption of the necessary actions to establish four Joint Stock Flour Milling Companies according to the proposed geographical distribution. The Public Investment Fund, in coordination with the General Food Security Authority (“GFSA”) (formerly Saudi Grains Organization (“SAGO”)), completed so in accordance with Royal Decree no. 62 dated 4 Shawwal 1435H (corresponding to 31 July 2014G).

On 17 Shawwal 1441H (corresponding to 9 June 2020G), a Cabinet decision was issued to transfer the ownership of the Company to the National Center for Privatization and the National Center for Privatization shall carry out the tasks assigned to the Public Investment Fund by Cabinet Resolution no. (118) dated Safar 21 1440H (corresponding to 30 October 2018G).

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

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

On 6 Jumada Al-Ula 1445H (corresponding to 20 November 2023G), the shareholders of the Company resolved to change the name of the Company to Arabian Mills for Food Products Company. The company also changed its brand and trade name to become "Arabian Mills".

Commercial record no.	Date	Branch name
1010465464	10 Safar 1438H (corresponding to 10 November 2016G)	Head Office (Riyadh)
1010469375	27 Jumada Al-Akhirah 1438H (corresponding to 26 March 2017G)	Riyadh
5900036083	27 Jumada Al-Akhirah 1438H (corresponding to 26 March 2017G)	Jazan
3350044599	27 Jumada Al-Akhirah 1438H (corresponding to 26 March 2017G)	Hail

Source: Audited financial statements of the Company for the financial year ended 31 December 2023G

6.3.2 Merger with Food Security Holding Company

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

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

The following table summarizes the impact of the merger transaction as of 31 December 2022G:

Table No. (6.1): Impact of the merger

SAR in 000's	As of 31 December 2021G Restated (pre-merger)	Net assets transferred from the former parent company as of 30 November 2022G	As of 31 December 2022G Restated (post merger)
Assets			
Non-current assets			
Property, plant and equipment	751,019	130,255	902,421
Right of use assets	281,457	-	272,740
Intangible assets	9,223	60,681	68,270
Goodwill	-	822,434	822,434
Total non-current assets	**1,041,699**	**1,013,370**	**2,065,865**
Current assets			
Inventories	142,329	-	119,790
Prepayments and other current assets	25,918	-	20,231
Amounts due from related parties	-	-	-
Accounts receivables	-	-	-
Cash and cash equivalents	327,160	47	573,851
Total current assets	**495,408**	**47**	**713,871**
Total assets	**1,157,107**	**1,013,417**	**2,779,737**
Equity			
Share Capital	513,150	-	513,150

SAR in 000's	As of 31 December 2021G Restated (pre-merger)	Net assets transferred from the former parent company as of 30 November 2022G	As of 31 December 2022G Restated (post merger)
Statutory reserve	25,322	-	50,849
Merger deficit reserve	-	(658,833)	(658,833)
Retained earnings / (Accumulated losses)	620,361	(136,315)	713,789
Total Equity	**1,158,833**	**(795,148)**	**618,955**
Non-current liabilities			
Non-Current portion of lease liabilities	288,068	-	282,874
Long-term loans (1)	-	1,748,245	1,475,543
Employees' defined benefit liabilities	301	-	800
Total non-current Liabilities	**288,369**	**1,748,245**	**1,759,217**
Current liabilities			
Accounts payables	40,040	6,464	55,704
Accrued expenses and other current liabilities	16,743	-	21,152
Short-term loans	-	-	272,406
Current portion of lease liabilities	15,287	-	15,287
Current portion of long-term loans	-	-	-
Interest payable on loans	-	-	16,216
Advances from customers	16,333	-	9,286
Zakat and income tax provision	1,503	-	11,515
Total Current Liabilities	**89,905**	**6,464**	**401,565**
Total Liabilities	**378,274**	**1,754,709**	**2,160,782**
Total Equity and liabilities	**1,537,107**	**1,013,417**	**2,779,737**

Source: Management information

(1) Loans line item pertains to both long-term and short-term loans transferred from the former parent company given that they were not separately disclosed as per management information.

(2) The total assets and total equity and liabilities relating to net assets transferred from the former parent company as of 30 November 2022G do not tie to each other due to the "due to related parties" line item amounting to SAR 53.9 million, which was netted off during 2022G.

Note: The figures presented post-merger as of 31 December 2022G, are not the summation of the figures presented pre-merger as of 31 December 2021G, and the net assets transferred from the former parent company as of 30 November 2022G. The table above has been presented for illustrative purposes to demonstrate the impact of the merger on the statement of financial position as of 31 December 2022G.

Additionally, amounts due to related parties amounting to SAR 53.9 million were transferred from the former parent company to Arabian Mills as of 30 November 2022G, and were netted off during financial year ended 31 December 2022G.

6.4 Basis of preparation

Statement of compliance

These financial statements of the Company for the years ended 31 December 2021G, 2022G, and 2023G have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Basis of measurement

These financial statements for the years ended 31 December 2021G, 2022G, and 2023G are prepared under the historical cost convention, using the accrual basis of accounting except for employees' defined benefit liabilities which is recognized at the present value of future obligations using the projected unit credit method. These financial statements are presented in Saudi Riyals ("SAR") which is the functional and presentation currency of the Company and rounded to the nearest Saudi Riyals (except when otherwise indicated).

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

These financial statements for the years ended 31 December 2022G and 2023G have been prepared using the economic approach for the legal merger between Food Security Holding Company (the "Former Parent Company") and Arabian Mills for Food Products Company (subsidiary or the Company) that takes the form of a downstream merger being the former parent company is merged with its subsidiary and subsidiary is the surviving entity.

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

Material accounting policy information

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

The Company classifies all other assets as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

Fair value measurement

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

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

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

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

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, 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
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated 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 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 statement of profit or loss.

Computer software

Computer software licenses are capitalized on the basis of the costs incurred when specific software was purchased and configured for use. Amortization is charged to the statement of profit or loss on a straight-line basis over the useful life of 15 years.

Brand

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

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment. When significant parts of property, 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 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 (if any) is included in the cost of the respective asset if the recognition criteria for a provision are met, which is not applicable for the Company.

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

Categories	Useful lives
Buildings	25 years
Plant and machinery	10 - 25 years
Computer equipment	3 years
Furniture and fittings	6.67 - 10 years
Motor Vehicles	5 years
Capital spares	15 years

Source: Audited financial statements of the Company for the financial year ended 31 December 2023G

Depreciation of plant is calculated on the useful lives of the components of the principal asset. Certain inventories meeting the definition of property, plant and equipment are also depreciation on the useful lives of particular component.

The Company reviews the estimated residual values and expected useful lives of assets at least annually.

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 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.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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 assets are depreciated on a straight-line basis over the shorter of estimated useful life and lease term. Right-of-use assets are subject to impairment. If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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 lease term.

Goodwill

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

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

Financial instruments – initial recognition and subsequent measurement

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

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at 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 Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. The Company does not have trade receivables as the consideration is received in cash at the time the sale is made.

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

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

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

Subsequent measurement

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

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

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

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

The Company's financial assets at amortized cost includes bank balances, accounts receivables, amounts due from related parties and other receivables.

Derecognition

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

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

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

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

Impairment

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

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

The Company considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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 recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accounts payables, short-term loans, long-term loans and lease liabilities.

Subsequent measurement

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

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

Financial liabilities at amortized cost (loans and borrowings) is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized 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 amortization is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognized 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.

Offsetting a financial asset and a financial liability

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

Cash and cash equivalents

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

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

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. Costs are assigned to individual items of inventory on the basis of weighted average method.
- Wheat (Raw material): Weighted average which is SAR 180 / metric ton
- Other raw materials: Weighted average
- Spare parts: Costs are assigned to individual items of inventory on the basis of weighted average method. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced by its cost; the impairment loss is recognized immediately in statement of profit or loss.
- Goods in-transit: Inventories are stated at cost plus freight and other related expense.

Impairment of non-financial assets

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

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

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized 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 recognized 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 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 statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Employees' benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare, child education allowance, furniture allowance that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position under accrued and other expenses.

Employees' defined contribution plan

The Company has defined 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.

Employees' defined benefit liabilities

The Company operates a non-funded employee end-of-service benefit plan, which is classified as defined benefit obligation under IAS 19 'Employee Benefits'. A defined benefit plan is a plan which is not a defined contribution plan. The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets at that date. The defined benefit liabilities is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit liabilities is determined by discounting estimated future cash outflows using market yields at the end of the reporting period of high-quality corporate bonds that have terms to maturity approximating to the estimated term of the post-employment benefit obligations.

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 statement of profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that 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 liabilities under 'direct costs', 'general and administration expenses' and 'selling and distribution expenses' in the statement of profit or loss (by function):

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

Revenue from contracts with customers

The Company is involved in manufacturing of flour, feed and bran (by-product). The revenue is recognized when control of the goods are transferred to the customer, which is the time when these are dispatched from the warehouse of the Company or the goods are delivered to the customer, as the case may be. 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 recognized at the point in time when control of the asset is transferred to the customer, generally on dispatch or delivery of the goods. Revenue from delivery service of goods to the customers is recorded under "Other income".

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.

Majority of the customer sales are on cash or advance basis. The normal credit term is 30 to 60 days upon delivery.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price, the Company considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the customer (if any).

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. The contracts with customers do not contain any provisions which may result in variable consideration.

Rights of return

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

Significant financing component

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

Non-cash consideration

Generally, there is no non-cash consideration against the sale of goods.

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 recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment.

Trade receivables

A receivable is recognized if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

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 recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

Assets and liabilities arising from rights of return

Right of return assets

A right-of-return asset is recognized for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Company updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is recognized for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Company's refund liabilities arise from customers' right of return and volume rebates. The liability is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Provisions

Provisions are recognized 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 recognized 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 recognized as a finance cost.

Zakat and taxes

Zakat

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

Income tax

Non-GCC shareholders are subject to income taxes. The current income tax provision is calculated in accordance with the income tax regulations issued or effective at the end of the financial period in Kingdom of Saudi Arabia. Management periodically evaluates the positions taken in tax returns regarding cases in which the applicable tax regulations are subject to interpretation. It makes a provision, where appropriate, based on amounts expected to be paid to the tax authorities. As of reporting date, there is no non-GCC shareholder of the Company and hence no income tax has been recorded during the year.

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 ("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 statement of financial position.

Foreign currencies

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

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized 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 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 Company 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 Company determines the transaction date for each payment or receipt of advance consideration.

New and amended standards and interpretations

In the financial statements for the year ended 31 December 2023G. The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023G (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Company's financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Company's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Company's financial statements.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023G, but not for any interim periods ending on or before 31 December 2023G. The amendments had no impact on the Company's financial statements as the Company is not in scope of the Pillar Two model rules.

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

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022G, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after 1 January 2024G and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed. The amendments are not expected to have a material impact on the Company's financial statements.

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

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

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

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024G and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023G, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024G. Early adoption is permitted, but it is required to be disclosed. The amendments are not expected to have a material impact on the Company's financial statements.

Climate-related matters

The Company considers climate-related matters in estimates and assumptions, where appropriate. This assessment includes a wide range of possible impacts on the Company due to both physical and transition risks. Even though the Company believes its business model and products will still be viable, climate-related matters increase the uncertainty in estimates and assumptions underpinning several items in the financial statements. Even though climate-related risks might not currently have a significant impact on measurement, the Company is closely monitoring relevant changes and developments.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

Determining the lease term of contracts with renewal and termination options – Company as lessee

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 lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. 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 or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company did not include the renewal period as part of the lease term for leases of silos and land as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

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

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

Estimated useful lives of property, plant and equipment

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

Provision for expected credit losses ("ECL") of trade receivables and amounts due from related parties

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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.

Leases - Estimating the incremental borrowing rate

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

Provisions

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

Zakat

Zakat has been computed based on the management's understanding and interpretation of the zakat regulations enforced in the Kingdom of Saudi Arabia. Zakat, Tax and Customs Authority ("ZATCA") continues to issue circulars to clarify certain zakat tax regulations which are usually enforced on all open years. Zakat provision as computed by the management could be different from zakat liability as assessed by the ZATCA for years for which assessments have not yet been raised by the ZATCA.

Impairment of inventories

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

Employees' defined benefit plans

The cost of the employees' defined benefit liabilities 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.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Segment information

The operations of the Company are mainly in the Kingdom of Saudi Arabia in three branches: Riyadh, Hail and Jazan. For management reporting purpose, the Company is organized into these business units which are identified as reportable segments. No operating segments have been aggregated to form the above reportable operating segments. All reportable segments have similar type of products.

6.5 Principal Factors Affecting the Operations of the Company

Set out below a list of principal factors that have affected, or are expected to affect, the Company's business, financial condition and results of operations. These factors are based on information currently available to the Company and may not include all factors that could affect the Company's business. (For more information, please see Section 2 ("**Risk Factors**") and Section ("**Risk Factors**") of this prospectus.

Governmental factors

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 fixed price of SAR 180 per ton. The GFSA has committed to maintaining a price differential of SAR 320 per ton between the unified price of wheat purchased (which is SAR 180 per ton) and the Company's pricing of bulk wheat flour at 1,000 kg, or packaged 45 kg wheat flour sold to beneficiaries (which is SAR 500 per ton) ("**Price Differential Commitment**") for a period ending on 12 July 2025G ("**Price Differential Commitment Period**"), in accordance with the Wheat Supply Agreement concluded between the GFSA and the Company on 15/04/1442H (corresponding to 30/11/2020G) (For further information, please refer to Section 12.5.1 ("**Material Supply Contracts**") of this Prospectus). Pursuant to the Wheat Pricing Policy issued by GFSA Board of Directors' Resolution No. 46 dated 15/10/1441H (corresponding to 07/06/2020G), and after the end of the Price Differential Commitment Period, three possible scenarios may be envisaged:

1. Maintain the Price Differential Commitment: The current situation regarding the sale price of flour to end users and commitment to price differential by the GFSA remains the same;
2. Gradually amend the Price Differential Commitment: The GFSA maintains the price differential solely with respect to flour used in the production of bread.
3. Completely repeal the Price Differential Commitment: The Price Differential Commitment is completely repealed for all types of wheat and flour products in the market.

In addition, as part of Vision 2030, the government expressed the possibility of reducing the subsidy of government fees, especially with respect to license renewal fees, visa and passport fees, work permit fees, and customs fees. It is difficult to determine the extent of the impact of any of the above structural changes on the Company. The Company may incur additional costs once the reduction of government fees' subsidy is implemented, which may adversely and materially affect the Company's business, results of operations, financial position and future prospects.

The Company's wheat purchases from the GFSA represented 31.7%, 38.3%, and 41.7% of its total purchases for the financial years ended 31 December 2021G, 31 December 2022G, and 31 December 2023G, respectively.

The Company's operations and profitability depend, mainly, on its relation with GFSA, the only supplier of Wheat (the main raw material used by the Company), to ensure timely delivery of Wheat to meet market demand. In 2020G, the Company entered into an agreement with GFSA for the supply of Wheat for a term 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 Flour Mill Operation License. In case the prices of wheat supplied to the Company are changed by the GFSA, this would materially affect the Company's margins and profitability. In addition, the non-renewal of the Wheat Supply Agreement (the "**WSA**") by the GFSA would affect the Company's ability to obtain sufficient quantities of wheat at competitive prices, and as a result, the Company 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 position, cash flows and prospects (for more information about the Wheat Supply Agreement with GFSA, please refer to Section 12.5.1 ("**Material Supply Contracts**") of this Prospectus).

In addition, any potential failure by the GFSA to provide any of the Company's production facilities 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 GFSA Wheat supplies or procurement or due to any other factors, may lead to the disruption or failure of the Company's operations and the decrease of its 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 adverse effect on the Company's business, results of operations, financial position, cash flows and prospects. (For more information about the situations in which the Parties may terminate the Wheat Supply Agreement, please refer to Table 12.12 ("**Wheat Supply Agreement ("WSA") between the Company and GFSA dated 15/04/1442H (corresponding to 30/11/2020G)**") of this Prospectus).

As part of the Company's privatization, on 25/04/1443H (corresponding to 30/11/2021G), the Company entered into a Compensation and Claims Agreement (the "CCA") with the Ministry of Finance, which will be valid for a period of twelve (12) years from the date of its conclusion. For more information on the CCA, please refer to Table 12.13 of Section 12.5.2 ("**Compensation and Claims Agreement Concluded with the Ministry of Finance**") of this Prospectus. In order to address the risk of the Company's total actual revenues being lower than the expected revenues (which is calculated on the basis of a mechanism set forth under the Agreement) as a result of any amendment, modification, termination or repeal of the Wheat Pricing Policy issued by GFSA Board of Directors' Resolution No. 46 dated 15/10/1441H (corresponding to 07/06/2020G), the Flour Production Mills Law or its Implementing Regulations, or the license period, the Ministry of Finance is committed to compensating the Company for any "Minimum Revenue Shortfalls", throughout the period of implementation of any wheat pricing mechanism. Minimum Revenue Shortfall means, in any relevant period, the minimum revenue 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 plus the price differential specified within the Compensation and Claims Agreement between the Company and the Ministry of Finance, and (b) the aggregate gross revenues (excluding discounts) actually received by the Company during the same period from the sale of Flour being subject to the price regulation mechanism. As previously mentioned, the Price Differential Commitment will remain valid until 12 July 2025G. Should the Price Differential Commitment be completely cancelled post the Price Differential Commitment Period ending on 12 July 2025G and the prices of flour become deregulated, the Company may not be entitled to compensation for the Minimum Revenue Shortfalls under the Compensation and Claims Agreement.

Since the Company has not filed 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 profitability 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 Price Differential Commitment may be amended or cancelled 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 amending or cancelling the Price Differential Commitment on specific categories of price-regulated 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 position and prospects.

Financial factors

The Company's direct costs 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 Wheat purchase from the GFSA; 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.

In particular, the Company's direct costs increased from SAR 407.1 million for the Financial Year ended 31 December 2021G, to SAR 446.6 million for the Financial Year ended 31 December 2023G, as a result of the increase of the quantities of consumed raw materials and of the direct costs including the fuel and electricity consumption resulting from the increased production operations of the Company in addition to the equipment maintenance costs and increased depreciation of property, plant and equipment.

Prolonged increased direct costs may also have a negative impact on the Company's profit margins and revenue, especially if the company is unable to increase its 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 the Company's direct costs with respect to the costs of raw materials and transportation. In addition, the price of fuel, water and electricity and labor cost have increased in recent years. Furthermore, any further increase in Nationalization requirements of the Company's workforce may lead to an increase in the Company's direct costs (for more information, please refer to Section 2.2.8 ("**Risks Related to Nationalization, Non-Saudi Employees, and Other Labor Law Requirements**") of this Prospectus). The Company's direct costs amounted to 64%, 54% and 52% of the Company's revenues for the financial years ended 31 December 2021G, 2022G, and 2023G, respectively. Any increases in the Company's direct costs will also reduce its cash flow, profit margin and funds available to operate the Company's current business and for future expansion. This would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

Political and Economic factors

All of the Company's operations are located in Saudi Arabia, and the Company generates all 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 suffer from political or security instability at the present time. 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, tariffs or trade relations between Saudi Arabia and other countries or any changes in their local policies, such as the imposition of unilateral 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 business, results of operations, financial position and prospects.

Monetary factors

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, 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. The Company's wheat purchases from GFSA accounted for 31.7%, 38.3%, and 41.7% of the Company's total purchases for the financial years ended 31 December 2021G, 2022G and 2023G, respectively. The yellow corn used in the production of animal feed is locally supplied and accounted for 12.8%, 16.9% and 20.5% approximately of the Company's total raw material purchases for the financial years ended 31 December 2021G, 2022G and 2023G, respectively. The Company purchases also the other materials used in the production of animal feed such as the soybeans, vegetables, palm oil and vitamins from local sources in KSA.

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 Company constantly maintains a certain level of inventory to avoid any market supplies related problems and any material impact which may result from the increase of raw materials prices. It is worth noting that the prices of raw materials have recently increased for several reasons, including global inflation, one of the causes of which is the Ukraine-Russia war (for more information, please refer to Section 2.2.1 ("**The Impact of Political and Economic Risks on the Company's Operations**") of this Prospectus). 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, financial position, results of operations and prospects.

Seasonal factors

The revenues of the Company are subject to seasonal fluctuations. In general, flour sales are highest in the Blessed Month of Ramadan and lowest during the summer. For example, the Company's sales of feed and bran increased in the financial year ended 31 December 2022G (compared to the financial year ended 31 December 2021G) by 49.3% and 84.8%, respectively, as a result of lower rainfall levels during that year, while the Company's sales of feed decreased in the financial year ended on 31 December 2023G (compared to the financial year ended on 31 December 2022G) by 33.5%, as a result of higher rainfalls resulting in an increase in the area of natural pastures in that area during that year. The Company's sales of bran increased in the financial year ended 31 December 2023G (compared to the financial year ended 31 December 2022G) by 3.8%. The Company will not be able to anticipate such seasonal variations in sales, and such seasonal variations will affect the Company's revenues.

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.) and other natural factors affecting the climate (such as the amount of precipitation, air humidity, soil moisture, sandstorms, and temperature increases and decreases) 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 position and prospects.

6.6 Results from operations

6.6.1 Statement of Profit or Loss and Other Comprehensive Income Data

The following table summarizes the statement of profit or loss and other comprehensive income data for the years ended 31 December 2021G, 2022G and 2023G. All references to 2021G, 2022G and 2023G in this section represent year ended 31 December 2021G, 31 December 2022G and 31 December 2023G, respectively:

Table No. (6.2): Statement of profit or loss and other comprehensive income data

SAR in 000's	2021G	2022G	2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Revenue	640,776	902,808	862,082	40.9%	(4.5%)	16.0%
Direct costs	(407,050)	(490,186)	(446,574)	20.4%	(8.9%)	4.7%
Gross Profit	**233,726**	**412,622**	**415,508**	**76.5%**	**0.7%**	**33.3%**
Selling and distribution	(5,481)	(18,289)	(30,809)	233.7%	68.5%	137.1%
General and administration	(97,967)	(105,245)	(78,430)	7.4%	(25.5%)	(10.5%)
Total expenses	**(103,447)**	**(123,534)**	**(109,238)**	**19.4%**	**(11.6%)**	**2.8%**
Operating Profit	130,278	289,087	306,270	121.9%	5.9%	53.3%
Finance costs	(10,368)	(20,709)	(121,711)	99.7%	487.7%	242.6%
Finance Income	2,253	92	17,005	(95.9%)	18,383.7%	174.7%
Other income	572	5,272	3,884	821.7%	(26.3%)	160.6%
Profit before zakat and income tax	**122,736**	**273,742**	**205,448**	**123.0%**	**(24.9%)**	**29.4%**
Zakat	(1,105)	(15,135)	(5,169)	1269.7%	(65.8%)	116.3%
Income tax	(398)	(3,338)	-	738.7%	(100.0%)	(100.0%)
Profit for the year	**121,233**	**255,269**	**200,279**	**110.6%**	**(21.5%)**	**28.5%**
Other comprehensive income of the Year	**121,233**	**255,269**	**200,279**	**110.6%**	**(21.5%)**	**28.5%**

Source: Audited financial statements of the Company for the financial years ended 31 December 2022G and 2023G, and Management information

The following table summarizes the key performance indicators for the three years ended 31 December 2021G, 2022G and 2023G:

Table No. (6.3): Key Performance Indicators

KPIs	2021G (Management information)	2022G (Management information)	2023G (Management information)	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Volume sold (tons)						
Flour	738,486	943,688	987,530	27.8%	4.6%	15.6%
Bran	182,304	230,512	245,424	26.4%	6.5%	16.0%
Feed	155,491	174,235	119,614	12.1%	(31.3%)	(12.3%)
Mills Capacity (tons per year) (1)						
Flour	1,335,000	1,380,000	1,476,000	3.4%	7.0%	5.1%
Feed	180,000	180,000	180,000	0.0%	0.0%	0.0%
Utilization (2)					**ppt.**	
Flour Mills	76.5%	94.5%	87.0%	18.4	(4.8)	13.5
Feed Mills	87.3%	97.3%	66.8%	10.0	(30.5)	(20.5)
As a % of the Revenue					**ppt.**	
Gross margin (3)	36.5%	45.7%	48.2%	9.2	2.5	11.7
Operating profit margin (4)	20.3%	32.0%	35.5%	11.7	3.5	15.2
Profit margin before zakat and income tax (5)	19.2%	30.3%	23.8%	11.1	(6.5)	4.6
Profit margin for the year (6)	**18.9%**	**28.3%**	**23.2%**	**9.4**	**(5.1)**	**4.3**

Source: Management information

(1) Flour and feed capacity was calculated on an annual basis for the three years ended 31 December 2021G, 2022G and 2023G.

(2) The utilization of flour and feed mills was calculated based on the number of days approved by the General Authority for Food Security (formerly, the General Grains Corporation), which is 300 days for the financial years ended 31 December 2021G, 2022G, and 2023G.

(3) Gross margin for the year is calculated as gross profit for the year/revenue for the year

(4) Operations profit margin for the year is calculated as operations profit margin for the year/revenue for the year

(5) Profit margin for the year before zakat and income tax is calculated as profit margin for the year before zakat and income tax / revenue for the year

(6) Profit margin for the year is calculated as profit for the year/revenue for the year

The Company's licensed activities include packing and grinding wheat, packing and grinding grits, semolina, and bulgur, manufacture of concentrated feed for animals, manufacture of livestock feed, wholesale of bakery products, trade of specialty and healthy foods, land transportation of goods, storage in ports and customs or free zones, and integrated office administrative services activities. The Company carries out its activities through 3 branches: Riyadh, Hail, and Jazan.

Revenue

Revenue mainly consisted of revenue from sale of flour, bran, and feed products, which represented 59.6%, 25.2%, and 15.2%, respectively, of revenue (before discounts and promotions) in 2023G.

The Company's revenue was mainly generated from its flour revenue representing 61.1%, 54.3%, and 59.6% of revenue (before discounts and promotions) in 2021G, 2022G, and 2023G, respectively. Bran and feed revenues' contribution to the Company's revenue (before discounts and promotions) increased from 38.9% in 2021G to 45.7% in 2022G and then decreased to 40.4% in 2023G.

Revenue increased by 40.9% from SAR 640.8 million in 2021G to SAR 902.8 million in 2022G due to Management's proactive sales strategy along with increasing its customer base with a specific focus on the B2C market.

This increase in revenue was largely due to the following:

- increase in overall volumes sold from 1,076.3 thousand tons in 2021G to 1,348.4 thousand tons in 2022G across the three product lines, and
- increase in average selling price of bran and feed by 46.2% and 33.2%, respectively in line with the increase in market demand due to weather conditions (extended dry season during the same period).

This was partly offset by a decrease in the average selling price of flour from SAR 530 per ton in 2021G to SAR 520 per ton in 2022G.

Revenue decreased by 4.5% from SAR 902.8 million in 2022G to SAR 862.1 million in 2023G due to:

- decrease in volumes sold of feed by 54.6 thousand tons and the decrease in the average selling price of feed from SAR 1,150 per ton in 2022G to SAR1,114 per ton in 2023G. This was due to the seasonal factors of a prolonged rainy season witnessed in 2023G; however, it is worth noting that the Company made several adjustments to enhance the quality of its feed products in 2023G, and
- decrease in average selling price of bran by 2.5% due to the impact of seasonality on consumer demand given that natural feed was abundant.

This was partly offset by an increase in volumes sold of flour by 43.8 thousand tons over the same period due to the increase in the Company's market share, coupled with an increase in volumes sold of bran by 14.9 thousand tons as more bran was available for sale instead of its utilization in feed production.

Direct costs

Direct costs mainly consist of raw materials consumed, depreciation of PPE, salaries and other benefits, fuel and power, maintenance, and insurance, amongst other expenses.

Direct costs increased by 20.4% from SAR 407.1 million in 2021G to SAR 490.2 million in 2022G due to the increase in:

- raw materials consumed by SAR 67.4 million due to the overall increase in production from 1,191.9 thousand tons in 2021G to 1,488.7 thousand tons in 2022G,
- maintenance expense by SAR 14.9 million due to the upgrade on Mill C, and
- fuel and power expense by SAR 5.6 million in line with the increase in production.

This was partly offset by a decrease in:

- salaries and other benefits by SAR 5.8 million given that the Company did not renew the employees who were under GFSA (previously SAGO) post-privatization, and
- other expenses by SAR 2.4 million.

Direct costs decreased by 8.9% from SAR 490.2 million in 2022G to SAR 446.6 million in 2023G driven by:

- decrease in raw materials consumed by SAR 31.6 million due to the decrease in the feed ingredients cost, mainly corn and soybean, in line with the decrease in volumes produced and sold of feed,
- reversal of provision for slow moving inventory by SAR 13.2 million due to the change of the Company's inventory provisioning policy
- maintenance expense by SAR 11.7 million due to the completion of the upgrade of Mill C in 2022G, and
- salaries and other benefits by SAR 6.5 million due to the termination of SAGO employees in 2022G.

This was partly offset by an increase in (1) depreciation of property, plant, and equipment by SAR 7.1 million on account of depreciation on new assets added during the year ended 31 December 2022G , (2) depreciation of right-of-use assets amounting to SAR 5.1 million due restatement on the balance of right of use assets relating to the land and Silos leased from GFSA in 2022G which was recorded in 2023G, and (3) other expenses by SAR 4.5 million due to the increase in other indirect costs in line with the increase in the flour volumes produced and milling license fees according to GFSA's instructions.

Gross Profit

Gross profit increased by 76.5% from SAR 233.7 million in 2021G to SAR 412.6 million in 2022G due to:

- the increase in volumes sold of bran and feed by 26.4% and 12.1%, respectively, coupled with the increase in average selling price of bran and feed by 46.2% and 33.2% respectively (this resulted in an increase in the contribution of non-subsidized products to total revenue). This increase is attributed to the increase in the market demand due to the seasonal factors (prolonged dry season during the same period).

- the Company's ability to capitalize on the subsidized wheat prices to maintain its costs and increase its profits.

As such, gross margin increased from 36.5% in 2021G to 45.7% in 2022G.

Gross profit increased by 0.7% from SAR 412.6 million in 2022G to SAR 415.5 million in 2023G due to:

- the increase in volumes sold of flour due to the company's increased market share, as well as an increase in bran volumes sold by 14.9 thousand tons due to the availability bran for sale,
- reversal of provision for slow moving inventory by SAR 13.2 million due to the change of the Company's inventory provisioning policy, and
- decrease in maintenance expenses by SAR 11.7 million due to the completion of upgrade of Mill C in 2022G.

As a result, gross margin increased from 45.7% to 48.2% over the same period.

Selling and distribution

Selling and distribution mainly consists of salaries and other benefits, shipping and transportation expenses, amortization of intangible assets, bonus and commission, and maintenance, amongst other expenses.

Selling and distribution expenses increased from SAR 5.5 million in 2021G to SAR18.3 million in 2022G mainly due to Management's new sales strategy that has resulted in the establishment of a sales and marketing department, creating new sales channels by offering delivery to customers, and increasing brand awareness through marketing campaigns and hence the full year impact of shipping and transportation expenses. This resulted in an increase in:

- shipping and transportation expenses by SAR 4.0 million,
- salaries and other benefits by SAR 3.0 million,
- amortization of intangible assets by SAR 2.4 million, and
- repair and maintenance expenses by SAR 1.3 million.

Selling and distribution expenses increased by 68.5% from SAR 18.3 million in 2022G to SAR 30.8 million in 2023G due to the increase in:

- shipping and transportation expenses by SAR 8.4 million due to Management's new sales strategy of creating new sales channels by offering delivery to customers,
- marketing by SAR 2.6 million driven by Management's effort to boost the recognition of the newly created brand.

This was partly offset by a decrease in repair and maintenance expenses by SAR 0.9 million due to improvements made to the sales department during 2022G.

General and administration

General and administration expenses mainly consist of professional and consulting fees, contract cancellation charges, salaries and other benefits, depreciation of property, plant, and equipment, insurance, technology supplies and maintenance, amongst other expenses.

General and administration expenses increased by 7.4% from SAR 98.0 million in 2021G to SAR 105.2 million in 2022G due to the increase in:

- salaries and other benefits by SAR 7.5 million due to Management's decision to increase salaries by 5%,
- maintenance expenses by SAR 2.3 million due to the full year impact of the maintenance done on the Company's head office, and
- material and supplies by SAR 1.0 million driven by the improvements made to the Company's offices and buildings during the year ended 31 December 2022G.

This was partly offset by a decrease in fuel and power by SAR 2.4 million due to the reclassification of Jazan's factory fuel expense from general and administration expenses to direct costs in 2022G. This was coupled with a decrease in board and committee's expenses, rewards and allowances from SAR 2.2 million in 2021G to nil in 2022G as the Company did not declare any BOD compensation during 2022G in light of the contemplated initial public offering. It is worth noting that the compensations were made in 2023G due to BOD's decision.

General and administration expenses decreased by 25.5% from SAR 105.2 million in 2022G to SAR 78.4 million in 2023G due to the decrease in:

- professional and consulting fees by SAR 38.4 million as the Company incurred SAR 39.6 million in 2022G mainly relating to the operation of the Company by Olam Partners, which has been settled, and
- employees' costs by SAR 3.9 million due to the termination of GFSA (previously SAGO) employees.

This was partly offset by an increase in:

- contract cancellation charges with a related party by SAR 10.0 million in relation to the cancellation of Nadec's operational service contract,
- board and committees' expenses, rewards, and allowances by SAR 4.5 million due to BOD allowances relating to 2022G and 2023G booked in 2023G, and
- other expenses by SAR 1.8 million mainly due to the increase in withholding tax by SAR 797 thousand and training expenses by the same amount.

Finance costs

Finance costs pertains to the Company's finance cost on lease liabilities and interest on loans.

Finance costs increased by 99.7% from SAR 10.4 million in 2021G to SAR 20.7 million in 2022G due to the incurrence of interest on loans of SAR 10.6 million during 2022G in line with the transfer of the loans from the previous parent company to Arabian Mills for Food Products.

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

Finance costs increased from SAR 20.7 million in 2022G to SAR 121.7 million in 2023G due to the increase in interest costs on loans by SAR 106.2 million due to (1) the full-year impact of finance cost on the Company in 2023G following the merger with the previous parent Company in November 2022G (which was previously recorded within FSHC's accounts) and (2) the overall increase in SAIBOR rates during 2023G.

Finance income

Finance income pertains to the income earned on the Company's short-term deposit.

Finance income decreased from SAR 2.3 million in 2021G to SAR 91.7 thousand in 2022G due to the maturity of a deposit on 5 January 2022G and which was not renewed.

Finance income increased from SAR 91.7 thousand in 2022G to SAR 17.0 million in 2023G due to the interest earned on the short-term deposits in 2023G, placed at a local bank for a period of 3 months with interest rate ranging between 5.4% to 5.8% over the same period.

Other income

Other income is mainly composed of loading income (pertaining to the fees charged to customers to deliver their products), gain on disposal of fixed assets, penalties and fines, and other income.

Other income increased from SAR 572 thousand in 2021G to SAR 5.3 million in 2022G due to the increase in loading income by SAR 5.1 million over the same period.

Other income decreased from SAR 5.3 million in 2022G to SAR 3.9 million in 2023G driven by the decrease in loading income by SAR 2.0 million in line with the decrease in customer demand on this service. This was partly offset by an increase in other income by SAR 775 thousand due to pallet sales to customers.

Zakat

The Company was not subject to zakat before November 2021G (date of privatization) as its funds were considered public and therefore exempt from zakat. Therefore, zakat was only incurred for one month in 2021G.

Zakat expense increased from SAR 1.1 million in 2021G to SAR15.1 million in 2022G due to increases in (1) the Company's zakat base in line with the increase in its profits and (2) the full year effect of zakat expense.

Zakat expense decreased from SAR 15.1 million in 2022G to SAR 5.2 million in 2023G due to the decrease in the zakat base, and the absence of charge in respect to prior year assessment.

Income tax

Income tax increased from SAR 0.4 million in 2021G to SAR3.3 million in 2022G due to the increase in the Company's taxable profits in line with the increase in its profits. It is worth noting that up to the year ended 31 December 2022G, the Company was subject to income tax at the rate of 20% of taxable income due to the ownership of non-GCC shareholder, Olam International Limited, a share of 10.0% of the Company's capital.

Income tax decreased from SAR 3.3 million in 2022G to nil in 2023G due to the sale of the share of the non-Saudi shareholder. As such, the Company is no longer subject to income tax for the financial year ended 31 December 2023G.

Profit for the year

The Company's Profit for the year increased by 110.6% from SAR 121.2 million in 2021G to SAR 255.3 million in 2022G mainly due to the increase in revenue by 40.9% due to Management's proactive sales strategy along with increasing its customer base with a specific focus on the B2C market which led to increase in overall volumes sold from 1,076.3 thousand tons in 2021G to 1,348.4 thousand tons in 2022G, and increase in average selling price of bran and feed by 46.2% and 33.2%, respectively.

This was partly offset by an increase in:

- depreciation on plant, property, and equipment by SAR 12.0 million,
- finance cost by SAR 10.3 million, and
- zakat and income tax expenses by SAR 17.0 million.

Accordingly, the profit margin for the year increased from 18.9% in 2021G to 28.3% in 2022G.

It is worth noting that the Company incurred finance costs for a period of one month only relating to December 2022G, while the finance cost from 1 January 2022G to 30 November 2022G was recorded within the accounts of the previous parent company, FSHC, amounting to SAR 53.8 million. These were transferred to the Company through retained earnings at the date of the merger with FSHC.

The Company's profit for the year decreased by 21.5% from SAR 255.3 million in 2022G to SAR 200.3 million in 2023G mainly due to in line with the increase in finance costs by SAR 101.0 million over the same period. It is worth noting that during 2022G, finance costs was recorded within the accounts of the previous parent company, FSHC, amounting to SAR 53.8 million. These were transferred to the Company through retained earnings at the date of the merger with FSHC. This was partly offset by the increase in finance income by SAR 16.9 million, and a decrease in zakat and income tax by SAR 13.3 million over the same period.

6.6.1.1 Revenue

The following table summarizes the revenue by product for the three years ended 31 December 2021G, 2022G and 2023G:

Table No. (6.4): Revenue by Product

SAR in 000’s	2021G (Management information)	2022G (Management information)	2023G (Management information)	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Flour (1)	391,616	491,004	521,552	25.4%	6.2%	15.4%
Bran (1)	114,972	212,519	220,611	84.8%	3.8%	38.5%
Feed (1)	134,187	200,344	133,234	49.3%	(33.5%)	0.4%
Total	**640,776**	**903,867**	**875,397**	**41.1%**	**(3.1%)**	**16.9%**
Discounts and promotion	-	(1,059)	(13,315)	NA	1157.3%	NA
Revenue	640,776	902,808	862,082	40.9%	(4.5%)	16.0%
Volumes sold (in tons)						
Flour	738,486	943,688	987,530	27.8%	4.6%	15.6%
Bran	182,304	230,512	245,424	26.4%	6.5%	16.0%
Feed	155,491	174,235	119,614	12.1%	(31.3%)	(12.3%)
Total	**1,076,281**	**1,348,435**	**1,352,568**	**25.3%**	**0.3%**	**12.1%**
Average selling price (SAR per ton)						
Flour	530	520	528	(1.9%)	1.5%	(0.2%)
Bran	631	922	899	46.2%	(2.5%)	19.4%
Feed	863	1,150	1,114	33.2%	(3.1%)	13.6%
Average selling price	595	670	637	12.5%	(4.8%)	3.5%
As a % of revenue					**ppt.**	
Flour	61.1%	54.3%	59.6%	(6.8)	5.3	(1.5)
Bran	17.9%	23.5%	25.2%	5.6	1.7	7.3
Feed	20.9%	22.2%	15.2%	1.3	(7.0)	(5.7)

Source: Management information

(1) Revenue by product is presented based on Management classification. Management classification differs from the classification as disclosed in the audited financial statements of the Company due to reclassification within some of bran and feed items in 2021G, while flour differs by SAR 2 thousand. The figures reconcile between Management information and as disclosed in the audited financial statements of the Company for 2022G and 2023G.

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 or delivery of the goods.

The revenue is recognized when control of the goods are transferred to the customer, which is the time when these are dispatched from the warehouse of the Company or the goods are delivered to the customer, as the case may be. 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.

Majority of the customer sales are on cash or advance basis. Revenue from delivery service of goods to the customers is recorded under “Other income”.

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.

Flour

Flour products' prices are regulated by GFSA (previously SAGO) for items that have a weight of either 1000kgs (sold in bulk) or 45 kgs packages. The average sale price of flour to beneficiaries is set by GFSA at SAR500 per ton. As such, the growth in flour revenue over the historical period is mainly volume driven. Flour sales consists of Bakery 80%, Premium 70%, Whole wheat 90% and 95%, and other various kinds of flours.

Flour revenue increased by 25.4% from SAR 391.6 million in 2021G to SAR 491.0 million in 2022G due to Management's decision to pursue an aggressive sales strategy in order to reach new customers such as hypermarkets and increase its market share especially when it comes to B2C clients. This was coupled with the fact that the current Management abided by the approved order amounts in 2021G placed by the former Management with GFSA (previously SAGO) given that the Company shares its order requests with GFSA (previously SAGO), which did not allow the Company to increase its sales.

Flour revenue increased by 6.2% from SAR 491.0 million in 2022G to SAR 521.6 million in 2023G due to the increase in consumer demand driven by the increase in the Company's market share. This was reflected in an increase in sales to existing customers, along with expanding towards new customers, which translated into a decrease in flour revenue concentration to the top 20 customers from 48.8% in 2022G to 47.3% in 2023G.

Bran

Bran prices are not regulated by GFSA (previously SAGO) and are dictated by competitive pricing in the market where the Company follows the international standards for commodities. Bran consists of animal bran sold in bulks or packs representing on average 69.6% and 30.4% of total bran revenue in 2023G.

Bran revenue increased by 84.8% from SAR 115.0 million in 2021G to SAR 212.5 million in 2022G due to:

- seasonal factors whereby the dry season that the Kingdom of Saudi Arabia witnessed in 2022G contributed to the increase in demand for bran, and
- increase in flour sales and production causes more bran to be available for sale given the by-product nature of bran, and
- Management's strategy to increase revenue.

Bran revenue increased by 3.8% from SAR 212.5 million in 2022G to SAR 220.6 million in 2023G driven by more bran as more bran was available for sale due the lower feed production witnessed during the period. This was reflected in an increase in the bran volumes sold from 230.5 thousand tons in 2022G to 245.4 thousand tons in 2023G.

Feed

Feed prices are also not regulated and are dictated by competitive pricing in the market. The Company follows market pricing and hence tries to achieve better quality products and prices in order to enhance market share whilst maintaining the cost base. Additionally, bran is a raw material for the production of feed. As such, the Company allocates portion of its barn to be used in feed production as per its production plan. Accordingly, the factors that impact bran demand similarly impact feed demand.

Feed revenue increased by 49.3% from SAR 134.2 million in 2021G to SAR 200.3 million in 2022G due to:

- seasonal factors whereby the dry season that the Kingdom of Saudi Arabia witnessed in 2022G contributed to the increase in demand for feed, and
- Management's strategy to increase revenue.

In addition, livestock feed revenue (that is composed of on average 80% of bran) increased from around 85% of total feed revenue to approximately 94%. This is due to the exceptional increased demand from farmers preferring livestock farming over other kinds of feed that require more corn as a component given the increase in prices of corn worldwide.

Feed revenue decreased by 33.5% from SAR 200.3 million in 2022G to SAR 133.2 million in 2023G due to the decrease in demand from farmers as 2023G was a rainy year; and hence, natural feed was abundant for animals. This was reflected in the decrease in volumes sold by 54.6 thousand tons along with the decrease in the average selling price of feed by 3.1% over the same period. It is worth noting that the Company produced a new type of feed that is not affected by seasonal factors.

Discounts and promotion

Discounts and promotion pertain to discounts and volume rebates given by the Company to its flour hypermarkets customers.

The Company did not provide any discounts and promotions in 2021G and introduced them in 2022G. Accordingly, discounts and promotions increased from nil in 2021G to SAR 1.1 million in 2022G in line with Management's strategy to increase sales by doing promotions and enhancing relations with new customers by providing such rebates.

Discounts and promotion increased from SAR 1.1 million in 2022G to SAR13.3 million in 2023G in line with (1) increased competition in the market, and (2) Management's efforts to induce feed and bran sales given the seasonal factors it witnessed. As such, the Company provided rebates for its three product lines in 2023G.

The following table summarizes the revenue by sector for the three years ended 31 December 2021G, 2022G and 2023G:

Table No. (6.5): Revenue by Sector

SAR in 000's	2021G	2022G	2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Corporate	602,668	866,384	791,676	43.8%	(8.6%)	14.6%
Individual	37,856	36,405	70,336	(3.8%)	93.2%	36.3%
Non-government	640,524	902,798	862,012	40.9%	(4.5%)	16.0%
Government	252	19	71	(92.5%)	273.7%	(46.9%)
Revenue	640,776	902,808	862,082	40.9%	(4.5%)	16.0%

Source: Audited financial statements of the Company for the financial years ended 31 December 2022G and 2023G, and Management information

The Company sells its products to three main sectors: Corporate, Government, and Individual. The Company's products are either regulated by GFSA (subsidized for flour products having weight of 1000kgs and 45kgs) or non-regulated/subsidized (flour products of smaller weights, bran and feed) that are subject to market pricing and competition.

Revenue increased by 40.9% from SAR 640.8 million in 2021G to SAR 902.8 million in 2022G due to the increase in corporate sector revenue by 43.8% from SAR 602.7 million in 2021G to SAR 866.4 million in 2022G. That was offset by decrease in individual sector revenue by 3.8% from SAR 37.9 million in 2021G to SAR 36.4 million in 2022G and the decrease in government sector revenue by 9254% from SAR 252.0 thousand in 2021G to SAR 19.0 thousand in 2022G.

This increase in revenue was due to Management's proactive sales strategy along with increasing its customer base with a specific focus on the B2C market. It was also largely due to the following:

- increase in overall volumes sold from 1,076.3 thousand tons in 2021G to 1,348.4 thousand tons in 2022G (across the three product lines), and
- increase in average selling price of bran and feed by 46.2% and 33.5%, respectively.

This was partly offset by a decrease in the average selling price of flour from SAR 530 per ton in 2021G to SAR 520 per ton in 2022G.

The composition of products that are being sold to the corporate customers changed over the historical period whereby the non-subsidized products grew at the expense of the subsidized ones, having their revenue contribution increasing from 42.5% in 2021G to 52.0% in 2023G. This is reflected in the increase in the Company's revenue, contribution profit, and gross profit given the Company's ability to leverage on subsidized wheat prices having a known/constant cost to produce non-subsidized products that are subject to market pricing.

Revenue decreased by 4.5% from SAR 902.8 million in 2022G to SAR 862.1 million in 2023G due to the decrease in corporate sector revenue by 8.6% from SAR 866.4 million in 2022G to SAR 791.7 million in 2023G. This was partly offset by an increase in individual sector revenue by 93.2% from SAR 36.4 million in 2022G to SAR 70.3 million in 2023G and an increase in government sector revenue from SAR 19 thousand to SAR 71 thousand over the same period.

The decrease in revenue is mainly due to:

- decrease in feed volumes sold by 31.3% from 174,235 tons in 2022G to 119,614 tons in 2023G, and
- decrease in the average selling price of bran and feed by 2.5% and 3.1%, respectively.

This was partly offset by an increase in the average price of flour from SAR 520 per ton in 2022G to SAR 528 per ton in 2023G.

The following table summarizes the revenue by branch for the three years ended 31 December 2021G, 2022G and 2023G:

Table No. (6.6): Revenue by branch

SAR in 000's	2021G	2022G	2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Riyadh	419,811	575,832	570,964	37.2%	(0.8%)	16.6%
Jazan	108,333	147,403	142,553	36.1%	(3.3%)	14.7%
Hail	112,632	179,573	148,566	59.4%	(17.3%)	14.8%
Revenue	**640,776**	**902,808**	**862,082**	**40.9%**	**(4.5%)**	**16.0%**
Volumes sold (in tons)						
Riyadh	715,572	871,958	893,726	21.9%	2.5%	11.8%
Jazan	192,145	234,856	233,245	22.2%	(0.7%)	10.2%
Hail	168,563	241,621	225,597	43.3%	(6.6%)	15.7%
Average selling price (SAR per ton)						
Riyadh	587	661	639	12.6%	(3.3%)	4.3%
Jazan	564	628	611	11.3%	(2.7%)	4.1%
Hail	668	743	659	11.2%	(11.3%)	(0.7%)

Source: Audited financial statements of the Company for the financial years ended 31 December 2022G and 2023G, and Management information

Revenue increased by 40.9% from SAR 640.8 million in 2021G to SAR 902.8 million in 2022G due to the increase in Riyadh branch sales by 37.2% from SAR 419.8 million in 2021G to SAR 575.8 million in 2022G in line with the growth in revenue. In addition to the increase in Jazan's branch sales by 36.1% from SAR 108.3 million in 2021G to SAR 147.4 million in 2022G due the increase in the branch's bran revenue from 25.1% of the total branch revenue in 2021G to 37.0% in 2022G and due to increase in Hail branch revenue by 59.4% from SAR 112.6 million in 2021G to SAR 179.6 million in 2022G due to increase in the branch's feed revenue that contributed to 55.0% of total Hail branch revenue in 2022G.

The composition of Riyadh branch revenue changed during the historical period, as bran and feed contributed to 38.9% of revenue in 2021G compared to 40.4% in 2023G. Jazan branch revenue consist of flour and bran revenue only.

Revenues decreased by 4.5% from SAR 902.8 million in 2022G to SAR 862.1 million in 2023G due to the decrease in Jazan branch revenue by 3.3% from SAR 147.5 million in 2022G to SAR 142.6 million in 2023G, coupled with a decrease in Hail branch revenue by 17.3% from SAR 179.6 million in 2022G to SAR 148.6 million in 2023G.

This decrease is due to:

- the decrease in the volumes sold in Jazan and Hail branches in 2023G by 0.7% and 6.6%, respectively, and
- the decrease in the average selling price in Hail branch from SAR 743 per ton in 2022G to SAR 663 per ton in 2023G.

6.6.1.2 Direct Costs

The following table summarizes the direct costs for the three years ended 31 December 2021G, 2022G and 2023G:

Table No. (6.7): Direct costs

SAR in 000's	2021G	2022G	2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Raw material consumed	274,403	341,851	310,338	24.6%	(9.2%)	6.3%
Depreciation of property, plant and equipment	36,407	48,368	55,479	32.9%	14.7%	23.4%
Employees' costs*	51,095	45,307	38,779	(11.3%)	(14.4%)	(12.9%)
Fuel and power	16,729	22,372	20,312	33.7%	(9.2%)	10.2%
Depreciation of right-of-use-assets	8,717	8,717	13,800	0.0%	58.3%	25.8%
Maintenance	6,488	21,421	9,752	230.2%	(54.5%)	22.6%
Insurance	4,495	3,192	2,149	(29.0%)	(32.7%)	(30.9%)
Short-term leases**	438	351	350	(19.9%)	(0.3%)	(10.6%)
Other expenses	5,751	3,396	7,852	(40.9%)	131.2%	16.8%
(Reversal of provision) / provision for slow-moving inventories	535	-	(13,220)	(100.0%)	NA	NA
Finished goods, net (1)	1,993	(4,789)	983	NA	NA	(29.8%)
Total	**407,050**	**490,186**	**446,574**	**20.4%**	**(8.9%)**	**4.7%**
As a % of revenue						
Raw material consumed	42.8%	37.9%	36.0%	(4.9)	(1.9)	(6.8)
Depreciation of property, plant and equipment	5.7%	5.4%	6.4%	(0.3)	1.0	0.7
Employees' costs	8.0%	5.0%	4.5%	(3.0)	(0.5)	(3.5)
Fuel and power	2.6%	2.5%	2.4%	(0.1)	(0.1)	(0.2)
Depreciation of right-of-use-assets	1.4%	1.0%	1.6%	(0.4)	0.6	0.2
Maintenance	1.0%	2.4%	1.1%	1.4	(1.3)	0.1
Insurance	0.7%	0.4%	0.2%	(0.3)	(0.2)	(0.5)
Short-term leases	0.1%	0.0%	0.0%	(0.1)	0.0	(0.1)
Other expenses	0.9%	0.4%	0.9%	(0.5)	0.5	0.0
(Reversal of provision) / provision for slow-moving inventories	0.1%	0.0%	(1.5%)	(0.1)	(1.5)	(1.6)
Finished goods, net	0.3%	(0.5%)	0.1%	(0.8)	0.6	(0.2)
Total	**63.5%**	**54.3%**	**51.8%**	**(9.2)**	**(2.5)**	**(11.7)**

Source: Audited financial statements of the Company for the financial years ended 31 December 2022G and 2023G, and Management information

* The line item "Employees' costs" was labelled as "Salaries and other benefits" in the audited financial statements of the Company for the financial years ended 31 December 2022G.

** The line item "Short term leases" was labelled as "Rent" in the audited financial statements of the Company for the financial years ended 31 December 2022G.

(1) Finished goods, net movement represents the difference between finished goods at the beginning of the year and finished goods at the end of the year as disclosed in the Company's audited financial statements.

Raw material consumed

Raw material consumed cost pertains mainly to the cost of wheat, corn, soy, packing material, and other flour and feed additives that is used in the production process. Wheat represents on average 71% of total raw material consumed cost and is subsidized at a price of SAR180 per ton for bulk (1000kgs) and 45kgs packs.

Raw material consumed costs increased by 24.6% from SAR 274.4 million in 2021G to SAR 341.9 million in 2022G due to the increase in wheat costs from SAR 189.0 million in 2021G to SAR 236.3 million in 2022G. This increase in driven by further increases in flour revenue which is reflected in the increase in quantity of flour and bran produced from 1,034.9 thousand tons in 2021G to 1,313.6 thousand tons in 2022G. This is to fill the need of the local market since the Company started increasing its customer base and implementing a new market penetration strategy. Feed ingredients cost also increased from SAR 53.7 million in 2021G to SAR 78.2 million in 2022G as a result of lifting subsidies on soybeans in 2020G. This was coupled with global market factors, that led to an increase in the average cost per ton. Similarly, corn prices increased driven by market demand, supply shortages, and geopolitical factors.

Raw material consumed cost decreased by 9.2% from SAR 341.9 million in 2022G to SAR 310.3 million in 2023G due to the decrease in feed ingredients cost by SAR 30.9 million, mainly corn, barley, and soybeans cos, which are key raw materials used in the production of feed. This is in line with the decrease in the quantities of feed produced and sold.

Depreciation of property, plant and equipment

Depreciation of property, plant, and equipment increased by 32.9% from SAR 36.4 million in 2021G to SAR 48.4 million in 2022G due to further additions made on the Company's property, plant and equipment along with the impact of the net uplift made.

Depreciation of property, plant, and equipment increased by 14.7% from SAR 48.4 million in 2022G to SAR 55.5 million in 2023G in line with transfers from capital work in progress to fixed assets.

Employees' costs

Employees' costs decreased by 11.3% from SAR 51.1 million in 2021G to SAR 45.3 million in 2022G driven by the decrease in the Company's headcount as the contracts of GFSA (previously SAGO) employees were terminated after 1 year lock up period (post-privatization). As such, salaries and other benefits as percentage of revenue decreased from 8.0% in 2021G to 5.0% in 2022G.

Employees' costs further decreased by 14.4% from SAR 45.3 million in 2022G to SAR 38.8 million in 2023G due to the termination of GFSA (previously SAGO) employees that occurred in 2022G.

Fuel and power

Fuel and power expenses increased by 33.7% from SAR 16.7 million in 2021G to SAR 22.4 million in 2022G in line with the increase in the overall production levels.

Fuel and power expenses decreased by 9.2% from SAR 22.4 million in 2022G to SAR 20.3 million in 2023G in line with the decrease in volumes produced over the same period.

Maintenance

Maintenance costs pertains to the enhancements made on the Company's mills and factories.

Maintenance costs increased from SAR 6.5 million in 2021G to SAR 21.4 million in 2022G driven by the upgrade on Mill C where the Company incurred spare parts cost of SAR 13.8 million over the same period.

Maintenance costs decreased by 54.5% from SAR 21.4 million in 2022G to SAR 9.8 million in 2023G due to the completion of the upgrade of Mill C in 2022G.

Depreciation of right-of-use assets

Depreciation of right-of-use assets pertains to the depreciation on the Company's silos and lands leased from GFSA (previously SAGO). Depreciation of right-of-use assets amounted to SAR 8.7 million in 2021G and 2022G due to depreciation charges incurred on these silos and lands.

Depreciation of right-of-use assets increased by 58.3% from SAR 8.7 million in 2022G to SAR 13.8 million in 2023G in line with the increase in the value of right of use assets due to the restatement of the lease terms to align with the Company's license date. the depreciation expense of SR 13.8 million includes an adjustment of SAR 2.5 million pertaining to depreciation charges for 2022G.

Insurance

Insurance pertains to the medical insurance of the Company's direct labor.

Insurance cost decreased by 29.0% from SAR 4.5 million in 2021G to SAR 3.2 million in 2022G in line with the decrease in the headcount of direct labor from 586 employees in 2021G to 565 employees in 2022G.

Insurance cost further decreased by 32.7% from SAR 3.2 million in 2022G to SAR 2.1 million in 2023G in line with the decrease in the number of direct employees, along with the downgrade of insurance policies.

Short-term leases

Short-term leases mainly pertain to the short-term rental of house camps for Jazan employees.

Short-term leases expenses decreased by 19.8% from SAR 438 thousand in 2021G to SAR 351 thousand in 2022G due to the decrease in the rented area of the house camps.

Short-term leases expenses remained stable at SAR 350 thousand in 2023G.

Other expenses

Other expenses mainly pertain to shipping expenses, transportation costs, and other miscellaneous expenses.

Other expenses decreased by 40.9% from SAR 5.8 million in 2021G to SAR 3.4 million in 2022G driven by the decrease in interbranch transportation costs incurred in 2021G.

Other expenses increased from SAR 3.4 million in 2022G to SAR 7.9 million in 2023G due to (1) the increase in production expenses by SAR 2.0 million in line with the increase in flour volumes produced, and (2) milling license fees as stipulated by GFSA.

(Reversal of provision) / provision for slow-moving inventories

Provision for slow moving inventory decreased from SAR 535 thousand in 2021G to nil in 2022G as Management believes that it is adequately provisioned as per its policy.

Management changed its provisioning policy for slow moving inventory where spare parts inventory items aged greater than a year are subject to a 6.67% provision for each ageing year. The useful life of spare parts is 15 years, based on the midpoint of useful lives of the Company's assets (between 10 and 25 years). Accordingly, a reversal of provision was made amounting to SAR 13.2 million in 2023G.

Finished goods, net

Finished goods, net pertains to the movement in inventory balance (beginning inventory less ending inventory). This item reflects whether the company has used available inventory to secure its sales in addition to the quantities produced during the financial year/period (positive balance) or if the company has produced more quantities than those required to secure revenues. As such, the cost of quantities produced is transferred to Inventory (negative balance).

Finished goods, net decreased from SAR 2.0 million in 2021G to a negative movement of SAR 4.8 million in 2022G due to the increase in volume produced as compared to the ending finished goods inventory.

Finished goods, net was a negative movement of SAR 4.8 million in 2022G compared to SAR 983 thousand in 2023G due to the increase in ending finished goods inventory.

6.6.1.3 Selling and distribution expenses

The following table summarizes the selling and distribution expenses for the three years ended 31 December 2021G, 2022G and 2023G:

Table No. (6.8): Selling and distribution expenses

SAR in 000's	2021G	2022G	2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Shipping and transportation expenses	1,341	5,360	13,712	299.7%	155.8%	219.8%
Employees' costs*	3,706	6,720	8,278	81.3%	23.2%	49.5%
Marketing	-	612	3,192	NA	421.6%	NA
Amortization of intangible assets	-	2,427	2,427	NA	0.0%	NA
Repair and maintenance	-	1,314	405	NA	(69.2%)	NA
Others (1)	434	1,856	2,795	327.6%	50.6%	153.8%
Total	**5,481**	**18,289**	**30,809**	**233.7%**	**68.5%**	**137.1%**
As a % of revenue						
Shipping and transportation expenses	0.2%	0.6%	1.6%	0.4	1.0	1.4
Employees' costs	0.6%	0.7%	1.0%	0.1	0.3	0.4
Marketing	0.0%	0.1%	0.4%	0.1	0.3	0.4
Amortization of intangible assets	0.0%	0.3%	0.3%	0.3	0.0	0.3
Repair and maintenance	0.0%	0.1%	0.0%	0.1	(0.1)	0.0
Others	0.1%	0.2%	0.3%	0.1	0.1	0.2
Total	**0.9%**	**2.0%**	**3.6%**	**1.1**	**1.6**	**2.7**

Source: Audited financial statements of the Company for the financial years ended 31 December 2022G and 2023G, and Management information

* The line item "Employees' costs" was labelled as "Salaries and other benefits" in the audited financial statements of the Company for the financial years ended 31 December 2022G.

(1) Others: Others are composed of insurance costs, depreciation of property, plant and equipment, fuel and power expenses, short-term leases and other expenses. These accounts were clubbed together from the audited financial statements of the Company within "Others" in the table above due to their immateriality.

Shipping and transportation expenses

Shipping and transportation expenses increased from SAR 1.3 million in 2021G to SAR 5.4 million in 2022G due to:

- increase in revenue over the same period,
- signing new agreements with distributors where the Company incurs the transportation cost, and
- increase in fuel prices over the same period.

Shipping and transportation expenses increased from SAR 5.4 million in 2022G to SAR 13.7 million in 2023G in line with the:

- increase in volumes sold over the same period, and
- signing new agreements with distributors where the Company incurs the transportation cost.
- inter-branch transfers of raw materials and finished goods.

Employees' costs

Employees' costs increased by 81.3% from SAR 3.7 million in 2021G to SAR 6.7 million in 2022G driven by the increase in the average monthly staff cost in line with the Company's shift towards the private sector due to hiring employees of higher salary scale (such as Sales Director position) coupled with a new commission scheme introduced to the newly established sales team.

Employees' costs increased by 23.2% from SAR 6.7 million in 2022G to SAR 8.3 million in 2023G driven by the full year impact of recruiting selling and distribution personnel in 2022G.

Marketing

Marketing expenses pertain to the Company's spending on advertising and increasing brand awareness.

Marketing expenses increased from nil in 2021G to SAR 0.6 million in 2022G and then to SAR 3.2 million in 2023G mainly due to the Company's advertisements on social media, preparing brochures, and creating short videos to increase brand awareness.

Amortization of intangible assets

Amortization of intangible assets pertains to the amortization of the Company's brand recognized in 2022G following the merger transaction and amounted to SAR 2.4 million in each of the years 2022G and 2023G.

Repair and maintenance

Repair and maintenance costs increased from nil in 2021G to SAR 1.3 million in 2022G as the Company established a new space in its head office for the sales department.

Repair and maintenance costs decreased from SAR 1.3 million in 2022G to SAR 0.4 million in 2023G as the Company established a new space in its head office for the sales department in 2022G.

Others

Others are composed of insurance costs, depreciation of property, plant and equipment, fuel and power expenses, short-term leases and other expenses. These accounts were clubbed together due to their immateriality.

Others increased from SAR 0.4 million in 2021G to SAR 1.9 million in 2022G due to the increase in the accounts clubbed together, namely, other expenses. This increase is due to the increase in (1) office furniture and supplies expenses by SAR 785 thousand driven by the enhancements on the Company's selling and distribution department, (2) hospitality and entertainment expenses by SAR 214 thousand due to multiple events held by the Company, (3) and advertising expenses by SAR 766 thousand in line with Management's efforts to increase the Company's brand awareness.

Others increased from SAR 1.9 million in 2022G to SAR 2.8 million in 2023G mainly due to the increase in:

- other expenses by SAR 0.5 million due to the reclassification of advertising expenses to marketing expenses disclosed separately within selling and distribution,
- insurance costs by SAR 0.2 million in line with the increase in the selling and distribution department personnel, and
- fuel and power expenses by SAR 0.1 million due to the increase in fuel prices and the reclassification of some of the expenses from direct cost to selling and distribution expenses over the same period.

6.6.1.4 General and administration expenses

The following table summarizes the general and administration expenses for the three years ended 31 December 2021G, 2022G and 2023G:

Table No. (6.9): General and administration expenses

SAR in 000's	2021G	2022G	2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Employees' costs *	34,673	42,164	38,233	21.6%	(9.3%)	5.0%
Contract cancellation charges with a related party	-	-	10,000	NA	NA	NA
Professional and consulting fees	46,690	47,090	8,720	0.9%	(81.5%)	(56.8%)
Board and committees' expenses, rewards, and allowances	2,249	-	4,509	(100.0%)	NA	41.6%
Material and supplies**	1,627	2,640	3,279	62.3%	24.2%	42.0%
Maintenance	1,131	3,433	2,098	203.5%	(38.9%)	36.2%
Insurance	1,233	1,749	1,759	41.8%	0.6%	19.4%
Fuel and power	2,652	295	1,258	(88.9%)	326.4%	(31.1%)
Depreciation of property, plant and equipment	1,839	1,934	207	5.2%	(89.3%)	(66.4%)
Other expenses (1)	5,874	5,939	8,368	1.1%	40.9%	19.4%
Total	**97,967**	**105,245**	**78,430**	**7.4%**	**(25.5%)**	**(10.5%)**
As a % of revenue						
Employees' costs	5.4%	4.7%	4.4%	(0.7)	(0.3)	(1.0)
Contract cancellation charges with a related party	-	-	1.2%	-	1.2	1.2
Professional and consulting fees	7.3%	5.2%	1.0%	(2.1)	(4.2)	(6.3)
Board and committees' expenses, rewards, and allowances	0.4%	0.0%	0.5%	(0.4)	0.5	0.1
Material and supplies	0.3%	0.3%	0.4%	0.0	0.1	0.1
Maintenance	0.2%	0.4%	0.2%	0.2	(0.2)	0.0
Insurance	0.2%	0.2%	0.2%	0.0	0.0	0.0
Fuel and power	0.4%	0.0%	0.1%	(0.4)	0.1	(0.3)
Depreciation of property, plant and equipment	0.3%	0.2%	0.0%	(0.1)	(0.2)	(0.3)
Other expenses	0.9%	0.7%	1.0%	(0.2)	0.3	0.1
Total	**15.3%**	**11.7%**	**9.1%**	**(3.6)**	**(2.6)**	**(6.2)**

Source: Audited financial statements of the Company for the financial years ended 31 December 2022G and 2023G, and Management information

(1) The presentation of other expenses differs between Management presentation and that of the audited financial statements, whereby amortization of intangible assets, short-term leases, and other expenses were clubbed within other expenses line item. These were disclosed separately in the audited financial statements for the years ended 31 December 2022G and 2023G.

* The line item "Employees' costs" was labelled as "Salaries and other benefits" in the audited financial statements of the Company for the financial years ended 31 December 2022G.

** The line item "Material and supplies" was labelled as "Office supplies" in the audited financial statements of the Company for the financial years ended 31 December 2022G.

Employees' costs

Employees' costs increased by 21.6% from SAR 34.7 million in 2021G to SAR 42.2 million in 2022G due to the full year effect of several key employees being hired in 2021G, that resulted in an increase in the average monthly staff cost over the same period.

Employees' costs decreased by 9.3% from SAR 42.2 million in 2022G to SAR 38.2 million in 2023G due to the termination of GFSA employees.

Contract cancellation charges with a related party

Contract cancellation charges with a related party pertains to the charges on the contract cancellation of the operational services provided by NADEC, current shareholder. The charges amounted to SAR 10.0 million during 2023G.

Professional and consulting fees

Professional and consulting fees increased by 0.9% from SAR 46.7 million in 2021G to SAR 47.1 million in 2022G in relation to various consultancy services incurred post-privatization.

Professional and consulting fees decreased by 81.5% from SAR 47.1 million in 2022G to SAR 8.7 million in 2023G due to the exceptional consultancy fees paid to Olam International Limited in 2022G in relation to operational services of the newly privatized Company.

Board and committees' expenses, rewards, and allowances

Board and committees' expenses, rewards, and allowances decreased from SAR 2.2 million in 2021G to nil in 2022G as the Company did not declare any compensations for the BOD during 2022G in light of the anticipated initial public offering.

Board and committees' expenses, rewards, and allowances increased from nil in 2022G to SAR 4.5 million in 2023G driven by the adjustment recorded in 2023G, relating to 2022G BOD bonuses, coupled with the 2023G BOD bonuses accrual amounting to SAR 1.1 million and SAR 3.2 million, respectively.

Materials and supplies

Materials and supplies expenses pertain to the costs of spare parts used in the improvement of the Company's head office.

Materials and supplies expenses increased by 62.2% from SAR 1.6 million in 2021G to SAR 2.6 million in 2022G due to the renovation of the Company's head office and branches.

Materials and supplies expenses increased by 24.2% from SAR 2.6 million in 2022G to SAR 3.3 million in 2023G mainly due to SAP support expenses amounting to SAR 83.3 thousand per month.

Maintenance

Maintenance costs pertain to the enhancements being made to the Company's head office and other administrative premises.

Maintenance costs increased from SAR 1.1 million in 2021G to SAR 3.4 million in 2022G due to the full year effect of the maintenance done on the Company's head office.

Maintenance costs decreased by 38.9% from SAR 3.4million in 2022G to SAR 2.1 million in 2023G due to the absence of maintenance works similar to those performed in 2022G.

Insurance

Insurance costs mainly pertains to the employees' medical insurance along with automotive insurance expenses.

Insurance costs increased by 41.9% from SAR 1.2 million in 2021G to SAR 1.7 million in 2022G due to hiring new key personnel that increased the medical insurance from SAR 1.1 million in 2021G to SAR 1.7 million in 2022G.

Insurance costs remained relatively stable at SAR 1.8 million in 2023G.

Fuel and power

Fuel and power expenses decreased by 88.9% from SAR 2.7 million in 2021G to SAR 295 thousand in 2022G due to the reclassification of Jazan's fuel and power expenses to direct costs given that it is a manufacturing expense.

Fuel and power expenses increased from SAR 295 thousand in 2022G to SAR 1.3 million in 2023G due to the reclassification of electricity expenses from direct costs to general and administration expenses.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment pertains to depreciation charges on the Company's head office and associated administrative premises.

Depreciation of property, plant and equipment increased by 5.2% from SAR 1.8 million in 2021G to SAR 1.9 million in 2022G due to depreciation charge on transfers from capital work-in-progress.

Depreciation of property, plant and equipment decreased by 89.3% from SAR 1.9 million in 2022G to SAR 0.2 million in 2023G due to the reallocation of depreciation from general and administration expenses to direct costs.

Other expenses

Other expenses consist of amortization of intangible assets, short-term leases, and other expenses.

Other expenses increased by 1.1% from SAR 5.9 million in 2021G to SAR 5.9 million in 2022G due to the increase in other expenses by SAR 6.0 million in relation to GFSA's fines, whereby the Company was fined for booking revenue under "one-time customers", due to a system delay between the Company's software and that of GFSA. This was offset by a decrease in (1) miscellaneous expenses by SAR 0.9 million, (2) advertising expenses by SAR 1.2 million due to the reclassification of the account to selling and distribution, and (3) packing material inventory differences by SAR 3.3million due to an adjustment relating to the Company's system.

Other expenses increased by 40.9% from SAR 5.9 million in 2022G to SAR 8.4 million in 2023G mainly due to the:

- increase in amortization of intangible assets by SAR 565 thousand due to SAP depreciation charges transferred from projects under implementation to fixed assets, and
- increase in other expenses by SAR 1.8 million mainly due to the increase withholding tax of SAR 797 thousand and training costs of SAR 736 thousand.

6.6.1.5 Finance Costs

The following table summarizes the finance costs for the three years ended 31 December 2021G, 2022G and 2023G:

Table No. (6.10): Finance costs

SAR in 000's	2021G	2022G	2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Interest on loans	-	10,617	116,781	NA	999.9%	NA
Interest on lease liabilities	10,368	10,092	3,186	(2.7%)	(68.4%)	(44.6%)
Amortization of transaction costs on loans	-	-	1,744	NA	NA	NA
Total	**10,368**	**20,709**	**121,711**	**99.7%**	**487.7%**	**242.6%**

Source: Audited financial statements of the Company for the financial years ended 31 December 2022G and 2023G, and Management information

Finance cost pertains to the Company's lease liabilities and interest on loans.

Finance cost increased by 99.7% from SAR 10.4 million in 2021G to SAR 20.7 million in 2022G due to the incurrence of interest on loans by SAR 10.6 million in line with the transfer of the loans from the former parent company to Arabian Mills for Food Products.

Finance cost increased from SAR 20.7 million in 2022G to SAR 121.7 million in 2023G due to the increase in the interest on loans by SAR 106.2 million (before merger, finance costs up to date of merger was recorded within the accounts of Food Security Holding Company). This is due to (1) the full year impact of finance cost on the company in 2023G following the merger with the previous parent company in November 2022G and (2) the overall increase in SAIBOR rates during the same period.

This was partly offset by a decrease in interest on lease liabilities by SAR 6.9 million over the same period due to the restatement of the previous year financial statements relating to the re-assessment of the value of the lease liabilities after obtaining flour milling license in 2021G, which impacted the discount rate being used. The impact of this restatement on the statement of profit or loss for the year ended 31 December 2022G was recorded in 2023G.

6.6.1.6 Profit (loss) before zakat and income tax by segment

The following table summarizes the profit (loss) before zakat and income tax by segment for the three years ended 31 December 2021G, 2022G and 2023G:

Table No. (6.11): Profit (loss) before zakat and income tax by segment

SAR in 000's	2021G	2022G	2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Riyadh	184,995	295,486	293,137	59.7%	(0.8%)	25.9%
Jazan	11,983	42,709	39,495	256.4%	(7.5%)	81.5%
Hail	(7,724)	34,613	41,426	NA	19.7%	NA
Head office	(66,518)	(99,066)	(168,610)	48.9%	70.2%	59.2%
Total	**122,736**	**273,742**	**205,448**	**123.0%**	**(24.9%)**	**29.4%**

Source: Audited financial statements of the Company for the financial years ended 31 December 2022G and 2023G, and Management information

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

For management reporting purpose, the Company is organized into these business units which are identified as reportable segments. No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently in the financial statements. Also, the Company's financing (including finance costs related to loans and finance income) and zakat are managed on a head office level and are not allocated to operating segments. All reportable segments have similar type of products.

6.6.1.7 Profit (loss) for the year and other comprehensive income data

The following table summarizes the profit (loss) for the year and other comprehensive income data for the three years ended 31 December 2021G, 2022G and 2023G:

Table No. (6.12): Profit (loss) for the year and other comprehensive income

SAR in 000's	2021G	2022G	2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Operating Profit	130,278	289,087	306,270	121.9%	5.9%	53.3%
Finance cost	(10,368)	(20,709)	(121,711)	99.7%	487.7%	242.6%
Finance Income	2,253	92	17,005	(95.9%)	18,383.7%	174.7%
Other income	572	5,272	3,884	821.7%	(26.3%)	160.6%
Profit before zakat and income tax	**122,736**	**273,742**	**205,448**	**123.0%**	**(24.9%)**	**29.4%**
Zakat	(1,105)	(15,135)	(5,169)	1269.7%	(65.8%)	116.3%
Income tax	(398)	(3,338)	-	738.7%	(100.0%)	(100.0%)
Profit for the year	**121,233**	**255,269**	**200,279**	**110.6%**	**(21.5%)**	**28.5%**
Total comprehensive income of the year	**121,233**	**255,269**	**200,279**	**110.6%**	**(21.5%)**	**28.5%**
Profit margin for the year (1)	18.9%	28.3%	23.2%	9.4	(5.0)	4.3

Source: Audited financial statements of the Company for the financial years ended 31 December 2022G and 2023G, and Management information

(1) Profit margin for the year is calculated as profit for the year/revenue for the year

Profit for the year increased by 110.6% from SAR 121.2 million in 2021G to SAR 255.3 million in 2022G in line with the increase in revenue by 40.9% due to Management's new proactive sales strategy along with increasing its customer base with a specific focus on the B2C market which led to an increase in overall volumes sold from 1,076.3 thousand tons in 2021G to 1,348.4 thousand tons in 2022G along with the increase in average selling price of bran and feed by 46.2% and 33.2%, respectively.

This was partly offset by an increase in:

- depreciation on property, plant and equipment, right of use assets, and amortization of intangible assets by SAR 14.6 million,
- finance costs by SAR 10.3 million,
- zakat and income tax expenses by SAR 17.0 million, and

Accordingly, profit margin for the year increased from 18.9% in 2021G to 28.3% in 2022G.

It is worth noting that during 2022G, finance cost was recorded in the financial statements of the previous parent company, FSHC, amounting to SAR 53.8 million, for the 11 months period up to the date of merger These were transferred to the Company through retained earnings at the date of the merger with FSHC.

Profit for the year decreased by 21.5% from SAR 255.3 million in 2022G to SAR 200.3 million in 2023G due to the increase in finance cost by SAR 101.0 million, mainly relating to the transferred loans from the previous parent company on 30 November 2022G, over the same period.

6.6.2 Statement of financial position data

The following table summarizes the statement of financial position data as of 31 December 2021G, 2022G and 2023G:

Table No. (6.13): Statement of financial position data

SAR in 000's	As at 31 December 2021G Restated	As at 31 December 2022G Restated	As at 31 December 2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Assets						
Non - current Assets						
Property, plant and equipment (1)	751,019	902,421	891,999	20.2%	(1.2%)	9.0%
Right of use assets (1)	281,457	272,740	258,941	(3.1%)	(5.1%)	(4.1%)
Intangible assets	9,223	68,270	64,975	640.2%	(4.8%)	165.4%
Goodwill	-	822,434	822,434	NA	0.0%	NA
Total non-current assets	**1,041,699**	**2,065,865**	**2,038,349**	**98.3%**	**(1.3%)**	**39.9%**
Current assets						
Inventories	142,329	119,790	98,812	(15.8%)	(17.5%)	(16.7%)
Prepayments and other current assets	25,918	20,231	15,085	(21.9%)	(25.4%)	(23.7%)
Amounts due from related parties	-	-	5,327	NA	NA	NA
Accounts receivables	-	-	6,340	NA	NA	NA
Cash and cash equivalents	327,160	573,851	127,798	75.4%	(77.7%)	(37.5%)
Total current assets	**495,408**	**713,871**	**253,361**	**44.1%**	**(64.5%)**	**(28.5%)**
Total assets	**1,537,107**	**2,779,737**	**2,291,710**	**80.8%**	**(17.6%)**	**22.1%**
Equity and liabilities						
Equity						
Share capital	513,150	513,150	513,150	0.0%	0.0%	0.0%
Statutory reserve	25,322	50,849	50,849	100.8%	0.0%	41.7%
Merger deficit reserve (1)	-	(658,833)	-	NA	(100.0%)	NA
Retained earnings (1)	620,361	713,789	258,967	15.1%	(63.7%)	(35.4%)
Total equity	**1,158,833**	**618,955**	**822,966**	**(46.6%)**	**33.0%**	**(15.7%)**
Liabilities						
Non-current Liabilities						
Non-current portion of lease liabilities (1)	288,068	282,874	270,539	(1.8%)	(4.4%)	(3.1%)
Long-term loans	-	1,475,543	1,049,147	NA	(28.9%)	NA
Employees' defined benefits liabilities	301	800	3,297	165.8%	312.1%	231.0%
Total non-current liabilities	**288,369**	**1,759,217**	**1,322,983**	**510.1%**	**(24.8%)**	**114.2%**
Current liabilities						
Accounts payables	40,040	55,704	49,926	39.1%	(10.4%)	11.7%

SAR in 000's	As at 31 December 2021G Restated	As at 31 December 2022G Restated	As at 31 December 2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Accrued expenses and other current liabilities	16,743	21,152	19,631	26.3%	(7.2%)	8.3%
Short-term loans	-	272,406	-	NA	NA	NA
Current portion of lease liabilities	15,287	15,287	15,403	0.0%	0.8%	0.4%
Current portion of long-term loans (1)	-	-	27,500	NA	NA	NA
Interest payable on loans	-	16,216	12,036	NA	(25.8%)	NA
Advances from customers	16,333	9,286	16,143	(43.1%)	73.8%	(0.6%)
Zakat and income tax provision	1,503	11,515	5,122	666.1%	(55.5%)	84.6%
Total Current Liabilities	**89,905**	**401,565**	**145,761**	**346.7%**	**(63.7%)**	**27.3%**
Total Liabilities	**378,274**	**2,160,782**	**1,468,744**	**471.2%**	**(32.0%)**	**97.0%**
Total Equity and liabilities	**1,537,107**	**2,779,737**	**2,291,710**	**80.8%**	**(17.6%)**	**22.1%**

Source: Audited financial statements of the Company for the financial year ended 31 December 2023G, and Management information.

(1) During the financial year ended 31 December 2023G, the balances as of 1 January 2022G were restated for the following accounts: property, plant and equipment, right-of-use assets, retained earnings, merger deficit reserve and lease liabilities. Accordingly, the balances as of 31 December 2021G were extracted from the audited financial statements of the Company for the financial year ended 31 December 2023G, i.e. after affecting the restatements. For more information on the restatements, refer to Section 6.7 ("**Restatement of Prior Year Financial Statements**").

Table No. (6.14): Key performance indicators

SAR in 000's	2021G (Management information)	2022G (Management information)	2023G (Management information)	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
DPO (days) (1)	39	43	43	10.3%	0.0%	5.0%
DIO (days) (2)	41	37	32	(9.8%)	(13.5%)	(11.7%)
As a %					**ppt.**	
Debt to Equity ratio (3)	NA	285.0%	132.3%	NA	(152.7)	NA
Return on Assets (4)	8.4%	11.8%	7.9%	3.4	(3.9)	(0.5)
Return on Equity (5)	11.0%	28.7%	27.8%	17.7	(0.9)	16.8

Source: Management information

(1) DPO is calculated using trade payables as of 31 December 2021G, 2022G, and 2023G/ total direct costs of the year excluding employees' costs, depreciation of property, plant, equipment and depreciation of right-of-use assets, and provision for slow-moving inventories for the financial years ending as of 31 December 2021G, 2022G, and 2023G *300 days.

(2) DIO is calculated using (raw material + finished goods inventory) as of 31 December 2021G, 2022G, and 2023G / total direct costs of the year excluding employees' costs, depreciation of property, plant, equipment and depreciation of right-of-use assets, and provision for slow-moving inventories for the financial years ending as of 31 December 2021G, 2022G, and 2023G *300 days.

(3) Debt-to-equity ratio was calculated using (total outstanding balances of short-term and long-term loans and interest payable on loans as at 31 December 2021G, 2022G, and 2023G) / total equity as of 31 December 2021G, 2022G, and 2023G, respectively.

(4) The return on assets ratio was calculated using the profit for the year / average total assets. Average total assets is the sum of the previous year end and current year end balances divided by 2

(5) The return on equity ratio was calculated using the profit for the year / average total equity. Average total equity isthe sum of the previous year end and current year end balances divided by 2.

Note: The audited financial statements for the year ended 31 December 2023G were used to extract the financial information of the statement of financial position and their related breakdowns, unless otherwise stated.

Non-current assets

Non-current assets mainly consist of property, plant and equipment, right of use assets, intangible assets and goodwill.

Non-current assets increased from SAR 1,041.7 million as of 31 December 2021G to SAR 2,065.9 million as at 31 December 2022G mainly as a result of goodwill amounting to SAR 822.4 million; This is due to recording the difference between the acquisition price of the company by the previous parent company on 30 November 2021G (which amounted to SAR 2,153.9 million) and the net identifiable assets of the company at the time of acquisition by the parent company (which amounted to SAR 1,140.6 million), which led to the increase the value of property, machinery and equipment by SAR 130.3 million due to the revaluation of assets resulting from the merger with the previous parent company. This was coupled by an increase in intangible assets of SAR 59.0 million following the recognition of SAR 60.7 million in relation to the company's brand, "Finah".

Non-current assets decreased from SAR 2,065.9 million as of 31 December 2022G to SAR 2,038.3 million as at 31 December 2023G primarily driven by the decrease in property, plant and equipment by SAR 10.4 million due to depreciation charges for the year ended 31 December 2023G amounting to SAR 56.0 million. This was coupled with the decrease in right of use right assets by SAR 13.8 million due to amortization on right of use assets amounting to SAR 13.8 million over the same period.

Current assets

Current assets manly consist of inventories, cash and cash equivalents, prepayments and other current assets and amounts due from related parties.

Current assets increased from SAR 495.4 million as of 31 December 2021G to SAR 713.9 million as of 31 December 2022G driven by the increase in cash and cash equivalents by SAR 246.7 million due to the increase in the Company's cash flow from operating activities and the transfer of cash and cash equivalents from the merger transaction that amounted to SAR 47.3 thousand during the same period. This was partly offset by a decrease in inventories of SAR 22.5 million due to a decrease in the balance of goods in transit, relating to spare parts, purchased for the purpose of mill C upgrade over the same period.

Current assets decreased from SAR 713.9 million as of December 2022G to SAR 253.4 million as of December 2023G primarily driven by the decrease in cash and cash equivalents by SAR 446.1 million due to the settlement short-term loans and the early settlement of portion of the long-term loan.

Equity

Equity decreased from SAR 1,158.8 million as of 31 December 2021G to SAR 619.0 million as of 31 December 2022G mainly due to the recognition of merger deficit reserve that amounted to SAR 658.8 million in light of recording the net adjustment to transfer the assets, liabilities and balances of the parent company's equity into the company's equity as a merger deficit reserve. Accordingly, the former parent company ceased to exist, and all of the assets and liabilities of the former parent company were transferred to the Company.

Equity increased from SAR 619.0 million as at 31 December 2022G to SAR 823.0 million as at 31 December 2023G due to the profit for the year that amounted to SAR 200.3 million for the year ended 31 December 2023G.

Non-current liabilities

Non-current liabilities increased from SAR 288.4 million as of 31 December 2021G to SAR 1,759.2 million as of 31 December 2022G mainly due to the increase in long-term loans balance amounting to SAR 1,475.5 million, which relate to long-term Murabaha facilities due to the merger with the previous parent company, as these facilities were used to acquire the Company's shares.

Non-current liabilities decreased from SAR 1,759.2 million as of 31 December 2022G to SAR 1,323.0 million as of 31 December 2023G mainly driven by the decrease in long-term loans by SAR 426.4 million due to the early settlement of some of the long-term loan's instalment. This was partly offset by an increase in employee defined benefit liabilities from SAR 800 thousand as of 31 December 2022G to SAR 3.3 million as of 31 December 2023G due to the implementation of new contracts for all the Company's employees post privatization.

Current liabilities

Current liabilities increased from SAR 89.9 million as of 31 December 2021G to SAR 401.6 million as of 31 December 2022G mainly driven by the increase in short-term loans by SAR 272.4 million, transferred from the previous parent company due to the merger that took place, as the loans were renewed in the Company's name.

Current liabilities decreased from SAR 401.6 million as of 31 December 2022G to SAR 145.8 million as of 31 December 2023G mainly due to the settlement of the short-term loans amounting to SAR 272.4 million. This was partly offset by an increase in the current portion of long-term loans by SAR 27.5 million.

6.6.2.1 Non-current assets

The following table summarizes non-current assets as of 31 December 2021G, 2022G and 2023G:

Table No. (6.15): Non-current assets

SAR in 000's	31 December 2021G (Restated)	31 December 2022G (Restated)	31 December 2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Property, plant and equipment	751,019	902,421	891,999	20.2%	(1.2%)	9.0%
Right-of-use assets	281,457	272,740	258,941	(3.1%)	(5.1%)	(4.1%)
Intangible assets	9,223	68,270	64,975	640.2%	(4.8%)	165.4%
Goodwill	-	822,434	822,434	NA	0.0%	NA
Total non-current assets	**1,041,699**	**2,065,865**	**2,038,349**	**98.3%**	**(1.3%)**	**39.9%**

Source: Audited financial statements of the Company for the financial year ended 31 December 2023G, and Management information

6.6.2.1.1 Property, Plant and Equipment

The following table summarizes the net book value of property, plant and equipment as of 31 December 2021G, 2022G and 2023G:

Table No. (6.16): Net book value of property, plant and equipment

SAR in 000's	31 December 2021G(1) (Restated)	31 December 2022G (Restated)	31 December 2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Buildings	216,353	286,350	294,495	32.4%	2.8%	16.7%
Plant and equipment	459,565	569,459	553,122	23.9%	(2.9%)	9.7%
Capital spare (2)	-	-	25,176	NA	NA	NA
Furniture and fittings	6,415	5,744	6,270	(10.5%)	9.2%	(1.1%)
Computer equipment	916	784	1,070	(14.4%)	36.5%	8.1%
Motor vehicles	5,542	6,606	5,534	19.2%	(16.2%)	(0.1%)
Capital work in progress	62,227	33,477	6,332	(46.2%)	(81.1%)	(68.1%)
Total	751,019	902,421	891,999	20.2%	(1.2%)	9.0%

Source: Audited financial statements of the Company for the financial year ended 31 December 2023G, and Management information

(1) The opening balances for property, plant, and equipment as at 1 January 2022G has been restated during the year ended 31 December 2023G. Accordingly, the net book value of property, plant and equipment as of 31 December 2021G were extracted from the audited financial statements of the Company for the year ended 31 December 2023G, that is after the restatement impact. For further information on the restatement, refer to Section 6.7 ("**Restatement of Prior Year Financial Statements**")

(2) The Company reclassified some of the spare parts from inventories balance to capital spares within property, plant, and equipment during the year ended 31 December 2023G.

The following table summarizes the additions to property, plant and equipment for the three years ended 31 December 2021G, 2022G and 2023G:

Table No. (6.17): Additions to property, plant and equipment

SAR in 000's	2021G	2022G	2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Buildings	618	5,039	544	715.4%	(89.2%)	(6.2%)
Plant and equipment	26,662	40,831	5,001	53.1%	(87.8%)	(56.7%)
Capital spare	-	-	850	NA	NA	NA
Furniture and fittings	336	609	1,076	81.3%	76.7%	79.0%
Computer equipment	180	623	694	246.1%	11.4%	96.4%
Motor vehicles	84	1,016	1,445	1,109.5%	42.2%	314.8%
Capital work in progress	60,618	23,896	10,110	(60.6%)	(57.7%)	(59.2%)
Total	**88,498**	**72,014**	**19,720**	**(18.6%)**	**(72.6%)**	**(52.8%)**

Source: Audited financial statements of the Company for the financial years ended 31 December 2022G, 2023G, and Management information

The following table summarizes the accumulated depreciation on property, plant and equipment as of 31 December 2021G, 2022G and 2023G:

Table No. (6.18): Accumulated depreciation on property, plant and equipment

SAR in 000's	31 December 2021G(1) (Restated)	31 December 2022G (Restated)	31 December 2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Buildings	49,719	61,681	75,076	24.1%	21.7%	22.9%
Plant and equipment	120,494	154,460	191,713	28.2%	24.1%	26.1%
Capital spare	-	-	3,721	NA	NA	NA
Furniture and fittings	2,762	3,853	4,747	39.5%	23.2%	31.1%
Computer equipment	1,965	3,172	3,579	61.5%	12.9%	35.0%
Motor vehicles	2,582	4,914	7,431	90.4%	51.2%	69.7%
Total	**177,531**	**228,079**	**286,267**	**28.5%**	**25.5%**	**27.0%**

Source: Audited financial statements of the Company for the financial years ended 31 December 2023G, and Management information

(1) The opening balances for property, plant, and equipment as at 1 January 2022G has been restated during the year ended 31 December 2023G. Accordingly, the net book value of property, plant and equipment as of 31 December 2021G were extracted from the audited financial statements of the Company for the year ended 31 December 2023G, that is after the restatement impact. For further information on the restatement, refer to Section 6.7 ("**Restatement of Prior Year Financial Statements**")

Property, plant and equipment mainly consists of plant and equipment, buildings, motor vehicles, furniture and fittings, computer equipment and capital work in progress as of 31 December 2023G.

Property, plant and equipment increased from SAR 751.0 million as of 31 December 2021G to SAR 902.4 million as of 31 December 2022G as a result of additions amounting to SAR 72.0 million and the net uplift due to the merger transaction of SAR 130.3 million mainly relating to buildings (SAR 73.7 million), plant and equipment (SAR 53.9 million), and motor vehicles (SAR 2.5 million), partially offset by depreciation charges during the year ended 31 December 2022G amounting to SAR 50.6 million.

Property, plant and equipment decreased from SAR 902.4 million as of 31 December 2022G to SAR892.0 million as of 31 December 2023G due to depreciation charges for the year ended 31 December 2023G amounting to SAR 56.0 million, partly offset by additions of SAR 19.7 million mainly relating to capital work in progress of SAR 10.1 million and plant and equipment of SAR 5.0 million and capital spare parts of SAR 850 thousand during the same period. This is also due to the reclassification of capital spares from inventories balance to property, plant and equipment balance amounting to SAR 28.0 million during the year ended 31 December 2023G.

Buildings

Buildings are mainly comprised of buildings and facilities and technical civil works.

Buildings net book value increased from SAR 216.4 million as of 31 December 2021G to SAR 286.4 million as of 31 December 2022G due to additions of SAR 5.0 million in relation to repairing paint works on silos and extending warehouse storage area during the year ended 31 December 2022G. This was coupled with additions due to the net uplift resulting from the merger transaction by SAR 73.7 million and transfers from capital work in progress by SAR 3.2 million during the same period. This was partially offset by depreciation charges amounting to SAR 12.0 million during the year ended 31 December 2022G.

Buildings net book value increased from SAR 286.4 million as of 31 December 2022G to SAR 294.5 million as of 31 December 2023G mainly due to transfer from capital works in progress amounting to SAR 21.0 million related to the completion of the fire extinguishing system and the completion of safety work in Riyadh branch during the year ended 31 December 2023G. That was partially offset by depreciation charges of SAR 13.4 million during the year ended 31 December 2023G following the significant additions in 2022G.

It is worth noting that as part of restatement made in the 2023G financial statements, the Company adjusted the useful life of the buildings from 50 years to 25 years to align with the duration of the lease terms of leased lands at which the buildings are built. This resulted in the restatement of SAR 16.5 million for the opening accumulated depreciation balance of buildings for 2022G.

Plant and equipment

Plant and equipment comprise of technical mechanical and electrical assets in addition to other supporting machineries and devices. These assets are used in the manufacturing and production processes undertaken by the Company in its normal operations, that are mills, silos, scales, safety and security system, amongst others.

Plant and equipment net book value increased from SAR 459.6 million as of 31 December 2021G to SAR 569.5 million as of 31 December 2022G due to the additions and transfers from capital works in progress amounting to SAR 90.0 million, mainly in relation to wheat scale in Jazan branch and backup power generators during the year ended 31 December 2022G. This was coupled with transfers from the parent company by SAR 53.9 million due to the increase resulting from the revaluation of assets resulting following the merger transaction during the same period. This was partly offset by depreciation charges of SAR 34.0 million during the year ended 31 December 2022G.

Plant and equipment net book value decreased from SAR 569.5 million as of 31 December 2022G to SAR 553.1 million as of 31 December 2023G due to depreciation charges of SAR 37.3 million during the year ended 31 December 2023G, which was driven by the significant additions and transfers made in 2022G. This was partly offset by additions and transfers of SAR 20.9 million related to the whole wheat production line in the mill “F” and the improvements of Hail branch silos.

Capital spares

Capital spares pertains to spare parts that are highly critical for manufacturing plant for the Company and have a unit price higher than SAR 1.0 thousand. Management depreciates spare parts over a period of 15 years, based on the midpoint of useful lives of other asset classes (between 10 – 25 years).

Capital spares net book value increased from nil as of 31 December 2021G and 31 December 2022G to SAR 25.2 million as of 31 December 2023G following the reclassification of spare parts inventories to property, plant, and equipment during the year ended 31 December 2023G.

Furniture and fittings

Furniture and fittings net book value decreased from SAR 6.4 million as of 31 December 2021G to SAR 5.7 million as of 31 December 2022G due to depreciation charges of SAR 1.1 million during the year ended 31 December 2022G. This was partially offset by additions of SAR 0.6 million during the same period.

Furniture and fittings net book value increased from SAR 5.7 million as of 31 December 2022G to SAR 6.3 million as of 31 December 2023G driven by additions amounting to SAR 1.1 million in line with the expansion and renovation of the company’s headquarters during the year ended 31 December 2023G. This was partially offset by the depreciation charge of SAR 893.5 thousand during the same period.

Computer equipment

Computer and equipment net book value decreased from SAR 0.9 million as of 31 December 2021G to SAR 0.8 million as of 31 December 2022G due depreciation charges of SAR 1.2 million during the year ended 31 December 2022G. This was partly offset by additions of SAR 0.6 million in relation to customer system integrated with GFSA (previously SAGO) and the net increase from the merger of SAR 0.4 million, during the same period.

Computer and equipment net book value increased from SAR 0.8 million as of 31 December 2022G to SAR 1.1 million as of 31 December 2023G driven by additions amounting to SAR 0.7 million due to the expansion and renovation of the company's head office during the year ended 31 December 2023G. This was partially offset by depreciation charges of SAR 0.4 million over the same period.

Motor vehicles

Motor vehicles net book value increased from SAR 5.5 million as at 31 December 2021G to SAR 6.6 million as of 31 December 2022G driven by additions amounting to SAR 1.0 million during the year ended 31 December 2022G following Management's new strategy to deliver products to its customers.

Motor vehicles net book value decreased from SAR 6.6 million as of 31 December 2022G to SAR 5.5 million as of 31 December 2023G due to depreciation charges of SAR 2.5 million during the year ended 31 December 2023G in line with the significant additions in 2022G. This was partly offset by additions of SAR 1.4 million over the same year.

Capital work in progress

Capital work in progress net book value decreased from SAR 62.2 million as at 31 December 2021G to SAR 33.5 million as of 31 December 2022G due to transfers out of capital work in progress amounting to SAR 52.5 million mainly in connection to upgrading whole wheat production line and finalizing the fire extinguishing system and completion of safety works in Riyadh branch, partly offset by additions of SAR 23.9 million mainly in connection to importing, installing, and applying alternative power generators in Riyadh branch, upgrading whole wheat production line and finalizing the fire extinguishing system and completion of safety works in Riyadh branch, during the year ended 31 December 2022G.

Capital work in progress net book value decreased from SAR 33.5 million as of 31 December 2022G to SAR 6.3 million as of 31 December 2023G due to transfers out of capital work in progress amounting to SAR 37.3 million driven by the finalization of whole wheat production line, the fire extinguishing system, completion of safety works in Riyadh branch, and the establishment of chemical warehouses in Hail and Jazan branches during the year ended 31 December 2023G. This was partly offset by additions amounting to SAR 10.1 million pertaining to completing the project of safety works in Hail, constructing spare parts warehouse and establishing parking for forklifts and charging station in Jazan during the same period.

The related capital commitments amount to SAR 0.4 million as of 31 December 2023G, and are expected to be completed by the end of 2024G. It is worth noting that the Company budgeted for capital expenditures amounting to SAR 184.7 million for the year ended 31 December 2024G. These expenditures primarily relate to the establishment of new silos, the construction of a feed building, and the expansion of several warehouses.

6.6.2.1.2 Right of use assets

The following table summarizes the right of use assets as of 31 December 2021G, 2022G and 2023G:

Table No. (6.19): Right of use assets

SAR in 000's	31 December 2021G(1) (Restated)	31 December 2022G(1) (Restated)	31 December 2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
As of 1 January	183,058	281,457	272,740	53.8%	(3.1%)	22.1%
Lease reassessment	107,116		-	NA	NA	NA
Depreciation	(8,717)	(8,717)	(13,780)	0.0%	58.1%	25.7%
As of 31 December	**281,457**	**272,740**	**258,941**	**(3.1%)**	**(5.1%)**	**(4.1%)**

Source: Audited financial statements of the Company for the financial year ended 31 December 2023G, and Management information

(1) The opening balance for right-of-use-assets as at 1 January 2022G has been restated during the year ended 31 December 2023G. Accordingly, the value of right-of-use-assets as of 31 December 2021G were extracted from the audited financial statements of the Company for the year ended 31 December 2023G, that is after the restatement impact. For further information on the restatement, refer to Section 6.7 ("**Restatement of Prior Year Financial Statements**")

The following table summarizes the right of use assets by type as of 31 December 2021G, 2022G and 2023G:

Table No. (6.20): Right of use assets by type

SAR in 000's	31 December 2021G[1] (Restated)	31 December 2022G[1] (Restated)	31 December 2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Silos	218,183	211,425	200,729	(3.1%)	(5.1%)	(4.1%)
Lands	63,274	61,315	58,212	(3.1%)	(5.1%)	(4.1%)
Total	**281,457**	**272,740**	**258,941**	**(3.1%)**	**(5.1%)**	**(4.1%)**

Source: Audited financial statements of the Company for the financial years ended 31 December 2023G, and Management information

(1) The opening balance for right-of-use-assets as at 1 January 2022G has been restated during the year ended 31 December 2023G. Accordingly, the value of right-of-use-assets as of 31 December 2021G were extracted from the audited financial statements of the Company for the year ended 31 December 2023G, that is after the restatement impact. For further information on the restatement, refer to Section 6.7 ("**Restatement of Prior Year Financial Statements**")

The Company entered into a lease agreement with the General Food Security Authority (formerly SAGO) for the rental of silos for the purpose of storing wheat, flour, and feed. The term of the lease is 25 calendar years commencing from 3 Rabi Al-Thani 1438H (corresponding to 1 January 2017G), which was adjusted in December 2021G to match with the duration of flour milling license (i.e 30 November 2046G) and is renewable automatically subject to renewal of Company's milling license. The estimated useful lives of leased assets for amortizing right of use assets purposes are 25 years.

The Company has entered into land leases for business units. The initial term of the land lease is 25 calendar years commencing from 3 Rabi Al-Thani 1438H (corresponding to 1 January 2017), which was adjusted in 2021G to match with the duration of flour milling license (i.e. 30 November 2046G). These leases do not transfer ownership of the assets to the lessor at the end of the lease. The estimated useful lives of right-of-use assets are 25 years ending on 30 November 2046G.

Right of use assets decreased from SAR 281.5 million as of 31 December 2021G to SAR 272.7 million as of 31 December 2022G due to annual depreciation charges of SAR 8.7 million for the year ended 31 December 2022G.

Right of use assets decreased from SAR 272.7 million as of 31 December 2022G to SAR 258.9 million as of 31 December 2023G following depreciation charges on lands and silos amounting to SAR 13.8 million during the year ended 31 December 2023G.

6.6.2.1.3 Intangible assets

The following table summarizes the intangible assets as of 31 December 2021G, 2022G and 2023G:

Table No. (6.21): Net book value of intangible assets

SAR in 000's	31 December 2021G	31 December 2022G	31 December 2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Software	302	214	9,148	(29.1%)	4174.8%	450.4%
Software under development	8,921	9,802	-	9.9%	NA	NA
Brand	-	58,254	55,827	NA	(4.2%)	NA
Total	**9,223**	**68,270**	**64,975**	**640.2%**	**(4.8%)**	**165.4%**

Source: Audited financial statements of the Company for the financial years ended 31 December 2022G and 2023G, and Management information

Intangible assets

Intangible assets consist of the Company's brand having a net book value of SAR 58.3 million and software net book value of SAR 9.8 million as of 31 December 2023G. Software under development relates to SAP ERP, which went live at the beginning of year 2023G. The remaining useful life of brand and software is 23 years and 14 years, respectively.

Intangible assets net book value increased from SAR 9.2 million as of 31 December 2021G to SAR 68.3 million as of 31 December 2022G following the recognition of SAR 60.7 million in relation to the Company's brand, "Finah" during the year ended 31 December 2022G. The intangible asset was recorded by the previous Parent Company (FSHC) as part of the requirements of IFRS3 "Business Combination" to identify and measure the assets and liabilities assumed as of the acquisition date. This resulted in the recognition of the brand amount in the Company's books post-merger.

Intangible assets decreased from SAR 68.3 million as of 31 December 2022G to SAR 65.0 million as of 31 December 2023G due to amortization charges of SAR 3.1 million during the year ended 31 December 2023G.

6.6.2.1.4 Goodwill

The following table summarizes the goodwill as of 31 December 2023G:

Table No. (6.22): Goodwill

SAR in 000's	
Fair value of consideration paid by the former parent company	2,153,923
Book value of the net assets of the Company	(1,140,553)
Net increase in property, plant and equipment	(130,255)
Recognition of intangible assets	(60,681)
Goodwill	**822,434**

Source: Audited financial statement of the Company for the financial years ended 31 December 2023G, Management information

Under the privatization program by the Saudi Arabian Grains Corporation, the former parent company entered into an agreement with the National Center for Privatization and Public-Private Partnership on 30 November 2021G to acquire a 100% stake in the company.

The parent company paid a consideration of SAR 2,153.9 million to acquire the Company with a book value of net assets of SAR 1,140.6 million. The parent company allocates the purchase price of net assets during a measurement period of one year after the acquisition date in which the parent company determines the assets and liabilities that can be determined or measured as at the date of acquisition in accordance with the requirements of IFRS (3) business merger.

The break-up of the Company's net assets at the time of acquisition by the former parent company (i.e. 30 November 2021G) was as follows:

Table No. (6.23): Net assets

SAR in 000's	
Property, plant, equipment and assets and right of use assets	924,895
Intangible assets	9,231
Inventories	140,076
Prepayments and other current assets	27,486
Bank balances	299,586
Lease liabilities	(195,374)
Trade payables and other current liabilities	(36,248)
Amounts due to related parties	(15,502)
Advances from customers	(13,598)
Total	**1,140,553**

Source: Audited financial statements of the Company for the financial year ended 31 December 2023G, Management information

Goodwill is assessed for impairment at Company level. The Company has performed its impairment test for goodwill on 31 December 2023G. The recoverable amount of all the cash generating units is ranging from SAR 1,938.8 million to SAR 2,279.6 million as of 31 December 2023G (2022G: SAR 1,782 million) has been determined based on a value-in-use calculation using cash flow projections from financial budgets reviewed by senior management covering a five-year period. The post-zakat discount rate applied to cash flow projections is between 11.5% to 12.5%.

As of 31 December 2023G, the value-in-use of the cash generating units was higher than the net assets value of the Company, indicating no impairment of goodwill.

6.6.2.2 Current assets

The following table summarizes the current assets as of 31 December 2021G, 2022G and 2023G:

Table No. (6.24): Current assets as of 31 December 2021G, 2022G and 2023G

SAR in 000's	31 December 2021G	31 December 2022G	31 December 2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Inventories	142,329	119,790	98,812	(15.8%)	(17.5%)	(16.7%)
Prepayments and other current assets	25,918	20,231	15,085	(21.9%)	(25.4%)	(23.7%)
Amounts due from related parties	-	-	5,327	NA	NA	NA
Accounts receivables	-	-	6,340	NA	NA	NA
Cash and cash equivalents	327,160	573,851	127,798	75.4%	(77.7%)	(37.5%)
Total current assets	**495,408**	**713,871**	**253,361**	**44.1%**	**(64.5%)**	**(28.5%)**

Source: Audited financial statements of the Company for the financial year ended 31 December 2022G and 2023G, Management information

Current assets

Current assets manly consist of inventories, cash and equivalent and prepayments and other current assets and amounts due from related parties.

Current assets increased from SAR 495.4 million as of 31 December 2021G to SAR 713.9 million as of 31 December 2022G mainly driven by the increase in cash and cash equivalents by SAR 246.7 million due to the increase in the Company's cash flow from operating activities and the transfer of cash and cash equivalents from the merger transaction that amounted to SAR 47.3 thousand during the year ended 31 December 2022G. This was partly offset by a decrease in inventories of SAR 22.5 million due to a decrease in the balance of goods in transit, relating to spare parts, purchased for the purpose of mill C upgrade over the same period.

Current assets decreased from SAR 713.9 million as of 31 December 2022G to SAR 253.4 million as of 31 December 2023G mainly driven by the decrease in cash and cash equivalents by SAR 446.1 million due to the settlement short-term loans and the early settlement of portion of the long-term loan during the year ended 31 December 2023G.

Inventories

Inventories consist of spare parts inventory of SAR 73.2 million, raw materials inventory of SAR 29.1 million, finished goods inventory of SAR 8.2 million, goods in transit that amounted to nil, and other inventories of SAR 1.3 million, provisioned for slow-moving inventory of SAR 13.0 million as of 31 December 2023G.

Inventories balance decreased from SAR 142.3 million as of 31 December 2021G to SAR 119.8 million as of 31 December 2022G due to the use of the goods in transit of SAR 27.2 million in the upgrade of Mill C, completed in 2022G. This was partly offset by an increase in:

- finished goods inventory balance by SAR 4.8 million due to higher production levels during the year ended 31 December 2022G, and
- raw materials inventory balance by SAR 1.2 million due to the increase in corn purchases over the same year along with the reclassification of chemical materials to raw materials.

Inventories balance decreased from SAR 119.8 million as of 31 December 2022G to SAR 98.8 million as of 31 December 2023G due to a decrease in raw materials inventory balance by SAR 9.8 million mainly due to the decrease in:

- corn inventory balance by SAR 6.4 million, and
- wheat inventory balance by SAR 2.5 million.

This was coupled with a decrease in spare parts by SAR 21.3 million mainly due to the reclassification of the critical and high value inventory (greater than SAR 1,000) to property, plant and equipment under capital spares amounting to SAR 28.0 million during the year ended 31 December 2023G. This was partially offset by a decrease in the provision for slow-moving inventory by SAR 15.4 million as at 31 December 2023G following the change in the Company's provisioning policy.

Prepayments and other current assets

Prepayments and other current assets decreased from SAR 25.9 million as of 31 December 2021G to SAR 20.2 million as of 31 December 2022G due to the decrease in margin on letters of credit by SAR 13.4 million in connection with closing the LC with the Mill C spare parts' supplier, partly offset by an increase in VAT receivable by SAR 8.0 million due to an overstatement of the receivable.

Prepayments and other current assets decreased from SAR 20.2 million as of 31 December 2022G to SAR 15.1 million as of 31 December 2023G due to the adjustment of the VAT receivable and the decrease in margin on letters of credits by SAR 3.4 million as the Company closed an LC relating to spare parts acquisition.

- other receivables by SAR 3.8 million mainly relating to IPO costs paid on behalf of shareholders, and
- advances to suppliers by SAR 2.1 million relating to general services such as marketing and consulting services.

Amounts due from related parties

Amounts due from related parties as at 31 December 2023G pertains to balances with related parties which are Abdulaziz Alajlan Sons Co. for Commercial and Real Estate Investment amounting to SAR 3.5 million relating to the reimbursement of income tax expense charged for the non-Saudi previous shareholder, and National Agriculture Development Company (NADEC) amounting to SAR 1.8 million relating to operational services and revenue.

Accounts receivables

Accounts receivables are non-interest bearing and are generally on terms of 30 to 60 days. Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. For certain customers, It is the practice of the Company to obtain promissory note over receivables.

Accounts receivables balance increased from nil as of 31 December 2021G and 2022G to SAR 6.3 million as of 31 December 2023G due to the new sales strategy followed by the management in order to increase and to provide existing and new clients with diversified payment options, such as supermarkets.

Cash and cash equivalents

Cash and cash equivalents pertain to cash at banks as of 31 December 2023G.

Cash and cash equivalents increased from SAR 327.2 million as of 31 December 2021G to SAR 573.9 million as of 31 December 2022G due to the increase in the Company's cash flow from operating activities and the transfer of cash and cash equivalents from the merger transaction that amounted to SAR 47.3 thousand during the year ended 31 December 2022G. It is worth noting that the Company had a short-term deposit of SAR 50.0 million as at 31 December 2021G at a local bank for a duration of 3 months and for interest of 2.35%.

Cash and cash equivalents decreased from SAR 573.9 million as of 31 December 2022G to SAR 127.8 million as of 31 December 2023G due to repayment of short-term loans and the early settlement of a portion of the long-term loan during the year ended 31 December 2023G.

6.6.2.2.1 Inventories

The following table summarizes the inventories as of 31 December 2021G, 2022G and 2023G:

Table No. (6.25): Inventories

SAR in 000's	31 December 2021G	31 December 2022G	31 December 2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Spare parts	95,330	94,428	73,150	(0.9%)	(22.5%)	(12.4%)
Raw materials	37,761	38,974	29,129	3.2%	(25.3%)	(12.2%)
Finished goods	4,374	9,163	8,180	109.5%	(10.7%)	36.8%
Other inventories	1,590	1,101	1,344	(30.8%)	22.1%	(8.1%)
Good in transit	31,699	4,548	-	(85.7%)	(100.0%)	(100.0%)
Less: allowance for slow moving inventory	(28,424)	(28,424)	(12,992)	0.0%	(54.3%)	(32.4%)
Total	**142,329**	**119,790**	**98,812**	**(15.8%)**	**(17.5%)**	**(16.7%)**
DIO (days) ⁽¹⁾	41	37	32	(9.8%)	(13.5%)	(11.7%)

Source: Audited financial statements of the Company for the financial years ended 31 December 2022G and 2023G, and Management information

(1) DIO is calculated using (raw material + finished goods inventory) as of 31 December 2021G, 2022G, and 2023G / total direct costs of the year excluding employees' costs, depreciation of property, plant, equipment and depreciation of right-of-use assets, and provision for slow-moving inventories for the year *300 days for the financial years ending as of 31 December 2021G, and 2022G, and 2023G.

The Company deals with many suppliers for the procurement of its inventories. The Company purchases wheat from GFSA where it is transported from GFSA's storage silos to those of the Company. The wheat purchases are measured from both ends (GFSA (previously SAGO) and the Company). Any variation less than or equal to 1% is acceptable as the wheat decreases in size when exposed to open air due to the loss of moisture. As for other raw materials and spare parts, the Company secures these items either through local or international suppliers and based on market rates. The Company has set in place in provisioning policy for slow moving spare parts inventory that aged for more than 1 year. The aggregate impact of the calculation is assessed against existing provisions and accordingly, Management decides whether additional provisions are needed or not. The Company does not provide for outstanding raw materials or finished goods inventories.

Spare parts

Spare parts are used to maintain and upkeep the Company's machineries and production facilities.

Spare parts inventory balance decreased from SAR 95.3 million as of 31 December 2021G to SAR 94.4 million as of 31 December 2022G due to the maintenance of some of the Company's equipment.

Spare parts inventory balance decreased from SAR 94.4 million as of 31 December 2022G to SAR 73.2 million as of 31 December 2023G mainly due to the reclassification of capital spares from inventories to property, plant, and equipment amounting to a gross carrying value of SAR 28.0 million during the year ended 31 December 2023G. During 2023G, spare parts inventory are re-defined as items that are not critical and/or have a value of less than SAR 1,000.

The provision on slow moving inventory amounted to SAR 28.4 million as of 31 December 2021G and remained stable as of 31 December 2022G as the provisioning policy did not result in additional provisions.

The provision on slow moving inventory decreased from SAR 28.4 million as of 31 December 202G to SAR 13.0 million as of 31 December 2023G due to reversal of provision of SAR 13.2 million during the year ended 31 December 2023G in line with the change of the Company's provisioning policy along with a reclassification of the provision to property, plant and equipment over the same period.

Raw materials

Raw materials consisted of different materials used in the production across all product groups, and includes wheat, corn, soybeans, packing materials, and other feed ingredients costs. Raw materials inventory cost is determined based on their weighted average cost (wheat's weighted average cost is SAR 180 per ton). The increase or decrease in raw materials inventory is due to fluctuations in market demand for specific products and the company's estimated budget.

Raw materials inventory balance increased from SAR 37.8 million as of 31 December 2021G to SAR 39.0 million as of 31 December 2022G driven by the increase in corn inventory in line with the increase in feed volumes sold over the year ended 31 December 2022G. That was partly offset by decrease in wheat inventory by SAR 3.6 million due to the increase in flour volumes sold and other wheat related products over the same period.

Raw materials inventory balance decreased from SAR 39.0 million as of 31 December 2022G to SAR 29.1 million as of 31 December 2023G mainly driven by the decrease in:

- corn inventory balance by SAR 6.4 million in line with decrease in feed production, and
- wheat inventory balance by SAR 2.5 million due to the in flour sales and other products

Finished goods

Finished goods pertain to direct cost of raw materials as well as overheads, the latter of which is allocated based on the normal level of activity. Costs are assigned to individual items of inventory on the basis of weighted average method.

Finished goods inventory balance increased from SAR 4.4 million as of 31 December 2021G to SAR 9.2 million as of 31 December 2022G driven by the increase in flour inventory balance by SAR 2.5 million and feed inventory balance by SAR 2.1 million in line with the increase in overall production of flour and feed production during the year ended 31 December 2022G.

Finished goods inventory balance decreased from SAR 9.2 million as of 31 December 2022G to SAR 8.2 million as of 31 December 2023G in line with Management's finished goods inventory target levels.

Other inventories

Other inventories include materials and supplies and consumables among others.

Other inventories balance decreased from SAR 1.6 million as of 31 December 2021G to SAR 1.1 million as of 31 December 2022G due to the merge of two warehouses into one warehouse in Riyadh.

Other inventories increased from SAR 1.1 million as of 31 December 2022G to SAR 1.3 million as of 31 December 2023G due to the replenishment of various inventory materials especially in Riyadh branch.

Goods in transit

Goods in transit pertains to the spare parts that the Company purchased in relation to its plant and equipment.

Goods in transit inventory balance decreased from SAR 31.7 million as of 31 December 2021G to SAR 4.5 million as of 31 December 2022G due to the use of these goods in the upgrade of Mill C and other mills.

Good in transit inventory balance decreased from SAR 4.5 million as of 31 December 2022G to nil as of 31 December 2023G due to the write off of irrecoverable balances.

The table below summarizes the movement in the allowance for slow-moving inventories during the years ended 31 December 2021G, 31 December 2022G and 31 December 2023G:

Table No. (6.26): Movement in allowance for slow moving inventory

SAR in 000's	2021G	2022G	2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
At the beginning of the year	27,889	28,424	28,424	1.9%	0.0%	1.0%
Reclassified into property, plant and equipment	-	-	(2,211)	NA	NA	NA
(Reversal) / charge for the year	535	-	(13,220)	NA	NA	NA
At the end of the year	**28,424**	**28,424**	**12,992**	**0.0%**	**(54.3%)**	**(32.4%)**

Source: Audited financial statements of the Company for the financial years ended 31 December 2022G and 2023G, and Management information

The allowance for slow-moving inventory balance amounted to SAR 28.4 million as of 31 December 2021G and 31 December 2022G.

The provision on slow moving inventory decreased from SAR 28.4 million as of 31 December 2022G to SAR 13.0 million as of 31 December 2023G due to reversal of SAR 13.2 million in line with the change of the Company's provisioning policy along with a reclassification of the provision to property, plant and equipment during the year ended 31 December 2023G.

The Company changed its provisioning policy during 2023G, as it applied a provision of 6.67% per year of aging, on spare parts inventory items that aged for more than 1 year.

The table below summarizes the ageing of spare parts inventory as of 31 December 2023G:

Table No. (6.27): Ageing of spare parts inventory

SAR in 000's	Undue	2 years	3 years	4 years	5 years and more	Total
Carrying value	28,328	24,877	15,466	1,875	2,604	73,150
Less: allowance for slow moving inventory	(5,138)	(3,292)	(3,092)	(500)	(971)	(12,992)
Net	23,190	21,585	12,375	1,375	1,633	60,158
Provision %	18.1%	13.2%	20. 0%	26.7%	37.3%	17.8%

Source: Management information

6.6.2.2.2 Prepayments and other current assets

The following table summarizes prepayments and other current assets as of 31 December 2021G, 2022G and 2023G:

Table No. (6.28): Prepayments and other current assets

SAR in 000's	31 December 2021G	31 December 2022G	31 December 2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Advances to suppliers	35	1,310	3,401	3642.9%	159.6%	885.8%
Margin on letters of credit	20,059	6,649	3,260	(66.9%)	(51.0%)	(59.7%)
Prepayments	1,974	1,486	2,339	(24.7%)	57.4%	8.9%
Margin on letters of guarantee	2,188	2,188	2,188	0.0%	0.0%	0.0%
Other receivables	1,221	108	3,897	(91.2%)	3508.3%	78.7%
VAT receivable	440	8,489	-	1829.3%	(100.0%)	(100.0%)
Total	**25,918**	**20,231**	**15,085**	**(21.9%)**	**(25.4%)**	**(23.7%)**

Source: Audited financial statements of the Company for the financial year ended 31 December 2023G, and Management information

Prepayments and other current assets decreased from SAR 25.9 million as of 31 December 2021G to SAR 20.2 million as of 31 December 2022G due to the decrease in margin on letters of credit by SAR 13.4 million in connection with closing the LC with the Mill C spare parts' supplier, partly offset by an increase in VAT receivable by SAR 8.0 million due to an overstatement of the receivable.

Prepayments and other current assets decreased from SAR 20.2 million as of 31 December 2022G to SAR 15.1 million as of 31 December 2023G due to the adjustment of the VAT receivable and the decrease in margin on letters of credits by SAR 3.4 million as the Company closed an LC relating to spare parts acquisition.

- other receivables by SAR 3.8 million mainly relating to IPO costs paid on behalf of shareholders, and
- advances to suppliers by SAR 2.1 million relating to general services such as marketing and consulting services.

Advances to suppliers

Advances to suppliers' balance increased from SAR 35 thousand as of 31 December 2021G to SAR 1.3 million 31 December 2022G due to capex purchases in line with the increase in capital work in progress.

Advances to suppliers balance increased from SAR 1.3 million as of 31 December 2022G to SAR 3.4 million as of 31 December 2023G due to advances made for general services such as consulting and marketing services.

Margin on letters of credit

Margin on letters of credit balance decreased from SAR 20.1 million as of 31 December 2021G to SAR 6.6 million as of 31 December 2022G due to closing an LC in relation with Mill C spare parts.

Margin on letters of credit balance decreased from SAR 6.6 million as of 31 December 2022G to SAR 3.3 million as of 31 December 2023G due to closing an LC relating to spare parts acquisition.

Prepayments

Prepayments consist primarily of prepaid medical insurance for employees, rent and property insurance, amongst others.

Prepayments decreased from SAR 2.0 million as of 31 December 2021G to SAR 1.5 million as of 31 December 2022G due to the decrease in the medical insurance in line with the decrease in the average number of company employees.

Prepayments increased from SAR 1.5 million as of 31 December 2022G to SAR 2.3 million as of 31 December 2023G due to the increase in prepaid commercial licenses by SAR 0.7 million during the year ended 31 December 2023G in line with the license fees that the Company needs to settle post-privatization and employee medical insurance by SAR 0.2 million in line with the increase in the Company's headcount.

Margin on letters of guarantee

Margin on letters of guarantee remained stable at SAR 2.2 million as of 31 December 2021G, 2022G and 2023G.

VAT Receivable

VAT receivable balance increased from SAR 0.4 million as of 31 December 2021G to SAR 8.5 million as of 31 December 2022G due to the overpayment of VAT.

VAT receivable decreased from SAR 8.5 million as of 31 December 2022G to nil as of 31 December 2023G as a result of write-offs and adjustment of VAT in 2023G.

Other receivables

Other receivables balance decreased from SAR 1.2 million as of 31 December 2021G to SAR 0.1 million as of 31 December 2022G due to settlement of GOSI payment reimbursed from employees.

Other receivables balance increased from SAR 0.1 million as of 31 December 2022G to SAR 3.9 million as of 31 December 2023G due to the increase in IPO costs paid on behalf of shareholders by SAR 3.7 million during 2023G.

6.6.2.2.3 Amounts due from related parties

The following table summarizes amounts due from related parties as of 31 December 2021G, 2022G and 2023G:

Table No. (6.29): Amounts due from related parties

SAR in 000's	31 December 2021G	31 December 2022G	31 December 2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Abdulaziz Alajlan Sons Co. for Commercial and Real Estate Investment	-	-	3,521	NA	NA	NA
National Agriculture Development Company	-	-	1,806	NA	NA	NA
Total	**-**	**-**	**5,337**	**NA**	**NA**	**NA**

Source: Audited financial statements of the Company for the financial year ended 31 December 2022G and 2023G, and Management information

The amounts due from related parties pertain to balances with Abdulaziz Alajlan Sons Co. for Commercial and Real Estate Investment and the National Agricultural Development Company (NADEC). The amounts due from related parties as a percentage of total current assets were nil as of 31 December 2021G, and 2022G, and 2.1% of total current assets as of 31 December 2023G.

The balance of Abdulaziz Alajlan Sons Co. for Commercial and Real Estate Investment increased from nil as of 31 December 2021G and 2022G to SAR 3.5 million as of 31 December 2023G, related to the reimbursement of income tax expense charged for the non-Saudi previous shareholder. The income tax was charged to the Company for the non-Saudi shareholder during 2022G. As the non-Saudi shareholder transferred its shareholding in the Company to Saudi shareholders, the Saudi shareholder agreed to reimburse the Company with amount of income tax paid in 2022G.

The balance of the National Agricultural Development Company (NADEC) increased from nil as of 31 December 2021G and 2022G to SAR 1.8 million as of 31 December 2023G, related to net revenue and management and support services.

Accordingly, the amounts due from related parties amounted nil as of 31 December 2021G and 2022G and SAR 5.3 million as of 31 December 2023G.

6.6.2.2.4 Cash and cash equivalents

The following table summarizes cash and cash equivalents as of 31 December 2021G, 2022G and 2023G:

Table No. (6.30): Cash and cash equivalents

SAR in 000's	31 December 2021G	31 December 2022G	31 December 2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Cash at banks	277,160	573,851	127,798	107.0%	(77.7%)	(32.1%)
Short term deposits	50,000	-	-	(100.0%)	NA	(100.0%)
Total	**327,160**	**573,851**	**127,798**	**75.4%**	**(77.7%)**	**(37.5%)**

Source: Audited financial statements of the Company for the financial year ended 31 December 2023G, and Management information

Cash and cash equivalent pertains to cash at banks as of 31 December 2023G.

It is worth noting that the Company had a short-term deposit of SAR 50.0 million as of 31 December 2021G at a local bank for a period of 3 months for interest of 2.35%.

Cash and cash equivalents increased from SAR 327.2 million as of 31 December 2021G to SAR 573.9 million as of 31 December 2022G mainly due to the increase in the Company's cash flow from operating activities which amounted to SAR 345.1 million and the transfer of cash and cash equivalents from the merger transaction amounted to SAR 47.3 thousand during the year ended 31 December 2022G. This was partly offset by cash outflows in investing activities amounting to SAR 72.5 million and cash outflows in financing activities amounting to SAR 25.9 million during the year ended 31 December 2022G.

Cash and cash equivalents decreased from SAR 573.9 million as of 31 December 2022G to SAR 127.8 million as of 31 December 2023G due to the repayment of short-term loans and the early settlement of some of the instalments of the long-term loan during the year ended 31 December 2023G.

6.6.2.3 Equity

The following table summarizes the equity as of 31 December 2021G, 2022G and 2023G:

Table No. (6.31): Equity

SAR in 000's	31 December 2021G (1) (Restated)	31 December 2022G(1) (Restated)	31 December 2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Share capital	513,150	513,150	513,150	0.0%	0.0%	0.0%
Statutory reserve	25,322	50,849	50,849	100.8%	0.0%	41.7%
Merger deficit reserve	-	(658,833)	-	NA	(100.0%)	NA
Retained earnings	620,361	713,789	258,967	15.1%	(63.7%)	(35.4%)
Total	**1,158,833**	**618,955**	**822,966**	**(46.6%)**	**33.0%**	**(15.7%)**

Source: Audited financial statements of the Company for the financial years ended 31 December 2023G, and Management information

(1) The opening balance for retained earnings as at 1 January 2022G has been restated during the year ended 31 December 2023G. Accordingly, the balance of retained earnings as of 31 December 2021G were extracted from the audited financial statements of the Company for the year ended 31 December 2023G, that is after the restatement impact. For further information on the restatement, refer to Section 6.7 ("**Restatement of Prior Year Financial Statements**")

On 4 September 2022G (corresponding to 8 Safar 1444H), the Company entered into a merger agreement under which the Company and the former parent company agreed to take the necessary steps to implement the merger between the two companies in accordance with the applicable regulations and with Articles 191 to 193 of the Companies Law. Subsequently, on 30 November 2022G (corresponding to 6 Jumada Al-Awwal 1444H), and under the approval of the Ministry of Commerce, the former parent company ceased to exist, and all the assets and liabilities of the former parent company were transferred to the Company, which led to the Company being the remaining entity. Under this merger, all assets and liabilities of the former parent company were transferred to the Company.

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

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

Share capital

The table below summarizes the share capital as of 31 December 2022G and 31 December 2023G:

Table No. (6.32): Share capital

Shareholders	As of 31 December 2022G		As of 31 December 2023G	
	%	SAR in 000s	%	SAR in 000s
Abdulaziz Alajlan Sons Co. for Commercial and Real Estate Investment	45.0%	230,918	50.0%	258,233
Sulaiman Abdulaziz Alrajhi International Company	35.0%	179,603	35.0%	179,603
National Agriculture Development Company (NADEC)	10.0%	51,315	15.0%	76,315
Olam International Limited	10.0%	51,315	-	-
Total	**100.0%**	**513,150**	**100.0%**	**513,150**

Source: Audited financial statements of the Company for the financial years ended 31 December 2023G, and Management information

The Company's share capital amounted to SAR 513.2 million as of 31 December 2021G, 2022G, and 2023G, respectively, comprised of authorized, issued and paid-up share capital of 51,315,006 shares for SAR 10 each.

On 30 November 2021G (corresponding to 25 Rabi' Al-Thani 1443H), the Company's shares amounting to 51,315,006 shares, each valued at SAR 10 each, were wholly sold , to Food Security Holding Company at the purchase price specified in the share sale and purchase agreement on the same date. All legal procedures regarding the transfer of ownership were completed during the mentioned year.

Effective 30 November 2022G (corresponding to 6 Jumada Al-Ula 1444H), the Company completed a statutory merger with its former parent company which resulted in the Company being the surviving entity.

During 2023G, as part of the shareholders' agreement, NADEC increased its ownership stake in the Company and signed an agreement to purchase 2,500,000 shares representing 4.87% of the Company's share capital from Abdulaziz Alajlan Sons Co. for Commercial and Real Estate Investment after Olam International Limited transferred its 10% stake to Abdulaziz Alajlan Sons Co. for Commercial and Real Estate Investment thereafter. Legal formalities have been completed in this regard by the Company.

Statuary reserve

The statutory reserve was established in accordance with the corporate regulations of the Kingdom of Saudi Arabia and the company's articles of association, and the company must transfer 10% of its net income each year (after covering the accumulated losses), until the reserve reaches 30% of the capital.

The Company transferred SAR 12.1 million and SAR 25.5 million of retained earnings to the statutory reserve as of 31 December 2021G and 31 December 2022G, respectively.

Statutory reserves remained stable at SAR 50.8 million as of 31 December 2022G and as of 31 December 2023G, respectively.

On 5 November 2023G (corresponding to 21 Rabi Al-Thani 1445H), the Company's General Assembly approved amending the Company's bylaws to comply with the new Companies' Law, issued on 30 June 2022G (corresponding to 1 Duh Al-Hijjah 1443H), to remove the article of the bylaws related to Company's statutory reserve. Based on this amendment, the Company is currently studying and reviewing the balance of statutory reserve, and it will be raised to the Company's General Assembly with the recommendations.

Retained earnings

Retained earnings increased from SAR 620.4 million as of 31 December 2021G to SAR 713.8 million as at 31 December 2022G due to profit for the year ended 31 December 2022G of SAR 255.3 million, partially offset by a decrease due to the transfer to statutory reserve of SAR 25.5 million along with the transfer of accumulated losses from the former parent company of SAR 136.3 million during the year ended 31 December 2022G.

Retained earnings decreased from SAR 713.8 million as of 31 December 2022G to SAR 259.0 million as of 31 December 2023G mainly due to the settlement of merger reserve amounting to SAR 658.8 million during the year ended 31 December 2023G. This was partly offset by profit for the year of SAR 200.3 million for the year ended 31 December 2023G.

Merger deficit reserve

The merger of the Company with the former parent company (its 100% shareholder) has been accounted for as a capital reorganization, whereby all the assets and liabilities of the company and the former parent company have been combined using their pre-merger carrying value as stated in the former parent company's consolidated financial statements.

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

The merger has been reflected in the Company's financial statements prospectively from the date of the merger onwards. The accumulated losses of the former parent company were recorded as part of the company's equity in exception of share capital and statutory reserve. The net adjustment of transferring the former parent company's assets, liabilities and equity balances has been recorded in the Company's equity as a merger deficit reserve of SAR 658.8 million as at 31 December 2022G.

During 2023G, the shareholders of the Company have resolved to adjust merger deficit reserve with retained earnings.

6.6.2.3.1 Net working capital

The following table summarizes the net working capital as of 31 December 2021G, 2022G and 2023G:

Table No. (6.33): Net working capital

SAR in 000's	31 December 2021G (1) (Restated)	31 December 2022G (1) (Restated)	31 December 2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Current Assets						
Inventories	142,329	119,790	98,812	(15.8%)	(17.5%)	(16.7%)
Prepayments and other current assets	25,918	20,231	15,085	(21.9%)	(25.4%)	(23.7%)
Amounts due from related parties	-	-	5,327	NA	NA	NA
Accounts receivables	-	-	6,340	NA	NA	NA
Cash and cash equivalents	327,160	573,851	127,798	75.4%	(77.7%)	(37.5%)
Total current assets	**495,408**	**713,871**	**253,361**	**44.1%**	**(64.5%)**	**(28.5%)**
Current liabilities						
Accounts payables	40,040	55,704	49,926	39.1%	(10.4%)	11.7%
Accrued expenses and other current liabilities	16,743	21,152	19,631	26.3%	(7.2%)	8.3%
Short-term loans	-	272,406	-	NA	NA	NA
Current portion of lease liabilities	15,287	15,287	15,403	0.0%	0.8%	0.4%
Current portion of long-term loans	-	-	27,500	NA	NA	NA
Interest payable on loans	-	16,216	12,036	NA	(25.8%)	NA
Advances from customers	16,333	9,286	16,143	(43.1%)	73.8%	(0.6%)
Zakat and income tax provision	1,503	11,515	5,122	666.1%	(55.5%)	84.6%
Total current liabilities	**89,905**	**401,565**	**145,761**	**346.7%**	**(63.7%)**	**27.3%**
Net working capital (2)	**405,503**	**312,306**	**107,600**	**(23.0%)**	**(65.5%)**	**(48.5%)**

Source: Audited financial statements of the Company for the financial years ended 31 December 2023G, and Management information

(1) The opening balance for lease liabilities as at 1 January 2022G has been restated during the year ended 31 December 2023G. Accordingly, the balance of lease liabilities as of 31 December 2021G were extracted from the audited financial statements of the Company for the year ended 31 December 2023G, that is after the restatement impact. For further information on the restatement, refer to Section 6.7 ("**Restatement of Prior Year Financial Statements**")

(2) Net working capital is calculated as total current assets less total current liabilities as of 31 December 2021G, 2022G, and 2023G.

Net working capital decreased from SAR 405.5 million as of 31 December 2021G to SAR 312.3 million as of 31 December 2022G mainly due to the recognition of short-term loans of SAR 272.4 million transferred from the former parent company due to the merger that took place given that the loans were renewed in the name of the company, in addition to recording interest payable on loans of SAR 16.2 million during the same period.

Net working capital decreased from SAR 312.3 million as of 31 December 2022G to SAR 107.6 million as of 31 December 2023G mainly due to the decrease in cash and cash equivalents by SAR 446.1 million in line with the repayment of short-term loans and early settlement of some of the long-term loan installments during the year ended 31 December 2023G.

6.6.2.3.2 Non-current liabilities

The following table summarizes the non-current liabilities as of 31 December 2021G, 2022G and 2023G:

Table No. (6.34): Non-current liabilities

SAR in 000's	31 December 2021G(1) (Restated)	31 December 2022G(1) (Restated)	31 December 2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Non-current portion of lease liabilities	288,068	282,874	270,539	(1.8%)	(4.4%)	(3.1%)
Long-term loans	-	1,475,543	1,049,147	NA	(28.9%)	NA
Employees' defined benefit liabilities	301	800	3,297	165.8%	312.1%	231.0%
Total	**288,369**	**1,759,217**	**1,322,983**	**510.1%**	**(24.8%)**	**114.2%**

Source: Audited financial statements of the Company for the financial years ended 31 December 2023G, and Management information

(1) The opening balance for lease liabilities as at 1 January 2022G has been restated during the year ended 31 December 2023G. Accordingly, the balance of lease liabilities as of 31 December 2021G were extracted from the audited financial statements of the Company for the year ended 31 December 2023G, that is after the restatement impact. For further information on the restatement, refer to Section 6.7 ("**Restatement of Prior Year Financial Statements**")

Non-current liabilities increased from SAR 288.4 million as of 31 December 2021G to SAR 1,759.2 million as at 31 December 2022G mainly due to the increase in long-term loans balance amounting to SAR 1,475.5 million, which relate to long-term Murabaha facilities due to the merger with the previous parent company, as these facilities were used to acquire the company's shares.

Non-current liabilities decreased from SAR 1,759.2 million as of 31 December 2022G to SAR 1,323.0 million as of 31 December 2023G driven by the decrease in long-term loans by SAR 426.4 million due to the early settlement of some of the long-term loan's instalment amounting to SAR 400 million during the year ended 31 December 2023G. This was partly offset by an increase in employee defined benefit liabilities from SAR 800 thousand as of 31 December 2022G to SAR 3.3 million as at 31 December 2023G due to the implementation of new contracts for all the Company's employees post privatization.

6.6.2.3.3 Lease liabilities

The following table summarizes the movement in lease liabilities for the years ended 31 December 2021G, 2022G and 2023G:

Table No. (6.35): Current and non-current lease liabilities

SAR in 000's	31 December 2021G (Restated)	31 December 2022G (Restated)	31 December 2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
At the beginning of the year	201,157	303,354	298,160	50.8%	(1.7%)	21.7%
Lease reassessment (1)	107,116	-	-	NA	NA	NA
Accretion of interest	10,368	10,092	3,186	(2.7%)	(68.4%)	(44.6%)
Payments during the year	(15,286)	(15,286)	(15,403)	0.0%	0.8%	0.4%
At the end of the year	**303,354**	**298,160**	**285,943**	**(1.7%)**	**(4.1%)**	**(2.9%)**
Current	15,287	15,287	15,403	0.0%	0.8%	0.4%
Non-current	288,068	282,874	270,539	(1.8%)	(4.4%)	(3.1%)
Total	**303,354**	**298,160**	**285,943**	**(1.7%)**	**(4.1%)**	**(2.9%)**

Source: Audited financial statements of the Company for the financial years ended 31 December 2023G, and Management information

(1) The opening balance for lease liabilities as at 1 January 2022G has been restated during the year ended 31 December 2023G. Accordingly, the balance of lease liabilities as of 31 December 2021G were extracted from the audited financial statements of the Company for the year ended 31 December 2023G, that is after the restatement impact. For further information on the restatement, refer to Section 6.7 ("**Restatement of Prior Year Financial Statements**")

Current and non-current portion of lease liabilities relate to the estimated present value of the Company's operating lease payments.

Lease liabilities decreased from SAR 303.4 million as of 31 December 2021G to SAR 298.2 million as of 31 December 2022G due to payments of SAR 15.3 million during the year ended 31 December 2022G. This was partly offset by finance cost on lease liabilities of SAR 10.1 million for the year ended 31 December 2022G.

Lease liabilities decreased from SAR 298.2 million as of 31 December 2022G to SAR 285.9 million as of 31 December 2023G as a result of payments of SAR 15.4 million during the year ended 31 December 2023G. This was partly offset by finance cost on lease liabilities amounting to SAR 3.2 million for the year ended 31 December 2023G.

Management of the Company has identified that they have not reassessed the value of lease liabilities after obtaining flour milling license in 2021G. As a consequence, lease liabilities were understated. The error has been corrected by restating each of the affected financial statement line items for the prior period opening balance. For further information on the restatement, refer to section 6.7 "**Restatement of Prior Year Financial Statements**".

6.6.2.3.4 Loans

The following table summarizes the long term and short-term loans as of 31 December 2023G:

Table No. (6.36): Long term and short-term loans as of 31 December 2023G

SAR in 000's	Total loans
Maturity date	31 December 2039G
Principle loan payable	1,100,000
Interest loan payable	12,036
Unamortized finance costs	(23,353)
Total as of 31 December 2023G	**1,088,682**

Source: Audited financial statements of the Company for the financial years ended 2023G, and Management information

The following table summarizes the long term and short-term loans as of 31 December 2022G:

Table No. (6.37): Long term and short-term loans as of 31 December 2022G

SAR in 000's	Cash bridge Loan Facility 1	Cash bridge Loan Facility 2	Total short term loans	Long-term loan - Acquisition Loan Facility	Total loans
Maturity date	29 October 2023G	29 October 2023G	-	31 December 2039G	-
Principle loan payable	257,124	15,923	273,047	1,500,000	1,773,047
Interest loan payable	1,531	328	1,859	14,357	16,216
Unamortized finance costs	(582)	(59)	(641)	(24,457)	(25,098)
Total as of 31 December 2022G	**258,073**	**16,192**	**273,265**	**1,489,900**	**1,764,165**

Source: Audited financial statements of the Company for the financial years ended 31 December 2023G, and Management information

The Company did not have any outstanding loans as of 31 December 2021G.

The following table summarizes the long term and short-term loans as of 31 December 2021G, 2022G, and 2023G:

Table No. (6.38): Long term and short-term loans as of 31 December 2021G, 2022G, and 2023G

Facilities (SAR in 000s)	Maximum facilities (SAR in 000's)	Outstanding loan balance as of 31 December 2021G	Outstanding loan balance as of 31 December 2022G	Outstanding loan balance as of 31 December 2023G	Margin	Due date
Acquisition loan facility	1,500,000	-	1,475,543	1,076,647	SAIBOR + Murabaha margin (1)	31 December 2039G
Cash bridge loan facility 1	257,124	-	256,542	-	SAIBOR +0.9%	29 October 2023G
Cash bridge loan facility 3	150,000	-		-	SAIBOR +0.9%	365 days from the date of withdrawal
Capital expenditure loan facility	125,000	-		-	SAIBOR + Murabaha margin (1)	31 December 2029G
Cash loan bridge facility 2	15,923	-	15,864	-	SAIBOR +0.9%	29 October 2023G
Total	**2,048,047**	**-**	**1,747,949**	**1,076,647**		

Source: Management information

(1) Murabaha margin differs according to the lifetime of the loan as displayed below.

As of 31 December 2023G, total loans consist of long-term Murabaha financing, relating to long-term acquisition Murabaha facilities amounting to SAR 1,076.6 million. These facilities originated from the merger with the previous parent company and were used to acquire the company. During 2023G, the Company made an early repayment of some installments of the long-term loan amounting to SAR 400.0 million.

The Company repaid short-term loans for an amount of SAR 273.0 million during 2023G.

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

- an amount of SAR 1,500 million long-term Murabaha loan with maturity period of 18 years as of date of loan agreement, repayable on 31 December 2039 with 32 semi-annual installments with a grace period of 24 months, with a return rate based on SAIBOR and a bank margin. The bank placed a covenant on the company to maintain a debt service coverage ratio of 1:3 as a minimum. The long-term loan carries interest of SAIBOR + profit margin according to the following:
  - From start date to year 4: SAIBOR + 1.0%
  - Year 4 through Year 10: SAIBOR + 1.25%
  - From Year 10 to 31 December 2039G: SAIBOR + 1.85%
- an amount of SAR 273.0 million against short-term Murabaha facilities for 12 months. The loan has been repaid during the year.

During the year ended 31 December 2023G, transaction cost of SAR 1.7 million has been amortized and released to statement of profit or loss. Effective interest rate on the loan is 6.97% during the year.

Both long-term and short-term loan facilities involves several guarantees, including promissory notes, pledge over the Company's bank account including dividend receipt account, share pledge over the shares in the Company held by the shareholders including assignment of dividends and assignment of any shareholder loan from the shareholders to the Company, assignment / pledge of Company's rights under compensation and claims agreement, pledge over project accounts of the Company and pledge over insurance proceeds of the Company.

Following the merger with the former Parent Company, both the loans are novated in the name of the Company. Management indicated that it does not intend to use two unutilized banking facilities from SAB, namely Capex Murabaha Facility up to a limit of SAR 125.0 million and Working Capital Murabaha Facility up to a limit of SAR 150.0 million.

The Company recognized interest payable on loans of SAR 16.2 million and SAR 12.0 million on its long-term loan as of 31 December 2022G and 31 December 2023G.

6.6.2.3.5 Employees' defined benefit liabilities

The following table summarizes the employees' defined benefit liabilities as of 31 December 2021G, 2022G, and 2023G:

Table No. (6.39): Employees' defined benefit liabilities

SAR in 000's	31 December 2021G	31 December 2022G	31 December 2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
At the beginning of the year	81	301	800	271.6%	165.8%	214.3%
Current service cost / charge for the year	220	500	2,774	126.8%	455.9%	255.1%
Benefits paid during the year	-	-	(278)	NA	NA	NA
At the end of the year	**301**	**800**	**3,297**	**165.8%**	**312.1%**	**231.0%**

Source: Audited financial statements of the Company for the financial years ended 31 December 2022G and 2023G, and Management information

The Company has defined benefit plan (unfunded), which is a final salary plan in Kingdom of Saudi Arabia and require to recognize the provision for employees' end-of-service benefits for the amounts payable at the statement of financial position date in accordance with the employees' contracts of employment applicable to employees' accumulated periods of service. In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its defined benefit liabilities in respect of employees' end-of-service benefits payable under relevant local regulations and contractual arrangements in the year 2023G. Such calculation was not performed in the year 2022G as the impact was not significant.

Up to the time of acquisition of the Company by its former parent company in November 2021G, all the employees of the Company were seconded from General Food Security Authority ("GFSA") (formerly Saudi Grains Organization ("SAGO")) and GFSA used to charge the cost of end of service benefits payable to seconded employees of the Company in accordance with the agreement made in that regard.

Employees' defined benefit liabilities increased from SAR 0.3 million as of 31 December 2021G to SAR 0.8 million as of 31 December 2022G and then to SAR 3.3 million as of 31 December 2023G in line with the increase in the number of employees.

6.6.2.4 Current liabilities

The following table summarizes the current liabilities as of 31 December 2021G, 2022G, and 2023G:

Table No. (6.40): Current liabilities

SAR in 000's	31 December 2021G (1) (Restated)	31 December 2022G (1) (Restated)	31 December 2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Accounts payables	40,040	55,704	49,926	39.1%	(10.4%)	11.7%
Accrued expenses and other current liabilities	16,743	21,152	19,631	26.3%	(7.2%)	8.3%
Short-term loans	-	272,406	-	NA	NA	NA
Current portion of lease liabilities	15,287	15,287	15,403	0.0%	0.8%	0.4%
Current portion of long-term loans	-	-	27,500	NA	NA	NA
Interest payable on loans	-	16,216	12,036	NA	(25.8%)	NA
Advances from customers	16,333	9,286	16,143	(43.1%)	73.8%	(0.6%)
Zakat and income tax provision	1,503	11,515	5,122	666.1%	(55.5%)	84.6%
Total Current Liabilities	**89,905**	**401,565**	**145,761**	**346.7%**	**(63.7%)**	**27.3%**

Source: Audited financial statements of the Company for the financial years ended 31 December 2023G, and Management information

(1) The opening balance for lease liabilities as at 1 January 2022G has been restated during the year ended 31 December 2023G. Accordingly, the balance of lease liabilities as of 31 December 2021G were extracted from the audited financial statements of the Company for the year ended 31 December 2023G, that is after the restatement impact. For further information on the restatement, refer to Section 6.7 ("**Restatement of Prior Year Financial Statements**")

Current liabilities increased from SAR 89.9 million as of 31 December 2021G to SAR 401.6 million as of 31 December 2022G driven by the increase in short-term loans by SAR 272.4 million, transferred from the previous parent company due to the merger that took place, as the loans were renewed in the company's name.

Current liabilities decreased from SAR 401.6 million as of 31 December 2022G to SAR 145.8 million as of 31 December 2023G mainly due to the settlement of the short-term loans amounting to SAR 272.4 million during the year ended 31 December 2023G. This was partly offset by an increase in the current portion of long-term loans by SAR 27.5 million.

Account payable

Account payables pertain to trade payables to suppliers of goods, mostly purchase of raw materials, packaging, and suppliers of services.

Account payable balance increased from SAR 40.0 million as of 31 December 2021G to SAR 55.7 million as of 31 December 2022G driven by (1) the overall increase in the Company's production levels and the associated cost of revenue and (2) the transfer of payables of FSHC to the Company's balances amounting to SAR 6.5 million during the year ended 31 December 2022G. This contributed to an increase in DPO from 39 days as of 31 December 2021G to 43 days as of 31 December 2022G.

Account payable decreased from SAR 55.7 million as of 31 December 2022G to SAR 49.9 million as of 31 December 2023G due to the decrease in GFSA's (previously SAGO) vendor balance from SAR 32.0 million as of 31 December 2022G to SAR 21.5 million as of 31 December 2023G because of the timing of the payments of payable balance, as well as the decrease in Arasco's balance from SAR 2.0 million as of 31 December 2022G to nil as of 31 December 2023G due to the decrease in feed revenue. This was partly offset by an increase in various vendors' balances such as corn purchases, VAT, and services related to the IPO.

Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of accrued employees' costs of SAR 13.3 million, accrued Board of Directors' rewards of SAR 3.3 million, accrued rebates of SAR 3.0 million, accrued fines (nil) and other accruals of SAR 20.0 thousand as of 31 December 2023G.

Accrued expenses and other current liabilities balance increased from SAR 16.7 million as of 31 December 2021G to SAR 21.2 million as of 31 December 2022G due to the increase in accrued fines by SAR 6.0 million in relation to GFSA's fine charged to the Company for booking revenue under "One-time customers", which was due to a delay in the system between that of the Company and GFSA's.

Accrued expenses and other current liabilities balance decreased from SAR 21.2 million as of 31 December 2022G to SAR 19.6 million as of 31 December 2023G due to a decrease in:

- accrued fines by SAR 6.0 million given the exceptional nature of the balance during the year ended 31 December 2022G, and
- other accruals by SAR 3.6 million due to due to the settlement of consulting fees over the same period.

This was partially offset by an increase in:

- accrued Board of Directors' rewards by SAR 3.3 million in line with the increase in the BOD's compensation and bonuses, and
- accrued rebates by SAR 3.0 million in line with the increase in discounts and promotion for customers over the same period.

Short term loans

Short-term loans increased from nil as of 31 December 2021G to SAR 272.4 million as of 31 December 2022G due to the merger transaction with the former parent company.

The balance of short-term loans decreased from SAR 272.4 million as of 31 December 2022G to nil as of 31 December 2023G due to the repayment of short-term loans during the year ended 31 December 2023G.

Current portion of lease liabilities

Current portion of lease liabilities remained stable at SAR 15.3 million as of 31 December 2021G and 2022G, respectively, given that no change occurred at the level of lease contracts.

Current portion of lease liabilities increased from SAR 15.3 million as of 31 December 2022G to SAR 15.4 million as of 2023G.

Current portion on long-term loans

Current portion on long-term loans increased from nil as of 31 December 2021G and 2022G to SAR 27.5 million as of 31 December 2023G.

Interest payable on loans

Interest payable on loans increased from nil as of 31 December 2021G to SAR 16.2 million as of 31 December 2022G following the merger transaction with the former parent company given the recognition of the acquisition loan facility.

Interest payable on loans decreased from SAR 16.2 million as of 31 December 2022G to SAR 12.0 million as of 31 December 2023G due to decrease in unpaid interest expense during the year.

Advances from customers

Advances from customers pertains to cash advances from customers in relation to flour, bran, and feed purchases. All sales are made on cash basis, where some customers pay in advance for their orders, however, the Company usually delivers these orders after issuing the invoices.

Advances from customers decreased from SAR 16.3 million as of 31 December 2021G to SAR 9.3 million as of 31 December 2022G due to a decrease in advances from some companies by SAR 3.2 million.

Advances from customers increased from SAR 9.3 million as of 31 December 2022G to SAR 16.1 million as of 31 December 2023G in line with the fluctuations in the orders received from customers.

Zakat and income tax provisions

The Company was subject to zakat and income tax from 1 December 2021G as previously its share capital was from public funds in accordance with the decision of the Zakat, Tax and Customs Authority (“ZATCA”).

Zakat and income tax provision balance increased from SAR 1.5 million as of 31 December 2021G to SAR 11.5 million as of 31 December 2022G due to the increase in zakat and income tax expenses in line with the increase in the zakat base and the impact of the company being subject to zakat and income tax for a full year during 2022G.

Zakat and income tax provision balance decreased from SAR 11.5 million as of 31 December 2022G to SAR 5.1 million as at 31 December 2023G due to (1) the decrease in the zakat base and (2) the Company not being charged with income tax during the year ended 31 December 2023G given the absence of non- GCC shareholder during the year 2023G .

Up to the year ended 31 December 2022G, the Company was subject to income tax at the rate of 20% of taxable income calculated in accordance with tax regulations enforced in the Kingdom of Saudi Arabia. Since there is no non-GCC shareholder in year 2023G, no income tax has been charged.

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

6.6.2.4.1 Accounts payables

The following table summarizes the accounts payables as of 31 December 2021G, 2022G, and 2023G:

Table No. (6.41): Accounts payables

SAR in 000’s	31 December 2021G	31 December 2022G	31 December 2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Accounts payables	40,040	55,704	49,926	39.1%	(10.4%)	11.7%
DPO (days) (1)	39	43	43	10.3%	0.0%	5.0%

Source: Audited financial statements of the Company for the financial years ended 31 December 2023G, and Management information

(1) DPO is calculated using trade payables as of 31 December 2021G, 2022G, and 2023G/ total direct costs of the year excluding employees’ costs, depreciation of property, plant, equipment and depreciation of right-of-use assets, and provision for slow-moving inventories for the year *300 days for the financial years ending as of 31 December 2021G, and 2022G, and 2023G.

Accounts payables consist of supplier payables mainly related to the procurement of raw materials (including GFSA (previously SAGO), and packaging and service suppliers.

The Company places monthly orders with GFSA with the requirements relating to their customers. After that, the Company has 30 days to pay for its dues to GFSA. The Company deals with other suppliers to procure its production needs and usually has payment terms of 30 to 90 days.

Accounts payables balance increased from SAR 40.0 million as of 31 December 2021G to SAR 55.7 million as of 31 December 2022G due to (1) the overall increase in the Company's production levels and the associated cost of revenue and (2) the transfer of payables of FSHC to the Company's balances amounting to SAR 6.5 million during the year ended 31 December 2022G. This contributed to an increase in DPO from 39 days in 2021G to 43 days in 2022G.

Account payable decreased from SAR 55.7 million as of 31 December 2022G to SAR 49.9 million as of 31 December 2023G due to the decrease in GFSA's (previously SAGO) vendor balance from SAR 32.0 million as of 31 December 2022G to SAR 21.5 million as of 31 December 2023G because of the timing of the payments of payable balance, as well as the decrease in Arasco's balance from SAR 2.0 million as of 31 December 2022G to nil as of 31 December 2023G due to the decrease in feed revenue. This was partly offset by an increase in various vendors' balances such as corn purchases, VAT, and services related to the IPO.

6.6.2.4.2 Accrued expenses and other current liabilities

The following table summarizes the accrued expenses and other current liabilities as of 31 December 2021G, 2022G, and 2023G:

Table No. (6.42): Accrued expenses and other current liabilities

SAR in 000's	31 December 2021G	31 December 2022G	31 December 2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Accrued employees' costs	15,778	11,561	13,287	(26.7%)	14.9%	(8.2%)
Accrued Board of Directors' rewards	-	-	3,324	NA	NA	NA
Accrued rebates	-	-	3,000	NA	NA	NA
Accrued fines	-	5,993	-	NA	(100.0%)	NA
Other accruals	965	3,598	20	272.8%	(99.4%)	(85.6%)
Total	**16,743**	**21,152**	**19,631**	**26.3%**	**(7.2%)**	**8.3%**

Source: Audited financial statements of the Company for the financial years ended 31 December 2023G, and Management information

Accrued employees' costs

Accrued employees' costs pertain to accrued bonuses, commissions, vacation compensation allowances, and other employees related costs.

Accrued employees' costs balance decreased from SAR 15.8 million as of 31 December 2021G to SAR 11.6 million as of 31 December 2022G due to the decrease in:

- vacation compensation allowance by SAR 5.5 million due to the decrease in the Company's headcount, and
- accrued travel tickets by SAR 1.1 million due to settling all employees' dues in 2022G

This was partly offset by an increase in provision for commissions by SAR 5.0 million given as incentives to salespeople.

Accrued employees' costs balance increased from SAR 11.6 million as of 31 December 2022G to SAR 13.3 million as of 31 December 2023G due to the increase in employees' vacation compensation allowance by SAR 2.8 million due to a revised calculation of the accrual.

Accrued Board of Directors' rewards

Accrued Board of Directors' rewards increased from nil as of 31 December 2021G and 2022G to SAR 3.3 million as of 31 December 2023G in line with the increase in the compensation and bonuses for the members of the Board of Directors during the year ended 31 December 2023G.

Accrued rebates

Accrued rebates increased from nil as of 31 December 2021G and 2022G to SAR 3.0 million as of 31 December 2023G in line with the increase in discounts and promotions given to customers during the year ended 31 December 2022G.

Accrued fines

Accrued fines increased from nil as of 31 December 2021G to SAR 6.0 million as of 31 December 2022G in relation to GFSA fines for booking revenue under "One-time customers" which was due to a system delay between the Company's software and that of GFSA.

Accrued fines decreased from SAR 6.0 million as of 31 December 2022G to nil as of 31 December 2023G given the one-off nature of this expense.

Other accruals

Other accruals mainly pertains to accrued consulting fees, marketing expenses, rent, and other medical accruals.

Other accruals increased from SAR 1 million as of 31 December 2021G to SAR 3.6 million as of 2022G driven by the increase in professional fees during the year ended 31 December 2022G.

Other accruals decreased from SAR 3.6 million as of 31 December 2022G to SAR 20 thousand as of 31 December 2023G in line with the decrease in consulting fees which were mainly settled during the year ended 31 December 2023G.

6.6.2.4.3 Zakat and income tax provision

The following table summarizes the movement in zakat and income tax provision for the years ended 31 December 2021G, 2022G, and 2023G:

Table No. (6.43): Zakat and income tax provision

SAR in 000's	31 December 2021G	31 December 2022G	31 December 2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
At the beginning of the year	-	1,503	11,515	NA	666.1%	NA
Provision for the year	1,503	18,473	5,169	1129.1%	(72.0%)	85.4%
Paid during the year	-	(8,460)	(11,562)	NA	36.7%	NA
At the end of the year	1,503	11,515	5,122	666.1%	(55.5%)	84.6%

Source: Audited financial statements of the Company for the financial years ended 31 December 2022G and 2023G, and Management information

The Company was subject to zakat and income tax from 1 December 2021G as previously its share capital was from public funds in accordance with the decision of the Zakat, Tax and Customs Authority ("ZATCA").

Zakat and income tax provision balance increased from SAR 1.5 million as of 31 December 2021G to SAR 11.5 million as of 31 December 2022G due to the increase in zakat and income tax expenses in line with the increase in the zakat base and the impact of the company being subject to zakat and income tax for a full year during the year ended 31 December 2022G.

Zakat and income tax provision balance decreased from SAR 11.5 million as of 31 December 2022G to SAR 5.1 million as at 31 December 2023G due to (1) the decrease in the zakat base and (2) the Company not being charged with income tax during 2023G given the absence of non- GCC shareholder during the year ended 31 December 2023G.

Up to the year ended 31 December 2022G, the Company was subject to income tax at the rate of 20% of taxable income calculated in accordance with tax regulations enforced in the Kingdom of Saudi Arabia. Since there is no non-GCC shareholder in year 2023G, no income tax has been charged.

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

6.6.3 Statement of cash flows data

The following table summarizes the statement of cash flow data for the years ended 31 December 2021G, 2022G, and 2023G:

Table No. (6.44): Statement of cash flows data

SAR in 000s	Year ended 31 December 2021G	Year ended 31 December 2022G	Year ended 31 December 2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Operating activities						
Profit before zakat and income tax	122,736	273,742	205,448	123.0%	(24.9%)	29.4%
Adjustments to reconcile profit before zakat and income tax to net cash flows:						
Depreciation for property, plant and equipment	38,395	50,574	55,977	31.7%	10.7%	20.7%
Depreciation for right-of-use assets	8,717	8,717	13,799	0.0%	58.3%	25.8%
Loss on disposal of property, plant and equipment	-	292	-	NA	NA	NA
Amortization of intangible assets	89	2,515	3,081	2725.8%	22.5%	488.4%
Write-off of intangible assets	-	-	214	NA	NA	NA
Interest cost on lease liabilities	10,368	10,092	3,186	(2.7%)	(68.4%)	(44.6%)
Interest cost on long-term loan	-	10,617	116,781	NA	999.9%	NA
Amortization of transaction costs on long-term loan	-	-	1,744	NA	NA	NA
Finance income	(2,253)	(92)	(17,005)	(95.9%)	18383.7%	174.7%
Provision / (Reversal of provision) for slow moving inventories	535	-	(13,220)	NA	NA	NA
Provision for employees' defined benefit liabilities	219	500	2,774	128.3%	454.8%	255.9%
Changes in operating assets and liabilities:						
Inventories	(5,964)	22,540	8,363	NA	(62.9%)	NA
Prepayments and other current assets	3,994	5,410	5,146	35.5%	(4.9%)	13.5%
Amounts due from a related party	-	(53,857)	(1,594)	NA	(97.0%)	NA
Accounts receivables	-	-	(6,340)	NA	NA	NA
Accounts payables	(15,302)	25,120	(5,778)	NA	NA	(38.6%)
Accrued expenses and other current liabilities	-	4,408	(1,521)	NA	NA	NA
Advances from customers	1,993	(7,047)	6,857	NA	NA	85.5%
Net cash from operations	**163,527**	**353,533**	**377,912**	**116.2%**	**6.9%**	**52.0%**

SAR in 000s	Year ended 31 December 2021G	Year ended 31 December 2022G	Year ended 31 December 2023G	Var. 2021G-2022G	Var. 2022G-2023G	CAGR 2021G-2023G
Zakat and income tax paid	-	(8,460)	(11,562)	NA	36.7%	NA
Employees' defined benefit liabilities paid	-	-	(278)	NA	NA	NA
Net cash flows from operating activities	163,527	345,073	366,072	111.0%	6.1%	49.6%
Investing activities						
Purchase of property, machinery and equipment	(88,497)	(72,014)	(19,720)	(18.6%)	(72.6%)	(52.8%)
Purchase of intangible assets	(4,118)	(881)	-	(78.6%)	(100.0%)	(100.0%)
Financing income received*	1,975	369	17,005	(81.3%)	4508.4%	193.4%
Net cash flow used in investing activities	**(90,640)**	**(72,526)**	**(2,715)**	**(20.0%)**	**(96.3%)**	**(82.7%)**
Financing activities						
Payment of principal portion of lease liabilities	(4,918)	(5,194)	(12,218)	5.6%	135.2%	57.6%
Finance costs paid for loans and lease obligations**	(10,367)	(20,709)	(124,147)	99.7%	499.5%	246.1%
Repayment of short term and long-term loans	-	-	(673,047)	NA	NA	NA
Net cash used in a financing activity	**(15,285)**	**(25,903)**	**(809,411)**	**69.5%**	**3,024.8%**	**627.7%**
Net (decrease) increase in cash and cash equivalents	57,600	246,643	(446,053)	328.2%	(280.8%)	NA
Cash and cash equivalents at the beginning of the year	269,559	327,160	573,851	21.4%	75.4%	45.9%
Cash and cash equivalents transferred from merger transaction	-	47	-	NA	NA	NA
Cash and cash equivalents at the end of the year	**327,160**	**573,851**	**127,798**	**75.4%**	**(77.7%)**	**(37.5%)**

Source: Audited financial statements of the Company for the financial years ended 31 December 2022G and 2023G, and Management information

[*] The financial information for the financial year ended 31 December 2021G was extracted from the financial information for the comparative year presented in the Company's audited financial statements for the financial year ended 31 December 2022G. Finance income received was classified within operating activities in the Company's audited financial statements for the year ended 31 December 2022G. This line item was reclassified in the Company's audited financial statements for the year ended 31 December 2023G to investing activities. As such, finance income received was classified within investing activities for the financial years ended 31 December 2021G, 2022G, and 2023G in this Prospectus.

[**] The financial information for the financial year ended 31 December 2021G was extracted from the financial information for the comparative year presented in the Company's audited financial statements for the financial year ended 31 December 2022G. Finance costs paid for loans and lease liability was classified within operating activities in the Company's audited financial statements for the year ended 31 December 2022G. This line item was reclassified in the Company's audited financial statements for the year ended 31 December 2023G to financing activities. As such, Finance costs paid for loans and lease liability was classified within financing activities for the financial years ended 31 December 2021G, 2022G, and 2023G in this Prospectus.

Note: All references to 2021G, 2022G and 2023G in the analysis below in this section represent year ended 31 December 2021G, 31 December 2022G and 31 December 2023G, respectively.

Operating activities

Cash flows from operating activities increased from SAR 165.3 million in 2021G to SAR 345.1 million in 2022G due to an increase in profit before zakat and income tax by SAR 151.0 million, coupled with an increase in inventories balance by SAR 22.5 million and accounts payables balance by SAR 25.1 million during the year ended 31 December 2022G. This was partly offset by a decrease in the amounts due from the related parties by SAR 53.9 million during the year ended 31 December 2022G.

Cash flows from operating activities increased by 6.1% from SAR 345.1 million in 2022G to SAR 366.1 million in 2023G due to the decrease in the profit before zakat and income tax to reach SAR 205.4 million during the year ended 31 December 2023G.

Investing activities

Cash flows used in investing activities decreased by 20.0% from SAR 90.6 million in 2021G to SAR 72.5 million in 2022G due to a decrease in the purchase of property, plant and equipment by SAR 16.5 million in 2022G and a decrease in purchase of intangible assets by SAR 3.2 million during the same period.

Cash flows used in investing activities decreased by 96.3% from SAR 72.5 million in 2022G to SAR 2.7 million in 2023G due to a decrease in the purchase of property, plant and equipment by SAR 52.3 million in 2023G and a decrease in purchases of intangible assets by SAR 0.9 million during the same period. This was partly offset by an increase in interest income received by SAR 16.6 million over the same period.

Financing activities

Cash flows used in financing activities increased by 69.5% from SAR 15.3 million in 2021G to SAR 25.9 million in 2022G due to finance costs paid for loans and lease obligations amounting to SAR 10.3 million, and repayment of lease liabilities amounting to SAR 0.3 million during 2022G.

Cash flow used in financing activities increased from SAR 25.9 million in 2022G to SAR 809.4 million in 2023G due to the settlement of short-term and long-term loans of SAR 673.0 million during 2023G. This was coupled with the repayment of interest on loans and lease liabilities by an amount of SAR 124.1 million over the same period.

6.6.3.1 Capital commitments and contingencies

Contingencies

As of 31 December 2023G, the Company had contingent liabilities arose during its normal business cycle and related to letters of credit and letters of guarantee of SAR 3.9 million (SAR 22.2 million as of 31 December 2021G and SAR 8.3 million as of 31 December 2022G).

6.7 Restatement of Prior Year Financial Statements

During the year ended 31 December 2023G, the Company restated certain amounts and balances included in the prior periods 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 2023G, management of the Company has identified that they have not reassessed the value of lease liabilities after obtaining flour milling license in 2021G. As a consequence, right-of-use assets and lease liabilities were understated. The error has been corrected by restating each of the affected financial statement line items for the opening balance as of 1 January 2022G.

Restatement - 2: During the year ended 31 December 2023G, management discovered that the useful life of the buildings that are built on leased lands in prior periods were erroneously based on the economic life of the buildings instead of the lease term. Consequently, the carrying value of buildings were overstated and the related accumulated depreciation was understated.

The above-mentioned errors have been corrected by restating each of the affected financial statement line items as of 1 January 2022G and 31 December 2022G.

The following tables summarize the impacts on the Company's financial statements:

Table No. (6.45): Impact of restatement on the statement of financial position data as of 1 January 2022G

SAR in 000's	Previously stated	Restatement	Restated
Right-of-use assets	174,341	107,116	281,457
Lease liabilities	196,238	107,116	303,354
Property, plant and equipment	767,556	16,537	751,019
Retained earnings	638,999	16,537	620,361

Source: Audited financial statements of the Company for the financial years ended 31 December 2023G, and Management information

Table No. (6.46): Impact of restatement on the statement of financial position data as of 31 December 2022G

SAR in 000's	Previously stated	Restatement	Restated
Right-of-use assets	165,624	107,116	272,740
Lease liabilities	191,044	107,116	298,160
Retained earnings	730,327	16,537	713,789
Merger deficit reserve	675,371	16,537	658,833

Source: Audited financial statements of the Company for the financial years ended 31 December 2023G, and Management information

Statement of profit or loss and other comprehensive income

Management has not recorded the impact on statement of profit or loss and other comprehensive income in year ended 31 December 2022G as the impact was not material, rather it was recorded in year ended 31 December 2023G.

Statement of cashflows

There is no impact on statement of cashflows for restatement related to above points.


فينه
FINAH
طحين مخابز
BAKERY FLOUR
مدعم بالفيتامينات والحديد
Enriched with Vitamins and Iron
المطاحن العربية
Arabian Mills

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 Financial Years. Dividends shall be distributed in Saudi Riyals.

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. The distribution of dividends is subject to the restrictions contained in the financing document concluded with the financing entities includes, by a way of an example, that dividends shall be distributed, unless the debt service coverage ratio exceeds 1.10:1.00. (For more information, please refer to Section 2.1.25 ("**Risks Related to the Distribution of Cash Dividends and the Restrictions Imposed by the Funding Entities on the Distribution of Dividends**") of this Prospectus).

The General Assembly determines the percentage to be distributed to shareholders from the net profits after deducting reserves, if any. Shareholders shall be entitled to their share of the dividends, granted in accordance with the General Assembly's resolution issued in this regard, which shall indicate the maturity date and the distribution date. Shareholders registered in the shareholders' registers at the end of the day on the specified maturity date shall be entitled to dividends. It should be noted that the dividend distribution policy can change from time to time.

It should be noted that the Company did not announce or distribute dividends for the years ended 31 December 2021G, 31 December 2022G or 31 December 2023G.

8. Use of Proceeds

Total proceeds from the Offering are estimated at around [•] Saudi Riyals of which approximately (SAR 33 million) Saudi Riyals (SAR [•]) will be applied towards the Offering expenses, which include the fees of the Financial Advisor, the Lead Manager, the Underwriter, the Bookrunner, the Legal Advisors, the Independent Auditor, the Receiving Agents, and the Market Study Consultant, as well as the fees of marketing, printing, distribution, translation, and other costs and expenses related to the Offering.

The Net Proceeds from the Offering of approximately [•] Saudi Riyals (SAR [•]) 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.

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 70% of the Company's Shares.

The table below sets out the capitalization of the Company as derived from the audited financial statements of the Company for the financial years ended 31 December 2022G and 31 December 2023G. The following table should be read in conjunction with the relevant Financial Statements, including the notes thereto, which are set out in Section 20 ("**Financial Statements and Auditor's Report**") of this Prospectus.

Table No. (9.1): Capitalization and Indebtedness of the Company

SAR	As at 31 December 2021G	As at 31 December 2022G	As at 31 December 2023G
Short-Term Loans(1)	-	272,406,173	-
Interest Payable on Loans(1)	-	16,215,681	12,035,587
Long-Term Loans(1)	-	1,475,542,820	1,076,646,501
Total Loans(1)	**-**	**1,764,164,674**	**1,088,682,088**
Lease Liabilities (Current and non-Current Lease Liabilities) (1)	196,237,994	298,160,387	285,942,686
Total Loans and Lease Liabilities(2)	**196,237,994**	**2,062,325,061**	**1,374,624,774**
Share Capital(1)	513,150,060	513,150,060	513,150,060
Statutory Reserve(1)	25,322,200	50,849,137	50,849,137
Merger Deficit Reserve(1)	-	(658,833,406)	-
Retained Earnings(1)	636,898,624	713,789,029	258,967,246
Total Equity(1)	**1,175,370,884**	**618,954,820**	**822,966,443**
Total Capitalization (Total Loans and Lease Obligations + Total Equity)(2)	**1,371,608,878**	**2,681,279,881**	**2,197,591,217**
Total Loans and Lease liabilities / Total Capitalization(2)	**14%**	**77%**	**66%**

(1) Source: the audited financial statements of the Company for the financial years ended 31 December 2022G and 31 December 2023G.

(2) Source: The Company's Management information

The Directors confirm that:

- As the date of this Prospectus, none of the Company's share capital is under option.
- As 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.

10. Experts' Statement

As at the date hereof, the Advisors and Independent Auditor listed on pages (viii), (ix) and (x) have given and not withdrawn their written consent to the publication of their names, logos and statements or reports as attributed to them in this Prospectus as presented herein. Neither they nor any of their employees (forming part of the team serving the Company), or their relatives have any shareholding or interest of any kind in the Company as at the date of this Prospectus, which would impair their independence.

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.
3. All material legal issues concerning the Issuer have been disclosed in the Prospectus.
4. 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. Except as disclosed in Section 5 ("**Organizational Structure and Corporate Governance**") of this Prospectus, 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 Shares, nor any interest in any other matter which may impact the Company's businesses.
7. Except as disclosed in Section 5 ("**Organizational Structure and Corporate Governance**") and 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.
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, as described in Section 5.6 ("**Conflict of Interest**") of this Prospectus.
9. Except as disclosed in Section 5 ("**Organizational Structure and Corporate Governance**") and Section 4.8 ("**Overview of the Shareholders**") of this Prospectus, neither they nor any of their relatives or affiliates have any Shares or interest of any kind in the Company, 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 IFRS-KSA, 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 disclosed in Section 12.8 ("**Credit Facilities and Loans**") of this Prospectus, the Company has not issued any debt instruments, nor does it 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 business, and there has been no interruption in the business of the Company 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 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 internal control measures.

17. The audited financial statements for the financial years ended 31 December 2021G, 31 December 2022G, 31 December 2023G have been prepared in accordance with IFRS-KSA. 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 2.1.24 ("**Risks Related to Financing Facilities, Liquidity and Obtaining Additional Loans**") of this Prospectus, there is no pledge, mortgage or financial burden on any of the Company'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
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. No Shares of the Company are subject to any option right,, as at the date of this Prospectus.
27. The Directors, Senior Executives and Secretary have not at any time been declared bankrupt or been subject to bankruptcy proceedings.
28. 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.
29. No powers exist giving any of the Directors the right to borrow money from the Company.
30. 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.
31. The Company is able to prepare the required reports in a timely manner, according to the implementing regulations issued by the CMA.
32. As at the date of this Prospectus, the persons whose names appear in Section 4.8 ("**Overview of the Shareholders**") of this Prospectus are the - direct and indirect - legal and beneficial owners of the Company's Shares.
33. The internal control, accounting and IT systems of the Company are sufficient and adequate.
34. 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.
35. 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.
36. That all terms and conditions that may affect the decisions of the Subscribers to invest in Offer Shares have been disclosed.
37. 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.
38. All increases and decreases in the capital of the Company are in compliance with the laws and regulations applicable in Saudi Arabia.

39. 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.
40. 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.
41. 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.
42. 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.
43. 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.
44. 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.
45. 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.
46. The Company is not a party to any litigation, claims, lawsuits or current investigations that could materially affect its business operations or financial position.
47. The audited financial statements for the financial years ended 31 December 2021G, 31 December 2022G, 31 December 2023G, together with the notes thereto, have been prepared in accordance with IFRS-KSA. No material amendments have been made thereto except for financial and statistical information which have been subject to rounding.
48. 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.
49. The Company is in compliance with all terms and conditions under the agreements with lenders granting loans, facilities and financing.
50. 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.
51. They shall record all Board of Directors resolutions by means of written minutes of meetings, which shall be signed by the Directors.
52. 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.

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 (**Material Government Consents, Licenses and Certificates**) 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 bases 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.

The members of the Board of Directors and the CEO declare that they shall not have the right to vote on decisions relating to their fees and remuneration.

The Issuer undertakes to submit the latest annual / interim financial statements (as applicable) to the CMA and to attach it to the preliminary Prospectus prior to the commencement of the Offer of the Company's shares, or within the final Prospectus before the listing of the Company's shares (as applicable), in accordance with the periods provided for under Article 81 of the OSCOs (disclosure of financial information), consistent with the relevant continuous obligations of listed companies.

12. Legal Information

12.1 Declarations Related to Legal Information

The Members of 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 concluded by the Company.
- All material legal information relating to the Company has been disclosed in the Prospectus.
- The Company is not involved in any lawsuits or legal proceedings that may, individually or collectively, have a material effect on the business or financial position of the Company.
- Directors are not subject to any lawsuits or legal proceedings that may, individually or collectively, have a material effect on the business or financial position of the Company.
- The members of the Board of Directors and Executive Management do not jointly or severally participate in activities similar to or competing with those of the Company.

12.2 The Company

Arabian Mills for Food Products Company is a Saudi closed joint stock company registered under commercial registration No. 1010465464 dated 10/02/1438H (corresponding to 10/11/2016G), issued in the city of Riyadh, Kingdom of Saudi Arabia, pursuant to Council of Ministers Resolution No. G/12 dated 11/01/1438H (corresponding to 12/10/2016G). According to its commercial registration, the Company's head office is located in Riyadh, postal code 11452, P.O. Box 6847. The Company operates under (1) Flour Mill Operation License No. 02, issued by Resolution of the Governor of the General Food Security, under GFSA Board of Directors' Resolution No. 189, dated 09/03/1442H (corresponding to 26/10/2020G), pursuant to Council of Ministers Resolution No. 632, dated 17/10/1441H (corresponding to 09/06/2020G) amended by GFSA Governor's Resolution No. 8273 dated 21/05/1445H (corresponding to 05/12/2023G), and (2) secondary flour milling license No. 1, issued by the Governor of the General Food Security Authority, dated 30/12/1444H (corresponding to 18/07/2023G), and (3) licenses from the Ministry of Industry and Mineral Resources obtained by the Company for its factories, including Riyadh Plant License No. 2811331, Hail Plant License No. 311328, and Jazan Plant License No. 222, and (4) licenses from the Saudi Food and Drug Authority obtained by the Company for its factories, which are: Riyadh Plant License No. AFE000384, Hail Plant License No. AFE000374, and Jazan Plant License No. AFE000334. According to its commercial registration, the current capital of the Company is five hundred thirteen million one hundred fifty thousand and sixty (513,150,060) Saudi Riyals, divided into fifty-one million three hundred fifteen thousand and six (51,315,006) fully paid ordinary shares with a nominal value of ten (10) Saudi Riyals per share.

The Company was established with the purpose of producing wheat and feed products and supplying them throughout the Kingdom. The main commercial activities of the Company include the production and storage of flour, other wheat derivatives, and feed. The Company aims to meet the needs of customers in the Kingdom, adhering to the highest quality standards in accordance with the specifications set by the General Food Security Authority, the Saudi Food and Drug Authority, and the GCC Standardization Organization (for more information, please refer to Section 4.1 ("**Overview of the Company and its Business Activities**") of this Prospectus).

12.3 Shareholding Structure

The following table sets out the Company's shareholding structure pre and post Offering.

Table No. (12.1): Company's Shareholding Structure Pre and Post Offering as at the date of the Prospectus

No.	Shareholder Name	Pre Offering			Post Offering		
		No. of Shares	Ownership	Par Value (SAR)	No. of Shares	Ownership	Par Value (SAR)
1	Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company - Ajlan & Bros	25,723,254	50.13%	257,232,540	18,006,278	35.09%	180,062,780
2	Sulaiman Abdulaziz Al-Rajhi International Company	17,960,252	35%	179,602,520	12,572,176	24.50%	125,721,76
3	The National Agricultural Development Company (NADEC)	7,631,500	14.87%	76,315,000	5,342,050	10.41%	53,420,500
4	Public	-	-	-	15,394,502	30%	153,945,020
	Total	**51,315,006**	**100%**	**513,150,060**	**51,315,006**	**100%**	**513,150,060**

Source: The Company

Details regarding the ownership of each of the Company's Shareholders have been provided in Section 4.8 ("**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) and the Ministry of Industry and Mineral Resources (MIMR). 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 the Flour Mills Operation License No. 02 issued by Resolution of the Governor of the General Food Security, under GFSA Board of Directors' Resolution No. 189, dated 09/03/1442H (corresponding to 26/10/2020G), pursuant to Council of Ministers Resolution No. 632 dated 17/10/1441H, amended by the GFSA Governor's Resolution No. 8273 dated 21/05/1445H (corresponding to 05/12/2023G).

The General Food Security Authority (previously known as the Grain Silos and Flour Mills Organization (GSFMO)) 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 flour mills joint-stock companies for, and amending the GFSMO's name from the Grain Silos and Flour Mills Organization (GSFMO) to the Saudi Grains Organization (SAGO). Then, 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 SAGO undertakes the management, operation, and development of silos, in addition to 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).

The Main License No. (02):

GFSA granted the Company the Main License No. 02 to carry out the following licensed activities:

- **The establishment and operation of**:
  - Riyadh – Al Manakh District Branch – 765 thousand tons of flour / year;
  - Hail Branch - 180 thousand tons of flour / year; and
  - Jazan Branch - 360 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 No. (12.2): Details of the Milling Licenses Obtained by the Company and Issued by GFSA

No	Company	License No	Registration Date	Expiration Date
1	Arabian Mills for Food Products Company	Main License Certificate No. 02 to operate Flour Mills.	26/04/1443H (corresponding to 01/12/2021G)	02/02/1469H (corresponding to 30/11/2046G)
2	Arabian Mills for Food Products Company	Secondary Milling License No. 1	30/12/1444H (corresponding to 18/07/2023G)	02/02/1469H (corresponding to 30/11/2046G)

Source: The Company

Table No. (12.3): Details of the Commercial Registration Certificates Issued by the Ministry of Commerce, and Obtained by the Company

No	Company	Location	Commercial Registration	Registration Date	Expiry Date
1	Arabian Mills for Food Products Company (Head Office)	Riyadh	1010465464	10/02/1438H (corresponding to 10/11/2016G)	10/02/1448H (corresponding to 24/07/2026G)
2	Arabian Mills for Food Products Company	Riyadh	1010469375	27/06/1438H (corresponding to 26/03/2017G)	24/08/1450H (corresponding to 09/01/2029G)
3	Arabian Mills for Food Products Company	Hail	3350044599	27/06/1438H (corresponding to 26/03/2017G)	27/06/1446H (corresponding to 28/12/2024G)
4	Arabian Mills for Food Products Company	Jazan	5900036083	27/06/1438H (corresponding to 26/03/2017G)	09/07/1446H (corresponding to 09/01/2025G)

Source: The Company

Table No. (12.4): Details of the Company's Certificate of Membership in the Chamber of Commerce

No	Branch	Issuer	Membership No.	Issuance Date	Expiry Date
1	Arabian Mills for Food Products Company (Head Office)	Riyadh Chamber	382208	20/03/1438H (Corresponding to 19/12/2016G)	10/02/1448H (Corresponding to 24/07/2026G)
2	Arabian Mills for Food Products Company (Hail Branch)	Hail Chamber	402001153543	18/06/1444H (corresponding to 11/01/2023G)	27/06/1446H (corresponding to 28/12/2024G)
3	Arabian Mills for Food Products Company (Jazan Branch)	Jazan Chamber	702002339445	12/05/1445H (corresponding to 26/11/2023G)	09/07/1446H (corresponding to 09/01/2025G)

Source: The Company

Table No. (12.5): Details of the Municipality Licenses Issued by MOMRA and Obtained by the Company

No	Company	License No.	Expiry Date
1	Arabian Mills for Food Products Company (Jazan Branch)	43016103075	03/04/1446H (corresponding to 06/10/2024G)
2	Arabian Mills for Food Products Company (Head Office and Riyadh Branch)	43037905045	17/04/1446H (corresponding to 20/10/2024G)
3	Arabian Mills for Food Products Company (Hail Branch)	42085449344	29/08/1445H (corresponding to 10/03/2024G)(77)

Source: The Company

Table No. (12.6): Details of the Civil Defense Licenses Issued by DCD and Obtained by the Company

No	Company	License No.	Issuance Date	Expiry Date
1	Arabian Mills for Food Products Company (Riyadh Branch)	1-001022111-44	08/09/1444H (corresponding to 30/03/2023G)	08/09/1445H (corresponding to 18/03/2024G)(78)
2	Arabian Mills for Food Products Company (Hail Branch)	1-001362644-45	04/08/1445H (corresponding to 14/02/2024G)	04/08/1446H (corresponding to 03/02/2025G)

Source: The Company

Table No. (12.7): Details of the Industrial Licenses Issued by MIM and Obtained by the Company

No	Branch	License No.	Issuance Date	Expiry Date
1	Arabian Mills for Food Products Company (Hail Branch)	311328	10/11/1442H (corresponding to 20/06/2021G)	14/12/1445H (corresponding to 20/06/2024G)
2	Arabian Mills for Food Products Company (Jazan Branch)	222	24/09/1440H (corresponding to 29/05/2019G)	01/01/1449H (corresponding to 06/06/2027G)
3	Arabian Mills for Food Products Company (Riyadh Branch)	2811331	16/03/1428H (corresponding to 04/04/2007G)	23/09/1450H (corresponding to 07/02/2029G)

Source: The Company

Table No. (12.8): Details of the SFDA Licenses Obtained by the Company

No	Branch	License No.	Issuance Date	Expiry Date
1	Arabian Mills for Food Products Company (Jazan Branch)	AFE000334	01/12/1442H (corresponding to 11/07/2021G)	05/01/1446H (corresponding to 11/07/2024G)
2	Arabian Mills for Food Products Company (Hail Branch)	AFE000374	03/04/1443H (corresponding to 08/11/2021G)	06/05/1446H (corresponding to 08/11/2024G)
3	Arabian Mills for Food Products Company (Riyadh Branch)	AFE000384	20/04/1443H (corresponding to 25/11/2021G)	23/05/1446H (corresponding to 25/11/2024G)

Source: The Company

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[77] As at the date of this Prospectus. the Company is in the process of taking the necessary procedures to renew this license.

[78] As at the date of this Prospectus. the Company is in the process of taking the necessary procedures to renew this license.

Table No. (12.9): Details of the Environmental Permits Obtained by the Company

No	Branch	License No.	Issuance Date	Expiry Date
1	Arabian Mills for Food Products Company (Riyadh Branch)	9418	15/07/1444H (corresponding to 06/02/2023G)	07/04/1447H (corresponding to 29/09/2025G)
2	Arabian Mills for Food Products Company (Jazan Branch)	23915	25/08/1445H (corresponding to 06/03/2024G)	27/09/1448H (corresponding to 06/03/2027G)
3	Arabian Mills for Food Products Company (Hail Branch)	5338	05/04/1444H (corresponding to 20/10/2023G)	20/03/1447H (corresponding to 12/09/2025G)

Source: The Company

Table No. (12.10): Details of Animal Feed Registration Certificates Issued by the SFDA and Obtained by the Company

No	Company	Product Name	Product Registration No.	Issuance Date	Expiry Date
1	Arabian Mills for Food Products Company	Experimental Animal feed – 50 kg	MAFE20214548	04/05/1443H (corresponding to 08/12/2021G)	28/06/1448H (corresponding to 08/12/2026G)
2	Arabian Mills for Food Products Company	Feed for Pigeon 18% Protein – 50kg	MAFE20214549	04/05/1443H (corresponding to 08/12/2021G)	28/06/1448H (corresponding to 08/12/2026G)
3	Arabian Mills for Food Products Company	Feed for Dairy Cow's 16% – 50kg	MAFE20214570	06/05/1443H (corresponding to 10/12/2021G)	01/07/1448H (corresponding to 10/12/2026G)
4	Arabian Mills for Food Products Company	Feed for Regular Rabbit Feed – 50 kg	MAFE20214547	04/05/1443H (corresponding to 08/12/2021G)	28/06/1448H (corresponding to 08/12/2026G)
5	Arabian Mills for Food Products Company	Horse Feed – 50 kg	MAFE20214551	04/05/1443H (corresponding to 08/12/2021G)	28/06/1448H (corresponding to 08/12/2026G)
6	Arabian Mills for Food Products Company	Feed for Pigeon – 50 kg	MAFE20214550	04/05/1443H (corresponding to 08/12/2021G)	28/06/1448H (corresponding to 08/12/2026G)
7	Arabian Mills for Food Products Company	Beef Fattener Pellet – 50 kg	MAFE20214569	06/05/1443H (corresponding to 10/12/2021G)	01/07/1448H (corresponding to 10/12/2026G)
8	Arabian Mills for Food Products Company	Feed for Pigeon 18% Protein 50kg	MAFE20214545	04/05/1443H (corresponding to 08/12/2021G)	28/06/1448H (corresponding to 08/12/2026G)
9	Arabian Mills for Food Products Company	Wheat Animal Bran Bag 40 kg	MAFE2022269	20/06/1443H (corresponding to 23/01/2022G)	15/08/1448H (corresponding to 23/01/2027G)
10	Arabian Mills for Food Products Company	Feed for Foals – 50 kg	MAFE2022228	15/06/1443H (corresponding to 18/01/2022G)	10/08/1448H (corresponding to 18/01/2027G)
11	Arabian Mills for Food Products Company	livestock fattening (special) feed 50 kg	MAFE2022515	13/07/1443H (corresponding to 14/02/2022G)	07/09/1448H (corresponding to 14/02/2027G)
12	Arabian Mills for Food Products Company	Livestock feed 50 kg	MAFE20214689	15/05/1443H (corresponding to 19/12/2021G)	10/07/1448H (corresponding to 19/12/2026G)

No	Company	Product Name	Product Registration No.	Issuance Date	Expiry Date
13	Arabian Mills for Food Products Company	Feed for Foals 50 kg	MAFE2022516	13/07/1443H (corresponding to 14/02/2022G)	07/09/1448H (corresponding to 14/02/2027G)
14	Arabian Mills for Food Products Company	Wheat Animal Bran Bag – 50 kg	RFM2022229	15/06/1443H (corresponding to 18/01/2022G)	10/08/1448H (corresponding to 18/01/2027G)
15	Arabian Mills for Food Products Company	Livestock feed – 50 kg	MAFE2022226	15/06/1443H (corresponding to 18/01/2022G)	10/08/1448H (corresponding to 18/01/2027G)
16	Arabian Mills for Food Products Company	Livestock fattening feed – 50 kg	MAFE2022227	15/06/1443H (corresponding to 18/01/2022G)	10/08/1448H (corresponding to 18/01/2027G)
17	Arabian Mills for Food Products Company	Feed for Lambs 50 kg	MAFE20214475	01/05/1443H (corresponding to 05/12/2021G)	25/06/1448H (corresponding to 05/12/2026G)
18	Arabian Mills for Food Products Company	Calf Starter Pellet – 50 kg	MAFE20214552	04/05/1443H (corresponding to 08/12/2021G)	28/06/1448H (corresponding to 08/12/2026G)
19	Arabian Mills for Food Products Company	Horses Feed 50 kg	MAFE20214546	04/05/1443H (corresponding to 08/12/2021G)	28/06/1448H (corresponding to 08/12/2026G)
20	Arabian Mills for Food Products Company	Feed for Lambs – 50 kg	MAFE2022225	15/06/1443H (corresponding to 18/01/2022G)	10/08/1448H (corresponding to 18/01/2027G)
21	Arabian Mills for Food Products Company	Livestock fattening feed 50 kg	MAFE20214688	15/05/1443H (corresponding to 19/12/2021G)	10/07/1448H (corresponding to 19/12/2026G)
22	Arabian Mills for Food Products Company	Layer Production 1 Feed bulk	MAFE20233585	02/03/1445H (corresponding to 17/09/2023G)	27/04/1450H (corresponding to 17/09/2028G)
23	Arabian Mills for Food Products Company	Breeder Production 2 Feed bulk	MAFE20233551	02/03/1445H (corresponding to 17/09/2023G)	27/04/1450H (corresponding to 17/09/2028G)
24	Arabian Mills for Food Products Company	Layer Starter feed Bulk	MAFE20233561	02/03/1445H (corresponding to 17/09/2023G)	27/04/1450H (corresponding to 17/09/2028G)
25	Arabian Mills for Food Products Company	Breeder Grower Feed bulk	MAFE20233554	02/03/1445H (corresponding to 17/09/2023G)	27/04/1450H (corresponding to 17/09/2028G)
26	Arabian Mills for Food Products Company	Breeder Starter 1 Feed bulk	MAFE20233556	02/03/1445H (corresponding to 17/09/2023G)	27/04/1450H (corresponding to 17/09/2028G)
27	Arabian Mills for Food Products Company	Breeder Starter 2 Feed bulk	MAFE20233555	02/03/1445H (corresponding to 17/09/2023G)	27/04/1450H (corresponding to 17/09/2028G)
28	Arabian Mills for Food Products Company	Broiler Finisher Feed bulk	MAFE20233557	02/03/1445H (corresponding to 17/09/2023G)	27/04/1450H (corresponding to 17/09/2028G)
29	Arabian Mills for Food Products Company	Broiler Grower Feed bulk	MAFE20233558	02/03/1445H (corresponding to 17/09/2023G)	27/04/1450H (corresponding to 17/09/2028G)
30	Arabian Mills for Food Products Company	Broiler Starter Feed bulk	MAFE20233559	02/03/1445H (corresponding to 17/09/2023G)	27/04/1450H (corresponding to 17/09/2028G)

No	Company	Product Name	Product Registration No.	Issuance Date	Expiry Date
31	Arabian Mills for Food Products Company	Layer Production 2 Feed bulk	MAFE20233587	02/03/1445H (corresponding to 17/09/2023G)	27/04/1450H (corresponding to 17/09/2028G)
32	Arabian Mills for Food Products Company	Breeder Pre Breeder Feed bulk	MAFE20233553	02/03/1445H (corresponding to 17/09/2023G)	27/04/1450H (corresponding to 17/09/2028G)
33	Arabian Mills for Food Products Company	Layer Developer feed	MAFE20233583	02/03/1445H (corresponding to 17/09/2023G)	27/04/1450H (corresponding to 17/09/2028G)
34	Arabian Mills for Food Products Company	Layer Grower bulk	MAFE20233582	02/03/1445H (corresponding to 17/09/2023G)	27/04/1450H (corresponding to 17/09/2028G)
35	Arabian Mills for Food Products Company	Layer Pre layer feed bulk	MAFE20233584	02/03/1445H (corresponding to 17/09/2023G)	27/04/1450H (corresponding to 17/09/2028G)
36	Arabian Mills for Food Products Company	Layer Developer (16%) – Bulk-1074	MAFE20233657	06/03/1445H (corresponding to 21/09/2023G)	02/05/1450H (corresponding to 21/09/2028G)
37	Arabian Mills for Food Products Company	Layer Grower (19%) -Bulk-1080	MAFE20233655	06/03/1445H (corresponding to 21/09/2023G)	02/05/1450H (corresponding to 21/09/2028G)
38	Arabian Mills for Food Products Company	Broiler Finisher 18% -Bulk-1062	MAFE20233683	10/03/1445H (corresponding to 25/09/2023G)	06/05/1450H (corresponding to 25/09/2028G)
39	Arabian Mills for Food Products Company	Broiler Grower 18% -Bulk-1062	MAFE20233682	10/03/1445H (corresponding to 25/09/2023G)	06/05/1450H (corresponding to 25/09/2028G)
40	Arabian Mills for Food Products Company	Broiler Starter 22% - Bulk-1066	MAFE20233681	10/03/1445H (corresponding to 25/09/2023G)	06/05/1450H (corresponding to 25/09/2028G)
41	Arabian Mills for Food Products Company	Layer Production 2 (15%) – Bulk-1078	MAFE20233680	10/03/1445H (corresponding to 25/09/2023G)	06/05/1450H (corresponding to 25/09/2028G)
42	Arabian Mills for Food Products Company	Layer Production 1 (17%) – Bulk-1076	MAFE20233679	10/03/1445H (corresponding to 25/09/2023G)	06/05/1450H (corresponding to 25/09/2028G)
43	Arabian Mills for Food Products Company	Layer Developer (14%) – Bulk-1072	MAFE20233678	10/03/1445H (corresponding to 25/09/2023G)	06/05/1450H (corresponding to 25/09/2028G)
44	Arabian Mills for Food Products Company	Breeder Pre Breeder Bulk-1092	MAFE20233687	10/03/1445H (corresponding to 25/09/2023G)	06/05/1450H (corresponding to 25/09/2028G)
45	Arabian Mills for Food Products Company	Breeder Grower Feed Bulk-1090	MAFE20233686	10/03/1445H (corresponding to 25/09/2023G)	06/05/1450H (corresponding to 25/09/2028G)
46	Arabian Mills for Food Products Company	Breeder starter 2 Feed 2 – Bulk 1088	MAFE20233685	10/03/1445H (corresponding to 25/09/2023G)	06/05/1450H (corresponding to 25/09/2028G)
47	Arabian Mills for Food Products Company	Breeder Starter 1 Feed 2 – Bulk 1088	MAFE20233684	10/03/1445H (corresponding to 25/09/2023G)	06/05/1450H (corresponding to 25/09/2028G)
48	Arabian Mills for Food Products Company	Breeder Production 2 Feed bulk-1094	MAFE20233716	12/03/1445H (corresponding to 27/09/2023G)	08/05/1450H (corresponding to 27/09/2028G)

No	Company	Product Name	Product Registration No.	Issuance Date	Expiry Date
49	Arabian Mills for Food Products Company	Cobb Breeder Rearing Premix 1.0% cup - 25 kg	PRFE20241277	09/09/1445H (corresponding to 19/03/2024G)	04/11/1450H (corresponding to 19/03/2029G)
50	Arabian Mills for Food Products Company	Cobb Breeder Production Premix 1.0% cup - 25 kg	PRFE20241148	07/09/1445H (corresponding to 17/03/2024G)	02/11/1450H (corresponding to 17/03/2029G)
51	Arabian Mills for Food Products Company	Cobb Breeder Starter Premix 1.0% cup – 25 kg	PRFE20241282	09/09/1445H (corresponding to 19/03/2024G)	04/11/1450H (corresponding to 19/03/2029G)
52	Arabian Mills for Food Products Company	Cobb Breeder Rooster Premix 1.0% cup - 25 kg	PRFE20241276	09/09/1445H (corresponding to 19/03/2024G)	04/11/1450H (corresponding to 19/03/2029G)
53	Arabian Mills for Food Products Company	Fattening Sheep Premix 2.5% - 25 kg (6072)	PRFE20241809	07/10/1445H (corresponding to 16/04/2024G)	02/12/1450H (corresponding to 16/04/2029G)
54	Arabian Mills for Food Products Company	Layer Production Premix 1.0% - 25 kg (3363)	PRFE20241803	07/10/1445H (corresponding to 16/04/2024G)	02/12/1450H (corresponding to 16/04/2029G)
55	Arabian Mills for Food Products Company	Broiler Starter Premix 2.0% - 25 kg (1883)	PRFE20241802	07/10/1445H (corresponding to 16/04/2024G)	02/12/1450H (corresponding to 16/04/2029G)
56	Arabian Mills for Food Products Company	Broiler Starter Premix 2.0% - 25 kg (1609)	PRFE20241801	07/10/1445H (corresponding to 16/04/2024G)	02/12/1450H (corresponding to 16/04/2029G)
57	Arabian Mills for Food Products Company	Cattle Premix 0.8% - 25 kg (8046)	PRFE20241797	07/10/1445H (corresponding to 16/04/2024G)	02/12/1450H (corresponding to 16/04/2029G)
58	Arabian Mills for Food Products Company	Laboratory Rats Premix 1.0% - 25 kg	PRFE20241419	14/09/1445H (corresponding to 24/03/2024G)	09/11/1450H (corresponding to 24/03/2029G)
59	Arabian Mills for Food Products Company	Pigeon Premix 1.0% - 25 kg	PRFE20241334	11/09/1445H (corresponding to 21/03/2024G)	06/11/1450H (corresponding to 21/03/2029G)
60	Arabian Mills for Food Products Company	Fattening Sheep Premix 0.8% - 25 kg (6087)	PRFE20241810	07/10/1445H (corresponding to 16/04/2024G)	02/12/1450H (corresponding to 16/04/2029G)
61	Arabian Mills for Food Products Company	Equine Premix 1.0% - 25 kg (10017)	PRFE20241808	07/10/1445H (corresponding to 16/04/2024G)	02/12/1450H (corresponding to 16/04/2029G)
62	Arabian Mills for Food Products Company	Broiler Grower Premix 1.5% - 25 kg (1610)	PRFE20241807	07/10/1445H (corresponding to 16/04/2024G)	02/12/1450H (corresponding to 16/04/2029G)
63	Arabian Mills for Food Products Company	Broiler Grower Premix 1.5% - 25 kg (1884)	PRFE20241806	07/10/1445H (corresponding to 16/04/2024G)	02/12/1450H (corresponding to 16/04/2029G)
64	Arabian Mills for Food Products Company	Dairy Cattle Premix 0.8% - 25 kg (7173)	PRFE20241804	07/10/1445H (corresponding to 16/04/2024G)	02/12/1450H (corresponding to 16/04/2029G)
65	Arabian Mills for Food Products Company	Horse feed Pellet – 50 kg	MAFE20241503	18/09/1445H (corresponding to 28/03/2024G)	13/11/1450H (corresponding to 28/03/2029G)
66	Arabian Mills for Food Products Company	Pigeon Feed – 50 kg	MAFE20241504	18/09/1445H (corresponding to 28/03/2024G)	13/11/1450H (corresponding to 28/03/2029G)

No	Company	Product Name	Product Registration No.	Issuance Date	Expiry Date
67	Arabian Mills for Food Products Company	Laboratory Rats Feed – 50 kg	MAFE20241502	18/09/1445H (corresponding to 28/03/2024G)	13/11/1450H (corresponding to 28/03/2029G)
68	Arabian Mills for Food Products Company	Livestock Fattening Feed – 50 kg	MAFE20241514	18/09/1445H (corresponding to 28/03/2024G)	13/11/1450H (corresponding to 28/03/2029G)
69	Arabian Mills for Food Products Company	Horse Feed - 50 kg	MAFE20241281	09/09/1445H (corresponding to 19/03/2024G)	04/11/1450H (corresponding to 19/03/2029G)
70	Arabian Mills for Food Products Company	Fattening Lambs Feed 21% - 50kg	MAFE20241279	09/09/1445H (corresponding to 19/03/2024G)	04/11/1450H (corresponding to 19/03/2029G)
71	Arabian Mills for Food Products Company (Hail Branch)	Ross Breeder Starter 1 Feed Bulk	MAFE20241378	14/09/1445H (corresponding to 24/03/2024G)	09/11/1450H (corresponding to 24/03/2029G)
72	Arabian Mills for Food Products Company (Hail Branch)	Layer Pre layer feed - 50 kg	MAFE20241416	14/09/1445H (corresponding to 24/03/2024G)	09/11/1450H (corresponding to 24/03/2029G)
73	Arabian Mills for Food Products Company (Hail Branch)	Layer Grower feed Bulk	MAFE20241417	14/09/1445H (corresponding to 24/03/2024G)	09/11/1450H (corresponding to 24/03/2029G)
74	Arabian Mills for Food Products Company (Hail Branch)	Ross Breeder Production 1 Feed Bulk	MAFE20241408	14/09/1445H (corresponding to 24/03/2024G)	09/11/1450H (corresponding to 24/03/2029G)
75	Arabian Mills for Food Products Company (Hail Branch)	Ross Breeder Pre Breeder Feed P.C Bulk	MAFE20241410	14/09/1445H (corresponding to 24/03/2024G)	09/11/1450H (corresponding to 24/03/2029G)
76	Arabian Mills for Food Products Company (Hail Branch)	Ross Breeder Production 2 Feed Bulk	MAFE20241406	14/09/1445H (corresponding to 24/03/2024G)	09/11/1450H (corresponding to 24/03/2029G)
77	Arabian Mills for Food Products Company (Hail Branch)	Ross Breeder Grower Feed . Bulk	MAFE20241392	14/09/1445H (corresponding to 24/03/2024G)	09/11/1450H (corresponding to 24/03/2029G)
78	Arabian Mills for Food Products Company (Hail Branch)	Ross Breeder Production 3 Feed Bulk	MAFE20241404	14/09/1445H (corresponding to 24/03/2024G)	09/11/1450H (corresponding to 24/03/2029G)
79	Arabian Mills for Food Products Company (Hail Branch)	Broiler Starter feed - 50 kg	MAFE20241333	11/09/1445H (corresponding to 21/03/2024G)	06/11/1450H (corresponding to 21/03/2029G)
80	Arabian Mills for Food Products Company (Hail Branch)	Layer Starter feed Bulk	MAFE20241343	11/09/1445H (corresponding to 21/03/2024G)	06/11/1450H (corresponding to 21/03/2029G)
81	Arabian Mills for Food Products Company (Hail Branch)	Broiler Grower Feed - 50 kg	MAFE20241362	11/09/1445H (corresponding to 21/03/2024G)	06/11/1450H (corresponding to 21/03/2029G)
82	Arabian Mills for Food Products Company (Hail Branch)	Broiler Finisher Feed - 50 kg	MAFE20241361	11/09/1445H (corresponding to 21/03/2024G)	06/11/1450H (corresponding to 21/03/2029G)
83	Arabian Mills for Food Products Company (Hail Branch)	Layer Production 2 Feed Bulk	MAFE20241346	11/09/1445H (corresponding to 21/03/2024G)	06/11/1450H (corresponding to 21/03/2029G)
84	Arabian Mills for Food Products Company (Hail Branch)	Layer Production 3 Feed – 50 kg	MAFE20241347	11/09/1445H (corresponding to 21/03/2024G)	06/11/1450H (corresponding to 21/03/2029G)

No	Company	Product Name	Product Registration No.	Issuance Date	Expiry Date
85	Arabian Mills for Food Products Company (Hail Branch)	Layer Production 3 Feed Bulk	MAFE20241344	11/09/1445H (corresponding to 21/03/2024G)	06/11/1450H (corresponding to 21/03/2029G)
86	Arabian Mills for Food Products Company (Hail Branch)	Layer Starter feed – 50 kg	MAFE20241345	11/09/1445H (corresponding to 21/03/2024G)	06/11/1450H (corresponding to 21/03/2029G)
87	Arabian Mills for Food Products Company (Hail Branch)	Layer Production 2 Feed – 50 kg	MAFE20241350	11/09/1445H (corresponding to 21/03/2024G)	06/11/1450H (corresponding to 21/03/2029G)
88	Arabian Mills for Food Products Company (Hail Branch)	Layer Pre layer feed Bulk	MAFE20241351	11/09/1445H (corresponding to 21/03/2024G)	06/11/1450H (corresponding to 21/03/2029G)
89	Arabian Mills for Food Products Company (Hail Branch)	Ross Breeder Production 1 Feed – 50KG	MAFE20241409	14/09/1445H (corresponding to 24/03/2024G)	09/11/1450H (corresponding to 24/03/2029G)
90	Arabian Mills for Food Products Company (Hail Branch)	Ross Breeder Production 3 Feed – 50KG	MAFE20241405	14/09/1445H (corresponding to 24/03/2024G)	09/11/1450H (corresponding to 24/03/2029G)
9	Arabian Mills for Food Products Company (Hail Branch)	Ross Breeder Rooster Feed Bulk	MAFE20241402	14/09/1445H (corresponding to 24/03/2024G)	09/11/1450H (corresponding to 24/03/2029G)
92	Arabian Mills for Food Products Company (Hail Branch)	Ross Breeder Rooster Feed P.C – 50KG	MAFE20241403	14/09/1445H (corresponding to 24/03/2024G)	09/11/1450H (corresponding to 24/03/2029G)
93	Arabian Mills for Food Products Company (Hail Branch)	Ross Breeder Starter 1 Feed – 50KG	MAFE20241401	14/09/1445H (corresponding to 24/03/2024G)	09/11/1450H (corresponding to 24/03/2029G)
94	Arabian Mills for Food Products Company (Hail Branch)	Broiler Grower Feed bulk	MAFE20241360	11/09/1445H (corresponding to 21/03/2024G)	06/11/1450H (corresponding to 21/03/2029G)
95	Arabian Mills for Food Products Company (Hail Branch)	Ross Breeder Grower Feed – 50KG	MAFE20241342	11/09/1445H (corresponding to 21/03/2024G)	06/11/1450H (corresponding to 21/03/2029G)
96	Arabian Mills for Food Products Company (Hail Branch)	Layer Production 1 Feed Bulk	MAFE20241348	11/09/1445H (corresponding to 21/03/2024G)	06/11/1450H (corresponding to 21/03/2029G)
97	Arabian Mills for Food Products Company (Hail Branch)	Broiler Starter Feed bulk	MAFE20241359	11/09/1445H (corresponding to 21/03/2024G)	06/11/1450H (corresponding to 21/03/2029G)
98	Arabian Mills for Food Products Company (Hail Branch)	Layer Production 1 Feed – 50KG	MAFE20241349	11/09/1445H (corresponding to 21/03/2024G)	06/11/1450H (corresponding to 21/03/2029G)
99	Arabian Mills for Food Products Company (Hail Branch)	Broiler Finisher Feed bulk	MAFE20241358	11/09/1445H (corresponding to 21/03/2024G)	06/11/1450H (corresponding to 21/03/2029G)
100	Arabian Mills for Food Products Company (Hail Branch)	Layer Grower feed – 50kg	MAFE20241418	14/09/1445H (corresponding to 24/03/2024G)	09/11/1450H (corresponding to 24/03/2029G)
101	Arabian Mills for Food Products Company (Hail Branch)	Layer Developer Feed Bulk	MAFE20241420	14/09/1445H (corresponding to 24/03/2024G)	09/11/1450H (corresponding to 24/03/2029G)
102	Arabian Mills for Food Products Company (Hail Branch)	Feed Developer Layer – 50 kg	MAFE20241421	14/09/1445H (corresponding to 24/03/2024G)	09/11/1450H (corresponding to 24/03/2029G)

No	Company	Product Name	Product Registration No.	Issuance Date	Expiry Date
103	Arabian Mills for Food Products Company (Hail Branch)	Ross Breeder Pre Breeder Feed - 50KG	MAFE20241391	14/09/1445H (corresponding to 24/03/2024G)	09/11/1450H (corresponding to 24/03/2029G)
104	Arabian Mills for Food Products Company (Hail Branch)	Ross Breeder Production 2 Feed - 50KG	MAFE20241407	14/09/1445H (corresponding to 24/03/2024G)	09/11/1450H (corresponding to 24/03/2029G)
105	Arabian Mills for Food Products Company (Hail Branch)	Cobb Breeder Production 1 Feed - 50KG	MAFE20241600	22/09/1445H (corresponding to 01/04/2024G)	09/11/1450H (corresponding to 24/03/2029G)
106	Arabian Mills for Food Products Company (Hail Branch)	Cobb Breeder Grower Feed - 50KG	MAFE20241569	22/09/1445H (corresponding to 01/04/2024G)	09/11/1450H (corresponding to 24/03/2029G)
107	Arabian Mills for Food Products Company (Hail Branch)	Cobb Breeder 2 Feed - 50 Kg	MAFE20241571	22/09/1445H (corresponding to 01/04/2024G)	09/11/1450H (corresponding to 24/03/2029G)
108	Arabian Mills for Food Products Company (Hail Branch)	Cobb Breeder Grower Feed bulk	MAFE20241565	22/09/1445H (corresponding to 01/04/2024G)	09/11/1450H (corresponding to 24/03/2029G)
109	Arabian Mills for Food Products Company (Hail Branch)	Cobb Breeder Production 1 feed bulk	MAFE20241572	22/09/1445H (corresponding to 01/04/2024G)	09/11/1450H (corresponding to 24/03/2029G)
110	Arabian Mills for Food Products Company (Hail Branch)	Cobb Breeder Starter Feed - 50KG	MAFE20241564	22/09/1445H (corresponding to 01/04/2024G)	09/11/1450H (corresponding to 24/03/2029G)
111	Arabian Mills for Food Products Company (Hail Branch)	Cobb Breeder Developer Feed bulk	MAFE20241563	22/09/1445H (corresponding to 01/04/2024G)	09/11/1450H (corresponding to 24/03/2029G)
112	Arabian Mills for Food Products Company (Hail Branch)	Cobb Breeder Developer Feed - 50kg	MAFE20241566	22/09/1445H (corresponding to 01/04/2024G)	09/11/1450H (corresponding to 24/03/2029G)
113	Arabian Mills for Food Products Company (Hail Branch)	Cobb Breeder Male Feed bulk	MAFE20241567	22/09/1445H (corresponding to 01/04/2024G)	09/11/1450H (corresponding to 24/03/2029G)
114	Arabian Mills for Food Products Company (Hail Branch)	Cobb Breeder Production 2 Feed - 50kg	MAFE20241204	07/09/1445H (corresponding to 17/03/2024G)	02/11/1450H (corresponding to 17/03/2029G)
115	Arabian Mills for Food Products Company (Hail Branch)	Cobb Breeder Production 1 Feed - 50kg	MAFE20241205	07/09/1445H (corresponding to 17/03/2024G)	02/11/1450H (corresponding to 17/03/2029G)
116	Arabian Mills for Food Products Company (Hail Branch)	Cobb Breeder Male Feed - 50kg	MAFE20241203	07/09/1445H (corresponding to 17/03/2024G)	02/11/1450H (corresponding to 17/03/2029G)
117	Arabian Mills for Food Products Company (Hail Branch)	Cobb Breeder Grower Feed - 50 kg	MAFE20241183	07/09/1445H (corresponding to 17/03/2024G)	02/11/1450H (corresponding to 17/03/2029G)

Source: The Company

Table No. (12.11): Details of ISO Certifications Obtained by the Company

No	Company	ISO Number	Certificate Number	Issuance Date	Expiry Date
1	Arabian Mills for Food Products Company (Head Office)	ISO 14001:2015	AMER10772	07/11/1445H (corresponding to 14/05/2024G)	08/11/1446H (corresponding to 05/05/2025G)
2	Arabian Mills for Food Products Company (Head Office)	ISO 45001:2018	AMER10773	07/11/1445H (corresponding to 14/05/2024G)	08/11/1446H (corresponding to 05/05/2025G)
3	Arabian Mills for Food Products Company (Hail Branch)	ISO 14001:2015	AMER10772	07/11/1445H (corresponding to 14/05/2024G)	08/11/1446H (corresponding to 05/05/2025G)
4	Arabian Mills for Food Products Company (Hail Branch)	ISO 45001:2018	AMER10773	07/11/1445H (corresponding to 14/05/2024G)	08/11/1446H (corresponding to 05/05/2025G)
5	Arabian Mills for Food Products Company (Jazan Branch)	ISO 14001:2015	AMER10772	07/11/1445H (corresponding to 14/05/2024G)	08/11/1446H (corresponding to 05/05/2025G)
6	Arabian Mills for Food Products Company (Jazan Branch)	ISO 45001:2018	AMER10773	07/11/1445H (corresponding to 14/05/2024G)	08/11/1446H (corresponding to 05/05/2025G)
7	Arabian Mills for Food Products Company (Hail Branch)	ISO 22000:2018	IND.21.0153/FM/U	10/09/1442H (corresponding to 22/04/2021G)	12/10/1445H (corresponding to 21/04/2024G)*
8	Arabian Mills for Food Products Company (Jazan Branch)	ISO 22000:2018	IND.21.0152/FM/U	10/09/1442H (corresponding to 22/04/2021G)	12/10/1445H (corresponding to 21/04/2024G)*
9	Arabian Mills for Food Products Company (Head Office)	ISO 22000:2018	IND.21.0155/FM/U	02/02/1443H (corresponding to 08/10/2021G)	04/04/1446H (corresponding to 07/10/2024G)
10	Arabian Mills for Food Products Company (Head Office)	ISO 31001:2018	AMER12674	10/02/1445H (corresponding to 26/08/2023G)	21/02/1446H (corresponding to 25/08/2024G)
11	Arabian Mills for Food Products Company (Head Office - Riyadh Branch - Hail Branch - Jazan Branch)	ISO 9001:2015	SA0029176	23/05/1444H (corresponding to 17/12/2022G)	07/07/1448H (corresponding to 16/12/2026G)

Source: The Company

* As at the date of this Prospectus. the Company is in the process of taking the necessary procedures to renew these certificates.

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 Board members, be material and significant with respect to the Company's business or which may impact the 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

The Company operates in the field of production and sale of flour products by buying wheat (which is the main primary material for the Company's products) from the GFSA under the Wheat Supply Agreement concluded between the GFSA and the Company. Moreover, the Company's relationship with nine of its other Key Suppliers is governed by (1) short-term contracts for the supply of limited quantities of raw materials and/or (2) purchase orders and invoices (for more information, please refer to Section 4.10.4 ("**Key Suppliers**")).

Set out below is a summary of the Wheat Supply Agreement concluded between the Company and GFSA:

Table No. (12.12): Wheat Supply Agreement ("WSA") between the Company and GFSA dated 15/04/1442H (corresponding to 30/11/2020G)

Parties	GFSA (as Seller) and the Company (as Purchaser).
Subject Matter	Sale and purchase of subsidized / price regulated and unsubsidized / non-price regulated wheat.
Term	Effective from its execution until the expiration of the Company's Main License (and any renewal thereof).
Pricing and Payment	The purchase price of wheat deliveries shall be calculated in accordance with the pricing policy issued by the GFSA's board resolution (as the regulator of the wheat flour sector in the Kingdom) number 46 dated 15/10/1441H (corresponding to 07/06/2020G). The Company must pay the purchase price of each wheat delivery, in addition to applicable VAT, to GFSA by way of a bank transfer within 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 is obligated to transport and deliver wheat to the Company in quantities that allow the Company to: – fulfil the Company's production capacity as specified in the Company's Main License (as amended from time to time); and – produce sufficient subsidized / price regulated flour to meet the demand of its subsidized / price regulated flour customers at the times agreed between the Company and its customers. 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 (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 (5) business days) provided that such deficit is notified to GFSA at the earliest of: i) 24 hours of delivery of wheat, or ii) by 2:00 pm in the next business day following the wheat delivery.

Company Obligations	Pays the purchase price and applicable VAT. Weighs the delivered wheat upon receipt from GFSA and records the weight in the wheat delivery certificate. Maintains a record of the subsidized / price regulated wheat customers approved by GFSA, refers requests from non-listed customers who want to purchase subsidized / price regulated flour to GFSA, and inspects such customers' sites to ensure compliance with applicable flour milling regulation. Immediately notifies GFSA in writing if the Company was not able to fulfil any orders of subsidized / price regulated flour. In such case, the Company shall return the subsidized / price regulated wheat or flour (as applicable) to GFSA or a third-party designated by GFSA within 30 days of GFSA delivery of subsidized / price regulated wheat or flour. As long as the government subsidizes, the Company shall: – Within the first 5 days of each Gregorian month, provide a monthly report to GFSA about its subsidized / price regulated wheat and flour sales. – Within the first 15 days of each Gregorian year, provide a yearly report to GFSA about its subsidized / price regulated wheat and flour sales.
Indemnities	Parties are not responsible to indemnify each other for any types of indirect, incidental or consequential damages said party may be subjected to. Each party indemnifies the other party from and against all losses and damages, 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 by the aggrieved party.
Termination	GFSA may terminate the agreement by providing 6 months written notice if the subsidy to the wheat discontinued prior the expiration of the agreement. Either party may terminate the agreement: – in 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 although the reasonable efforts to remedy the breach, the breaching party will be given an additional 30-day period to remedy the breach; – in case of a final decision by a competent court or a governmental authority that the Company provided bribery to any person associated with this agreement or to obtain this agreement; – in case the other party becomes bankrupt, insolvent, or liquidated; – if the force majeure event continued for a period exceeding the grace period (6 months); or – with the expiration, termination, or cancelation of the Company's Main 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 of the force majeure event, upon the condition that the affected party notifies the other party within (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 GFSA any amounts for wheat delivered prior the occurrence of the force majeure event.

Source: The Company

12.5.2 Compensation and Claims Agreement Concluded with the Ministry of Finance

The Company entered into a Compensation and Claims Agreement (the "CCA") with the Ministry of Finance ("MoF") dated 25/04/1443H (corresponding to 30/11/2021G), 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 fixed, 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. In part, 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 with the Ministry of Finance.

Table No. (12.13): Compensation and Claims Agreement between the Company and the Ministry of Finance dated 25/04/1443H (corresponding to 30/11/2021G)

Parties	The Ministry of Finance of the Kingdom of Saudi Arabia and the Company.
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 toward the Company in connection with the CCA terminate on the 12th anniversary of the date of the CCA, 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 an Authority in Saudi Arabia) of any of: (i) the Flour Mills Law, (ii) the Implementing Regulations of the Flour Mills Law, (iii) the Pricing Policy, or (iv) the License 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 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 serves a valid Compensation Notice on MOF within (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 Schedule 5 of this Agreement. It is a condition precedent to recover any License Fee Excess 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 Government Risk Event under the CCA	On the occurrence of a Government Event arising from government decisions/directives, 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 Event arising from government decisions/directives. 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 events resulting from resolutions/directives means any of the following: 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 Main Flour Mill Operation License by GFSA for reasons other than in accordance with the terms of the 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 Event arising from a government decision/directive; c. any action by GFA which results in the Main Flour Mill Operation 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 Event arising from a government decision/directive; d. the termination of any Ancillary Agreement (which includes the WSA, the Silo Lease Agreements, and the Land Lease Agreements, by GFSA for reasons not attributable to the Company, with the exception of a Qualifying WSA Termination; or e. the revocation or termination of Wheat Import Approval by GFSA for reasons not attributable to the Company in circumstances where the WSA has previously been terminated for reasons not attributable to the Company, provided that in any case: 1. it is not caused or contributed to by a Company Breach or any other action, omission, negligence or circumstance for the Company or Food Security Holding Company is responsible; 2. it is not caused by or contributed to by a Force Majeure Event; 3. it has not been agreed by the parties; 4. 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 5. the Company (or, where applicable, Food Security Holding 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 Main Flour Mill Operation License or any Ancillary Agreement is terminated by GFSA for reasons attributable to the Company; b. the termination of the Main Flour Mill Operation 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 incurred by the Company 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 Capex, 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 Event arising from a government decision/directive or Excess Purchase, assuming the relevant Government Event arising from a government decision/directive 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 Flour Mill Operation 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 this Agreement without prior written consent. Notwithstanding, the MOF may assign, transfer or novate its rights and obligations under this Agreement (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 Land Lease Contracts

The table below is a summary of the key provisions of the lease contracts concluded by the Company regarding the lease of lands on which the Company's factories are located in Riyadh, Hail and Jazan.

Table No. (12.14): Summary of Land Lease Contracts

No.	Description of Leased Premises	Location	Lessor	Lessee	Lease Commencement Date	Lease Ending Date	Renewal
1	Riyadh Flour mill constructed on land with total area of 141,325 sqm	Al-Manakh, Riyadh, PO Box 14313	General Food Security Authority	Arabian Mills for Food Products Company	15/04/1442H (corresponding to 30/11/2020G)	02/02/1469H (corresponding to 30/11/2046G).	Lease is automatically renewable in accordance with the term of the license issued to operate in the leased premises.
2	Hail Flour mill constructed on land with total area of 339,939 sqm	Al Lagitah St, Hail PO Box 55373	General Food Security Authority	Arabian Mills for Food Products Company	15/04/1442H (corresponding to 30/11/2020G)	02/02/1469H (corresponding to 30/11/2046G).	Lease is automatically renewable in accordance with the term of the license issued to operate in the leased premises.
3	Jazan Flour mill constructed on land with total area of 105,013 sqm	Jazan Port, Jazan	General Food Security Authority	Arabian Mills for Food Products Company	15/04/1442H (corresponding to 30/11/2020G)	02/02/1469H (corresponding to 30/11/2046G).	The contract is automatically renewable in accordance with the term of the license issued to operate in the leased premises.

Source: The Company

12.6.2 Silo Lease Agreements

The tables below show a summary of the main Lease Agreements provisions concluded by the Company in relation to the Silo Leases in Riyadh, Hail and Jazan.

Table No. (12.15): Riyadh Operational Silo Lease Agreement

Parties	General Food Security Authority (as Lessor) and the Company – Riyadh Branch (as Lessee).
Execution Date	15/04/1442H (corresponding to 30/11/2020G).
Term	From the Agreement's commencement date on 15/04/1442H (corresponding to 30/11/2020G) up until the date of expiration of the Flour Mill Operation License on 30/11/2046G. In the event the term of the Flour Mill Operation 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. – any other purpose or authorized works as licensed to the Lessee.
Other Material Provisions	– The Company shall provide 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 General Food Security Authority. Title to any additions or modifications shall vest with 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 Operational Silo Lease. The Company shall procure that 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	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 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 leased premises without General Food Security Authority's prior written consent; 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 before the beginning of each rental year; – a party breaches any of its material obligations under the Operational Silo Lease agreement and such breach is not remedied within 30 days after notice from the non-breaching party. An additional 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 Flour Mill Operation 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 the compensation and claims 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 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 Sub-lease	– The Company may not sub-lease the silos without the prior written consent of GFSA. – 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 GFSA. – The Operational Silo Lease agreement does not apply these restrictions on the assignment or other disposal of the silos to GFSA.
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 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 No. (12.16): Hail Operational Silo Lease Agreement

Parties	GFSA (as Lessor) and the Company – Hail Branch (as Lessee)
Execution Date	15/04/1442H (corresponding to 30/11/2020G)
Term	From the Agreement's commencement date on 15/04/1442H (corresponding to 30/11/2020G) up until the date of expiration of the Flour Mill Operation License on 30/11/2046G. In the event the term of the Flour Mill Operation 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. – any other purpose or authorized works as licensed to the Lessee.
Other Material Provisions	– The Company shall provide 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 General Food Security Authority. Title to any additions or modifications shall vest with 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 Operational Silo Lease. The Company shall procure that 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	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 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 leased premises without General Food Security Authority's prior written consent; 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 before the beginning of each rental year; – a party breaches any of its material obligations under the Operational Silo Lease agreement and such breach is not remedied within 30 days after notice from the non-breaching party. An additional 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 Flour Mill Operation 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 the compensation and claims 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 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 Sub-lease	– The Company may not sub-lease the silos without the prior written consent of GFSA. – 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 GFSA. – The Operational Silo Lease agreement does not apply these restrictions on the assignment or other disposal of the silos to GFSA.
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 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 No. (12.17): Jazan Operational Silo Lease Agreement

Parties	GFSA (as Lessor) and the Company - Jazan Branch (as Lessee)
Execution Date	15/04/1442H (corresponding to 30/11/2020G)
Term	From the Agreement's commencement date on 15/04/1442H (corresponding to 30/11/2020G) up until the date of expiration of the Flour Mill Operation License on 30/11/2046G. In the event the term of the Flour Mill Operation 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. – any other purpose or authorized works as licensed to the Lessee.
Other Material Provisions	– The Company shall provide 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 General Food Security Authority. Title to any additions or modifications shall vest with 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 Operational Silo Lease. The Company shall procure that 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	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 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 leased premises without General Food Security Authority's prior written consent; 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 before the beginning of each rental year – a party breaches any of its material obligations under the Operational Silo Lease agreement and such breach is not remedied within 30 days after notice from the non-breaching party. An additional 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 Flour Mill Operation 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 the compensation and claims 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 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 Sub-lease	– The Company may not sub-lease the silos without the prior written consent of GFSA. – 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 GFSA. – The Operational Silo Lease agreement does not apply these restrictions on the assignment or other disposal of the silos to GFSA.
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 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

12.6.3 Showroom Lease Agreements

Parties	Riyadh Chamber (Riyadh International Convention & Exhibition Center) (as Lessor) and the Company (as Lessee).
Execution Date	06/05/1444H (corresponding to 30/11/2022G).
Term	This lease agreement commences on 24/04/1445H (corresponding to 08/11/2023G), and shall end on 06/05/1445H (corresponding to 08/11/2024G)
Rent:	The Company shall pay the Riyadh International Convention & Exhibition Center SAR 63,091 for the rented space.
Termination	Riyadh International Convention & Exhibition Center may terminate the lease agreement at any time prior to the expiry of the term in the following situations provided it gives the Company a 60-day written notice: – the Company fails to pay the rent within 7 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 Riyadh International Convention & Exhibition Center's prior written consent; – the Company does not utilize or close the rented space for a consecutive period of five (5) days or for a total of twenty (20) days non-consecutively; – a party breaches any of its material obligations under the lease agreement.
Assignment and Sub-lease	The Company may not sub-lease the showroom area or any part thereof without the prior written consent of the Riyadh International Convention & Exhibition Center.
Governing Law	Laws of the Kingdom of Saudi Arabia.
Dispute Resolution	Any dispute arising under the lease agreement which cannot be resolved amicably shall be referred to the competent court in the Kingdom and its judgement shall be final.

Source: The Company

12.7 Transactions and Contracts with Related Parties

The Board Members declare 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 Company's shares, or otherwise any interest in another matter that may affect the operations of the Company. Pursuant to the views of the Company's Management, all the Company's transactions carried out with Related Parties until the date of this Prospectus are conducted on an arm's length basis. Additionally, as at the date of this Prospectus, the Board Members 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 agreements and 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 29/05/1445H (corresponding to 13/12/2023G) in accordance with the requirements of Article seventy-one (71) of the Companies Law.

Table No. (12.18): Details of Related Parties' Agreements and Transactions in which a Board Member has an Interest

Related Party	Nature of Transaction	Interested Board Member	Nature of Relationship	Value of Transactions during FY21G*****	Value of Transactions during FY22G	Value of Transactions during FY23G******
					(SAR)	
National Agricultural Development Company (NADEC)*	Sale of animal bran products	– Solaiman Abdulaziz Saleh Al-Tuwaijri – Alaa bin Abdullah AlHashem	– CEO of National Agricultural Development Company (NADEC) – Board member of National Agricultural Development Company (NADEC)	N/A	20,188,234	22,775,765
National Agricultural Development Company (NADEC)**	Fees for canceling the distribution agreement and service level agreement entered into between the National Agricultural Development Company (NADEC) and Food Security Holding Company, before the merger of Food Security Holding Company with the Company.	– Solaiman Abdulaziz Saleh Al-Tuwaijri	– CEO of National Agricultural Development Company (NADEC)	N/A	N/A	10,000,000
		– Alaa bin Abdullah AlHashem	– Board member of National Agricultural Development Company (NADEC)			
National Poultry Company	Sale of animal bran products	Alaa bin Abdullah AlHashem	CEO of Solaiman bin Abdulaziz Al-Rajhi Holding Company, which is one of the owners of AlWatania Poultry***	N/A	N/A	3,457,752 *******

Related Party	Nature of Transaction	Interested Board Member	Nature of Relationship	Value of Transactions during FY21G[*****]	Value of Transactions during FY22G	Value of Transactions during FY23G[******]
				(SAR)		
Olam International Limited Company	Operational services	Saurabh Mehra (former Board member)	CEO of Olam Group[****]	N/A	38,950,310	N/A

Source: The Company

[*] On 29/05/1445G (corresponding to 13/12/2023G), the Extraordinary General Assembly of the Company approved the transactions concluded between the Company and National Agricultural Development Company (NADEC) during the financial years ended 31 December 2021G, 31 December 2022G, and the nine-month period 30 September 2023G of an amount of SAR 4,646,546, SAR 23,216,471 and SAR 18,856,636.25, respectively. In addition to the transactions to be concluded between the Company and the National Agricultural Development Company (NADEC) during the last quarter of the financial year ended on 31 December 2023G in an amount not exceeding SAR 8,000,000, and approved the same for the following year.

[**] On 29/05/1445G (corresponding to 13/12/2023G), the Extraordinary General Assembly of the Company approved the termination of the distribution agreement and service level agreement concluded between the National Agricultural Development Company (NADEC) and the Food Security Holding Company, of an amount of SAR 10,000,000.

[***] On 29/05/1445G (corresponding to 13/12/2023G), the Extraordinary General Assembly of the Company approved the transactions to be concluded between the Company and National Poultry Company during the last quarter of the financial year ended on 31 December 2023G in an amount not exceeding SAR 5,000,000, and approved the same for the following year.

[****] On 29/05/1445G (corresponding to 13/12/2023G), the Extraordinary General Assembly of the Company approved the businesses and contracts concluded between the Company and Olam International Limited Company, as the company and Olam International Limited Company had previously concluded an agreement related to operational services, and an agreement to settle the termination of the operational services agreement in an amount of SAR 2,763,180 and SAR 30,922,506.71.

[*****] The total value of the transactions with Related Parties amounted to SAR 234 million in the financial year ended 31 December 2021G, noting that these amounts relate to the transactions conducted between the Company and the GFSA before the acquisition of the Company by Food Security Holding Company; excluding the amounts related to the purchase of wheat and other raw materials from the GFSA.

[******] Notably, the Company paid SAR 3,732,511 and SAR 3,520,603 in the financial year ended 31 December 2023G to settle the income tax and the offering expenses, respectively, due from Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company.

[*******] The Company's transactions with National Poultry Company (a Related Party) have been included under the "advances from customers" item in the Company's financial statements for the year ended on 31 December 2023G, and were not included under the "related party transactions and balances" item in such financial statements.

12.8 Credit Facilities and Loans

Table No. (12.19): Facilities between the Company, HSBC Saudi Arabia and Alawwal Bank

Type of Facilities / Purpose / Amount	The Company has entered into a Murabaha facility with (a) HSBC Saudi Arabia (as the Investment Agent and Security Agent, whereby it holds the responsibility of communication and exchange between the parties of the agreement in addition to performing all procedures relating to the collateral whether it is sequestration, execution, or otherwise; in addition to issuing any guarantees issued either directly or on behalf of other financers (if any), in its name) and (b) Alawwal Bank (as the lender responsible for money transfers and the Company's account bank) pursuant to a suite of documents dated 23/04/1443H (corresponding to 28/11/2021G), which were recently amended and supplemented pursuant to the amendment and supplemental agreement dated 28/02/1445H (corresponding to 13/09/2023G) to finance the purchase of commodities, as follows: – a Saudi Riyal term Murabaha acquisition facility in an aggregate amount equal to SAR 1,500,000,000; – a Saudi Riyal bridge Murabaha facility in an aggregate amount equal to SAR 273,046,719; – a Saudi Riyal term Murabaha capital expenditure facility in an aggregate amount equal to SAR 125,000,000; and – a Saudi Riyal revolving working capital Murabaha facility in an agreement amount equal SAR 150,000,000. Profit Margin shall be calculated as follows: – Working capital Murabaha facility and the bridge Murabaha facility: 0.90% – Acquisition Murabaha facility and capex Murabaha facility: From the availability commencement date until year 4: 1.0%, From year 4 until year 10: 1.25%, From year 10 until the final mandatory reduction date: 1.85%.
Change of Control	Pursuant to the Murabaha facility, if the Shareholders collectively cease to directly or indirectly control (51%) the Company, this would constitute a change of control event. A change of control event would lead to a mandatory prepayment under the Murabaha facility, except in certain circumstances including: a. if the change of control event was approved by HSBC Saudi Arabia or; b. it is the Permitted IPO.
Covenants	– The Company shall not create or permit to subsist any security over any of its assets other than any security permitted pursuant to the Murabaha facility. – The Company shall not enter into, either in a single transaction or a series of transactions, to sell, lease, transfer or otherwise dispose of any asset (other than as permitted pursuant to the Murabaha facility). – Except as needed, the Company undertakes to use any proceeds from insurance for the early repayment of its existing debts in accordance with the facilities and shall ensure to deposit any insurance proceeds in the pledged revenues account. – The Company shall ensure that at all times the debt service coverage ratio shall not be less than 1.0:1.3. According to the Murabaha facility. The Company shall fulfill the following conditions before distributing dividends: – The debt service coverage ratio must exceed 1.00:1.10. – The distribution of profits shall be in accordance with the applicable regulations. – The Company shall deposit the required amount into the facilities service account before the proposed distribution. – That there is no ongoing breach or the proposed distribution does not lead to the Company breaching its obligations. – Cessation of business and the non-renewal of material licenses are events of default under the Murabaha facility, there are also cross-default provisions under the Murabaha facility.
Amounts Drawn Down	SAR 1,749,891,457.

Security and other Collateral	1. The pledge of shares agreement dated 13/09/2023G made between the Company, Abdulaziz Al-Ajlan Sons Company for Commercial and Real Estate Investment, The National Agricultural Development Company (Nadec), Sulaiman Abdulaziz Al-Rajhi International Company and HSBC Saudi Arabia in respect of 100% of the shares in the Company; 2. The assignment and pledge of accounts dated 13/09/2023G made between the Company and HSBC Saudi Arabia and Saudi Awwal Bank which includes the revenue account (in which the insurance proceeds are deposited), the capex account, the facility service account, the bank collection account and the disbursement account; 3. The assignment of receivables dated 13/09/2023G in respect of the proceeds of the compensation and claims agreement made between the Company and HSBC Saudi Arabia; 4. The security sharing agreement dated 28/11/2021G as amended and supplemented pursuant to the amendment and supplemental agreement dated 13/09/2023G made between the Company and HSBC Saudi Arabia; 5. The order note with a value of SAR 2,048,046,719 issued by Arabian Mills Company in favor of HSBC Saudi Arabia; and 6. The order note with a value of SAR 204,804,672 issued by Arabian Mills Company in favor of HSBC Saudi Arabia.

Source: The Company

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 details of the insurance policies held by the Company:

Table No. (12.20): Details of Insurance Policies

No.	Type	Policy Number	Insurer	Policyholder	Duration	Sum Insured (SAR)	Coverage
1	Property All Risk Insurance Policy	A-TAWU-1-C-16-009	Tawuniya	Arabian Mills for Food Products Company (the Company and its branches)	07/10/1445H (corresponding to 16/04/2024G) to 17/10/1446H (corresponding to 15/04/2025G)	SAR 1,022,898,430.00	All risks of accidental loss or damages to the insured property from any cause not expressly excluded herein.
2	Medical Insurance Policy	49254500	Bupa	Arabian Mills for Food Products Company (the Company and its branches)	30/09/1445H (corresponding to 09/04/2024G) to 10/10/1446H (corresponding to 08/04/2025G)	500,000 (overall annual maximum cover per member)	In-patient / day-case coverage Appropriate medical treatment, surgical & medical procedures, medical supplies & services, nursing & doctor's fee, Emergency Room (ER), Intensive care unit (ICU) and medication charges
3	Motor Fleet Insurance Policy – Third-party	2/VX/209405/0/4	Gulf Insurance Group Company	Arabian Mills for Food Products Company (the Company and its branches)	04/12/1444H (corresponding to 22/06/2023G) to 15/12/1445H (corresponding to 21/06/2024G)	SAR 10,000,000 (combined single limit/ any one occurrence)	a. Death or bodily injury sustained by any person including passengers of the vehicle. b. Damage to third-party property outside the Insured Vehicle.
4	Commercial Vehicle Insurance Policy (Own Damage & Third-party Liability)	2/VF/3905863/0/7	Gulf Insurance Group Company	Arabian Mills for Food Products Company (Company's branch in Riyadh)	04/12/1444H (corresponding to 22/06/2023G) to 15/12/1445H (corresponding to 21/06/2024G)	SAR 10,000,000 (combined single limit/ any one occurrence)	a. Death or bodily injury sustained by any person including passengers of the vehicle. b. Damage to third-party property outside the Insured Vehicle.
5	Commercial Motor Insurance Policy -Third-party	2/VF/3905940/0/5	Gulf Insurance Group Company	Arabian Mills for Food Products Company (the Company and its branches)	08/08/1445H (corresponding to 18/08/2024G) to 18/08/1446H (corresponding to 17/02/2025G)	SAR 10,000,000 (combined single limit/ any one occurrence)	a. Death or bodily injury sustained by any person including passengers of the vehicle. b. Damage to third-party property outside the Insured Vehicle.

No.	Type	Policy Number	Insurer	Policyholder	Duration	Sum Insured (SAR)	Coverage
6	Commercial Vehicle Insurance Policy (Third-party Liability)	2/VF/3905970/0/0	Gulf Insurance Group Company	Arabian Mills for Food Products Company (Company's branch in Hail)	04/12/1444H (corresponding to 22/06/2023G) to 15/12/1445H (corresponding to 21/06/2024G)	SAR 10,000,000 (combined single limit/ any one occurrence)	a. Death or bodily injury sustained by any person including passengers of the vehicle. b. Damage to third-party property outside the Insured Vehicle.
7	Commercial Vehicle Insurance Policy (Third-party Liability)	2/VF/3905971/0/0	Gulf Insurance Group Company	Arabian Mills for Food Products Company (Company's branch in Jazan)	04/12/1444H (corresponding to 22/06/2023G) to 15/12/1445H (corresponding to 21/06/2024G)	SAR 10,000,000 (combined single limit/ any one occurrence)	a. Death or bodily injury sustained by any person including passengers of the vehicle. b. Damage to third-party property outside the Insured Vehicle.
8	Directors and Executives Liability Insurance Policy	621962	Tawuniya	Arabian Mills for Food Products Company	22/10/1445H (corresponding to 01/05/2024G) to 02/11/1446H (corresponding to 30/04/2025G)	SAR 30,000,000	Bail bond, court costs, bodily injury claims costs and/or any property damage claims, wrongful death, emergency defense costs, extradition costs, investigation costs, pre-investigation proceedings costs, public relations and risk management costs.

Source: The Company

12.10 Intellectual Property

12.10.1 Trademarks

The Company has registered a number of trademarks in the Kingdom of Saudi Arabia and relies on these trademarks in its business. As at the date of this Prospectus, the "Second Milling Company" (MC2) 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's registered trademarks in the Kingdom of Saudi Arabia, and the Company currently uses a number of these trademarks.

Table No. (12.21): Details of the Company's Registered Trademarks

No.	Country of Registration	Issuing Body	Trademark Number	Expiry Date	Classification	Logo
1	Saudi Arabia	Ministry of Commerce	1438011686	21/05/1448H (corresponding to 01/11/2026G)	30	mc2 شركة المطاحن الثانية
2	Saudi Arabia	Saudi Authority for Intellectual Property	1442036629	25/11/1452H (corresponding to 19/03/2031G)	31	غزير GHAZIR
3	Saudi Arabia	Ministry of Commerce	1439014979	29/06/1449H (corresponding to 28/11/2027G)	30	Finah فينه
4	Saudi Arabia	Ministry of Commerce	1439014978	29/06/1449H (corresponding to 28/11/2027G)	30	Finah فينه
5	Saudi Arabia	Saudi Authority for Intellectual Property	1442036791	25/11/1452H (corresponding to 19/03/2031G)	31	كامل KAMIL
6	Saudi Arabia	Saudi Authority for Intellectual Property	1445016582	24/04/1455H (corresponding to 21/07/2033G)	30	المطاحن العربية Arabian Mills
7	Saudi Arabia	Saudi Authority for Intellectual Property	1444007507	28/02/1454H (corresponding to 02/12/2032G)	30	فينه FINAH
8	Saudi Arabia	Saudi Authority for Intellectual Property	1444004664	03/02/1454H (corresponding to 13/05/2032G)	31	K كامل kamil

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 No. (12.22): Details of the Internet Domain Names

Company	Internet Domain Name	Registered Internet Domain Name	Expiry Date
Arabian Mills for Food Products Company	millingcompany2.com	Name.com	22/02/1446H (corresponding to 26/08/2024G)
Arabian Mills for Food Products Company	mc2.com.sa	dnet	10/07/1447H (corresponding to 30/12/2025G)
Arabian Mills for Food Products Company	arabianmills.com	godaddy	09/03/1450H (corresponding to 30/07/2028G)

Source: The Company

12.11 Litigation

As at the date of this Prospectus, the Company is not party to any material lawsuit.

12.12 The Zakat Status of the Company

The Company is subject to the laws and regulations of ZATCA in the Kingdom. 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.

The members of the Company's Board of Directors hereby declare that, as at the date of this Prospectus, the Company does not have any existing Zakat or tax disputes with ZATCA, and that it has 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 2.1.37 ("**Risks Related to Zakat**") of this Prospectus.

12.13 Summary of the Company's Bylaws

The following is a summary of the Company's Bylaws. It should be noted that under the Company's Bylaws, internal regulations, policies and procedures, members of the Board of Directors and the CEO may not participate in the voting on their remuneration or on any contract or proposal in which they have an interest. Additionally, the Board members and senior executives may not borrow funds from the Company.

12.13.1 Company's Name

The Company's name is "Arabian Mills for Food Products Company" (Joint Stock Company).

12.13.2 Head Office of the Company

The head office of the Company shall be in the city of Riyadh, Kingdom of Saudi Arabia. The Company may, by a Board resolution, establish branches, offices, or agencies for the Company within or outside the Kingdom of Saudi Arabia.

12.13.3 Objectives of the Company

The objectives of the Company are:

- Manufacture of products of grain mills
- Manufacture of starches and starch products
- Manufacture of bakery products
- Manufacture of other food products not elsewhere classified
- Manufacture of prepared animal feed
- Manufacture of components and electronic boards
- Wholesale of food, beverages and tobacco
- Retail sale of food in specialized stores
- Retail sale in non-specialized stores with food, beverages and tobacco products
- Freight transport by road
- Storage
- Freight transport by road
- Combined facilities support activities
- Combined office administrative service activities
- Packaging activities

The Company conducts its activities in accordance with applicable laws and after obtaining all requisite licenses from competent authorities, if any.

12.13.4 Duration of the Company

The duration of the Company shall be ninety-nine (99) Gregorian years, commencing as at the date of its registration in the Commercial Register. The Company's term may always be extended by a resolution of the Extraordinary General Assembly at least one (1) year prior to the expiration of the Company's term.

12.13.5 Capital of the Company

The issued capital of the Company is five hundred and thirteen million, one hundred and fifty thousand and sixty Saudi Riyals (SAR 513,150,060), divided into 51,315,000 nominal shares of equal value, and the nominal value of each share is ten Saudi Riyals (10) SAR all of which are ordinary shares in exchange for cash shares, and the value paid-up in cash is five hundred and thirteen million, one hundred and fifty thousand and sixty Saudi Riyals (SAR 513,150,060). The cash amounts of the issued capital have been deposited with one of the licensed banks.

12.13.6 Share Subscription

The Shareholders have subscribed to the full number of capital shares equal to five hundred and thirteen million one hundred and fifty thousand and sixty Saudi Riyals (SAR 513,150,060), which has been fully paid up.

12.13.7 Company's Management

The Company shall be managed by a Board of Directors composed of nine (9) members, who shall be natural persons, to be appointed by the Ordinary General Assembly for a term not exceeding four (4) years.

The Board of Directors shall determine its working method as follows:

- Decisions shall be taken by the attending majority. In case of tie vote, the Chairman's vote shall prevail.
- Meetings of the Board shall be held at the Company's Headquarters or as determined by the Chairman of the Board.
- The meeting shall be deemed valid if attended by 51% of the members of the Board of Directors.
- A decision shall be deemed to be adopted if approved by 51% of the members.
- Members of the Board may delegate others to attend the meetings.

The rules of membership termination are as follows:

- 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 any time, dismiss some or all of the Directors, without prejudice to the terminated member's right to seek compensation from the Company, if dismissal was not properly justified or occurred at an inappropriate time. The Board member may also tender his resignation, provided that such resignation occurs at an appropriate time, otherwise, said member shall be held liable for any damage affecting the Company as a result of his resignation.

12.13.8 Membership Expiration or 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.

12.13.9 Powers of the Board of Directors

Without prejudice to the powers vested with the Ordinary General Assembly, the Board of Directors shall be vested with full powers to manage the Company to achieve its objectives. 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. 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.

12.13.10 Remuneration of Board Members

The remuneration of the Board of Directors shall consist of in-kind benefits, an attendance allowance, or any other benefits determined by the Ordinary General Assembly.

The Board of Directors' report to the Ordinary General Assembly at its annual meeting must include a comprehensive statement of all that each member of the Board of Directors received or was entitled to receive during the fiscal year in terms of bonuses, allowance for attending meetings, allowance for expenses, and other benefits. It should also include a statement of what the Board Members received in their capacity as workers or administrators or what they received in exchange for technical or administrative work or consultations, and it should also include a statement of the number of board meetings and the number of meetings attended by each member.

12.13.11 Powers of the Chairman, Vice Chairman, Managing Director and Secretary

The Board of Directors, at its first meeting, shall appoint from among its members a Chairman, and may also appoint a Managing Director or a Vice-Chairman. The Board of Directors shall also appoint a CEO and a Secretary from among its members or from others, each of whom shall be vested with the powers stipulated under the Company's Bylaws to achieve the Company's objectives. The Chairman may delegate some of his powers (by way of written resolution) to other board members or others to carry out one or more powers that fall within his scope of powers. The Vice-Chairman shall assume the Chairman's duties in his absence in cases where the Board of Directors has a Vice-Chairman.

12.13.12 Convening Assembly Meetings

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.

The request specified in paragraph 1 of this Article must specify the matters on which the shareholders are required to vote.

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 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 on the date of the announcement of the invitation.

The invitation for the General Assembly meeting shall, at least, contain the following:

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.

12.13.13 Voting in General Assemblies

The election of members of the Board of Directors shall be by cumulative vote. Members of the Board of Directors may not vote on the Assembly's decisions relating to business and contracts, in which they have direct or indirect interest or which involve a conflict of interest.

12.13.14 Preparing Minutes of Assemblies

Assembly meeting minutes shall be prepared 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 Assembly, the Secretary, and canvasser.

12.13.15 Financial Year

The Company's financial year shall be 12 Gregorian months and shall commence on January 1 and end on December 31 of each year.

A separate budget from the transition period resulting from the financial year's adjustment shall be prepared.

12.13.16 Final Provisions

The Founders hereby confirm the validity of statements and provisions set forth in these bylaws, and further asserts that they comply with the Companies Law and its Implementing Regulations, and that they fulfill all requirements and instructions issued by the Ministry of Commerce in accordance with the provisions of said Law, for which the Partners shall be accountable, and shall assume legal and financial liability. The Founders are fully aware of the Ministry of Commerce's right to take the necessary legal actions should there be any violation or conflict with these Bylaws.

12.14 Rights of Shareholders

12.14.1 Voting Rights

Each Shareholder shall have a vote for every Share represented by him in the Constituent and General Assembly. The cumulative voting method shall be used in electing the Directors 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 dividends to be distributed, to receive a share of the Company's assets 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 liability claim against Board members, 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, or his/her proxy, 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.

12.14.3 Rights to Repurchase Shares

According to Article 114 of the Companies Law, which stipulates that a company may buy 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 the 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 Shareholders' following rights are based on the Companies Law and may not be amended:

- Receiving a share of the dividends to be distributed.
- Receiving a share of the company's surplus assets upon its liquidation.
- Attending general assemblies, participating in deliberations and voting on the resolutions thereof.
- Disposing of the shares as stipulated in the Companies Law.
- Requesting to review the company's books and documents; monitoring the work of the Board of Directors; filing liability claims against Board members; and challenging the validity of the resolutions of the General Assembly (in accordance with the conditions and restrictions contained in the Companies Law and the Bylaws).

13. Underwriting

The Company, the Selling Shareholders and the Underwriter (HSBC Saudi Arabia) have entered into an Underwriting Agreement dated [•]H, corresponding to [•]G (the "**Underwriting Agreement**") pursuant to which the Underwriter has agreed, subject to certain conditions contained in the Underwriting Agreement, to fully underwrite the Offering of 15,394,502 Shares. The name and address of the Underwriter is set out below:

Table No. (13.1): Underwriter

Underwriter	
HSBC Saudi Arabia Olaya Street, Al Muruj District B.O. Box: 7267 Kingdom of Saudi Arabia Tel: +966 920005920 Fax: +966 (11) 299 2385 Website: www.hsbcsaudi.com Email: ArabianMillsIPO@hsbcsa.com	HSBC

Source: The Company

The agreed principal terms of the Underwriting Agreement are set out below:

13.1 Summary of the Underwriting Agreement

Pursuant to the terms and conditions of the Underwriting Agreement:

- The Selling Shareholders undertake to the Underwriter 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 through their websites.
  - Sell and allocate the Offer Shares which have not been purchased by Individual Subscribers or Participating Parties to the Underwriter.
- The Underwriter 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 No. (13.2): Shares to be Underwritten

Underwriter	Number of Offer Shares to be Underwritten	Percentage of Offer Shares to be Underwritten
HSBC Saudi Arabia	15,394,502	100%

Source: The Company

14. Underwriting Costs

The Selling Shareholders will pay to the Underwriter, on a pro-rata basis to the percentage of their ownership of Offer Shares sold, an underwriting fee based on the total value of the Offering and pay the Underwriter's costs and expenses in connection with the Offering on behalf of the Company, as per the relevant contract.

15. Expenses

The Selling Shareholders shall be responsible for all expenses and costs associated with the Offering, which are estimated at approximately SAR 33 million. These expenses include the fees of each of the Financial Advisor, Lead Manager, Bookrunner, Underwriter, Legal Advisors, Independent 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.

16. 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.
- Inform 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.
- Submit 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 Directors further undertake to invite the General Assembly to convene to update the Company’s bylaws immediately after listing, during the first General Assembly held after listing the Issuer’s shares on the Main Market.

17. Waivers

The Company has not applied to the CMA in order to obtain any waivers from any legal requirements.

18. 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.

18.1 Subscription to Offer Shares

The Offering will consist of fifteen million three hundred and ninety-four thousand five hundred and two (15,394,502) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (10 SAR) per share at an offering price of [•] SAR. The offering shares represent 30% of the company's capital, and the total offering value is [•] SAR. 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 fifteen million three hundred and ninety-four thousand five hundred and two (15,394,502) ordinary 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 thirteen million eight hundred and fifty-five thousand and fifty-two (13,855,052) 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. It is possible not to allocate shares to some Participating Parties, as deemed appropriate by the Company and the Financial Advisor. Initially, ([•]) ordinary shares will be allocated to public funds, representing ([•]%) of the total number of Offer Shares in the event of sufficient demand by public funds, noting that if there is sufficient demand by Individual Investors to subscribe to the Offer Shares, the Lead Manager may reduce the number of shares allocated to public funds to ([•]) ordinary shares as a minimum, representing ([•]%) of the total number of offering shares, after completion of subscription by Individual Investors.

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 one million five hundred and thirty-nine thousand four hundred and fifty (1,539,450) 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.

18.2 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 forms. 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 starts. 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 two million five hundred and sixty-five thousand seven hundred and forty-nine (2,565,749) 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 allocable. The Lead Manager shall notify the Participating Parties regarding the Offer Price and the number of Offer Shares initially allocated thereto.

c. Once the book-building process for Participating Parties is completed, the Bookrunner shall announce the subscription percentage by Participating Parties.

d. The Bookrunner, 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.

18.3 Subscription by Individual Investors

Each Individual Investor must submit a Subscription Application Form and must subscribe with shares in multiples of ten (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 through the websites of the Receiving Agents. 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 Subscription 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 and the Subscription Application Forms from the following Receiving Agents through their websites and the websites of CMA and the Financial Advisor:

Table No. (18.1): Receiving Agents

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: www.alrajhibank.com.sa Email: contactcenter1@alrajhibank.com.sa

Receiving Agents
Saudi Awwal Bank (SAB) Prince Abdulaziz Bin Musaed Bin Jalawi Street, Al Muruj District Kingdom of Saudi Arabia B.O. Box: 9084 Riyadh 11413 Tel: +966 (11) 440 8440 Website: www.sab.com Email: sab@sab.com
Banque Saudi Fransi King Saud Road, Riyadh 11554 Kingdom of Saudi Arabia B.O. Box: 56006 Tel: +966 (92) 0000 579 Website: www.alfransi.com Email: Fransiplusadmin@alfransi.com.sa

Source: The Company

The Receiving Agents will commence receiving Subscription Application Forms through their websites beginning on Wednesday, 15/03/1446H (corresponding to 18/09/2024G), until Thursday, 16/03/1446H (corresponding to 19/09/2024G). 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 [•] per Offer Share.

Subscriptions by Individual Investors for less than ten (10) Offer Shares or fractions of Offer Shares will not be accepted, and any subscription to shares above said number must be in multiple thereof. Noting that the maximum subscription is two hundred and fifty thousand (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 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.

18.4 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 Application 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 the final allocation on Thursday, 23/03/1446H (corresponding to 26/09/2024G) and refund process shall be made no later than Thursday, 30/03/1446H (corresponding to 03/10/2024G) (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 Application Form, as applicable, for any further information.

18.4.1 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 fifteen million three hundred and ninety-four thousand five hundred and two (15,394,502) Shares representing (100%) of the total Offer Shares, and provided that the final allocation for Participating Parties shall not be less than thirteen million eight hundred and fifty-five thousand and fifty-two (13,855,052) shares representing (90%) of the Offer Shares. It is possible not to allocate shares to some Participating Parties, as deemed appropriate by the Company and the Financial Advisor. Initially, ([•]) ordinary shares will be allocated to public funds, representing ([•]%) of the total number of Offer Shares in the event of sufficient demand by public funds, noting that if there is sufficient demand by Individual Investors to subscribe to the Offer Shares, the Lead Manager may reduce the number of shares allocated to public funds to ([•]) ordinary shares as a minimum, representing ([•]%) of the total number of offering shares, after completion of subscription by Individual Investors.

18.4.2 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 one million five hundred and thirty-nine thousand four hundred and fifty (1,539,450) 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 one hundred and fifty-three thousand nine hundred and forty-five (153,945) 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.

18.5 Circumstances where Listing may be Suspended or Cancelled

18.5.1 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.

18.5.2 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.

18.5.3 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.

18.5.4 Lifting of Suspension

Lifting of trading suspension, as per Paragraph (A) of Section 18.5.1 ("**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.

18.5.5 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.

18.6 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 21/04/1445H (corresponding to 05/11/2023G).
- The Company's Board of Directors resolution approving the Offering dated 04/06/1445H (corresponding to 17/12/2023G).
- The GFSA's approval of the change of ownership of current Shareholders resulting from the Offering dated 11/06/1445H (corresponding to 24/12/2023G).
- The Saudi Stock Exchange Tadawul's conditional listing approval issued on 29/08/1445H (corresponding to 10/03/2024G).
- The CMA's announcement of approval of the Offering dated 18/12/1445H (corresponding to 24/06/2024G).

18.7 Lock-Up Period

The Substantial Shareholders whose names appear on Page (xiv) 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. They may not dispose of their Shares after the end of said period, without obtaining the approval of the GFSA along with the CMA(79), subject to obtaining any required approvals in accordance with the relevant regulations and any required approvals in accordance with the relevant regulations. The current shareholders must maintain a shareholding of at least 51% of their entire shares in the Company (directly or indirectly) for the duration of the financing document between the Company and Alawwal Bank (for more information on these facilities, please refer to section 12.8 ("**Credit Facilities and Loans**") of this Prospectus).

18.8 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 18.4 ("**Allocation and Refund**") hereof.

18.9 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.(80)

18.10 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

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[79] Where (1) Substantial Shareholders must not dispose of their shares within six months (6) following the date of commencement of trading of shares on the Saudi Exchange in accordance with the provisions of the OSCOs, as well as (2) in accordance with the terms of the Company's GFSA license, the Company shall not make any direct change in the ownership of the Company or any change in control of the owners or shareholders of the Company (whether direct or indirect) with respect to more than 5% of the Company's shares, unless approved by the GFSA. It should be noted that the CMA's approval must be obtained to release this restriction.

[80] Where (1) Substantial Shareholders must not dispose of their shares within six months (6) following the date of commencement of trading of shares on the Saudi Exchange in accordance with the provisions of the OSCOs, as well as (2) in accordance with the terms of the Company's GFSA license, the Company shall not make any direct change in the ownership of the Company or any change in control of the owners or shareholders of the Company (whether direct or indirect) with respect to more than 5% of the Company's shares, unless approved by the GFSA. It should be noted that the CMA's approval must be obtained to release this restriction.

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 10 SAR 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.

18.11 Trading in the Company's Shares

It is expected that trading in the Company's Shares will commence after the final allocation of shares and the Saudi Exchange announcement of the start date of trading of the Shares. Saudi nationals, KSA residents holding valid residency permits, GCC nationals, as well as Saudi and GCC companies, banks, and investment funds will be permitted to trade in the Offer Shares once they are traded on the Exchange. Moreover, QFIs will be permitted to trade in the Shares in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities. Foreign non-Saudi individual investors residing outside the Kingdom, and institutions registered outside the Kingdom will also have the right to invest indirectly to acquire economic benefits in the Shares, by entering into swap agreements with a Capital Market Institution licensed by the CMA, and to acquire, hold and trade in the Shares on the Exchange on behalf of non-GCC Foreign Investors. The Capital Market Institution shall be deemed the legal owners of the shares under the swap agreements.

Furthermore, the Offer Shares can only be traded after allocated Offer Shares have been credited to Subscribers' accounts at the Depository Center (Edaa), the Company has been registered and its Shares listed on the Exchange before trading. Pre-trading in the Company's Shares is strictly prohibited, and Subscribers 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.

18.12 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. 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 Underwriter 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.

19. Documents Available for Inspection

The following documents will be available for inspection at the Company's head office between 8:00 a.m. and 4:00 p.m. from 17/02/1446H (corresponding to 21/08/2024G) until 16/03/1446H (corresponding to 19/09/2024G) for a period of no less than 20 days prior to the end of the Offering Period:

- 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 04/06/1445H (corresponding to 17/12/2023G).
- The Company's shareholders' approval to offer the Company's shares for public subscription and list them on the Saudi Exchange issued on 21/04/1445H (corresponding to 05/11/2023G).
- Company's Bylaws, amendments thereto, and any other constitutional documents.
- Company's commercial registration certificate issued by MOC.
- Company's audited financial statements for the financial years ended 31 December 2021G, 31 December 2022G, 31 December 2023G, and the interim condensed financial statements for the three-month period ended 31 March 2024G and the interim condensed financial statements for the six-months period ended 30 June 2024G, together with the notes thereto, which were prepared in accordance with IFRS-KSA.
- Market study prepared by the Market Study Consultant.
- Letters of consent from each of:
    1. Financial Advisor, Global Coordinator, Lead Manager, Bookrunner and Underwriter (HSBC Saudi Arabia) for the inclusion of its name, logos and declarations, if any, in this Prospectus.
    2. Issuer's Legal Advisor (Baker McKenzie Law Firm) for the inclusion of its name, logo and declarations, if any, in this Prospectus.
    3. Legal advisor of the Offering outside the Kingdom (Baker McKenzie Limited) for the inclusion of its name, logo and declarations, if any, in this Prospectus.
    4. Legal Advisor of the Financial Advisor, Lead Manager, Bookrunner and Underwriter) Zeyad Sameer Khoshaim Company (Professional Limited Liability Company)) for the inclusion of its name, logos and declarations, if any, in this Prospectus.
    5. Legal Advisor of the Financial Advisor, Lead Manager, Bookrunner and Underwriter outside the Kingdom (Cleary Gottlieb Steen & Hamilton LLP) for the inclusion of its name, logos and declarations, if any, in this Prospectus.
    6. Financial Due Diligence Advisor (PricewaterhouseCoopers Company (PwC) - Chartered Accountants) for the inclusion of its name, logo and declarations, if any, in this Prospectus.
    7. Ernst & Young Professional Services (Professional LLC), for the inclusion in this Prospectus, of its name, logo, and reports as an Independent Auditor of the Company for the financial statements for the financial years ended 31 December 2021G, 31 December 2022G and 31 December 2023G, which were prepared in accordance with IFRS-KSA.
    8. Market Study Consultant (Euromonitor International Ltd.) for the inclusion of its name, logo and declarations in this Prospectus.
- 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.
- Document summarizing the trading update relating to the Company's financial information and key performance indicators for the six month period ending 30 June 2024G.
- Document containing certain forward-looking statements in relation to the expected financial performance of the Company in the future.

20. Financial Statements and Auditor's Report

This section contains the Company's audited financial statements for the financial years ended 31 December 2021G, 31 December 2022G, 31 December 2023G and notes to the financial statements, including a summary of the significant accounting policies, which were prepared in accordance with IFRS-KSA. This section also contains the interim condensed financial statements for the three-month period ended 31 March 2024G and the interim condensed financial statements for the six-months period ended 30 June 2024G in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia.

The Second Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The Second Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2021

INDEX

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Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
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INDEPENDENT AUDITOR'S REPORT
To the Owner of The Second Milling Company (Owned by One Person)
(A Saudi closed Joint Stock Company)

Opinion:

We have audited the financial statements of The Second Milling Company (Owned by One Person) – A Saudi Closed Joint Stock Company (the "Company"), which comprise the statement of financial position as of 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2021, 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 Certified Public 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 enough 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 Certified Public 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.

INDEPENDENT AUDITOR'S REPORT
To the Owner of The Second Milling Company (Owned by One Person)
(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 are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is enough and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Second Milling Company (Owned by One Person)
(A Saudi closed Joint Stock Company) (continued)

<u>Auditor's Responsibilities for the Audit of the Financial Statements (continued):</u>

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

Hesham Alatiqi
Certified Public Accountant
License No. (523)

Riyadh: 29 Dhual-Qa'dah 1443H
(28 June 2022)

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

The Second Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As of 31 December 2021

	Notes	***31 December 2021 SR***	*31 December 2020 SR*
ASSETS			
NON – CURRENT ASSETS			
Property, plant, and equipment and right of use assets	5	**941,896,994**	900,511,548
Intangible assets	6	**9,223,146**	5,193,900
TOTAL NON – CURRENT ASSETS		**951,120,140**	905,705,448
CURRENT ASSETS			
Inventories	7	**142,329,459**	136,899,419
Prepayments and other current assets	8	**25,918,227**	29,635,246
Cash at banks	9	**327,160,287**	269,559,952
TOTAL CURRENT ASSETS		**495,407,973**	436,094,617
TOTAL ASSETS		**1,446,528,113**	1,341,800,065
EQUITY AND LIABILITIES			
EQUITY			
Capital	10	**513,150,060**	513,150,060
Statutory reserve		**25,322,200**	13,198,908
Retained earnings		**636,898,624**	527,789,000
TOTAL EQUITY		**1,175,370,884**	1,054,137,968
LIABILITIES			
NON-CURRENT LIABILITIES			
Lease liabilities	12	**180,951,492**	185,870,032
Employees' defined benefits obligations	13	**300,727**	81,077
TOTAL NON-CURRENT LIABILITIES		**181,252,219**	185,951,109
CURRENT LIABILITIES			
Trade payables and other current liabilities	11	**56,783,030**	72,085,799
Lease liabilities	12	**15,286,502**	15,286,502
Advances from customers		**16,332,575**	14,338,687
Zakat and income tax payable	14	**1,502,903**	-
TOTAL CURRENT LIABILITIES		**89,905,010**	101,710,988
TOTAL LIABILITIES		**271,157,229**	287,662,097
TOTAL EQUITY AND LIABILITIES		**1,446,528,113**	1,341,800,065

The attached notes 1 to 27 form an integral part of these financial statements.

The Second Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	***31 December 2021 SR***	*31 December 2020 SR*
Sales	15	**640,775,858**	612,861,531
Direct costs	16	**(407,050,064)**	(380,660,813)
GROSS PROFIT		**232,725,794**	232,200,718
EXPENSES			
Selling and distribution expenses	17	**(5,480,660)**	(4,085,733)
General and administrative expenses	18	**(97,966,814)**	(92,459,505)
TOTAL EXPENSES		**(103,447,474)**	(96,545,238)
OPERATING PROFIT		**130,278,320**	135,655,480
Finance costs	12	**(10,367,962)**	(10,628,830)
Finance income		**2,253,264**	-
Other income		**572,197**	5,462,437
PROFIT BEFORE ZAKAT AND INCOME TAX		**122,735,819**	130,489,087
Zakat and income tax	14	**(1,502,903)**	-
PROFIT FOR THE YEAR		**121,232,916**	130,489,087
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**121,232,916**	130,489,087
Earnings per share (EPS)			
Basic and diluted earnings per share for the year	21	**2.36**	2.54

The attached notes 1 to 27 form an integral part of these financial statements.

The Second Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY

For year ended 31 December 2021

	Paid Capital *SR*	*Proposed increase in capital* *SR*	*Statutory reserve* *SR*	*Retained earnings* *SR*	*Total* *SR*
As of 1 January, 2021	**513,150,060**	-	**13,198,908**	**527,789,000**	**1,054,137,968**
Profit for the year				121,232,916	121,232,916
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	121,232,916	121,232,916
Transferred to statutory reverse	-	-	12,123,292	(12,123,292)	-
As of 31 December, 2021	**513,150,060**	-	**25,322,200**	**636,898,624**	**1,175,370,884**
As of 1 January, 2020	500,000	512,650,060	150,000	410,348,821	923,648,881
Profit for the year	-	-	-	130,489,087	130,489,087
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	130,489,087	130,489,087
Transferred to share capital (note 10)	512,650,060	(512,650,060)	-	-	-
Transferred to statutory reverse	-	-	13,048,908	(13,048,908)	-
As of 31 December, 2020	**513,150,060**	-	**13,198,908**	**527,789,000**	**1,054,137,968**

The attached notes 1 to 27 form an integral part of these financial statements.

The Second Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	*31 December 2021 SR*	*31 December 2020 SR*
OPERATING ACTIVITIES			
Profit for the year before zakat and income tax		**122,735,819**	130,489,087
Adjustments to reconcile profit to net cash flows:			
Depreciation for property, plant and equipment and right of use assets	5	**47,112,245**	42,855,161
Amortization of intangible assets	6	**89,244**	89,488
Interest cost on lease liabilities		**10,367,962**	10,628,830
Provision for slow moving inventory	7	**534,647**	2,782,053
Provision for employees' defined benefits obligation		**219,650**	58,159
		181,059,567	186,902,778
Changes in operating assets and liabilities:			
Inventories	7	**(5,964,687)**	(13,425,124)
Prepayments and other current assets	8	**3,717,019**	36,729,266
Trade payables and other current liabilities	11	**(15,302,769)**	4,518,707
Advances from customers		**1,993,888**	802,455
Net cash flows from (used in) operating activities		**165,503,018**	215,528,082
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	**(88,497,691)**	(46,876,261)
Purchase of intangible assets	6	**(4,118,490)**	(182,000)
Net cash flows used in investing activities		**(92,616,181)**	(47,058,261)
FINANCING ACTIVITIES			
Payment of lease liabilities		**(15,286,502)**	(15,286,502)
Net cash flows used in financing Activities		**(15,286,502)**	(15,286,502)
Net increase (decrease) in cash at banks		**57,600,335**	153,183,319
Cash and cash equivalents at the beginning of the year		**269,559,952**	116,376,633
Cash and cash equivalents at the end of the year		**327,160,287**	269,559,952

The attached notes 1 to 27 form an integral part of these financial statements.

The Second Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
As of 31 December 2021

1. CORPORATE INFORMATION

- Second 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 (the "Owner") pursuant to the resolution of the Council of Ministers No. (35) of 27 Muharram 1437H (corresponding to 9 November 2015) approving the adoption of the necessary actions to establish four Joint Stock Flour Milling Companies according to the proposed geographical distribution. The Public Investment Fund, in coordination with the 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 (corresponding to June 9, 2020), a Cabinet decision was issued to transfer the ownership of the company to the National Center for Privatization and the National Center for Privatization shall carry out the tasks assigned to the Public Investment Fund by Cabinet Resolution No. (118) dated Safar 1440 (Note 9).

- On 25 Rabi' al-Thani 1443 (corresponding to November 30, 2021), the company sold its entire shares, amounting to 51,315,006 shares, the value of each share is 10 SR, to Food security holding Company for the purchase price specified in the share sale and purchase agreement on the same date (Note 9).

- The Company has entered into a subsidized wheat purchase agreement with the Saudi Grains Organizations (''SAGO'') as SAGO imports wheat to Saudi Arabia for the purpose of producing subsidized flour. This Agreement shall enter into force on 3 Rabea II 1438H (corresponding to 1 January 2017) and shall be terminated when the Owner sells its shares in the Company. The agreement stipulates that the subsidized wheat subsidy price 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. On 15 Rabi Al-Thani 1442H (corresponding to 30 November 2020), the agreement regulating the purchase and sale of subsidized and non-subsidized wheat has been renewed by SAGO, and this agreement is valid until the expiry date of the license of the main purchaser (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)	29 Jumada Althani 1438H (corresponding to 28 March 2017)	1010465464
Riyadh	29 Jumada Althani 1438H (corresponding to 28 March 2017)	1010469375
Jazzan	29 Jumada Althani 1438H (corresponding to 28 March 2017)	5900036083
Hail	29 Jumada Althani 1438H (corresponding to 28 March 2017)	3350044599

2. 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 Certified Public 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.

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, if market participants act in their economic best interest.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

2.2 Summary of Significant Accounting Polices – (continued)

b) Fair value measurement – (continued)

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, 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
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

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

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 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES – continued

2.2 Summary of Significant Accounting Polices – (continued)

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:

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

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 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

2.2 Summary of Significant Accounting Polices – (continued)

e) Leases – (continued)

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 he 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).

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

2.2 Summary of Significant Accounting Polices – (continued)

f) 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.

1) Financial assets

Initial recognition and measurement

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 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 amortized 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 recognized 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 derecognized (i.e., removed from the Company's statement of financial position) when:

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

2.2 Summary of Significant Accounting Polices – (continued)

f) Financial instruments – initial recognition and subsequent measurement (continued)

2) 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 recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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 designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 is satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss and other comprehensive income.

Derecognition
A financial liability is derecognized 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

2.2 Summary of Significant Accounting Polices – (continued)

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 and cash equivalents

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

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

i) Employee defined benefit liabilities

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

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

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are 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.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

2.2 Summary of Significant Accounting Polices – (continued)

i) Employee defined benefit liabilities – (continued)

Reference to the administrative resolutions No. 11890 dated 8 Safar 1438H and No. 14003 dated 8 Rabie Al Awaal 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 assets or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

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 recognized 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 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 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 recognized 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.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

2.2 Summary of Significant Accounting Polices – (continued)

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

2.2 Summary of Significant Accounting Polices – (continued)

k) Revenue from contracts with customers – (continued)

i) 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. The contracts with customers do not contain any provisions which may result in variable consideration.

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 recognized 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 recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

l) Provisions

General
Provisions are recognized 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 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 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 recognized as a finance cost.

m) Zakat and taxes

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

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

2.2 Summary of Significant Accounting Polices – (continued)

m) Zakat and taxes – (continued)

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

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

Withholding tax
The Company withhold taxes on transactions with non-resident parties in accordance with 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 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 statement of financial position.

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 recognized in profit or loss and other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

2.2 Summary of Significant Accounting Polices – (continued)

o) Foreign currencies – (continued)

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 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 Company 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 Company determines the transaction date for each payment or receipt of advance consideration.

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.

2.3 New and amended standards and interpretations

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

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Company has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application

The amendments apply to annual periods beginning on or after January 1, 2022, with early application permitted. There is no material 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 the fair value of the leased asset.

Impairment of non-financial assets

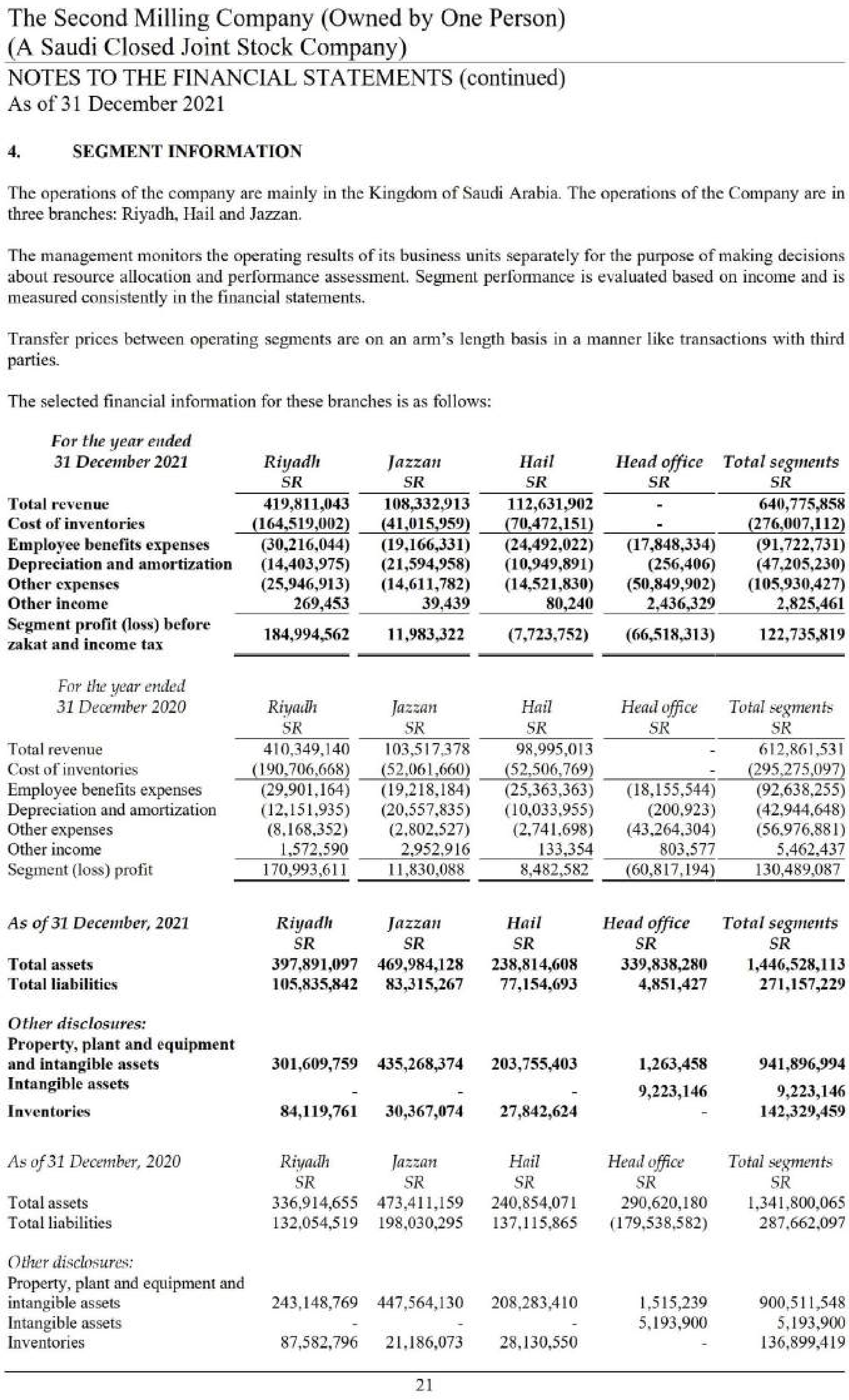
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, 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.

Employees' defined benefit plans

The cost of employees' defined benefit obligation and other post-employment benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions, which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates. Due to the complexity of the valuation, the underlying assumptions 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.



The Second Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
As of 31 December 2021

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: Riyadh, Hail and Jazzan.

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

For the year ended 31 December 2020	*Riyadh* *SR*	*Jazzan* *SR*	*Hail* *SR*	*Head office* *SR*	*Total segments* *SR*
Total revenue	410,349,140	103,517,378	98,995,013	-	612,861,531
Cost of inventories	(190,706,668)	(52,061,660)	(52,506,769)	-	(295,275,097)
Employee benefits expenses	(29,901,164)	(19,218,184)	(25,363,363)	(18,155,544)	(92,638,255)
Depreciation and amortization	(12,151,935)	(20,557,835)	(10,033,955)	(200,923)	(42,944,648)
Other expenses	(8,168,352)	(2,802,527)	(2,741,698)	(43,264,304)	(56,976,881)
Other income	1,572,590	2,952,916	133,354	803,577	5,462,437
Segment (loss) profit	170,993,611	11,830,088	8,482,582	(60,817,194)	130,489,087

As of 31 December, 2021	***Riyadh*** ***SR***	***Jazzan*** ***SR***	***Hail*** ***SR***	***Head office*** ***SR***	***Total segments*** ***SR***
Total assets	**397,891,097**	**469,984,128**	**238,814,608**	**339,838,280**	**1,446,528,113**
Total liabilities	**105,835,842**	**83,315,267**	**77,154,693**	**4,851,427**	**271,157,229**
Other disclosures:					
Property, plant and equipment and intangible assets	**301,609,759**	**435,268,374**	**203,755,403**	**1,263,458**	**941,896,994**
Intangible assets	**-**	**-**	**-**	**9,223,146**	**9,223,146**
Inventories	**84,119,761**	**30,367,074**	**27,842,624**	**-**	**142,329,459**

As of 31 December, 2020	*Riyadh* *SR*	*Jazzan* *SR*	*Hail* *SR*	*Head office* *SR*	*Total segments* *SR*
Total assets	336,914,655	473,411,159	240,854,071	290,620,180	1,341,800,065
Total liabilities	132,054,519	198,030,295	137,115,865	(179,538,582)	287,662,097
Other disclosures:					
Property, plant and equipment and intangible assets	243,148,769	447,564,130	208,283,410	1,515,239	900,511,548
Intangible assets	-	-	-	5,193,900	5,193,900
Inventories	87,582,796	21,186,073	28,130,550	-	136,899,419

The Second Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
As of 31 December 2021

5. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

	Buildings (*)	*Plant and equipment*	*Furniture and fittings*	*Computer equipment*	*Motor vehicles*	*Right of use Assets (****)*	*Projects under progress (**)*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Cost								
As of 31 December, 2019	255,616,773	515,197,902	3,584,640	2,357,091	854,500	214,001,017	15,564,809	1,007,176,732
Additions during the year	561,176	10,548,501	1,391,848	353,223	7,185,430	-	26,836,083	46,876,261
Transfers from Projects under construction	2,412,656	4,305,352	307,330	-	-	-	(7,025,338)	-
As of 31 December, 2020	258,590,605	530,051,755	5,283,818	2,710,314	8,039,930	214,001,017	35,375,554	1,054,052,993
Addition during the year	617,558	26,661,688	336,204	180,411	83,500	-	60,618,330	88,497,691
Transfers from Projects under construction	6,864,177	23,344,870	3,557,405	-	-	-	(33,766,452)	-
As of 31 December, 2021	266,072,340	580,058,313	9,177,427	2,890,725	8,123,430	214,001,017	62,227,432	1,142,550,684
Accumulated depreciation								
As of 31 December, 2019	19,736,845	65,982,380	1,511,199	818,249	411,638	22,225,973	-	110,686,284
Charged for the year (***)	6,999,412	25,734,209	497,682	371,164	535,646	8,717,048	-	42,855,161
As of 31 December, 2020	26,736,257	91,716,589	2,008,881	1,189,413	947,284	30,943,021	-	153,541,445
Charged for the year (***)	7,256,059	28,777,116	766,126	424,211	1,171,686	8,717,047	-	47,112,245
As of 31 December, 2021	**33,992,316**	**120,493,705**	**2,775,007**	**1,613,624**	**2,118,970**	**39,660,068**	-	**200,653,690**
Net book value								
As of 31 December, 2021	**232,080,024**	**459,564,608**	**6,402,420**	**1,277,101**	**6,004,460**	**174,340,949**	**62,227,432**	**941,896,994**
As of 31 December, 2020	231,854,348	438,335,166	3,274,937	1,520,901	7,092,646	183,057,996	35,375,554	900,511,548

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 3,016,602. 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 (Note 19).

(**) Capital work in progress as of 31 December 2021 mainly consists of the following projects:

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

The expected completion date of this is 2021 and the capital commitments relating to this amount to SR 26,8 million (31 December 2020: SR 16,6 million).

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

	2021 *SR*	*2020* *SR*
Direct Cost (Note 16)	**45,124,147**	41,347,219
General and administrative expenses (Note 18)	**1,838,510**	1,378,795
Selling and marketing expenses (Note 17)	**149,588**	129,147
	47,112,245	42,855,161

(****) Right of use assets

	Silos (*) *SR*	**Lands (**)** *SR*	**Total** *SR*
Cost			
As of 31 December, 2020	168,950,671	45,050,346	214,001,017
Additions during the year	-	-	-
As of 31 December, 2021	**168,950,671**	**45,050,346**	**214,001,017**
Accumulated depreciation			
As of 31 December, 2020	(27,025,599)	(3,917,422)	(30,943,021)
Charge for the year (***)	(6,758,337)	(1,958,710)	(8,717,047)
As of 31 December, 2021	**(33,783,936)**	**(5,876,132)**	**(39,660,068)**
Net book Value			
As of 31 December, 2021	**135,166,735**	**39,174,214**	**174,340,949**
As of 31 December, 2020	141,925,072	41,132,924	183,057,996

(*) 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. 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.

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

6. INTANGIBLE ASSETS

	Software *SR*	*Intangible assets under development* *SR*	*Total* *SR*
Cost			
As of 1 January, 2020	587,100	4,620,403	5,207,503
Additions during the year	-	182,000	182,000
As of 31 December, 2020	**587,100**	**4,802,403**	**5,389,503**
Additions during the year	-	4,118,490	4,118,490
As of 31 December, 2021	**587,100**	**8,920,893**	**9,507,993**
Accumulated amortization			
As of 1 January, 2020	106,115	-	106,115
Charge for the year	89,488	-	89,488
As of 31 December, 2020	195,603	-	195,603
Charge for the year	89,244	-	89,244
As of 31 December, 2021	**284,847**	-	**284,847**
Net book value			
As of 31 December, 2021	**302,253**	**8,920,892**	**9,223,146**
As of 31 December, 2020	391,497	4,802,403	5,193,900

7. INVENTORIES

	31 December 2021 ***SR***	*31 December 2020* *SR*
Spare parts	**95,329,739**	111,557,204
Raw materials	**37,760,561**	28,485,254
Goods in transit	**31,698,745**	15,890,721
Finished goods *	**4,374,157**	6,367,162
Others	**1,590,205**	2,488,379
Less: allowance for slow moving inventory	**(28,423,948)**	(27,889,301)
	142,329,459	136,899,419

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

Movement in allowance for slow moving inventory

	31 December 2021 ***SR***	*31 December 2020* *SR*
At the beginning of the year	**27,889,301**	25,107,248
Provision during the year (note 16)	**534,647**	2,782,053
At the end of the year	**28,423,948**	27,889,301

8. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2021 SR	*31 December 2020 SR*
Letters of credit and letter of guarantee (note 23)	**22,247,452**	24,594,926
Prepayments (*)	**1,974,336**	2,884,595
Other receivables	**1,696,439**	2,155,725
	25,918,227	29,635,246

(*) Prepayments mainly includes prepaid rent, medical insurance, staff allowances and others.

9. CASH AND CASH EQUIVALENTS

	31 December 2021 SR	*31 December 2020 SR*
Cash at banks	**277,160,288**	269,559,952
Short-term deposits *	**50,000,000**	-
	327,160,287	269,559,952

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

10. SHARE CAPITAL

The Company's share capital is divided into 47,390,317 shares of SR 10 each (31 December 2020: SR 51,315,006).

On 3 Safar 1441H (Corresponding to 2 October 2019), The Extraordinary General Assembly decided to increase the company's capital from 500,000 SR to 513,150,060 SR, this is by transferring SR 512,650,060 from the other reserves account to the calculated proposed capital increase, for a total to 51,315,006 shares. Legal proceedings related to the capital increase were completed during the year ended 31 December 2020.

On 17 Shawwal 1441H (Corresponding to 9 June 2020), The Council of Ministers announced a resolution to transfer the ownership of the company to the National Center for Privatization. All legal formalities regarding the transfer of ownership were completed during the year 2020.

On 25 Rabi' al-Thani 1443 (corresponding to 30 November 2021), the company sold its entire shares, amounting to 51,315,006 shares, the value of each share is 10 SR, to Gulf Flour Milling Industrial Company for the purchase price specified in the share sale and purchase agreement on the same date. All legal formalities regarding the transfer of ownership were completed during the year.

11. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	31 December 2021 SR	*31 December 2020 SR*
Trade payables	**40,039,558**	48,678,556
Accrued expenses *	**11,931,153**	14,818,243
Other payables	**4,812,319**	8,589,000
	56,783,030	72,085,799

* *Accrued expenses mainly comprise of accrued electricity, rent, professional services charges, and employee related expenses*

12. Lease's liabilities

	31 December 2021 SR	*31 December 2020 SR*
Balance at beginning	**201,157,394**	205,815,066
Annual interest charge	**10,367,962**	10,628,830
Paid during the year	**(15,286,502)**	(15,286,502)
As of 31 December 2021	**196,238,854**	201,157,394
Current	**15,286,502**	15,286,502
Non-current	**180,951,492**	185,870,032

13. Employees' defined benefits obligation

	31 December 2021 SR	*31 December 2020 SR*
At the beginning of the year	**81,077**	22,918
Current service cost	**219,650**	58,159
At the end of the year	**300,727**	81,077

14. Zakat and income tax payable

The zakat and income tax charged for the year consists of the following:

	31 December 2021 SR
Zakat charged for the year	**1,104,920**
Income tax charged for the year	**397,983**
	1,502,903

14. Zakat and income tax payable — (continued)

14.1 Zakat

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

	31 December 2021 SR
Equity	**1,159,528,904**
Opening provisions and other adjustments	**210,472,923**
Book value of long-term assets and other liabilities	**(1,029,246,572)**
	340,755,255
Zakat base on Saudi partners' shares at 90%	**25,354,942**
Income for the year subject to zakat	**18,053,991**
Zakat payable	**1,104,920**

Movement in Zakat provision and accrued income during the year:

	2021 SR
At the beginning of the year	**-**
Charged for the year	**1,502,903**
Paid during the year	**-**
At the end of the year	**1,502,903**

14.2 Zakat And tax assessments

The company was not subject to zakat as its share capital was from public funds in accordance with the decision of the Zakat, Tax and Customs Authority (ZATCA). According to the transformation of the Second milling Company into a mixed company as of 11/30/2021, the company submitted a request to update the registration data for the purpose of issuing an information declaration for the period from 01/01/2021 to 30/11/2021 and issuing a mixed declaration for the period from 01/12/2021 to 31/12/2021, the submitted application is still under process.

15. SALES

	31 December 2021 SR	*31 December 2020 SR*
Flour	**391,618,108**	408,854,058
Bran	**134,187,175**	87,894,781
Feed	**114,970,575**	116,112,692
	640,775,858	612,861,531

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

15. SALES – (continued)

15.2 Disaggregation of Revenue

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

	31 December 2021 SR	*31 December 2020 SR*
Type of sector		
Corporate sector	**602,668,016**	576,413,793
Individual sector	**37,856,150**	36,207,010
Government sector	**251,692**	240,728
	640,775,858	612,861,531
Type of customer		
Non-government	**640,524,166**	612,620,803
Government	**251,692**	240,728
	640,775,858	612,861,531
Duration of contracts		
Less than one year	**640,775,858**	612,861,531
	640,775,858	612,861,531

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. COSTS OF SALES

	31 December 2021 SR	*31 December 2020 SR*
Raw material consumed	**274,403,257**	255,246,336
Salaries and other benefits	**51,094,953**	49,440,190
Depreciation of property, plant, and equipment and right of use assets (Note 5)	**45,124,147**	41,347,219
Fuel and Power	**16,728,892**	15,144,674
Maintenance	**6,488,346**	5,789,568
Insurance	**4,494,592**	4,165,107
Provision for slow moving inventory (Note 7)	**534,647**	2,782,054
Rent	**437,500**	262,500
Other expenses	**5,750,725**	4,563,087
	405,057,059	378,740,735
Finished goods at the beginning of the year	**6,367,162**	8,287,240
Total production cost intended for sale during the year	**411,424,221**	387,027,975
Finished goods at the end of the year (Note 7)	**(4,374,157)**	(6,367,162)
	407,050,064	380,660,813

17. SELLING AND DISTRIBUTION EXPENSES

	31 December 2021 SR	*31 December 2020 SR*
Salaries and other benefits	**3,706,443**	3,414,964
Depreciation of property, plant, and equipment and right of use assets (Note 5)	**149,588**	129,147
Insurance	**136,893**	145,634
Rent	**71,382**	92,625
Fuel and Power	**16,396**	279,451
Shipping and transportation expenses	**1,340,887**	-
Other expenses	**59,071**	23,912
	5,480,660	4,085,733

18. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2021 SR	*31 December 2020 SR*
Professional and consulting fees	**46,690,423**	40,522,270
Salaries and other benefits	**34,672,624**	38,701,629
Fuel and power	**2,652,086**	2,400,174
Board and committees' expenses, rewards, and allowances (Note 22)	**2,248,712**	1,081,472
Depreciation of property, plant, and equipment and right of use assets (Note 5)	**1,838,510**	1,378,795
Material and supplies	**1,627,234**	1,312,824
Insurance	**1,233,086**	1,524,626
Maintenance	**1,130,604**	540,524
Amortization of intangible assets (Note 6)	**89,244**	89,488
Other expenses	**5,784,291**	4,907,703
	97,966,814	92,459,505

19. FINANCIAL INSTRUMENTS

Set out below is an overview of financial Assets held by the Company:

	31 December 2021 SR	*31 December 2020 SR*
Financial assets at amortized cost:		
Cash and cash equivalents	**327,160,287**	269,559,952
Total	**327,160,287**	269, 559,052

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

	31 December 2021 SR	31 December 2020 SR
Financial liabilities at amortized cost:		
Trade payables and other current liabilities	**56,783,030**	72,085,799
Lease's liabilities	**196,238,854**	201,157,394
Total	**253,021,884**	273,243,193

19. FINANCIAL INSTRUMENTS – (continued)

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 2021 and 2020. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.

20. 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.

20. FINACIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – (continued)

Credit risk – (continued)

The Company is exposed to credit risk on its bank balances and amounts due from related parties as follows:

	31 December 2021 *SR*	*31 December 2020* *SR*
Financial assets at amortized cost:		
Cash and cash equivalents	**327,160,287**	269,559,952
Total	**327,160,287**	269,559,952

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***	***31 December***	*31 December*
	Short term	***Long term***	***Agency***	***2021***	*2020*
				SR	*SR*
Saudi British Bank	**P-1**	**A-1**	Moody`s	**500,000**	500,000
Banque Saudi Fransi	**P-1**	**A1**	Moody`s	**326,660,287**	269,059,952
				327,160,287	269,559,952

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.

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

The loss allowance as of 31 December 2021 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.

20. FINACIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – (continued)

Credit risk – (continued)

Liquidity risk

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

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 of 31 December 2021 and 31 December 2020 based on contractual payment dates and current market interest rates as following.

31 December 2021

	On demand	*Less than 3 months*	*3 to 12 Months*	*1 to 5 years*	*More than 5 years*	*Total*
	SR	***SR***	***SR***	***SR***	***SR***	***SR***
Trade payables and other current liabilities	-	-	**56,783,030**	-	-	**56,783,030**
Lease liabilities	-	-	**15,286,502**	**61,726,051**	**119,226,301**	**196,238,854**
	-	-	**72,069,532**	**61,726,051**	**119,226,301**	**253,021,884**

31 December 2020

	On demand	*Less than 3 months*	*3 to 12 Months*	*1 to 5 years*	*More than 5 years*	*Total*
	SR	***SR***	***SR***	***SR***	***SR***	***SR***
Trade payables and other current liabilities	-	-	72,085,799	-	-	72,085,799
Lease liabilities	-	-	15,286,502	61,489,046	124,381,846	201,157,394
	-	-	87,372,301	61,489,046	124,381,846	273,243,193

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.

20. FINACIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – (continued)

Credit risk (continued)
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.

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.

There were no changes in the objectives, policies, and procedures for capital management during the years ended December 31, 2021 and December 31, 2020.

21. EARNINGS PER SHARE

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

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

	31 December 2021 ***SR***	*31 December 2020* *SR*
Profit for the year	**121,232,916**	130,489,087
Weighted average number of ordinary shares for basic EPS	**51,315,006**	51,315,006
Earnings per share – basic and diluted	**2.36**	2.54

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.

22. 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 2021 and 31 December 2020.

		Transfer/conversion of spare parts	*Purchase of wheat and other raw materials*	*Payments on behalf of*	*Payments*	*Lease liabilities payments*
		SR	*SR*	*SR*	*SR*	*SR*
First Milling Company	**2021**	-	-	-	-	-
	2020	-	-	4,112,980	15,533,444	-
Third Milling Company	**2021**	-	-	-	-	
	2020	-	-	4,119,283	15,539,847	-
Forth Milling Company	**2021**	-		-	-	
	2020	-	-	4,119,283	15,363,691	-
Saudi Grain Organization	**2021**	**1,034,320**	**(222,153,115)**	**2,066,683**	**213,231,453**	**17,580,465**
	2020	1,668,280	(202,895,562)	449,190	208,876,539	-

On 25 Rabi' al-Thani 1443H (corresponding to 30 November 2021) the ownership of the company was completely transferred to the Food Security Company, as these transactions represent the transactions with the relevant authorities at the time of the completion of those transactions.

22. 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	*2021* SR	2020 SR
Board and committees' expenses, rewards and allowances	**2,248,712**	1,081,472
Compensation of key management personnel of the Company (*)	**5,809,279**	4,924,394
(*) Compensation of key management personnel of the Company		
Short-term employee benefits	**5,809,279**	4,924,394
Total compensation paid to key management personnel	**8,057,991**	6,005,866

23. CAPITAL COMMITMENTS AND CONTINGENT LIABLILTIES

Potential liabilities
As of 31 December 2021, the company had contingent liabilities arose during its normal business cycle and related to letters of credit and letters of guarantee of SR 22,247,452 (31 December 2020: SR 24,594,926) (note 8).

24 COMPARATIVE FIGURES

Certain comparative figures of the prior year have been reclassified to conform with the presentation of the current year figures.

25. THE IMPACT OF COVID-19 PANDEMIC

The outbreak of novel coronavirus ("COVID-19") since early 2020 and it's spread across mainland China and then globally caused disruptions to businesses and economic activities including the KSA. The World Health Organization qualified COVID-19 as a pandemic, with governments issuing strict regulations and guidance for its populations and companies. It necessitated the Company to re-assess its judgments and the key sources of estimation applied to the financial statements.

During the year ended 31 December 2021, management has re-assessed the overall impact on the Company's operations and business aspects, and considered factors like effects on supply chain, impact of volatility in oil prices. Based on this assessment, no adjustments were made in the financial statements for the period ended 31 December 2021.

The situation surrounding COVID-19 and its impact on global economic conditions, may continue to impact the Company's business, results of operations. The situation remains uncertain and therefore it is difficult to predict with certainty the length of time that COVID-19 will impact Company's business and overall potential impact of COVID-19 on Company's business, operations, and financial condition.

26. 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.

27. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issuance by the Company's Board of Directors on 6 Zul Qi'dah 1443H (corresponding to 5 June 2022).

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

INDEX **Pages**

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

Opinion

We have audited the financial statements of The Second Milling Company (A Saudi Closed Joint Stock Company) (the "Company"), which comprise the statement of financial position as of 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis of Opinion

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

Responsibilities of Board of Directors for the Financial Statements

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements (continued):
We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young Professional Services

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

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

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

STATEMENT OF FINANCIAL POSITION

At 31 December 2022

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

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

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

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

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

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

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

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

TABLE OF CONTENTS

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

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

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

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

1. CORPORATE INFORMATION

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

The Company was formed by the Public Investment Fund (the "Former Owner") pursuant to the resolution of the Council of Ministers No. (35) of 27 Muharram 1437H (corresponding to 9 November 2015) approving the adoption of the necessary actions to establish four Joint Stock Flour Milling Companies according to the proposed geographical distribution. The Public Investment Fund, in coordination with the General Food Security Authority ("GFSA") (formerly Saudi Grains Organization ("SAGO")), shall do so in accordance with Royal Decree No. 62 dated 4 Shawwal 1435H (corresponding to 31 July 2014).

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

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

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

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

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

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

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

2 BASIS OF PREPARATION

Statement of compliance

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

Basis of measurement

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

Current versus non-current classification

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

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

The Company classifies all other assets as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

Intangible assets

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

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

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

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

Computer software

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

Brand

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

Property, plant, and equipment

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Leases

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Financial assets

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

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial liabilities

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

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Cost is determined as follows:

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

Employee defined benefit liabilities

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

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

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

Revenue from contracts with customers

The Company is involved in manufacturing of flour, feed and bran (by-product). The revenue is recognised when the goods are transferred to the customer, which is the time when these are dispatched from the premises of the Company or delivered to the customer, as the case may be. The revenue is recognised at an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods or services. Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on dispatch or delivery of the goods.

All revenue is made on cash basis only, and thus payment of transaction price becomes due immediately when the customer purchases the products, and the control of the products is transferred to the customer at the same time. Other income is recognised when it is earned.

The Company has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. Further, the customer does not have any contractual right of return of the goods sold.

Variable consideration

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

Significant financing component

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract balances

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

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

Provisions

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

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

Zakat and taxes

Zakat

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

Income tax

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

Deferred tax

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

Withholding tax

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations

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

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Company cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

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

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

Reference to the Conceptual Framework – Amendments to IFRS 3

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

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

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

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

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

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

5 SEGMENT INFORMATION

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

For management reporting purpose, these business units are identified as reportable segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income and is measured consistently in the financial statements. No operating segments have been aggregated to form the above reportable operating segments. All reportable segments have similar type of products.

The selected financial information for these segments is as follows:

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

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

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

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

6 PROPERTY, PLANT AND EQUIPMENT

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

6 PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

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

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

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

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

7 RIGHT OF USE ASSETS AND LEASE LIABILITIES

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

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

(*) The Company entered into a lease agreement with the General Food Security Authority ("GFSA") (formerly Saudi Grains Organization (SAGO)) for the rental of silos for the purpose of storing wheat, flour, and feed. The term of the lease is 25 calendar years commencing from 3 Rabi Al-Thani 1438H (corresponding to 1 January 2017) and is renewable automatically for a similar period subject to renewal of Company's milling license. The estimated useful lives of leased assets for amortising right of use assets purposes are 25 years.

(**) The Company has entered into land leases. The term of the lease is 25 calendar years. These leases do not transfer ownership of the assets to the lessor at the end of the lease. The estimated useful lives of leased assets for amortising right of use assets purposes are 25 years.

7 LEASES (continued)

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

Movement in lease liabilities is presented below:

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

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

8 INTANGIBLE ASSETS

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

Amortisation charge has been allocated as below:

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

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

9 GOODWILL

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

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

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

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

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

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

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

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

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

9 GOODWILL (continued)

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

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

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

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

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

Sensitivity analysis

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

10 INVENTORIES

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

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

Movement in allowance for slow moving inventory

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

11 PREPAYMENTS AND OTHER CURRENT ASSETS

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

12 CASH AND CASH EQUIVALENTS

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

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

13 SHARE CAPITAL

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

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

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

14 MERGER TRANSACTION

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

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

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

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

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

	SR
Property, plant and equipment	**113,717,272**
Intangible assets	**60,681,035**
Goodwill	**822,434,373**
Bank balances	**47,285**
Loans	**(1,748,244,714)**
Trade payables and other current liabilities	**(6,463,901)**
Amounts due to related parties	**(53,856,780)**
Retained earnings*	**136,314,546**
Net assets of the Parent Company	**(675,370,884)**

*** Movement in retained earnings of Parent Company**	
Retained earnings as of 1 January 2022	81,613,438
Finance cost from 1 January 2022 till date of merger	53,825,736
Other expenses	875,372
Retained earnings as of date of merger	**136,314,546**

15 LONG AND SHORT-TERM LOANS

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

15 LONG AND SHORT-TERM LOANS (continued)

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

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

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

- An amount of SR 1,500 million long-term Murabaha loan with maturity period of 18 years as of date of loan agreement, repayable on 31 December 2039 with 32 semi-annual installments with a grace period of 24 months, with a return rate based on SAIBOR and a bank margin.
- An amount of SR 273 million against short-term Murabaha facilities for 12 months.

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

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

16 EMPLOYEES' DEFINED BENEFIT LIABILITIES

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

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

17 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

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

18 ZAKAT AND INCOME TAX

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

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

Zakat

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

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

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

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

Income tax

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

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

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

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

18 ZAKAT AND INCOME TAX (continued)

Deferred tax

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

Status of zakat and income tax assessment

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

19 REVENUE

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

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

Disaggregation of revenue

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

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

20 DIRECT COSTS

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

21 SELLING AND DISTRIBUTION EXPENSES

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

22 GENERAL AND ADMINISTRATION EXPENSES

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

23 FINANCE COSTS

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

24 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

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

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

Transactions with key management personnel	***2022 SR***	*2021 SR*
Board and committees' expenses, rewards and allowances	**-**	2,248,712
Compensation of key management personnel of the Company (*)	**4,500,000**	5,809,279
Total compensation paid to key management personnel	**4,500,000**	8,057,991
(*) Compensation of key management personnel of the Company		
Short-term employee benefits	**4,380,000**	5,809,279
Long-term employee benefits	**120,000**	-

25 EARNINGS PER SHARE

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

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

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

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

26 CONTINGENT LIABLILTIES

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

27 FINACIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Credit risk

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

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

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

Cash and cash equivalents

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

27 FINACIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Cash and cash equivalents (continued)

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

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

The Company limits its exposure to credit risk from trade receivables by establishing and maintaining a cash-based mode of conducting business. As the advance of customer is received before any supply of goods, the Company is not exposed to any such credit risk on trade receivables.

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

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

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

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

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

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

27 FINACIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

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

31 December 2022

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

31 December 2021

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

Capital Management

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

The Company manages its capital structure and adjusts considering changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt trade payables and other current liabilities, amounts due to related parties and obligations under finance lease, less Cash at banks.

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

28 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

29 SUBSEQUENT EVENTS

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

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

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

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

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

30 APPROVAL OF THE FINANCIAL STATEMENTS

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

Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

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

INDEX **Pages**

Building a better working world

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ARABIAN MILLS FOR FOOD PRODUCTS COMPANY
(FORMERLY: THE SECOND MILLING COMPANY)
(A SAUDI CLOSED JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of Arabian Mills for Food Products Company (formerly: The Second Milling Company) (A Saudi Closed Joint Stock Company) (the "Company"), which comprise the statement of financial position as of 31 December 2023, 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 material accounting policy information.

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

Basis of Opinion

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

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ARABIAN MILLS FOR FOOD PRODUCTS COMPANY
(FORMERLY: THE SECOND 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 SHAREHOLDERS OF ARABIAN MILLS FOR FOOD PRODUCTS COMPANY
(FORMERLY: THE SECOND MILLING COMPANY)
(A SAUDI CLOSED JOINT STOCK COMPANY) (continued)

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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.

for Ernst & Young Professional Services

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سجل تجاري ١٠١٠٣٨٣٨٢١
CR 1010383821

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

Riyadh: 16 Shawwal 1445H
(25 April 2024)

Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	31 December 2023 SR	31 December 2022 SR (restated note 32)	1 January 2022 SR (restated note 32)
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	6	**891,998,966**	902,420,758	751,018,567
Right-of-use assets	7	**258,940,787**	272,740,329	281,457,376
Intangible assets	8	**64,974,887**	68,269,768	9,223,146
Goodwill	9	**822,434,373**	822,434,373	-
TOTAL NON – CURRENT ASSETS		**2,038,349,013**	2,065,865,228	1,041,699,089
CURRENT ASSETS				
Inventories	10	**98,811,642**	119,789,717	142,329,459
Prepayments and other current assets	11	**15,085,039**	20,230,827	25,918,227
Amounts due from related parties	27	**5,326,600**	-	-
Accounts receivables	12	**6,340,418**	-	-
Cash and cash equivalents	13	**127,797,523**	573,850,801	327,160,287
TOTAL CURRENT ASSETS		**253,361,222**	713,871,345	495,407,973
TOTAL ASSETS		**2,291,710,235**	2,779,736,573	1,537,107,062
EQUITY AND LIABILITIES				
EQUITY				
Share capital	14	**513,150,060**	513,150,060	513,150,060
Statutory reserve	14	**50,849,137**	50,849,137	25,322,200
Merger deficit reserve	15	**-**	(658,833,406)	-
Retained earnings		**258,967,246**	713,789,029	620,361,146
TOTAL EQUITY		**822,966,443**	618,954,820	1,158,833,406
LIABILITIES				
NON-CURRENT LIABILITIES				
Non-current portion of lease liabilities	7	**270,539,457**	282,873,885	288,067,919
Long-term loans	16	**1,049,146,501**	1,475,542,820	-
Employees' defined benefit liabilities	17	**3,297,164**	800,464	300,727
TOTAL NON-CURRENT LIABILITIES		**1,322,983,122**	1,759,217,169	288,368,646
CURRENT LIABILITIES				
Accounts payables	18	**49,925,900**	55,703,699	40,039,558
Accrued expenses and other current liabilities	19	**19,630,782**	21,151,655	16,743,472
Short-term loans	16	**-**	272,406,173	-
Current portion of lease liabilities	7	**15,403,229**	15,286,502	15,286,502
Current portion of long-term loans		**27,500,000**	-	-
Interest payable on loans	16	**12,035,587**	16,215,681	-
Advances from customers	20	**16,143,078**	9,285,722	16,332,575
Zakat and income tax provision	21	**5,122,094**	11,515,152	1,502,903
TOTAL CURRENT LIABILITIES		**145,760,670**	401,564,584	89,905,010
TOTAL LIABILITIES		**1,468,743,792**	2,160,781,753	378,273,656
TOTAL EQUITY AND LIABILITIES		**2,291,710,235**	2,779,736,573	1,537,107,062

The attached notes 1 to 34 form an integral part of these financial statements.

Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	31 December 2023 *SR*	31 December 2022 SR
Revenue	22	**862,081,974**	902,807,545
Direct costs	23	**(446,573,893)**	(490,185,935)
GROSS PROFIT		**415,508,081**	412,621,610
EXPENSES			
Selling and distribution	24	**(30,808,624)**	(18,289,434)
General and administration	25	**(78,429,802)**	(105,244,996)
TOTAL EXPENSES		**(109,238,426)**	(123,534,430)
OPERATING PROFIT		**306,269,655**	289,087,180
Finance costs	26	**(121,710,870)**	(20,709,319)
Finance income	13	**17,005,000**	91,664
Other income		**3,884,454**	5,272,345
PROFIT BEFORE ZAKAT AND INCOME TAX		**205,448,239**	273,741,870
Zakat	21	**(5,169,127)**	(15,134,737)
Income tax	21	**-**	(3,337,767)
PROFIT FOR THE YEAR		**200,279,112**	255,269,366
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**200,279,112**	255,269,366
Earnings per share (EPS)			
Basic and diluted earnings per share for the year	28	**3.90**	4.97

The attached notes 1 to 34 form an integral part of these financial statements.

Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023

	Share Capital SR	Statutory reserve SR	Merger deficit reserve SR	Retained earnings SR	Total SR
Balance at 1 January 2022, as previously reported	513,150,060	25,322,200	-	636,898,624	1,175,370,884
Adjustment on correction of error (note 32)	-	-	-	(16,537,478)	(16,537,478)
Balance at 1 January 2022 (restated)	513,150,060	25,322,200	-	620,361,146	1,158,833,406
Profit for the year	-	-		255,269,366	255,269,366
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	255,269,366	255,269,366
Transfer to statutory reverse	-	25,526,937	-	(25,526,937)	-
Merger transaction (note 15)	-	-	(658,833,406)	(136,314,546)	(795,147,952)
Balance at 31 December 2022 (restated)	513,150,060	50,849,137	(658,833,406)	713,789,029	618,954,820
Balance at 1 January 2023	**513,150,060**	**50,849,137**	**(658,833,406)**	**713,789,029**	**618,954,820**
Profit for the year	-	-	-	200,279,112	**200,279,112**
Other comprehensive income	-	-	-	-	**-**
Total comprehensive income for the year	-	-	-	200,279,112	**200,279,112**
Settlement of merger reserve	-	-	658,833,406	(658,833,406)	**-**
Income tax reimbursed by shareholders (note 27)	-	-	-	3,732,511	**3,732,511**
Balance at 31 December 2023	**513,150,060**	**50,849,137**	**-**	**258,967,246**	**822,966,443**

The attached notes 1 to 34 form an integral part of these financial statements.

Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	Notes	2023 SR	2022 SR
OPERATING ACTIVITIES			
Profit before zakat and income tax		**205,448,239**	273,741,870
Adjustments to reconcile profit before zakat and income tax to net cash flows:			
Depreciation on property, plant and equipment	6	**55,977,113**	50,574,060
Depreciation of right-of-use assets	7	**13,799,542**	8,717,047
Loss on disposal of property, plant and equipment		**-**	292,414
Amortisation of intangible assets	8	**3,080,693**	2,515,306
Write-off of intangible assets		**214,188**	-
Interest cost on lease liabilities	26	**3,185,528**	10,092,468
Interest cost on long-term loan	26	**116,781,115**	10,616,851
Amortisation of transaction costs on loans	26	**1,744,227**	-
Finance income		**(17,005,000)**	(91,664)
Reversal of provision for slow moving inventories	10	**(13,220,391)**	-
Provision for employees' defined benefit liabilities	17	**2,774,291**	499,737
		372,779,545	356,958,089
Changes in operating assets and liabilities:			
Inventories		**8,362,733**	22,539,742
Prepayments and other current assets		**5,145,788**	5,409,969
Amounts due from a related party		**(1,594,089)**	(53,856,780)
Accounts receivables		**(6,340,418)**	-
Accounts payables		**(5,777,799)**	25,120,200
Accrued expenses and other current liabilities		**(1,520,873)**	4,408,183
Advances from customers		**6,857,356**	(7,046,853)
Net cash from operations		**377,912,243**	353,532,550
Zakat and income tax paid	21	**(11,562,185)**	(8,460,255)
Employees' defined benefit liabilities paid		**(277,591)**	-
Net cash flows from operating activities		**366,072,467**	345,072,295
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	**(19,719,588)**	(72,013,915)
Purchase of intangible assets	8	**-**	(880,893)
Finance income received		**17,005,000**	369,095
Net cash used in investing activities		**(2,714,588)**	(72,525,713)
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	7	**(12,217,701)**	(5,194,034)
Finance costs paid for loans and lease liability		**(124,146,737)**	(20,709,319)
Repayment of short term and long-term loans		**(673,046,719)**	-
Net cash used in financing activities		**(809,411,157)**	(25,903,353)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(446,053,278)**	246,643,229
Cash and cash equivalents at the beginning of the year		**573,850,801**	327,160,287
Cash and cash equivalents transferred from merger transaction	15	**-**	47,285
Cash and cash equivalents at the end of the year		**127,797,523**	573,850,801

Non-cash transactions: For the year ended 31 December 2023, there has been reclassification between property, plant and equipment and inventories amounting SR 25,835,733. For the year ended 31 December 2022, assets and liabilities related to the former Parent Company merged with the Company during the year have excluded from the above cashflows, amounting SR 663.18 million, as they do not involve movement of cash. Please refer to note 15 for further details.

The attached notes 1 to 34 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2023

1 CORPORATE INFORMATION

Arabian Mills for Food Products Company (formerly: The Second Milling Company) (the "Company") is a Saudi Closed Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010465464 dated 10 Safar 1438H (corresponding to 10 November 2016).

The national address of the Company is Building no. 5252, Jabal Abu Zawalah Street, Al Manakh District, PO Box 6868, Riyadh 14313, Kingdom of Saudi Arabia.

On 6 Jumada Al-Ula 1445H (corresponding to 20 November 2023), the shareholders of the Company resolved to change the name of the Company to Arabian Mills for Food Products Company. Legal formalities have been completed in this regard.

The Company's licensed activities include Packing and grinding wheat, packing and grinding grits, semolina, and bulgur, manufacture of concentrated feed for animals, manufacture of livestock feed, wholesale of bakery products, trade of specialty and healthy foods, land transportation of goods, storage in ports and customs or free zones, and integrated office administrative services activities.

The Company was formed by the Public Investment Fund (the "Former Owner") pursuant to the resolution of the Council of Ministers no. (35) of 27 Muharram 1437H (corresponding to 9 November 2015) approving the adoption of the necessary actions to establish four Joint Stock Flour Milling Companies according to the proposed geographical distribution. The Public Investment Fund, in coordination with the General Food Security Authority ("GFSA") (formerly Saudi Grains Organization ("SAGO")), completed so in accordance with Royal Decree no. 62 dated 4 Shawwal 1435H (corresponding to 31 July 2014).

On 17 Shawwal 1441H (corresponding to 9 June 2020), a Cabinet decision was issued to transfer the ownership of the Company to the National Center for Privatization and the National Center for Privatization shall carry out the tasks assigned to the Public Investment Fund by Cabinet Resolution no. (118) dated Safar 21 1440H (corresponding to 30 October 2018).

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

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

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

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

1 CORPORATE INFORMATION (continued)

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)	10 Safar 1438H (corresponding to 10 November 2016)	1010465464
Riyadh	27 Jumada Al-Akhirah 1438H (corresponding to 26 March 2017)	1010469375
Jazzan	27 Jumada Al-Akhirah 1438H (corresponding to 26 March 2017)	5900036083
Hail	27 Jumada Al- Akhirah 1438H (corresponding to 26 March 2017)	3350044599

2 BASIS OF PREPARATION

Statement of compliance

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

Basis of measurement

These financial statements are prepared under the historical cost convention, using the accrual basis of accounting except for employees' defined benefit liabilities which is recognised at the present value of future obligations using the projected unit credit method. These financial statements are presented in Saudi Riyals ("SR") which is the functional and presentation currency of the Company and rounded to the nearest Saudi Riyals (except when otherwise indicated).

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

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

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

3 MATERIAL ACCOUNTING POLICY INFORMATION

Current versus non-current classification

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

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

The Company classifies all other assets as non-current.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Current versus non-current classification (continued)

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.

Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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 statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

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

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

Computer software

Computer software licenses are capitalised on the basis of the costs incurred when specific software was purchased and configured for use. Amortisation is charged to the statement of profit or loss on a straight-line basis over the useful life of 15 years.

Brand

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

Property, plant and equipment

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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	25 years	Furniture and fittings	6.67 - 10 years
Plant and machinery	10 - 25 years	Motor Vehicles	5 years
Computer equipment	3 years	Capital spares	15 years

Depreciation of plant is calculated on the useful lives of the components of the principal asset. Certain inventories meeting the definition of property, plant and equipments are also depreciation on the useful lives of particular component.

The Company reviews the estimated residual values and expected useful lives of assets at least annually.

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

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

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

Leases
The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the year on which the event or condition that triggers the payment occurs.

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

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

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

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments – initial recognition and subsequent measurement

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

Financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

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

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

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

The Company's financial assets at amortised cost includes bank balances, accounts receivables, amounts due from related parties and other receivables.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

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

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

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

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

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

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

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

The Company considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial liabilities

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

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

The Company's financial liabilities include accounts payables, short-term loans, long-term loans and lease liabilities.

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

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

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

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

Offsetting a financial asset and a financial liability

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

Cash and cash equivalents

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

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Inventories
Cost is determined as follows:

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

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

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

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project 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.

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 unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment of non-financial assets (continued)
Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Employees' benefits

Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare, child education allowance, furniture allowance that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position under accrued and other expenses.

Employees' defined contribution plan
The Company has defined 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 contribution paid during the year amounts to SR 2.36 million (2022: SR 3.55 million).

Employees' defined benefit liabilities
The Company operates a non-funded employee end-of-service benefit plan, which is classified as defined benefit obligation under IAS 19 'Employee Benefits'. A defined benefit plan is a plan which is not a defined contribution plan. The liability recognised in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets at that date. The defined benefit liabilities is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit liabilities is determined by discounting estimated future cash outflows using market yields at the end of the reporting period of high quality corporate bonds that have terms to maturity approximating to the estimated term of the post-employment benefit obligations.

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

Past service costs are recognised in statement of profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Company recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit liabilities under 'direct costs', 'general and administration expenses' and 'selling and distribution expenses' in the statement of profit or loss (by function):

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue from contracts with customers
The Company is involved in manufacturing of flour, feed and bran (by-product). The revenue is recognised when control of the goods are transferred to the customer, which is the time when these are dispatched from the warehouse of the Company or the goods are delivered to the customer, as the case may be. The revenue is recognised at an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods or services. Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on dispatch or delivery of the goods. Revenue from loading service of goods to the customers is recorded under “Other income”.

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.

Majority of the customer sales are on cash or advance basis. The normal credit term is 30 to 60 days upon delivery.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price, the Company considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the customer (if any).

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

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

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

Non-cash consideration
Generally, there is no non-cash consideration against the sale of goods.

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 assets are subject to impairment assessment.

Trade receivables
A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue from contracts with customers (continued)

Contract balances (continued)

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.

Assets and liabilities arising from rights of return

Right of return assets
A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Company updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

Refund liabilities
A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Company's refund liabilities arise from customers' right of return and volume rebates. The liability is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

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

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

Zakat and taxes

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

Income tax
Non-GCC shareholders are subject to income taxes. The current income tax provision is calculated in accordance with the income tax regulations issued or effective at the end of the financial period in Kingdom of Saudi Arabia. Management periodically evaluates the positions taken in tax returns regarding cases in which the applicable tax regulations are subject to interpretation. It makes a provision, where appropriate, based on amounts expected to be paid to the tax authorities. As of reporting date, there is no non-GCC shareholder of the Company and hence no income tax has been recorded during the year.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Zakat and taxes (continued)

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

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

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

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

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

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

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

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

New and amended standards and interpretations
The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

New and amended standards and interpretations (continued)

IFRS 17 Insurance Contracts
IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Company's financial statements.

Definition of Accounting Estimates - Amendments to IAS 8
The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Company's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Company's financial statements.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12
The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023. The amendments had no impact on the Company's financial statements as the Company is not in scope of the Pillar Two model rules.

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

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed. The amendments are not expected to have a material impact on the Company's financial statements.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but it is required to be disclosed. The amendments are not expected to have a material impact on the Company's financial statements.

Climate-related matters
The Company considers climate-related matters in estimates and assumptions, where appropriate. This assessment includes a wide range of possible impacts on the Company due to both physical and transition risks. Even though the Company believes its business model and products will still be viable, climate-related matters increase the uncertainty in estimates and assumptions underpinning several items in the financial statements. Even though climate-related risks might not currently have a significant impact on measurement, the Company is closely monitoring relevant changes and developments.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Determining the lease term of contracts with renewal and termination options – Company as lessee

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 lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. 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 or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Company did not include the renewal period as part of the lease term for leases of silos and land as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Estimates and assumptions

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

Determining lease term for leases with termination option — Company as lessee

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

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

Estimated useful lives of property, plant and equipment

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

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Provision for expected credit losses ("ECL") of trade receivables and amounts due from related parties
The Company uses a provision matrix to calculate ECLs for trade receivables and amounts due from related parties. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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.

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

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

Zakat
Zakat has been computed based on the management's understanding and interpretation of the zakat regulations enforced in the Kingdom of Saudi Arabia. Zakat, Tax and Customs Authority ("ZATCA") continues to issue circulars to clarify certain zakat tax regulations which are usually enforced on all open years. Zakat provision as computed by the management could be different from zakat liability as assessed by the ZATCA for years for which assessments have not yet been raised by the ZATCA.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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

Employees' defined benefit plans
The cost of the employees' defined benefit liabilities 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.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

5 SEGMENT INFORMATION

The operations of the Company are mainly in the Kingdom of Saudi Arabia in three branches: Riyadh, Hail and Jazzan. For management reporting purpose, the Company is organized into these business units which are identified as reportable segments. No operating segments have been aggregated to form the above reportable operating segments.

Chief Executive Officer ("CEO") is the Chief Operating Decision Maker ("CODM") who 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 profit or loss and is measured consistently in the financial statements. Also, the Company's financing (including finance costs related to loans and finance income) and zakat are managed on a head office level and are not allocated to operating segments. All reportable segments have similar type of products. There are no inter-segment transfers during the year (2022: same).

The selected financial information for these segments is as follows:

For the year ended 31 December 2023	Riyadh SR	Jazzan SR	Hail SR	Head office SR	Total segments SR
Revenue	570,963,870	142,552,523	148,565,581	-	**862,081,974**
Materials consumed	(204,103,468)	(52,665,380)	(54,551,962)	-	**(311,320,810)**
Employees' costs	(27,748,648)	(15,581,412)	(17,726,589)	(24,233,294)	**(85,289,943)**
Depreciation and amortisation	(30,661,907)	(23,342,330)	(15,385,156)	(3,467,955)	**(72,857,348)**
Board and committees' expenses, rewards, and allowances	-	-	-	(4,509,037)	**(4,509,037)**
Finance costs	(1,065,467)	(1,116,113)	(1,003,948)	(118,525,342)	**(121,710,870)**
Finance income	-	-	-	17,005,000	**17,005,000**
Other expenses	(16,213,897)	(10,706,372)	(19,600,846)	(35,314,066)	**(81,835,181)**
Other income	1,966,993	353,865	1,129,318	434,278	**3,884,454**
Segment profit (loss) before zakat and income tax	**293,137,476**	**39,494,781**	**41,426,398**	**(168,610,416)**	**205,448,239**

5 SEGMENT INFORMATION (continued)

For the year ended 31 December 2022	Riyadh SR	Jazzan SR	Hail SR	Head office SR	Total segments SR
Revenue	575,831,975	147,402,775	179,572,795	-	902,807,545
Materials consumed	(200,461,619)	(47,588,478)	(89,011,727)	-	(337,061,824)
Employee benefits expenses	(27,793,040)	(17,979,338)	(22,542,945)	(25,310,124)	(93,625,447)
Depreciation and amortisation	(24,647,577)	(21,260,635)	(12,848,458)	(3,049,743)	(61,806,413)
Board and committees' expenses, rewards, and allowances	-	-	-	-	-
Finance costs	(3,462,240)	(3,613,128)	(3,008,899)	(10,625,052)	(20,709,319)
Finance income	-	-	-	91,664	91,664
Other expenses	(26,502,615)	(15,375,373)	(19,079,811)	(60,268,882)	(121,226,681)
Other income	2,521,136	1,123,045	1,532,175	95,989	5,272,345
Segment profit (loss) before zakat and income tax	295,486,020	42,708,868	34,613,130	(99,066,148)	273,741,870

As of 31 December 2023	Riyadh SR	Jazzan SR	Hail SR	Head office SR	Total segments SR
Total assets	**560,103,724**	**478,640,042**	**298,443,794**	**954,522,675**	**2,291,710,235**
Total liabilities	**136,476,384**	**118,459,758**	**108,575,690**	**1,105,231,960**	**1,468,743,792**
Other disclosures:					
Property, plant and equipment	379,005,999	339,962,312	171,399,742	1,630,913	**891,998,966**
Capital expenditure	6,007,892	7,917,707	4,821,064	972,925	**19,719,588**
Right of use assets	88,587,815	91,782,607	78,570,365	-	**258,940,787**
Goodwill	-	-	-	822,434,373	**822,434,373**
Inventories	49,626,998	23,970,556	25,140,867	73,221	**98,811,642**

As of 31 December 2022 (restated)	Riyadh SR	Jazzan SR	Hail SR	Head office SR	Total segments SR
Total assets	546,591,146	492,897,940	278,167,433	1,462,080,054	2,779,736,573
Total liabilities	150,167,537	130,892,152	110,624,987	1,769,097,077	2,160,781,753
Other disclosures:					
Property, plant and equipment	387,253,096	346,952,563	166,955,663	1,259,436	902,420,758
Capital expenditure	64,381,915	1,946,214	4,902,517	783,269	72,013,915
Right of use assets	93,046,987	97,650,436	82,042,906	-	272,740,329
Goodwill	-	-	-	822,434,373	822,434,373
Inventories	53,353,569	27,510,283	38,925,865	-	119,789,717

As of 1 January 2022 (restated)	Riyadh SR	Jazzan SR	Hail SR	Head office SR	Total segments SR
Total assets	430,571,654	502,924,563	263,772,565	339,838,280	1,537,107,062
Total liabilities	142,355,564	121,765,262	109,301,403	4,851,427	378,273,656
Other disclosures:					
Property, plant and equipment	238,268,210	367,479,707	148,358,773	1,263,459	755,370,149
Right of use assets	96,022,106	100,729,102	84,706,168	-	281,457,376
Inventories	84,119,761	30,367,074	27,842,624	-	142,329,459

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings SR	Plant and equipment SR	Capital spares SR	Furniture and fittings SR	Computer equipment SR	Motor vehicles SR	Capital work in progress SR	Total SR
Cost								
At 1 January 2022	266,072,340	580,058,313	-	9,177,427	2,890,725	8,123,430	62,227,432	**928,549,667**
Additions during the year	5,038,973	40,830,866	-	608,986	622,764	1,015,948	23,896,378	**72,013,915**
Disposal during the year	-	-	-	-	-	(144,400)	-	**(144,400)**
Written-off during the year	-	-	-	-	-	-	(174,500)	**(174,500)**
Merger transaction (note 15)	73,741,522	53,879,310	-	(333,559)	442,507	2,524,970	-	**130,254,750**
Transfers	3,177,531	49,150,281	-	144,000	-	-	(52,471,812)	-
At 31 December 2022	348,030,366	723,918,770	-	9,596,854	3,955,996	11,519,948	33,477,498	**1,130,499,432**
Addition during the year	544,369	5,001,160	849,519	1,075,965	693,548	1,445,001	10,110,026	**19,719,588**
Reclassified from inventories	-	-	28,047,118	-	-	-	-	**28,047,118**
Transfers	20,996,415	15,915,288	-	344,275	-	-	(37,255,978)	-
At 31 December 2023	**369,571,150**	**744,835,218**	**28,896,637**	**11,017,094**	**4,649,544**	**12,964,949**	**6,331,546**	**1,178,266,138**
Accumulated depreciation								
At 1 January 2022, as previously reported	33,181,527	120,493,705	-	2,762,254	1,974,616	2,581,520	-	**160,993,622**
Restatement (note 32)	16,537,478	-	-	-	-	-	-	**16,537,478**
At 1 January 2022 (restated)	49,719,005	120,493,705	-	2,762,254	1,974,616	2,581,520	-	**177,531,100**
Charge for the year	11,961,575	33,965,934	-	1,090,989	1,197,008	2,358,554	-	**50,574,060**
Disposals during the year	-	-	-	-	-	(26,486)	-	**(26,486)**
At 31 December 2022 (restated)	61,680,580	154,459,639	-	3,853,243	3,171,624	4,913,588	-	**228,078,674**
Charge for the year	13,395,163	37,253,857	1,509,598	893,540	407,549	2,517,406	-	**55,977,113**
Reclassified from inventories	-	-	2,211,385	-	-	-	-	**2,211,385**
At 31 December 2023	**75,075,743**	**191,713,496**	**3,720,983**	**4,746,783**	**3,579,173**	**7,430,994**	-	**286,267,172**
Net book value								
At 31 December 2023	**294,495,407**	**553,121,722**	**25,175,654**	**6,270,311**	**1,070,371**	**5,533,955**	**6,331,546**	**891,998,966**
At 31 December 2022	286,349,786	569,459,131	-	5,743,611	784,372	6,606,360	33,477,498	902,420,758
At 1 January 2022 (restated)	216,353,335	459,564,608	-	6,415,173	916,109	5,541,910	62,227,432	751,018,567

6 PROPERTY, PLANT AND EQUIPMENT (continued)

(*) Buildings are built on land leased from the General Food Security Authority ("GFSA") (formerly Saudi Grains Organization) with an annual rental value of SR 3,017,456 (which is increasing at the rate of 5% after every 3 years). The initial term of the land lease is 25 calendar years commencing from 3 Rabi Al-Thani 1438H (corresponding to 1 January 2017), which was adjusted in 2021 to match with the duration of flour milling license (i.e. 30 November 2046). The lease is renewable automatically subject to renewal of Company's milling license.

(**) Capital work in progress as of 31 December 2023 mainly consists of the following projects:

- Project of completion of safety works in Hail.
- Construction of spare parts warehouse in Jizan.
- Establishing parking for forklifts and charging station in Jizan.

The expected completion date of this is by end of 2024 and the related capital commitments amounts to SR 0.4 million (2022: SR 5.07 million).

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

	2023 SR	2022 SR
Direct costs (note 23)	**55,478,969**	48,367,792
General and administration expenses (note 25)	**207,037**	1,934,494
Selling and marketing expenses (note 24)	**291,107**	271,774
	55,977,113	50,574,060

Currently, there is no temporary idle asset (2022: none). Assets with cost amounting SR 2.22 million have been fully depreciated as of the year-end (2022: SR 2 million).

Disposals of property, plant and equipment
In 2022, the Company has disposed-off motor vehicles with a total net carrying amount of SR 117,914 for a cash consideration of SR 119,380. The net gains on these disposals were recognised as part of other income in the statement of profit or loss. Further, the Company has written off capital work-in-progress, which pertains to advance payment to supplier for a discontinued work.

7 RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Company entered into a lease agreement with the General Food Security Authority ("GFSA") (formerly Saudi Grains Organization ("SAGO")) for the rental of silos for the purpose of storing wheat, flour, and feed. The term of the lease is 25 calendar years commencing from 3 Rabi Al-Thani 1438H (corresponding to 1 January 2017), which was adjusted in December 2021 to match with the duration of flour milling license upto 30 November 2046 and is renewable automatically subject to renewal of Company's milling license. The estimated useful lives of leased assets for amortising right of use assets purposes are 25 years.

The Company has entered into land leases for business units. The initial term of the land lease is 25 calendar years commencing from 3 Rabi Al-Thani 1438H (corresponding to 1 January 2017), which was adjusted in 2021 to match with the duration of flour milling license (i.e. 30 November 2046). These leases do not transfer ownership of the assets to the lessor at the end of the lease. The estimated useful lives of right-of-use assets are 25 years from December 2021 and ending on 30 November 2046.

The legal ownership of the right of use assets are retained with the lessor. Generally, the Company is restricted from assigning and subleasing the leased assets.

The Company also has certain leases of motor vehicles with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

7 RIGHT OF USE ASSETS AND LEASE LIABILITIES (continued)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Silos SR	**Lands** SR	**Total** SR
Cost			
At 1 January 2022	168,958,420	45,050,345	214,008,765
Lease reassessment (note 32)	83,016,591	24,099,836	107,116,427
At 1 January 2022 (restated)	251,975,011	69,150,181	321,125,192
Additions in year 2022 and 2023	-	-	-
At 31 December 2023	**251,975,011**	**69,150,181**	**321,125,192**
Accumulated depreciation			
At 1 January 2022	(33,791,684)	(5,876,132)	(39,667,816)
Charge for the year	(6,758,336)	(1,958,711)	(8,717,047)
At 31 December 2022	(40,550,020)	(7,834,843)	(48,384,863)
Charge for the year	(10,696,329)	(3,103,213)	(13,799,542)
At 31 December 2023	**(51,246,349)**	**(10,938,056)**	**(62,184,405)**
Net book Value			
At 31 December 2023	**200,728,662**	**58,212,125**	**258,940,787**
At 31 December 2022 (restated)	211,424,991	61,315,338	272,740,329
At 1 January 2022 (restated)	218,183,327	63,274,049	281,457,376

Depreciation charge for the year was fully charged to direct costs (note 23).

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2023 SR	2022 SR (restated, note 32)
At the beginning of the year	**298,160,387**	303,354,421
Accretion of interest	**3,185,528**	10,092,468
Payments during the year	**(15,403,229)**	(15,286,502)
At the end of the year	**285,942,686**	298,160,387

Bifurcated into:	31 December 2023 SR	31 December 2022 SR (restated)	1 January 2022 SR (restated)
Current	**15,403,229**	15,286,502	15,286,502
Non-current	**270,539,457**	282,873,885	288,067,919
	285,942,686	298,160,387	303,354,421

Following are the amounts recognised in statement of profit or loss:

	2023 SR	2022 SR
Depreciation expense of right-of-use assets	**13,799,542**	8,717,047
Interest expense on lease liabilities	**3,185,528**	10,092,468
Expense relating to short-term leases (included in direct costs)	**418,910**	405,930
	17,403,980	19,215,445

7 RIGHT OF USE ASSETS AND LEASE LIABILITIES (continued)

	31 December 2023 SR	31 December 2022 SR (restated)	1 January 2022 SR (restated)
Future minimum lease payments	**365,582,740**	380,985,969	396,273,325
Less: unamortised finance charges	**(79,640,054)**	(82,825,582)	(92,918,904)
Present value of minimum lease payments	**285,942,686**	298,160,387	303,354,421
Less: current portion of lease payments	**(15,403,229)**	(15,286,502)	(15,286,502)
Non-current portion of lease payments	**270,539,457**	282,873,885	288,067,919

8 INTANGIBLE ASSETS

	Software SR	Software under development SR	Brand SR	Total SR
Cost				
At 1 January 2022	587,100	8,920,893	-	9,507,993
Additions during the year	-	880,893	-	880,893
Merger transaction (note 15)	-	-	60,681,035	60,681,035
At 31 December 2022	587,100	9,801,786	60,681,035	71,069,921
Write-off	(587,100)	-	-	(587,100)
Transfer	9,801,786	(9,801,786)	-	-
At 31 December 2023	**9,801,786**	**-**	**60,681,035**	**70,482,821**
Accumulated amortisation				
At 1 January 2022	284,847	-	-	284,847
Charge for the year	88,065	-	2,427,241	2,515,306
At 31 December 2022	**372,912**	-	**2,427,241**	2,800,153
Charge for the year	653,452	-	2,427,241	3,080,693
Write-off	(372,912)	-	-	(372,912)
At 31 December 2023	**653,452**	-	**4,854,482**	**5,507,934**
Net book value				
At 31 December 2023	**9,148,334**	**-**	**55,826,553**	**64,974,887**
At 31 December 2022	214,188	9,801,786	58,253,794	68,269,768
At 1 January 2022	302,253	8,920,893	-	9,223,146

Amortisation charge has been allocated as below:

	2023 SR	2022 SR
Selling and marketing expenses (note 24)	**2,427,241**	2,427,241
General and administration expenses (note 25)	**653,452**	88,065
	3,080,693	2,515,306

Software under development relates to SAP ERP, which went live at the beginning of year 2023. At the reporting date, remaining useful life of brand and software is 23 years and 14 years respectively.

9 GOODWILL

Pursuant to privatization program by the General Food Security Authority ("GFSA") (formerly: Saudi Arabian Grain Organization), the former Parent Company entered into an agreement with National Centre for Privatization & PPP on 30 November 2021 to acquire 100% equity stake in the Company.

The former Parent Company paid a consideration of SR 2.15 billion to acquire the Company with book value of net assets of SR 1,140.55 million. The former Parent Company completed the purchase price allocation ("PPA") to net assets within a measurement period of one year after the date of acquisition in which the former Parent Company identify and measure the identifiable assets and liabilities assumed as of the acquisition date in accordance with the requirements of IFRS 3 Business Combination. Following adjustment has been recorded by the former Parent Company:

	SR
Fair value of consideration paid	**2,153,922,719**
Book value of net assets of the subsidiary (refer below)	**(1,140,552,561)**
Net uplift in property, plant and equipment (note 6)	**(130,254,750)**
Recognition of intangible asset (note 8)	**(60,681,035)**
GOODWILL	**822,434,373**

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

	SR
Property, plant and equipment and right of use assets	**924,895,382**
Intangible assets	**9,230,582**
Inventories	**140,075,850**
Prepayments and other current assets	**27,485,934**
Bank balances	**299,586,415**
Lease liabilities	**(195,373,997)**
Trade payables and other current liabilities	**(36,247,704)**
Amounts due to related parties	**(15,502,365)**
Advances from customers	**(13,597,536)**
	1,140,552,561

Goodwill is assessed for impairment at Company level. The Company has performed its impairment test for goodwill on 31 December 2023. The recoverable amount of all the CGUs is ranging from SR 1,938.8 million to SR 2,279.6 million as at 31 December 2023 (2022: SR 1,782 million) has been determined based on a value-in-use calculation using cash flow projections from financial budgets reviewed by senior management covering a five-year period. The post-zakat discount rate applied to cash flow projections is between 11.5% to 12.5%. As at 31 December 2023, the value-in-use of the CGUs was higher than the net assets value of the Company, indicating no impairment of goodwill.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions
The calculation of value in use is most sensitive to the following assumptions:

Earning before interest, tax and depreciation (EBITDA)
EBITDA based on average values achieved in the three years preceding the beginning of the budget period. EBITDA of the CGU were 36.1% (2022: 39.5%). These have been kept consistent over the budget period. Demand is consistent for the food product. Decreased demand can lead to a decline in the gross margin. A decrease in the gross margin by 13.4% would result in impairment.

9 GOODWILL (continued)

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

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

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

A rise in the pre-tax discount rate to 18% (i.e., +6%) would result in impairment.

Growth rates estimates
Rates are based on detailed value creation plan with external consultant reflecting the market growth and the projection of the subsidiary for coming years. As management does not expect new competing entrant in market in the coming 10 years, management build the growth plan based on the value creation plan focusing on key enablers to gain market share in retails segment while expanding the base by on-boarding new industrial consumer.

Terminal value is estimated at SR 3,420 million to SR 3,800 million is terminal growth rate is 2.5%.

Climate-related matters
While the Company does not believe its operations are currently significantly exposed to physical risk, the value-in-use may be impacted in several different ways by transition risk, such as climate-related legislation, climate-related regulations and changes in demand for the Company's products. The Company has concluded that no single climate-related assumption is a key assumption for the 2023 test of goodwill.

Sensitivity analysis

Assumptions used	**Fluctuation to cause impairment**
Earning before interest, tax and depreciation	-13.4%
Discount rate	+6%

10 INVENTORIES

	31 December 2023 SR	31 December 2022 SR	1 January 2022 SR
Spare parts	**73,150,421**	94,428,494	95,329,739
Raw materials	**29,128,750**	38,973,689	37,760,561
Finished goods *	**8,180,488**	9,163,114	4,374,157
Other inventories	**1,344,155**	1,100,818	1,590,205
Goods in transit	**-**	4,547,550	31,698,745
Less: allowance for slow moving inventory	**(12,992,172)**	(28,423,948)	(28,423,948)
	98,811,642	119,789,717	142,329,459

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

10 INVENTORIES (continued)

Movement in allowance for slow moving inventories

	31 December 2023 SR	31 December 2022 SR
At the beginning of the year	**28,423,948**	28,423,948
Reclassified to property, plant and equipment	**(2,211,385)**	-
Reversal for the year	**(13,220,391)**	-
At the end of the year	**12,992,172**	28,423,948

11 PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2023 SR	31 December 2022 SR	1 January 2022 SR
Advances to suppliers	**3,400,735**	1,309,729	35,360
Margin on letters of credit	**3,260,441**	6,649,071	20,059,476
Prepayments	**2,339,366**	1,486,484	1,974,336
Margin on letters of guarantee	**2,187,976**	2,187,976	2,187,976
Other receivables	**3,896,521**	108,352	1,220,907
VAT receivable	**-**	8,489,215	440,172
	15,085,039	20,230,827	25,918,227

12 ACCOUNTS RECEIVABLES

Accounts receivables are non-interest bearing and are generally on terms of 30 to 60 days. Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. For certain customers, It is the practice of the Company to obtain promissory note over receivables. Refer to note 30 on credit risk of accounts receivable, which explains how the Company manages and measures credit quality of accounts receivables that they are neither past due nor impaired.

13 CASH AND CASH EQUIVALENTS

	31 December 2023 SR	31 December 2022 SR	1 January 2022 SR
Cash at banks	**127,797,523**	573,850,801	277,160,287
Short-term deposits *	**-**	-	50,000,000
	127,797,523	573,850,801	327,160,287

(*) Short-term deposits are deposited into a commercial bank for varying periods of between one day and three months, depending on the immediate cash requirements of the Company and earns interest at floating rate based on effective interest rate of 5.66%.

14 SHARE CAPITAL AND RESERVES

The Company's authorised, issued and paid-up share capital is divided into 51,315,006 shares of SR 10 each (31 December 2022: 51,315,006 shares), held as follows:

	2023 SR	2022 SR	2023 Percentage	2022 Percentage
Abdulaziz Alajlan Sons Co. for Commercial and Real Estate Investment	**257,232,540**	230,917,527	**50.13%**	45%
Sulaiman Abdulaziz Alrajhi International Company	**179,602,520**	179,602,521	**35%**	35%
National Agriculture Development Company (NADEC)	**76,315,000**	51,315,006	**14.87%**	10%
Olam International Limited	-	51,315,006	-	10%
	513,150,060	513,150,060	**100.00%**	100.00%

On 27 Jumada Al-Ula 1444H (corresponding to 21 December 2022), Olam International Limited transferred its 10% shareholding to Abdulaziz Al-Ajlan Sons for Commercial and Real Estate Investment and National Agriculture Development Company (NADEC). Legal formalities have been completed in this regard by the Company.

Statutory reserve

On 21 Rabi Al-Thani 1445H (corresponding to 5 November 2023), the Company's General Assembly approved amending the Company's bylaws to comply with the new Companies' Law, issued on 1 Duh Al-Hijjah 1443H (corresponding to 30 June 2022) ("the law"), to remove the article of the bylaws related to Company's statutory reserve. Based on this amendment, the Company is currently studying and reviewing the balance of statutory reserve, and it will be raised to the Company's General Assembly with the recommendations.

15 MERGER TRANSACTION

Effective 6 Jumada Al-Ula 1444H (corresponding to 30 November 2022), the Company completed a statutory merger with its former Parent Company which resulted in the Company being the surviving entity. By virtue of this merger, all of the former Parent Company's assets and liabilities have been transferred to the Company. The Company has not applied IFRS 3 "Business Combinations" as the merger has not resulted in any change to the economic substance of the reporting group and has been affected between companies under common control.

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

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

15 MERGER TRANSACTION (continued)

Break-up of net assets as stated in the former Parent Company's financial statements that were transferred to the Company at the time of merger (30 November 2022) were as follows:

	SR
Property, plant and equipment	**130,254,750**
Intangible assets	**60,681,035**
Goodwill	**822,434,373**
Bank balances	**47,285**
Loans	**(1,748,244,714)**
Trade payables and other current liabilities	**(6,463,901)**
Amounts due to related parties	**(53,856,780)**
Accumulates losses*	**136,314,546**
Net assets of the former Parent Company (restated)	**(658,833,406)**

*** Movement in accumulated losses of former Parent Company**	
Accumulated losses as of 1 January 2022	81,613,438
Finance cost from 1 January 2022 till date of merger	53,825,736
Other expenses	875,372
Accumulated losses as of date of merger	**136,314,546**

On 21 Rabi Al-Thani 1445H (corresponding to 5 November 2023), shareholders of the Company have resolved to adjust merger deficit reserve with retained earnings.

16 LONG-TERM AND SHORT-TERM LOANS

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

- An amount of SR 1,500 million long-term Murabaha loan with maturity period of 18 years as of date of loan agreement, with a grace period of 24 months, repayable in 32 semi-annual installments ending on 31 December 2039, with a return rate based on SAIBOR and a bank margin. During the current year, the Company made an early payment of SR 400 million, which was not scheduled as per repayment schedule.

- An amount of SR 273 million against short-term Murabaha facilities for 12 months. The loan has been repaid during the current year.

31 December 2023

	Short-term loan			*Long-term loan*	***Total loans***
	Cash bridge Loan Facility 1	*Cash bridge Loan Facility 2*	*Total*	*Acquisition Loan Facility*	
Maturity date	29 October 2023	29 October 2023		31 December 2039	
Principle loan payable	-	-	-	1,100,000,000	**1,100,000,000**
Interest loan payable	-	-	-	12,035,587	**12,035,587**
Unamortised finance costs	-	-	-	(23,353,499)	**(23,353,499)**
Total	-	-	-	1,088,682,088	**1,088,682,088**

16 LONG-TERM AND SHORT-TERM LOANS (continued)

31 December 2022

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

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

	31 December 2023 SR	31 December 2022 SR
Non-current portion of long-term loans	**1,049,146,501**	1,475,542,820
Current portion of long-term loans	**27,500,000**	-
Short-term loans	**-**	272,406,173
Interest payable on loans	**12,035,587**	16,215,681
	1,088,682,088	1,764,164,674

During the current year, transaction cost of SR 1,744,227 has been amortised and released to statement of profit or loss. Effective interest rate on the loan is 6.97% during the year.

Both long-term and short-term loan facilities involves several guarantees, including promissory notes, pledge over the Company's bank account including dividend receipt account, share pledge over the shares in the Company held by the shareholders including assignment of dividends and assignment of any shareholder loan from the shareholders to the Company, assignment / pledge of Company's rights under compensation and claims agreement, pledge over project accounts of the Company and pledge over insurance proceeds of the Company. Following the merger with the former Parent Company, both the loans are novated in the name of the Company.

17 EMPLOYEES' DEFINED BENEFIT LIABILITIES

The Company has defined benefit plan (unfunded), which is a final salary plan in Kingdom of Saudi Arabia and require to recognise the provision for employees' end-of-service benefits for the amounts payable at the statement of financial position date in accordance with the employees' contracts of employment applicable to employees' accumulated periods of service. In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its defined benefit liabilities in respect of employees' end-of-service benefits payable under relevant local regulations and contractual arrangements in the current year. Such calculation was not performed in the prior year as the impact was not significant.

Upto the time of acquisition of the Company by its former parent company in November 2021, all the employees of the Company were seconded from General Food Security Authority ("GFSA") (formerly Saudi Grains Organization ("SAGO")) and GFSA used to charge the cost of end of service benefits payable to seconded employees of the Company in accordance with the agreement made in that regard.

Main actuarial assumptions used to calculate the defined unfunded benefit liabilities are as follows:

	31 December 2023
Financial assumptions	
Discount rate	**5.30%**
Salary increase rate	**2.50%**
Demographic assumptions	
Attrition rate	**5% to 17%**
Mortality rate	**AMC00 / AFC00 Mortality Table**

Movement in employees' defined benefit liabilities were as follows:

	31 December 2023 SR	31 December 2022 SR
At the beginning of the year	**800,464**	300,727
Current service cost / charge for the year	**2,774,291**	499,737
Interest expense	**-**	-
Amount recognised in statement of profit or loss	**2,774,291**	499,737
Re-measurements		
Loss from change in financial assumptions	**-**	-
Actuarial loss	**-**	-
Amount recognised in other comprehensive income	**-**	-
Benefits paid during the year	**(277,591)**	-
At the end of the year	**3,297,164**	800,464

Sensitivity analysis

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. The same method has been applied for the sensitivity analysis as when calculating the recognised defined benefit liability.

17 EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

Sensitivity analysis (continued)

	31 December 2023 Liability SR
Salary growth rate	
1% increase	**(496,836)**
1% decrease	**442,164**
Discount rate	
1% increase	**427,164**
1% decrease	**(486,836)**

Following payments are expected against the defined benefit liability in future years:

	31 December 2023 SR
Within the next 12 months (next annual reporting period)	**43,000**
Between 2 and 5 years	**291,000**
After 5 years	**7,173,000**
	7,507,000

The average duration of the defined benefit plan obligation at the end of the reporting period is 15 years.

18 ACCOUNTS PAYABLES

Trade accounts payables are non-interest bearing and are normally settled on 60-day terms.

19 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	31 December 2023 SR	31 December 2022 SR	1 January 2022 SR
Accrued employees' costs	**13,287,436**	11,560,894	15,778,388
Accrued Board of Directors' rewards	**3,324,250**	-	-
Accrued rebates	**2,999,577**	-	-
Accrued fines	**-**	5,992,961	-
Other accruals	**19,519**	3,597,800	965,084
	19,630,782	21,151,655	16,743,472

20 ADVANCES FROM CUSTOMERS

These amounts represent short-term advances received from various customers against delivering goods in future period. The outstanding balances of these accounts increased in 2023 and 2022 due to the continuous increase in the Company's customer base. Out of the balance of advances outstanding as at 31 December 2022, SR 8,750,528 has been fully converted to revenue during the current year.

21 ZAKAT AND INCOME TAX

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

	31 December 2023 SR	31 December 2022 SR
Zakat expense	**5,169,127**	15,134,737
Current year expense	**5,169,127**	7,779,382
Charge in respect of prior year assessment	-	7,355,355
Income tax expense	-	3,337,767
	5,169,127	18,472,504

Zakat

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

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

	31 December 2023 SR	31 December 2022 SR
Additions to zakat base	**2,023,506,885**	2,467,135,140
Deductions from zakat base	**(2,108,649,891)**	(2,728,829,044)
	(85,143,006)	(261,693,904)
Zakat base	**(85,143,006)**	(261,693,904)
Zakatable income for Saudi shareholders	**207,998,266**	247,070,225
Zakat charge related to 100% (2022: 90%) Saudi shareholding	**5,169,127**	7,779,382

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

Income tax

Upto year ended 31 December 2022, the Company was subject to income tax at the rate of 20% of taxable income calculated in accordance with tax regulations enforced in the Kingdom of Saudi Arabia. Since there is no non-GCC shareholder in year 2023, no income tax has been charged. Current year income tax represents the prior year adjustment only.

	2022 SR
Accounting profit for the year	273,741,870
Adjustments for:	
Depreciation of property, plant and equipment	50,574,060
Loss on disposal of property, plant and equipment	292,414
Provision for employees' defined benefit liabilities	499,737
Depreciation of property, plant and equipment as per ZATCA rates	(158,219,751)
Taxable profit for the year	166,888,330
Non-Saudi shareholding	10%
Tax rate	20%
Income tax charge	3,337,767

21 ZAKAT AND INCOME TAX (continued)

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

	2023	*2022*
	SR	*SR*
At the beginning of the year	**11,515,152**	1,502,903
Provision for the year	**5,169,127**	18,472,504
Paid during the year	**(11,562,185)**	(8,460,255)
At the end of the year	**5,122,094**	11,515,152

Deferred tax

Deferred tax is recognised for all taxable temporary differences and all deductible temporary differences, carry forward of unused tax credits and unused tax losses only to the extent that it is probable that taxable profit will be available against which these assets can be utilised. Since there is no non-GCC shareholder in year 2023, no deferred income tax has been recorded.

Status of zakat and income tax assessment

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

22 REVENUE

	2023	2022
	SR	SR
Flour	**521,552,331**	491,003,690
Bran	**220,610,511**	212,518,852
Feed	**133,233,865**	200,344,292
	875,396,707	903,866,834
Discounts and promotion	**(13,314,733)**	(1,059,289)
	862,081,974	902,807,545

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

Disaggregation of revenue

	2023	2022
	SR	SR
Type of sector		
Corporate sector	**791,675,534**	866,383,865
Individual sector	**70,335,640**	36,404,534
Government sector	**70,800**	19,146
	862,081,974	902,807,545
Duration of contracts		
Less than one year	**862,081,974**	902,807,545

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

Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2023

23 DIRECT COSTS

	31 December 2023 SR	31 December 2022 SR
Raw material consumed	**310,338,184**	341,850,781
Depreciation of property, plant and equipment (note 6)	**55,478,969**	48,367,792
Employees' costs	**38,779,336**	45,307,481
Fuel and Power	**20,312,436**	22,371,509
Depreciation of right-of-use assets (note 7)	**13,799,542**	8,717,047
Maintenance	**9,751,787**	21,420,966
Insurance	**2,149,004**	3,192,017
Short-term leases	**350,000**	351,067
Other expenses	**7,852,400**	3,396,232
Reversal of provision for slow-moving inventories	**(13,220,391)**	-
	445,591,267	494,974,892
Finished goods at the beginning of the year	**9,163,114**	4,374,157
Total production cost intended for sale during the year	**454,754,381**	499,349,049
Finished goods at the end of the year (note 10)	**(8,180,488)**	(9,163,114)
	446,573,893	490,185,935

24 SELLING AND DISTRIBUTION EXPENSES

	31 December 2023 SR	*31 December 2022 SR*
Shipping and transportation expenses	**13,712,065**	5,360,299
Employees' costs	**8,277,628**	6,719,617
Marketing	**3,192,465**	612,256
Amortisation of intangible assets (note 8)	**2,427,241**	2,427,241
Insurance	**513,395**	279,780
Repair and maintenance	**404,451**	1,314,149
Depreciation of property, plant and equipment (note 6)	**291,107**	271,774
Fuel and Power	**204,559**	56,875
Short-term leases	**54,863**	54,863
Other expenses	**1,730,850**	1,192,580
	30,808,624	18,289,434

25 GENERAL AND ADMINISTRATION EXPENSES

	31 December 2023 SR	*31 December 2022 SR*
Employees' costs	**38,232,979**	42,164,374
Contract cancellation charges with a related party	**10,000,000**	-
Professional and consulting fees	**8,719,740**	47,089,972
Board and committees' expenses, rewards, and allowances	**4,509,037**	-
Materials and supplies	**3,278,620**	2,639,922
Maintenance	**2,097,952**	3,432,630
Insurance	**1,758,548**	1,749,461
Fuel and power	**1,257,894**	294,953
Amortisation of intangible assets (note 8)	**653,452**	88,065
Depreciation of property, plant and equipment (note 6)	**207,037**	1,934,494
Short-term leases	**14,047**	-
Other expenses	**7,700,496**	5,851,125
	78,429,802	105,244,996

26 FINANCE COSTS

	31 December 2023 SR	*31 December 2022 SR*
Interest on loans	**116,781,115**	10,616,851
Interest on lease liabilities	**3,185,528**	10,092,468
Amortisation of transaction costs on loans	**1,744,227**	-
	121,710,870	20,709,319

27 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.

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

Following table shows the total amount of transactions that were made with the related parties during the year ended 31 December 2023 and 31 December 2022.

	Nature of transaction	**Amount of transaction (SR)**	
		2023	*2022*
Olam International Limited *(Former shareholder)*	Operational services	-	38,950,310
National Agriculture Development Company (NADEC) *(Shareholder)*	Revenue	**22,775,765**	20,188,234
	Contract cancellation charges	**10,000,000**	-
Abdulaziz Alajlan Sons Co. for Commercial and Real Estate Investment *(Shareholder)*	Reimbursement of income tax***	**3,732,511**	-

*** In 2022, income tax was charged to the Company for the non-Saudi shareholder, Olam International Limited. As the non-Saudi shareholder transferred its shareholding in the Company to Saudi shareholders, the Saudi shareholder agreed to reimburse the Company with amount of income tax paid in 2022.

Balances outstanding with the related parties is presented below:

Amounts due from related parties (under current assets)	2023 ***SR***	2022 *SR*
Abdulaziz Alajlan Sons Co. for Commercial and Real Estate Investment	**3,520,603**	-
National Agriculture Development Company	**1,805,997**	-
	5,326,600	-

Compensation of key management personnel of the Company

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

27 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Transactions with key management personnel

	2023 *SR*	2022 *SR*
Board and committees' expenses, rewards and allowances	**4,509,037**	-
Compensation of key management personnel of the Company (*)	**8,817,536**	5,838,398
Total compensation to key management personnel	**13,326,573**	5,838,398

(*) Compensation of key management personnel of the Company		
Short-term employee benefits	**13,009,823**	5,694,237
Termination benefits	**316,750**	144,161

Terms and conditions of transactions with related parties

Terms and policies of related parties transactions are approved by the Company's management. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. During the year, no provision for expected credit loss has been recorded against amounts due from related parties (2022: none). This assessment is undertaken each period by examining the financial position of the related party and the market in which the related party operates.

28 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.

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

	31 December 2023 SR	31 December 2022 SR
Profit for the year	**200,279,112**	255,269,366
Weighted average number of ordinary shares for basic EPS	**51,315,006**	51,315,006
Earnings per share – basic and diluted	**3.90**	4.97

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

29 CONTINGENT LIABLILTIES

As of 31 December 2023, the Company had contingent liabilities arose during its normal business cycle and related to letters of credit and letters of guarantee of SR 3,850,509 (2022: SR 8,301,438).

30 FINACIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

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

30 FINACIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

Cash and cash equivalents

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

	Rating		***Rating***	31 December	31 December
Banks	***Short term***	***Long term***	***Agency***	2023	2022
				SR	*SR*
Saudi Alawwal Bank	**P-1**	**A-1**	Moody`s	**105,279,764**	300,500,000
Banque Saudi Fransi	**P-1**	**A1**	Moody`s	**22,517,759**	273,350,801
				127,797,523	573,850,801

Trade receivables, amounts due from related parties and other 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 receivables, amounts due from related parties and other receivables:

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

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

The loss allowance as of 31 December 2023 and 31 December 2022 was not material and hence no adjustment of the same has been made in these financial statements.

		Past due but not impaired				
	< 30 days SR	31 – 60 days SR	61 – 90 days SR	91 – 120 days SR	>120 days SR	Total SR
Year ended 31 December 2023						
Gross amount	1,977,306	891,323	183,738	123,899	3,164,152	**6,340,418**

30 FINACIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

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

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Company is subject to commission rate risk on its short-term deposits and long-term and short-term loans. The Company manages its exposure to commission rate risk by continuously monitoring movements in interest rates. An increase in 1% of floating interest rate would reduce profit by SR 11 million (2022: SR 17.83 million.)

Foreign currency risk

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

Liquidity risk

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

The table below summarises the maturities of the Company's financial liabilities as of 31 December 2023 and 31 December 2022 based on undiscounted contractual payment dates and current market interest rates as following:

31 December 2023

	Upto 12 months	***1 to 5 years***	***More than 5 years***	***Total***
	SR	***SR***	***SR***	***SR***
Accounts payables and accruals	**69,556,682**	**-**	**-**	**69,556,682**
Long-term and short-term loan	**113,667,171**	**426,781,646**	**1,486,101,737**	**2,026,550,554**
Lease liabilities	**15,403,229**	**61,977,914**	**288,201,597**	**365,582,740**
	198,627,082	**488,759,560**	**1,774,303,334**	**2,461,689,976**

31 December 2022 (restated)

	Upto 12 months	*1 to 5 years*	*More than 5 years*	*Total*
	SR	*SR*	*SR*	*SR*
Accounts payables and accruals	76,855,354	-	-	76,855,354
Long-term and short-term loans	384,626,468	562,636,356	2,144,621,044	3,091,883,868
Lease liabilities	15,403,229	61,856,248	303,726,492	380,985,969
	476,885,051	624,492,604	2,448,347,536	3,549,725,191

30 FINACIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital Management

For the purpose of the Company's capital management, capital includes issued share capital and all other equity reserves. The primary objective of the Company's capital management is to maximise the shareholders' 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 accounts payables, accrued expenses and other current liabilities, amounts due to related parties and lease liabilities, less cash at banks.

There were no changes in the objectives, policies, and procedures for capital management during the years ended December 31, 2023 and December 31, 2022.

	2023 *SR*	2022 *SR*
Interest bearing loans and borrowings	**1,088,682,088**	1,764,164,674
Lease liabilities	**285,942,686**	298,160,387
Accounts payables	**49,925,900**	55,703,699
Accrued expenses and other liabilities	**19,630,782**	21,151,655
Less: Cash and cash equivalents	**(127,797,523)**	(573,850,801)
Net Debt	**1,316,383,933**	1,565,329,614
Share capital	**513,150,060**	513,150,060
Retained earnings and other reserves	**309,816,383**	105,804,760
Total Capital	**822,966,443**	618,954,820
Capital and net debt	**2,139,350,376**	2,184,284,434
Gearing ratio	**62%**	72%

In order to achieve this overall objective, the Company's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call-off loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current and prior year.

31 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial asset consists of cash and cash equivalents, accounts receivables, amounts due from related parties and other receivables. Its financial liabilities consist of accounts payables, amounts due to related parties, long-term and short-term loans and lease liabilities.

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

32 RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

During the year, the Company restated certain amounts and balances included in the prior periods 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 2023, management of the Company has identified that they have not reassessed the value of lease liabilities after obtaining flour milling license in 2021. Management has done the reassessment during the year and as a result, the right-of-use assets and lease liabilities were understated. The error has been corrected by restating each of the affected financial statement line items for the prior period opening balance.

Restatement - 2
During the year ended 31 December 2023, management discovered that in prior periods, the useful life of the buildings that are built on leased land were erroneously based on the economic life of the buildings instead of the lease term. Consequently, the carrying value of buildings were overstated and the related accumulated depreciation was understated.

The above-mentioned errors have been corrected by restating each of the affected financial statement line items for the prior periods. Following tables summarises the impacts on the Company's financial statements:

At 1 January 2022

	Previously stated (SR)	***Restatement (SR)***	***Restated (SR)***
STATEMENT OF FINANCIAL POSITION			
Right-of-use assets	174,340,949	107,116,427	281,457,376
Lease liabilities	196,237,994	107,116,427	303,354,421
Property, plant and equipment	767,556,045	16,537,478	751,018,567
Retained earnings	636,898,624	16,537,478	620,361,146

At 31 December 2022

	Previously stated (SR)	***Restatement (SR)***	***Restated (SR)***
STATEMENT OF FINANCIAL POSITION			
Right-of-use assets	165,623,902	107,116,427	272,740,329
Lease liabilities	191,043,960	107,116,427	298,160,387
Retained earnings	730,326,507	16,537,478	713,789,029
Merger deficit reserve	675,370,884	16,537,478	658,833,406

Statement of profit or loss and other comprehensive income
Management has not recorded the impact on statement of profit or loss and other comprehensive income in year ended 31 December 2022 as the impact was not material, rather it was recorded in year ended 31 December 2023.

Statement of cashflows
There is no impact on statement of cashflows for restatement related to above points.

33 EVENTS AFTER THE REPORTING DATE

No significant subsequent event since the year ended 31 December 2023 that would have a material impact on the financial position of the Company as reflected in these financial statements.

34 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorised for issuance by the Company's Board of Directors on 21 Ramadan 1445H (corresponding to 31 March 2024).

Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

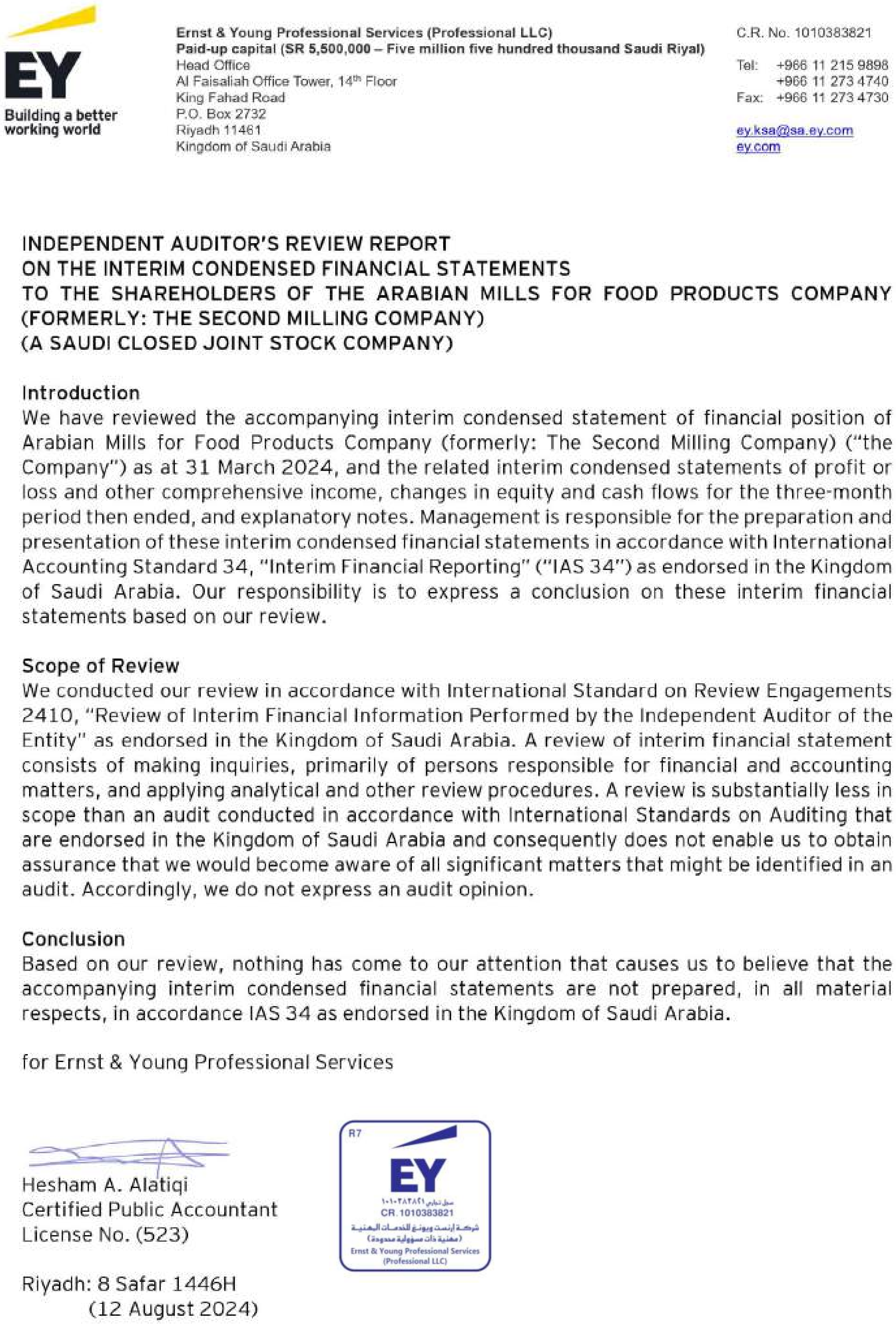
INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024

Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT
For the three-month period ended 31 March 2024

INDEX **Pages**



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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF THE ARABIAN MILLS FOR FOOD PRODUCTS COMPANY (FORMERLY: THE SECOND MILLING COMPANY) (A SAUDI CLOSED JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Arabian Mills for Food Products Company (formerly: The Second Milling Company) ("the Company") as at 31 March 2024, and the related interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statement 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance IAS 34 as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services

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

CR. 1010383821

Riyadh: 8 Safar 1446H
(12 August 2024)

Arabian Mills for Food Products Company
(formerly The Second Milling Company)
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
At 31 March 2024

	Notes	31 March 2024 *(Unaudited)* *SR*	31 December 2023 (Audited) SR
ASSETS			
NON-CURRENT ASSETS			
Property, plant, and equipment	4	**877,966,940**	891,998,966
Right-of-use assets	5	**256,126,305**	258,940,787
Intangible assets	6	**64,204,714**	64,974,887
Goodwill	7	**822,434,373**	822,434,373
TOTAL NON – CURRENT ASSETS		**2,020,732,332**	2,038,349,013
CURRENT ASSETS			
Inventories	8	**107,940,748**	98,811,642
Prepayments and other current assets	9	**16,284,890**	15,085,039
Amounts due from related parties	10	**4,820,734**	5,326,600
Accounts receivable		**20,810,269**	6,340,418
Short-term deposits	11	**100,000,000**	-
Cash and cash equivalents	11	**123,037,588**	127,797,523
TOTAL CURRENT ASSETS		**372,894,229**	253,361,222
TOTAL ASSETS		**2,393,626,561**	2,291,710,235
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	**513,150,060**	513,150,060
Statutory reserve		**50,849,137**	50,849,137
Retained earnings		**314,352,029**	258,967,246
Actuarial reserve		**167,000**	-
TOTAL EQUITY		**878,518,226**	822,966,443
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current portion of lease liabilities	5	**256,718,837**	270,539,457
Long-term loans	13	**1,049,518,162**	1,049,146,501
Employees' defined benefit liabilities		**3,812,677**	3,297,164
TOTAL NON-CURRENT LIABILITIES		**1,310,049,676**	1,322,983,122
CURRENT LIABILITIES			
Accounts payables		**58,943,275**	49,925,900
Accrued expenses and other current liabilities	14	**26,674,920**	19,630,782
Current portion of long-term loans	13	**27,500,000**	27,500,000
Interest payable on loans	13	**32,023,344**	12,035,587
Current portion of lease liabilities	5	**30,806,458**	15,403,229
Advances from customers		**22,219,290**	16,143,078
Amounts due to a related party	10	**269,278**	-
Zakat provision	15	**6,622,094**	5,122,094
TOTAL CURRENT LIABILITIES		**205,058,659**	145,760,670
TOTAL LIABILITIES		**1,515,108,335**	1,468,743,792
TOTAL EQUITY AND LIABILITIES		**2,393,626,561**	2,291,710,235

The attached notes 1 to 27 form an integral part of these interim condensed financial statements.

Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the three-month period ended 31 March 2024

		For the three-month period ended	
		31 March 2024	31 March 2023
	Notes	***(Unaudited)*** ***SR***	*(Unaudited)* SR
Revenue	16	**239,920,025**	225,645,427
Direct costs	17	**(127,628,981)**	(117,253,502)
GROSS PROFIT		**112,291,044**	108,391,925
EXPENSES			
Selling and distribution	18	**(13,793,865)**	(8,886,046)
General and administration	19	**(20,780,846)**	(17,097,398)
TOTAL EXPENSES		**(34,574,711)**	(25,983,444)
OPERATING PROFIT		**77,716,333**	82,408,481
Finance costs	20	**(21,942,027)**	(31,132,465)
Finance income		**571,350**	-
Other income		**539,127**	1,110,304
PROFIT BEFORE ZAKAT		**56,884,783**	52,386,320
Zakat	15	**(1,500,000)**	(960,076)
PROFIT FOR THE PERIOD		**55,384,783**	51,426,244
OTHER COMPREHENSIVE INCOME			
Items that cannot be reclassified subsequently to profit or loss in subsequent periods:			
Remeasurement gain on employees' defined benefit liabilities		**167,000**	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**55,551,783**	51,426,244
Earnings per share (EPS)			
Basic and diluted earnings per share	21	**1.08**	1.00

The attached notes 1 to 27 form an integral part of these interim condensed financial statements.

Arabian Mills for Food Products Company (formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the three-month period ended 31 March 2024

	Share capital SR	Statutory reserve SR	Merger deficit reserve SR	Retained earnings SR	Actuarial reserve SR	Total SR
At 31 December 2023 (audited)	513,150,060	50,849,137	-	258,967,246	-	**822,966,443**
Profit for the period	-	-	-	55,384,783	-	**55,384,783**
Other comprehensive income	-	-	-	-	167,000	**167,000**
Total comprehensive income for the period	-	-	-	55,384,783	167,000	**55,551,783**
At 31 March 2024 (unaudited)	**513,150,060**	**50,849,137**	**-**	**314,352,029**	**167,000**	**878,518,226**
At 31 December 2022, as previously reported	513,150,060	50,849,137	(675,370,884)	730,326,507	-	618,954,820
Adjustment on correction of error (note 25)	-	-	16,537,478	(16,537,478)	-	-
At 31 December 2022 (audited) (restated, note 25)	513,150,060	50,849,137	(658,833,406)	713,789,029	-	618,954,820
Profit for the period	-	-	-	51,426,244	-	51,426,244
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	51,426,244	-	51,426,244
At 31 March 2023 (unaudited)	513,150,060	50,849,137	(658,833,406)	765,215,273	-	670,381,064

The attached notes 1 to 27 form an integral part of these interim condensed financial statements.

Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2024

	Notes	31 March 2024 (Unaudited) SR	31 March 2023 (Unaudited) SR
OPERATING ACTIVITIES			
Profit before zakat		**56,884,783**	52,386,320
Adjustments to reconcile profit before zakat tax to net cash flows:			
Depreciation for property, plant and equipment		**16,103,354**	15,434,187
Depreciation of right-of-use assets		**2,814,482**	3,449,886
Amortisation of intangible assets		**770,173**	770,173
Interest cost on lease liabilities	20	**1,582,609**	796,382
Interest cost on long-term and short-term loans	20	**19,987,757**	30,040,128
Amortisation of transaction costs on long-term loans		**371,661**	295,955
Finance income		**(571,350)**	-
Provision for slow moving inventory		**460,545**	-
Provision for employees' defined benefit liabilities		**682,513**	824,257
		99,086,527	103,997,288
Changes in operating assets and liabilities:			
Inventories		**(9,589,651)**	(7,092,652)
Prepayments and other current assets		**(628,501)**	(3,096,607)
Amounts due from a related party		**505,866**	-
Accounts receivable		**(14,469,851)**	(4,317,997)
Accounts payables		**9,017,375**	482,984
Accrued expenses and other current liabilities		**7,044,138**	9,690,680
Advances from customers		**6,076,212**	5,424,091
Amounts due to a related party		**269,278**	256,083
Net cash from operations		**97,311,393**	105,343,870
Employees' defined benefit liabilities paid		-	(12,215)
Net cash flows from operating activities		**97,311,393**	105,331,655
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(2,071,328)**	(5,138,824)
Investment in short-term deposits		**(100,000,000)**	-
Net cash used in investing activities		**(102,071,328)**	(5,138,824)
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities		-	(14,606,847)
Finance costs paid for loans and lease liabilities		-	(796,382)
Net cash used in financing activities		-	(15,403,229)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(4,759,935)**	84,789,602
Cash and cash equivalents at the beginning of the period		**127,797,523**	573,850,801
Cash and cash equivalents at the end of the period		**123,037,588**	658,640,403
Non-cash transactions			
Reclassification of capital spares from inventories to property, plant and equipment		-	25,835,733

The attached notes 1 to 27 form an integral part of these interim condensed financial statements.

1. CORPORATE INFORMATION

Arabian Mills for Food Products Company (formerly: The Second Milling Company) (the “Company”) – is a Saudi Closed Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010465464 dated 10 Safar 1438H (corresponding to 10 November 2016).

The national address of the Company is Building no. 5252, Jabal Abu Zawalah Street, Al Manakh District, PO Box 6868, Riyadh 14313, Kingdom of Saudi Arabia.

The Company’s licensed activities include Packing and grinding wheat, packing and grinding grits, semolina, and bulgur, manufacture of concentrated feed for animals, manufacture of livestock feed, wholesale of bakery products, trade of specialty and healthy foods, land transportation of goods, storage in ports and customs or free zones, and integrated office administrative services activities.

The Company was formed by the Public Investment Fund (the “Former Owner”) pursuant to the resolution of the Council of Ministers no. (35) of 27 Muharram 1437H (corresponding to 9 November 2015) approving the adoption of the necessary actions to establish four Joint Stock Flour Milling Companies according to the proposed geographical distribution. The Public Investment Fund, in coordination with the General Food Security Authority (“GFSA”) (formerly Saudi Grains Organization ("SAGO")), completed so in accordance with Royal Decree no. 62 dated 4 Shawwal 1435H (corresponding to 31 July 2014).

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

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

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

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

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

1. CORPORATE INFORMATION (continued)

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)	10 Safar 1438H (corresponding to 10 November 2016)	1010465464
Riyadh	27 Jumada Al-Akhirah 1438H (corresponding to 26 March 2017)	1010469375
Jazzan	27 Jumada Al-Akhirah 1438H (corresponding to 26 March 2017)	5900036083
Hail	27 Jumada Al- Akhirah 1438H (corresponding to 26 March 2017)	3350044599

2 BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

2.1 Statement of compliance

These interim condensed financial statements of the Company for the three-month period ended 31 March 2024 have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia. The Company has prepared the interim condensed financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2023. These interim condensed financial statements for the three-month period ended 31 March 2024 are not affected significantly by seasonality of results. The results shown in these interim condensed financial statements may not be indicative of the annual results of the Company’s operations.

These interim condensed financial statements are prepared under the historical cost convention, using the accrual basis of accounting except for employees’ defined benefit liabilities which is recognised at the present value of future obligations using the projected unit credit method. These interim condensed financial statements are presented in Saudi Riyals (“SR”) which is the functional and presentation currency of the Company. All values are rounded to the nearest Saudi Riyal, except when otherwise indicated.

2.2 Material Accounting Policies Information and new standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2023, except for the adoption of new standards effective as of 1 January 2024. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2024, but do not have an impact on the interim condensed financial statements of the Company.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk. The transition rules clarify that an entity is not required to provide the disclosures in any interim periods in the year of initial application of the amendments. Thus, the amendments had no impact on the Company’s interim condensed financial statements.

2 BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES (continued)

2.2 Material Accounting Policies Information and new standards, interpretations and amendments adopted by the Company (continued)

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments had no impact on the Company's interim condensed financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments had no impact on the Company's interim condensed financial statements.

2.3 Significant accounting estimates

The preparation of the interim condensed financial statements in conformity with IAS 34 as endorsed in KSA requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments used in the preparation of these interim condensed financial statements are consistent with those used in preparation of the Company's annual financial statements for the year ended 31 December 2023.

3 SEGMENT INFORMATION

The operations of the Company are mainly in the Kingdom of Saudi Arabia in three branches: Riyadh, Hail and Jazzan. For management reporting purpose, the Company is organised into these business units which are identified as reportable segments. No operating segments have been aggregated to form the above reportable operating segments.

Chief Executive Officer ("CEO") is the Chief Operating Decision Maker ("CODM") who 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 profit or loss and is measured consistently in the interim condensed financial statements. Also, zakat is managed on a head office level and are not allocated to operating segments. All reportable segments have similar type of products. There are no inter-segment transfers during the period.

Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2024

3 SEGMENT INFORMATION (continued)

The selected financial information for these branches is as follows:

For the three-month period ended 31 March 2024 (unaudited)	Riyadh	Jazzan	Hail	Head office	Total segments
	SR	SR	SR	SR	SR
Revenue	148,019,813	43,445,707	48,454,505	-	239,920,025
Materials consumed	(50,312,282)	(12,845,411)	(21,981,053)	-	(85,138,746)
Employees' costs	(6,895,510)	(4,124,895)	(4,632,695)	(8,351,629)	(24,004,729)
Depreciation and amortisation	(8,981,987)	(6,117,922)	(3,665,755)	(922,345)	(19,688,009)
Board and committees' expenses, rewards, and allowances	-	-	-	(900,000)	(900,000)
Finance costs	(542,064)	(556,819)	(483,725)	(20,359,419)	(21,942,027)
Finance income	-	-	-	571,350	571,350
Other expenses	(11,811,238)	(7,491,539)	(7,843,335)	(5,326,096)	(32,472,208)
Other income	391,213	8,368	139,546	-	539,127
Segment profit (loss)	69,867,945	12,317,489	9,987,488	(35,288,139)	56,884,783

For the three-month period ended 31 March 2023 (unaudited)	Riyadh	Jazzan	Hail	Head office	Total segments
	SR	SR	SR	SR	SR
Revenue	154,563,809	40,787,123	30,294,495	-	225,645,427
Materials consumed	(52,768,037)	(13,001,455)	(13,131,359)	-	(78,900,851)
Employees' costs	(7,093,904)	(4,028,312)	(4,423,141)	(6,609,908)	(22,155,265)
Depreciation and amortisation	(10,292,090)	(5,423,855)	(3,059,598)	(878,703)	(19,654,246)
Board and committees' expenses, rewards, and allowances	-	-	-	(450,000)	(450,000)
Finance costs	(266,367)	(279,028)	(250,987)	(30,336,083)	(31,132,465)
Other expenses	(5,856,561)	(3,502,006)	(3,388,752)	(9,329,265)	(22,076,584)
Other income	606,386	131,236	371,431	1,251	1,110,304
Segment (loss) profit	78,893,236	14,683,703	6,412,089	(47,602,708)	52,386,320

As of 31 March 2024 (unaudited)	Riyadh	Jazzan	Hail	Head office	Total segments
	SR	SR	SR	SR	SR
Total assets	586,001,035	467,436,564	283,423,987	1,056,764,975	2,393,626,561
Total liabilities	161,663,315	118,089,305	116,688,358	1,118,667,357	1,515,108,335
Other disclosures:					
Property, plant and equipment	363,728,159	337,078,596	169,210,534	7,949,651	877,966,940
Capital expenditure	1,152,951	361,794	504,124	52,459	2,071,328
Right of use assets	87,633,325	90,776,640	77,716,340	-	256,126,305
Inventories	56,879,562	23,656,883	27,330,588	73,715	107,940,748
Goodwill	-	-	-	822,434,373	822,434,373

Arabian Mills for Food Products Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2024

3 SEGMENT INFORMATION (continued)

As of 31 December 2023 (audited)	Riyadh SR	Jazzan SR	Hail SR	Head office SR	Total segments SR
Total assets	560,103,724	478,640,042	298,443,794	954,522,675	2,291,710,235
Total liabilities	136,476,384	118,459,758	108,575,690	1,105,231,960	1,468,743,792
Other disclosures:					
Property, plant and equipment	379,005,999	339,962,312	171,399,742	1,630,913	891,998,966
Capital expenditure	6,007,892	7,917,707	4,821,064	972,925	19,719,588
Right of use assets	88,587,815	91,782,607	78,570,365	-	258,940,787
Inventories	49,626,998	23,970,556	25,140,867	73,221	98,811,642
Goodwill	-	-	-	822,434,373	822,434,373

4 PROPERTY, PLANT AND EQUIPMENT

	At 31 December 2023 (audited) *SR*	*Additions during the period* *SR*	*Transfers* *SR*	*Depreciation charge for the period* *SR*	*At 31 March 2024 (unaudited)* *SR*
Buildings	294,495,407	114,662	-	(5,062,086)	289,547,983
Plant and machinery	553,121,722	789,754	286,104	(9,555,699)	544,641,881
Capital spares	25,175,654	439,763	(286,104)	(481,611)	24,847,702
Furniture and fittings	6,270,311	438,524	-	(238,535)	6,470,300
Computer equipment	1,070,371	48,625	-	(117,416)	1,001,580
Motor vehicles	5,533,955	-	-	(648,007)	4,885,948
Capital work in progress**	6,331,546	240,000	-	-	6,571,546
Total	**891,998,966**	**2,071,328**	**-**	**(16,103,354)**	**877,966,940**

	At 31 December 2022 (audited) *SR*	*Additions during the period* *SR*	*Transfer from inventories **** *SR*	*Transfers* *SR*	*Depreciation charge for the period* *SR*	*At 31 December 2023 (audited)* *SR*
Buildings	286,349,786	544,369	-	20,996,415	(13,395,163)	294,495,407
Plant and machinery	569,459,131	5,001,160	-	15,915,288	(37,253,857)	553,121,722
Capital spares	-	849,519	25,835,733	-	(1,509,598)	25,175,654
Furniture and fittings	5,743,611	1,075,965	-	344,275	(893,540)	6,270,311
Computer equipment	784,372	693548	-	-	(407,549)	1,070,371
Motor vehicles	6,606,360	1445001	-	-	(2,517,406)	5,533,955
Capital work in progress	33,477,498	10110026	-	(37,255,978)	-	6,331,546
Total	902,420,758	19,719,588	25,835,733	-	(55,977,113)	**891,998,966**

Buildings are built on land leased from the General Food Security Authority ("GFSA") (formerly Saudi Grains Organization) with an annual rental value of SR 3,017,456 (which is increasing at the rate of 5% after every 3 years). The initial term of the land lease is 25 calendar years commencing from 3 Rabi Al-Thani 1438H (corresponding to 1 January 2017), which was adjusted in 2021 to match with the duration of flour milling license (i.e. 30 November 2046). The lease is renewable automatically subject to renewal of Company's milling license.

** Capital work in progress amounting to SR 6.57 million (31 December 2023: SR 6.33 million) mainly consists of the following projects:

- Project of completion of safety works in Hail
- Construction of spare parts warehouse in Jizan.
- Establishing parking for forklifts and charging station in Jizan.

The expected completion date is end of 2024 and the related capital commitments amounts to SR 4.9 million.

4 PROPERTY, PLANT AND EQUIPMENT (continued)

*** During the year ended 31 December 2023, management has assessed that certain capital spares with a cost of SR 28,047,118 and provision for slow-moving inventories of SR 2,211,385 have useful life of above 1 year and hence it meets the criteria of capitalisation under property, plant and equipment. Consequently, management has reclassed SR 25.84 million from inventories to property, plant and equipment.

Depreciation expense has been allocated as follows:

	31 March 2024 (Unaudited) SR	31 December 2023 (Audited) SR
Direct costs for the period / year	**15,055,209**	55,478,969
General and administration for the period / year	**902,126**	207,037
Selling and distribution for the period / year	**146,019**	291,107
Total charge for the period / year	**16,103,354**	55,977,113

5 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company entered into a lease agreement with the General Food Security Authority ("GFSA") (formerly Saudi Grains Organization ("SAGO")) for the rental of silos for the purpose of storing wheat, flour, and feed. The term of the lease is 25 calendar years commencing from 3 Rabi Al-Thani 1438H (corresponding to 1 January 2017), which was adjusted in December 2021 to match with the duration of flour milling license upto 30 November 2046 and is renewable automatically subject to renewal of Company's milling license. The estimated useful lives of leased assets for amortising right of use assets purposes are 25 years.

The Company has entered into land leases for business units. The initial term of the land lease is 25 calendar years commencing from 3 Rabi Al-Thani 1438H (corresponding to 1 January 2017), which was adjusted in 2021 to match with the duration of flour milling license (i.e., 30 November 2046). These leases do not transfer ownership of the assets to the lessor at the end of the lease. The estimated useful lives of right-of-use assets are 25 years from December 2021 and ending on 30 November 2046. The legal ownership of the right of use assets are retained with the lessor. Generally, the Company is restricted from assigning and subleasing the leased assets.

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

	31 March 2024 (Unaudited) SR	31 December 2023 (Audited) SR
At the beginning of the period / year	**258,940,787**	272,740,329
Depreciation charge for the period / year	**(2,814,482)**	(13,799,542)
At the end of the period / year	**256,126,305**	258,940,787

Movement in lease liabilities is presented below:

	31 March 2024 (Unaudited) SR	31 December 2023 (Audited) SR
At the beginning of the period / year	**285,942,686**	298,160,387
Accretion of interest for the period / year	**1,582,609**	3,185,528
Payments during the period / year	-	(15,403,229)
At the end of the period / year	**287,525,295**	285,942,686
Bifurcated into:		
Current portion	**30,806,458**	15,403,229
Non-current portion	**256,718,837**	270,539,457

5 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

Depreciation has been allocated as follows:

	31 March 2024 (Unaudited) SR	31 December 2023 (Audited) SR
Direct costs for the period / year	**1,125,791**	13,799,542
General and administration for the period / year	**1,407,242**	-
Selling and distribution for the period / year	**281,449**	-
Total charge for the period / year	**2,814,482**	13,799,542

6 INTANGIBLE ASSETS

	31 March 2024 (Unaudited) SR	31 December 2023 (Audited) SR
At the beginning of the period / year	**64,974,887**	68,269,768
Write-off during the period / year	**-**	(214,188)
Amortisation charge for the period / year	**(770,173)**	(3,080,693)
At the end of the period / year	**64,204,714**	64,974,887

Amortisation has been allocated as follows:

	31 March 2024 (Unaudited) SR	31 December 2023 (Audited) SR
General and administration for the period / year	**163,363**	653,452
Selling and distribution for the period / year	**606,810**	2,427,241
Total charge for the period / year	**770,173**	3,080,693

7 GOODWILL

Pursuant to privatization programme by the General Food Security Authority ("GFSA") (formerly: Saudi Arabian Grain Organization "SAGO"), Food Security Holding Company (the "former Parent Company") entered into an agreement with National Centre for Privatization & Public Private Partnership (PPP) ("NCP") on 30 November 2021 to acquire 100% equity stake in the Company.

The former Parent Company paid a consideration of SR 2.15 billion to acquire the Company with book value of net assets of SR 1,140.55 million. In 2022, the former Parent Company completed the purchase price allocation ("PPA") to net assets within a measurement period in which the former Parent Company identified and measured the identifiable assets and liabilities assumed as of the acquisition date in accordance with the requirements of IFRS 3 Business Combination.

Goodwill is assessed for impairment at Company level. The Company has performed its impairment test for goodwill on 31 December 2023. The recoverable amount of all the CGUs is ranging from SR 1,938.8 million to SR 2,279.6 million as at 31 December 2023 (2022: SR 1,782 million) has been determined based on a value-in-use calculation using cash flow projections from financial budgets reviewed by senior management covering a five-year period. The post-zakat discount rate applied to cash flow projections is between 11.5% to 12.5%. As at 31 December 2023, the value-in-use of the asset was higher than the net assets value of the Company, indicating no impairment of goodwill. At 31 March 2024, management evaluated that there is no major change in the assumption used for impairment assessment compared to 31 December 2023 and value-in-use of the asset does not change materially from 31 December 2023.

8 INVENTORIES

	31 March 2024 (Unaudited) SR	31 December 2023 (Audited) SR
Spare parts	**73,713,286**	73,150,421
Raw materials	**31,314,398**	29,128,750
Finished goods *	**15,005,701**	8,180,488
Others	**1,360,080**	1,344,155
Less: provision for slow moving inventories	**(13,452,717)**	(12,992,172)
	107,940,748	98,811,642

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

9 PREPAYMENTS AND OTHER CURRENT ASSETS

	31 March 2024 (Unaudited) SR	31 December 2023 (Audited) SR
Advanced to suppliers	**5,865,533**	3,400,735
IPO costs***	**5,359,515**	3,700,400
Margin on letters of guarantees	**2,187,976**	2,187,976
Prepayments	**1,170,320**	2,339,366
Margin on letters of credit	**846,346**	3,260,441
Accrued interest on short-term deposits	**571,350**	-
Other receivables	**283,850**	196,121
	16,284,890	15,085,039

*** It represents amounts paid to various consultants to assist in Initial Public Offering ("IPO") of the Company. The amounts will be recharged to the related parties once IPO is complete.

10 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 and shareholders.

Name of related party	**Nature of relationship**
Abdulaziz Alajlan Sons Co. for Commercial and Real Estate Investment	Shareholder
Sulaiman Abdulaziz Alrajhi International Company	Shareholder
National Agriculture Development Company (NADEC)	Shareholder
Watania Poultry Company	Related to member board of director

10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Following table provides the total amount of transactions that have been entered into with related parties during the three-month period ended 31 March 2024 and 31 March 2023, as well as balances with related parties as at 31 March 2024 and 31 December 2023:

		For the three-month period ended	
		31 March 2024 (Unaudited) SR	31 March 2023 (Unaudited) SR
Watania Poultry Company	Revenue	**1,746,192**	-
National Agriculture Development Company (NADEC)	Revenue	**5,196,488**	5,014,460

Balances outstanding with the related parties is presented below:

	31 March 2024 (Unaudited) SR	31 December 2023 (Audited) SR
Amounts due from related parties		
Abdulaziz Alajlan Sons Co. for Commercial and Real Estate Investment	**3,520,603**	3,520,603
National Agriculture Development Company (NADEC)	**1,300,131**	1,805,997
	4,820,734	5,326,600
Amounts due to a related party		
Watania Poultry Company	**269,278**	-

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 recognised as an expense during the reporting period related to key management personnel.

Transactions with key management personnel	31 March 2024 (Unaudited) **SR**	31 March 2023 (Unaudited) SR
Compensation of key management personnel of the Company (*)	**3,163,207**	3,017,718
Board and committees' expenses, rewards and allowances	**900,000**	450,000
Total compensation to key management personnel	**4,063,207**	3,467,718
(*) Compensation of key management personnel of the Company		
Short-term employee benefits	**3,085,104**	2,922,597
Long-term employee benefits	**78,103**	95,121

11 CASH AND CASH EQUIVALENTS

	31 March 2023 (Unaudited) SR	31 December 2023 (Audited) SR
Cash at banks	**123,037,588**	127,797,523
	123,037,588	127,797,523

Short-term deposits

Short-term deposits are deposited into a commercial bank for a period exceeding three months from the date of deposit and earns interest at floating rate based on effective interest rate of 6.10%.

12 SHARE CAPITAL

The Company's authorised, issued and paid-up share capital is divided into 51,315,006 shares of SR 10 each (31 December 2023: 51,315,006 shares), held as follows:

	31 March 2023 (Unaudited) SR	31 December 2023 (Audited) SR	Ownership percentage
Abdulaziz Alajlan Sons Co. for Commercial and Real Estate Investment	**257,232,540**	257,232,540	**50.13%**
Sulaiman Abdulaziz Alrajhi International Company	**179,602,520**	179,602,520	**35.00%**
National Agriculture Development Company (NADEC)	**76,315,000**	76,315,000	**14.87%**
	513,150,060	513,150,060	**100%**

13 LOANS

On 28 November 2021, the former Parent Company signed a Murabaha facility agreement with a local bank to acquire the shares in the Company as following:

- An amount of SR 1,500 million long-term Murabaha loan with maturity period of 18 years as of date of loan agreement, with a grace period of 24 months, repayable in 32 semi-annual installments ending on 31 December 2039, with a return rate based on SAIBOR and a bank margin. During the year ended 31 December 2023, the Company made an early payment of SR 400 million, which was not scheduled as per repayment schedule. Also refer to note 26.

- An amount of SR 273 million against short-term Murabaha facilities for 12 months. The loan has been repaid during the year ended 31 December 2023.

31 March 2024 (unaudited)

	Short-term loan			*Long-term loan*	***Total loans***
	Cash bridge Loan Facility 1	*Cash bridge Loan Facility 2*	*Total*	*Acquisition Loan Facility*	
Maturity date	29 October 2023	29 October 2023		31 December 2039	
Principle loan payable	-	-	-	1,100,000,000	**1,100,000,000**
Interest loan payable	-	-	-	32,023,344	**32,023,344**
Unamortised finance costs	-	-	-	(22,981,838)	**(22,981,838)**
Total	**-**	**-**	**-**	**1,109,041,506**	**1,109,041,506**

31 December 2023 (audited)

	Short-term loan			*Long-term loan*	***Total loans***
	Cash bridge Loan Facility 1	*Cash bridge Loan Facility 2*	*Total*	*Acquisition Loan Facility*	
Maturity date	29 October 2023	29 October 2023		31 December 2039	
Principle loan payable	-	-	-	1,100,000,000	**1,100,000,000**
Interest loan payable	-	-	-	12,035,587	**12,035,587**
Unamortised finance costs	-	-	-	(23,353,499)	**(23,353,499)**
Total	**-**	**-**	**-**	1,088,682,088	**1,088,682,088**

13 LOANS (continued)

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

	31 March 2024 (Unaudited) SR	31 December 2023 (Audited) SR
Current portion of long-term loans	**27,500,000**	27,500,000
Long-term loans (non-current)	**1,049,518,162**	1,049,146,501
Interest payable on loans	**32,023,344**	12,035,587
	1,109,041,506	1,088,682,088

During the current period, transaction cost of SR 371,661 (31 March 2023: SR 295,955) has been amortised and released to interim condensed statement of profit or loss. Effective interest rate on the loan is 6.97% during the period.

Both long-term and short-term loan facilities involves several guarantees, including promissory notes, pledge over the Company's bank account including dividend receipt account, share pledge over the shares in the Company held by the shareholders including assignment of dividends and assignment of any shareholder loan from the shareholders to the Company, assignment / pledge of Company's rights under compensation and claims agreement, pledge over project accounts of the Company and pledge over insurance proceeds of the Company. Following the merger with the former Parent Company, both the loans are novated in the name of the Company.

14 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	31 March 2024 (Unaudited) SR	31 December 2023 (Audited) SR
Accrued employees' costs	**16,348,214**	13,287,436
VAT payable	**4,566,239**	-
Accrued Board of Directors' remuneration	**3,150,000**	3,324,250
Accrued rebates	**1,695,449**	2,999,577
Accrued marketing costs	**900,000**	-
Other accruals	**15,018**	19,519
	26,674,920	19,630,782

15 ZAKAT

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

Movement in zakat provision were as follows:

	31 March 2024 (Unaudited) SR	31 December 2023 (Audited) SR
At the beginning of the period / year	**5,122,094**	11,515,152
Charge for the period / year	**1,500,000**	5,169,127
Paid during the period / year	**-**	(11,562,185)
At the end of the period / year	**6,622,094**	5,122,094

15 ZAKAT (continued)

Status of zakat and income tax assessment

The Company was subject to zakat and income tax from 1 December 2021 as previously its share capital was from public funds in accordance with the decision of the Zakat, Tax and Customs Authority (ZATCA). The Company has submitted its zakat and income tax return for a period from 1 December 2021 to 31 December 2021 and for the years ended 31 December 2022 and 31 December 2023, however assessment has not been raised by ZATCA.

16 REVENUE

	For the three-month period ended	
	31 March 2024 (Unaudited) SR	31 March 2023 (Unaudited) SR
Flour	**140,556,711**	137,972,142
Bran	**70,346,084**	56,488,231
Feed	**40,918,619**	32,236,630
Rebates	**(11,901,389)**	(1,051,576)
	239,920,025	225,645,427

The Company sells its goods based on sale orders from customers, majority of which is secured by the advance receipts of value of goods. The sale of goods by the Company is recognised at a point in time basis. The performance obligation is satisfied at time of dispatch of goods from the warehouses in Kingdom of Saudi Arabia.

Disaggregation of revenue

	For the three-month period ended	
	31 March 2024 (Unaudited) SR	31 March 2023 (Unaudited) SR
Type of sector		
Corporate sector	**220,105,483**	206,101,143
Individual sector	**19,794,502**	19,495,564
Government sector	**20,040**	48,720
	239,920,025	225,645,427

Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2024

17 DIRECT COSTS

	For the three-month period ended	
	31 March 2024 (Unaudited) SR	31 March 2023 (Unaudited) SR
Raw material consumed	**91,963,959**	79,992,755
Depreciation of property, plant and equipment	**15,055,209**	14,822,143
Employees' costs	**8,378,023**	8,669,963
Fuel and Power	**5,470,582**	6,082,949
Maintenance	**5,580,420**	1,522,396
Transportation	**1,848,489**	92,219
Bonus	**1,189,416**	1,193,282
Depreciation of right-of-use assets	**1,125,791**	3,449,886
Insurance	**557,842**	448,432
Provision for slow-moving inventories	**460,545**	-
Short-term leases	**127,500**	87,500
Other expenses	**2,696,418**	1,983,881
Finished goods at the beginning of the period	**8,180,488**	9,163,114
Finished goods at the end of the period	**(15,005,701)**	(10,255,018)
	127,628,981	117,253,502

18 SELLING AND DISTRIBUTION EXPENSES

	For the three-month period ended	
	31 March 2024 (Unaudited) SR	31 March 2023 (Unaudited) SR
Shipping and transportation expenses	**4,813,820**	850,800
Employees' costs	**3,288,971**	1,713,737
Marketing costs	**2,092,900**	5,018,125
Discounts on customer contracts	**1,695,449**	-
Amortisation of intangible assets	**606,810**	606,810
Bonus	**587,889**	71,444
Depreciation of right-of-use assets	**281,449**	-
Depreciation of property, plant and equipment	**146,019**	96,306
Insurance	**117,000**	164,935
Repair and maintenance	**98,036**	66,123
Fuel and Power	**42,412**	53,055
Short-term leases	**13,716**	13,716
Other expenses	**9,394**	230,995
	13,793,865	8,886,046

19 GENERAL AND ADMINISTRATION EXPENSES

	For the three-month period ended	
	31 March 2024 (Unaudited) SR	31 March 2023 (Unaudited) SR
Salaries and other benefits	**8,892,733**	10,267,698
Bonus	**1,667,697**	239,141
Bank charges on credit sales	**1,892,550**	-
Depreciation of right-of-use assets	**1,407,242**	-
Depreciation of property, plant, and equipment	**902,126**	515,738
Board and committees' expenses, rewards, and allowances	**900,000**	450,000
Professional and consulting fees	**899,017**	1,884,914
Maintenance	**806,753**	408,088
Insurance	**517,799**	372,588
Telecommunication	**404,909**	256,756
Technology supplies	**362,086**	592,992
Fuel and Power	**180,240**	163,816
Amortisation of intangible assets	**163,363**	163,363
Other expenses	**1,784,331**	1,782,304
	20,780,846	17,097,398

20 FINANCE COSTS

	For the three-month period ended	
	31 March 2024 (Unaudited) SR	31 March 2023 (Unaudited) SR
Interest costs on loans	**19,987,757**	30,040,128
Interest costs on lease liabilities	**1,582,609**	796,382
Amortisation of transaction costs on loans	**371,661**	295,955
	21,942,027	31,132,465

21 EARNINGS PER SHARE

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

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

	31 March 2024 (Unaudited) SR	31 March 2023 (Unaudited) SR
Profit for the period	**55,551,783**	51,426,244
Weighted average number of ordinary shares for basic and diluted EPS	**51,315,006**	51,315,006
Earnings per share – basic and diluted	**1.08**	1.00

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

22 CONTINGENT LIABLILTIES

As of 31 March 2024, the Company had contingent liabilities arose during its normal business cycle and related to letters of credit and letters of guarantee of SR 3,034,322 (31 December 2023: SR 3,850,509).

23 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's capital and financial risk management strategies have not changed significantly since the last year end. All financial assets and financial liabilities of the Company are classified and measured at amortised cost.

24 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial asset consists of cash and cash equivalents, accounts receivables, amounts due from related parties and other receivables. Its financial liabilities consist of accounts payables, amounts due to a related party, lease liabilities and long-term loans.

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

25 RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

During the year ended 31 December 2023, the Company restated certain amounts and balances included in the prior periods 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 2023, management of the Company has identified that they have not reassessed the value of lease liabilities after obtaining flour milling license in 2021. Management has done the reassessment during the year and as a result, the right-of-use assets and lease liabilities were understated. The error has been corrected by restating each of the affected financial statement line items for the prior period opening balance.

Restatement - 2
During the year ended 31 December 2023, management discovered that in prior periods, the useful life of the buildings that are built on leased land were erroneously based on the economic life of the buildings instead of the lease term. Consequently, the carrying value of buildings were overstated and the related accumulated depreciation was understated.

The above-mentioned errors have been corrected by restating each of the affected financial statement line items for the prior periods. Following tables summarises the impacts on the Company's financial statements:

At 31 December 2022

	Previously stated (SR)	*Restatement (SR)*	*Restated (SR)*
STATEMENT OF FINANCIAL POSITION			
Right-of-use assets	165,623,902	107,116,427	272,740,329
Lease liabilities	191,043,960	107,116,427	298,160,387
Retained earnings	730,326,507	16,537,478	713,789,029
Merger deficit reserve	675,370,884	16,537,478	658,833,406

26 EVENTS AFTER THE REPORTING DATE

On 21 Thul-Hijjah 1445H (corresponding to 27 June 2024), the Company has made a voluntary payment of SR 100 million against long-term loans, in addition to payment as per repayment schedule.

Apart from above, no other significant subsequent event since the three-month period ended 31 March 2024 that would have a material impact on the interim condensed financial position of the Company as reflected in these interim condensed financial statements.

27 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were authorised for issuance by the Company's Board of Directors on 17 Muharram 1446H (corresponding to 23 July 2024).

Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2024

Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS

Building a better
working world

Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS
TO THE SHAREHOLDERS OF THE ARABIAN MILLS FOR FOOD PRODUCTS COMPANY (FORMERLY: THE SECOND MILLING COMPANY)
(A SAUDI CLOSED JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Arabian Mills for Food Products Company (formerly: The Second Milling Company) ("the Company") as at 30 June 2024, and the related interim condensed statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2024 and the related interim condensed statements of changes in equity and cash flows for the six-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statement 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance IAS 34 as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services

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سجل تجاري ١٠١٠٣٨٣٨٢١
CR 1010383821
Ernst & Young Professional Services
(Professional LLC)

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

Riyadh: 16 Safar 1446H
(20 August 2024)

Arabian Mills for Food Products Company (formerly The Second Milling Company)
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
At 30 June 2024

	Notes	***30 June 2024 (Unaudited) SR***	*31 December 2023 (Audited) SR*
ASSETS			
NON-CURRENT ASSETS			
Property, plant, and equipment	4	**864,098,967**	891,998,966
Right-of-use assets	5	**253,311,404**	258,940,787
Intangible assets	6	**63,434,540**	64,974,887
Goodwill	7	**822,434,373**	822,434,373
TOTAL NON – CURRENT ASSETS		**2,003,279,284**	2,038,349,013
CURRENT ASSETS			
Inventories	8	**115,487,809**	98,811,642
Prepayments and other current assets	9	**21,195,595**	15,085,039
Amount due from related parties	10	**5,619,950**	5,326,600
Accounts receivable		**33,708,503**	6,340,418
Cash and cash equivalents	11	**87,219,355**	127,797,523
TOTAL CURRENT ASSETS		**263,231,212**	253,361,222
TOTAL ASSETS		**2,266,510,496**	2,291,710,235
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	**513,150,060**	513,150,060
Statutory reserve		**50,849,137**	50,849,137
Retained earnings		**360,475,420**	258,967,246
Actuarial reserve		**34,000**	-
TOTAL EQUITY		**924,508,617**	822,966,443
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current portion of lease liabilities	5	**258,301,444**	270,539,457
Long-term loans	13	**938,227,276**	1,049,146,501
Employees' defined benefit liabilities		**4,455,310**	3,297,164
TOTAL NON-CURRENT LIABILITIES		**1,200,984,030**	1,322,983,122
CURRENT LIABILITIES			
Accounts payables		**49,819,442**	49,925,900
Accrued expenses and other current liabilities	14	**22,280,411**	19,630,782
Interest payable on loans	13	**4,925,753**	12,035,587
Current portion of long-term loan		**25,451,612**	27,500,000
Current portion of lease liabilities	5	**15,403,229**	15,403,229
Amounts due to a related party	10	**1,120,041**	-
Advances from customers		**19,017,361**	16,143,078
Zakat provision	15	**3,000,000**	5,122,094
TOTAL CURRENT LIABILITIES		**141,017,849**	145,760,670
TOTAL LIABILITIES		**1,342,001,879**	1,468,743,792
TOTAL EQUITY AND LIABILITIES		**2,266,510,496**	2,291,710,235

The attached notes 1 to 27 form an integral part of these interim condensed financial statements.

Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three-month and six-month periods ended 30 June 2024

		For the three-month period ended		*For the six-month period ended*	
	Notes	***30 June 2024 (Unaudited) SR***	*30 June 2023 (Unaudited) SR*	***30 June 2024 (Unaudited) SR***	*30 June 2023 (Unaudited) SR*
Revenue	16	**226,566,440**	174,225,142	**464,791,016**	399,870,569
Direct costs	17	**(119,728,498)**	(99,970,463)	**(247,357,479)**	(217,223,965)
GROSS PROFIT		**106,837,942**	74,254,679	**217,433,537**	182,646,604
EXPENSES					
Selling and distribution	18	**(13,757,016)**	(5,054,512)	**(25,855,432)**	(13,940,558)
General and administration	19	**(25,431,526)**	(18,996,468)	**(46,212,372)**	(36,093,866)
TOTAL EXPENSES		**(39,188,542)**	(24,050,980)	**(72,067,804)**	(50,034,424)
OPERATING PROFIT		**67,649,400**	50,203,699	**145,365,733**	132,612,180
Finance costs	20	**(21,966,809)**	(31,106,089)	**(43,908,836)**	(62,238,554)
Finance income		**1,461,984**	6,256,250	**2,033,334**	6,256,250
Other income		**562,285**	716,084	**1,101,412**	1,826,388
PROFIT BEFORE ZAKAT		**47,706,860**	26,069,944	**104,591,643**	78,456,264
Zakat	15	**(1,583,469)**	(5,669,444)	**(3,083,469)**	(6,629,520)
PROFIT FOR THE PERIOD		**46,123,391**	20,400,500	**101,508,174**	71,826,744
OTHER COMPREHENSIVE (LOSS) INCOME					
Remeasurement (loss) gain on employees' defined benefit liabilities		**(133,000)**	-	**34,000**	-
Total other comprehensive (loss) income		**(133,000)**	-	**34,000**	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**45,990,391**	20,400,500	**101,542,174**	71,826,744
Earnings per share (EPS)					
Basic and diluted earnings per share	21	**0.90**	0.40	**1.98**	1.40

The attached notes 1 to 27 form an integral part of these interim condensed financial statements.

Arabian Mills for Food Products Company (formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the six-month period ended 30 June 2024

	Share capital *SR*	*Statutory reserve* *SR*	*Merger deficit reserve* *SR*	*Retained earnings* *SR*	*Actuarial reserve* *SR*	*Total* *SR*
At 31 December 2023 (audited)	513,150,060	50,849,137	-	258,967,246	-	**822,966,443**
Profit for the period	-	-	-	101,508,174	-	**101,508,174**
Other comprehensive income	-	-	-	-	34,000	**34,000**
Total comprehensive income for the period	-	-	-	101,508,174	34,000	**101,542,174**
At 30 June 2024 (unaudited)	**513,150,060**	**50,849,137**	**-**	**360,475,420**	**34,000**	**924,508,617**
At 31 December 2022, as previously reported	513,150,060	50,849,137	(675,370,884)	730,326,507	-	618,954,820
Adjustment on correction of error (note 25)	-	-	16,537,478	(16,537,478)	-	-
At 31 December 2022 (audited) (restated, note 25)	513,150,060	50,849,137	(658,833,406)	713,789,029	-	618,954,820
Profit for the period	-	-	-	71,826,744	-	71,826,744
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	71,826,744	-	71,826,744
At 30 June 2023 (unaudited)	513,150,060	50,849,137	(658,833,406)	785,615,773	-	690,781,564

The attached notes 1 to 27 form an integral part of these interim condensed financial statements.

Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2024

	Notes	***30 June 2024 (Unaudited) SR***	*30 June 2023 (Unaudited) SR*
OPERATING ACTIVITIES			
Profit before zakat		**104,591,643**	78,456,264
Adjustments to reconcile profit before zakat to net cash flows:			
Depreciation for property, plant and equipment		**33,868,123**	30,250,252
Depreciation of right-of-use assets		**5,629,383**	6,899,771
Amortisation of intangible assets		**1,540,346**	1,540,346
Interest cost on lease liabilities	20	**3,165,216**	1,592,763
Interest cost on long-term and short-term loans		**39,961,233**	59,898,210
Amortisation of transaction costs on long-term loans		**782,387**	747,581
Finance income		**(2,033,334)**	(6,256,250)
Reversal of provision for slow moving inventories		**(1,083,235)**	-
Provision for employees' defined benefit liabilities		**1,419,771**	1,463,981
		187,841,534	174,592,918
Changes in operating assets and liabilities:			
Inventories		**(15,626,187)**	(5,266,714)
Prepayments and other current assets		**(6,110,556)**	(10,967,722)
Amounts due from related parties		**(293,350)**	-
Accounts receivable		**(27,368,085)**	(3,637,531)
Accounts payables		**(106,458)**	(15,059,121)
Accrued expenses and other current liabilities		**2,649,629**	(755,062)
Amounts due to a related party		**1,120,041**	327,638
Advances from customers		**2,874,283**	4,325,548
Net cash from operations		**145,014,106**	143,559,954
Zakat and income tax paid		**(5,205,563)**	(11,515,152)
Employees' defined benefit liabilities paid		**(227,625)**	(14,595)
Net cash flows from operating activities		**139,580,918**	132,030,207
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(5,968,124)**	(9,924,422)
Finance income received		**2,033,334**	-
Net cash used in investing activities		**(3,934,790)**	(9,924,422)
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities		**(15,403,229)**	(13,808,084)
Finance costs paid for loans and lease liabilities		**(47,071,067)**	(61,642,568)
Repayment of short-term and long-term loans		**(113,750,000)**	(306,355)
Net cash used in financing activities		**(176,224,296)**	(75,757,007)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(40,578,168)**	46,348,778
Cash and cash equivalents at the beginning of the period		**127,797,523**	573,850,801
Cash and cash equivalents at the end of the period		**87,219,355**	620,199,579
Non-cash transactions			
Reclassification of capital spares from inventories to property, plant and equipment		-	25,835,733

The attached notes 1 to 27 form an integral part of these interim condensed financial statements.

1. CORPORATE INFORMATION

Arabian Mills for Food Products Company (formerly: The Second Milling Company) (the "Company") is a Saudi Closed Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010465464 dated 10 Safar 1438H (corresponding to 10 November 2016).

The national address of the Company is Building no. 5252, Jabal Abu Zawalah Street, Al Manakh District, PO Box 6868, Riyadh 14313, Kingdom of Saudi Arabia.

On 6 Jumada Al-Ula 1445H (corresponding to 20 November 2023), the shareholders of the Company resolved to change the name of the Company to Arabian Mills for Food Products Company. Legal formalities have been completed in this regard.

The Company's licensed activities include Packing and grinding wheat, packing and grinding grits, semolina, and bulgur, manufacture of concentrated feed for animals, manufacture of livestock feed, wholesale of bakery products, trade of specialty and healthy foods, land transportation of goods, storage in ports and customs or free zones, and integrated office administrative services activities.

The Company was formed by the Public Investment Fund ("PIF" or the "Former Owner") pursuant to the resolution of the Council of Ministers No. (35) of 27 Muharram 1437H (corresponding to 9 November 2015) approving the adoption of the necessary actions to establish four Joint Stock Flour Milling Companies according to the proposed geographical distribution. The Public Investment Fund, in coordination with the General Food Security Authority ("GFSA") (formerly: Saudi Grains Organization ("SAGO")), shall do so in accordance with Royal Decree No. 62 dated 4 Shawwal 1435H (corresponding to 31 July 2014).

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

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

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

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

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

1. CORPORATE INFORMATION (continued)

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)	10 Safar 1438H (corresponding to 10 November 2016)	1010465464
Riyadh	27 Jumada Al-Akhirah 1438H (corresponding to 26 March 2017)	1010469375
Jazzan	27 Jumada Al-Akhirah 1438H (corresponding to 26 March 2017)	5900036083
Hail	27 Jumada Al- Akhirah 1438H (corresponding to 26 March 2017)	3350044599

2 BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

2.1 Statement of compliance

These interim condensed financial statements of the Company for the three-month and six-month periods ended 30 June 2024 have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia (“KSA”). The Company has prepared the interim condensed financial statements on the basis that it will continue to operate as a going concern. The directors of the Company (“Directors”) consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2023. These interim condensed financial statements for the three-month and six-month periods ended 30 June 2024 are not affected significantly by seasonality of results. The results shown in these interim condensed financial statements may not be indicative of the annual results of the Company’s operations.

These interim condensed financial statements are prepared under the historical cost convention, using the accrual basis of accounting except for employees’ defined benefit liabilities which is recognised at the present value of future obligations using the projected unit credit method. These interim condensed financial statements are presented in Saudi Riyals (“SR”) which is the functional and presentation currency of the Company. All values are rounded to the nearest Saudi Riyal, except when otherwise indicated.

2.2 Material Accounting Policies Information and new standards, interpretations and amendments adopted

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2023, except for the adoption of new standards effective as of 1 January 2024. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2024, but do not have an impact on the interim condensed financial statements of the Company.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk. The transition rules clarify that an entity is not required to provide the disclosures in any interim periods in the year of initial application of the amendments. Thus, the amendments had no impact on the Company’s interim condensed financial statements.

2 BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES (continued)

2.2 Material Accounting Policies Information and new standards, interpretations and amendments adopted (continued)

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments had no impact on the Company's interim condensed financial statements.

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

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments had no impact on the Company's interim condensed financial statements.

2.3 Significant accounting estimates

The preparation of the interim condensed financial statements in conformity with IAS 34 as endorsed in KSA requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments used in the preparation of these interim condensed financial statements are consistent with those used in preparation of the Company's annual financial statements for the year ended 31 December 2023.

3 SEGMENT INFORMATION

The operations of the Company are mainly in the Kingdom of Saudi Arabia in three branches: Riyadh, Hail and Jazzan. For management reporting purpose, the Company is organised into these business units which are identified as reportable segments. No operating segments have been aggregated to form the above reportable operating segments.

Chief Executive Officer ("CEO") is the Chief Operating Decision Maker ("CODM") who 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 profit or loss and is measured consistently in the interim condensed financial statements. Also, zakat and income tax are managed on a head office level and are not allocated to operating segments. All reportable segments have similar type of products. There are no inter-segment transfers during the period.

Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
At 30 June 2024

3 SEGMENT INFORMATION (continued)

The selected financial information for these branches is as follows:

For the six-month period ended 30 June 2024 (unaudited)	***Riyadh*** ***SR***	***Jazzan*** ***SR***	***Hail*** ***SR***	***Head office*** ***SR***	***Total segments*** ***SR***
Revenue	279,805,782	82,436,996	102,548,238	-	**464,791,016**
Cost of inventories	(95,657,618)	(24,871,339)	(51,501,271)	-	**(172,030,228)**
Employees’ costs	(14,153,103)	(8,258,516)	(9,965,006)	(16,043,135)	**(48,419,760)**
Depreciation and amortisation	(18,585,117)	(12,814,047)	(7,071,833)	(2,566,856)	**(41,037,853)**
Board and committees’ expenses, rewards, and allowances	-	-	-	(2,183,000)	**(2,183,000)**
Finance costs	(1,084,128)	(1,113,639)	(967,449)	(40,743,620)	**(43,908,836)**
Finance income	-	-	-	2,033,334	**2,033,334**
Other expenses	(22,395,353)	(12,189,559)	(13,803,931)	(7,365,599)	**(55,754,442)**
Other income	856,743	15,435	229,234	-	**1,101,412**
Segment profit (loss)	**128,787,206**	**23,205,331**	**19,467,982**	**(66,868,876)**	**104,591,643**

For the six-month period ended 30 June 2023 (unaudited)	*Riyadh* *SR*	*Jazzan* *SR*	*Hail* *SR*	*Head office* *SR*	*Total segments* *SR*
Revenue	275,425,634	69,355,560	55,089,375	-	399,870,569
Cost of inventories	(96,150,176)	(22,826,580)	(23,054,162)	-	(142,030,918)
Employees’ costs	(13,429,486)	(8,007,208)	(9,011,650)	(14,797,232)	(45,245,576)
Depreciation and amortisation	(16,829,472)	(12,056,915)	(8,074,746)	(1,729,236)	(38,690,369)
Board and committees’ expenses, rewards, and allowances	-	-	-	(744,470)	(744,470)
Finance costs	(532,734)	(558,055)	(501,974)	(60,645,791)	(62,238,554)
Finance income	-	-	-	6,256,250	6,256,250
Other expenses	(12,257,802)	(6,581,885)	(7,265,935)	(14,441,434)	(40,547,056)
Other income	1,023,625	212,787	584,743	5,233	1,826,388
Segment profit (loss)	137,249,589	19,537,704	7,765,651	(86,096,680)	78,456,264

For the three-month period ended 30 June 2024 (unaudited)	***Riyadh*** ***SR***	***Jazzan*** ***SR***	***Hail*** ***SR***	***Head office*** ***SR***	***Total segments*** ***SR***
Revenue	133,481,418	38,991,289	54,093,733	-	226,566,440
Cost of inventories	(45,345,336)	(12,025,928)	(29,520,218)	-	(86,891,482)
Employees’ costs	(7,257,593)	(4,133,621)	(5,332,311)	(7,691,506)	(24,415,031)
Depreciation and amortisation	(9,603,129)	(6,696,125)	(3,406,078)	(1,644,511)	(21,349,843)
Board and committees’ expenses, rewards, and allowances	-	-	-	(1,283,000)	(1,283,000)
Finance costs	(542,064)	(556,820)	(483,724)	(20,384,201)	(21,966,809)
Finance income	-	-	-	1,461,984	1,461,984
Other expenses	(12,279,565)	(4,698,020)	(5,960,596)	(2,039,503)	(24,977,684)
Other income	465,530	7,067	89,688	-	562,285
Segment profit (loss)	58,919,261	10,887,842	9,480,494	(31,580,737)	47,706,860

Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
At 30 June 2024

3 SEGMENT INFORMATION (continued)

For the three-month period ended 30 June 2023 (unaudited)	*Riyadh SR*	*Jazzan SR*	*Hail SR*	*Head office SR*	*Total segments SR*
Revenue	120,861,825	28,568,437	24,794,880	-	174,225,142
Cost of inventories	(43,382,139)	(9,825,125)	(9,922,803)	-	(63,130,067)
Employees' costs	(6,335,582)	(3,978,896)	(4,588,509)	(8,187,324)	(23,090,311)
Depreciation and amortisation	(6,537,382)	(6,633,060)	(5,015,148)	(850,533)	(19,036,123)
Board and committees' expenses, rewards, and allowances	-	-	-	(294,470)	(294,470)
Finance costs	(266,367)	(279,027)	(250,987)	(30,309,708)	(31,106,089)
Finance income	-	-	-	6,256,250	6,256,250
Other expenses	(6,401,241)	(3,079,879)	(3,877,183)	(5,112,169)	(18,470,472)
Other income	417,239	81,551	213,312	3,982	716,084
Segment profit (loss)	58,356,353	4,854,001	1,353,562	(38,493,972)	26,069,944

As of 30 June 2024 (unaudited)	***Riyadh SR***	***Jazzan SR***	***Hail SR***	***Head office SR***	***Total segments SR***
Total assets	556,871,028	466,603,778	313,643,394	929,392,296	**2,266,510,496**
Total liabilities	(134,069,830)	(113,167,555)	(115,024,367)	(979,740,127)	**(1,342,001,879)**
Other disclosures:					
Property, plant and equipment	358,904,329	332,197,278	167,594,774	5,402,586	**864,098,967**
Capital expenditure	2,877,065	1,496,253	1,473,068	121,738	**5,968,124**
Right-of-use assets	86,669,996	89,779,094	76,862,314	-	**253,311,404**
Inventories	57,099,152	28,199,505	30,115,048	74,164	**115,487,809**
Goodwill	-	-	-	822,434,373	**822,434,373**

As of 31 December 2023 (audited)	*Riyadh SR*	*Jazzan SR*	*Hail SR*	*Head office SR*	*Total segments SR*
Total assets	560,103,724	478,640,042	298,443,794	954,522,675	2,291,710,235
Total liabilities	136,476,384	118,459,758	108,575,690	1,105,231,960	1,468,743,792
Other disclosures:					
Property, plant and equipment	379,005,999	339,962,312	171,399,742	1,630,913	891,998,966
Capital expenditure	6,007,892	7,917,707	4,821,064	972,925	19,719,588
Right of use assets	88,587,815	91,782,607	78,570,365	-	258,940,787
Inventories	49,626,998	23,970,556	25,140,867	73,221	98,811,642
Goodwill	-	-	-	822,434,373	822,434,373

Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
At 30 June 2024

4 PROPERTY, PLANT AND EQUIPMENT

	At 31 December 2023 (audited) SR	*Additions during the period SR*	*Transfers SR*	*Depreciation charge for the period SR*	*At 30 June 2024 (Unaudited) SR*
Buildings	294,495,407	228,913	-	(10,564,582)	**284,159,738**
Plant and machinery	553,121,722	1,438,932	1,325,652	(19,297,351)	**536,588,955**
Capital spares	25,175,654	494,216	(736,177)	(1,950,937)	**22,982,756**
Furniture and fittings	6,270,311	447,424	-	(504,116)	**6,213,619**
Computer equipment	1,070,371	333,985	-	(255,124)	**1,149,232**
Motor vehicles	5,533,955	-	-	(1,296,013)	**4,237,942**
Capital work in progress	6,331,546	3,024,654	(589,475)	-	**8,766,725**
Total	**891,998,966**	**5,968,124**	**-**	**(33,868,123)**	**864,098,967**

	At 31 December 2022 (audited) SR	*Additions during the period SR*	*Transfer from inventories *** SR*	*Transfers SR*	*Depreciation charge for the period SR*	*At 31 December 2023 (audited) SR*
Buildings	286,349,786	544,369	-	20,996,415	(13,395,163)	294,495,407
Plant and machinery	569,459,131	5,001,160	-	15,915,288	(37,253,857)	553,121,722
Capital spares	-	849,519	25,835,733	-	(1,509,598)	25,175,654
Furniture and fittings	5,743,611	1,075,965	-	344,275	(893,540)	6,270,311
Computer equipment	784,372	693,548	-	-	(407,549)	1,070,371
Motor vehicles	6,606,360	1,445,001	-	-	(2,517,406)	5,533,955
Capital work in progress	33,477,498	10,110,026	-	(37,255,978)	-	6,331,546
Total	902,420,758	19,719,588	25,835,733	-	(55,977,113)	891,998,966

Buildings are built on land leased from the General Food Security Authority ("GFSA") (formerly Saudi Grains Organization) with an annual rental value of SR 3,017,456 (which is increasing at the rate of 5% after every 3 years). The initial term of the land lease is 25 calendar years commencing from 3 Rabi Al-Thani 1438H (corresponding to 1 January 2017), which was adjusted in 2021 to match with the duration of flour milling license (i.e. 30 November 2046). The lease is renewable automatically subject to renewal of Company's milling license.

** Capital work in progress amounting to SR 8.77 million (31 December 2023: SR 6.33 million) mainly consists of:

- Project of completion of safety works in Hail
- Construction of spare parts warehouse in Jizan.
- Establishing parking for forklifts and charging station in Jizan.

The expected completion date is end of 2024 and the related capital commitments amounts to SR 0.52 million.

*** During the year ended 31 December 2023, management has assessed that certain capital spares with a cost of SR 28,047,118 and provision for slow-moving inventories of SR 2,211,385 have useful life of above 1 year and hence it meets the criteria of capitalisation under property, plant and equipment. Consequently, management has reclassed SR 25.84 million from inventories to property, plant and equipment.

Depreciation expense has been allocated as follows:

	30 June 2024 (Unaudited) SR	*31 December 2023 (Audited) SR*
Direct costs for the period / year	**27,990,832**	55,478,969
General and administration for the period / year	**5,497,418**	207,037
Selling and distribution for the period / year	**379,873**	291,107
Total charge for the period / year	**33,868,123**	55,977,113

5 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company entered into a lease agreement with the General Food Security Authority ("GFSA") (formerly Saudi Grains Organization ("SAGO")) for the rental of silos for the purpose of storing wheat, flour, and feed. The term of the lease is 25 calendar years commencing from 3 Rabi Al-Thani 1438H (corresponding to 1 January 2017), which was adjusted in December 2021 to match with the duration of flour milling license upto 30 November 2046 and is renewable automatically subject to renewal of Company's milling license. The estimated useful lives of leased assets for amortising right of use assets purposes are 25 years.

The Company has entered into land leases for business units. The initial term of the land lease is 25 calendar years commencing from 3 Rabi Al-Thani 1438H (corresponding to 1 January 2017), which was adjusted in 2021 to match with the duration of flour milling license (i.e., 30 November 2046). These leases do not transfer ownership of the assets to the lessor at the end of the lease. The estimated useful lives of right-of-use assets are 25 years from December 2021 and ending on 30 November 2046.

The legal ownership of the right of use assets are retained with the lessor. Generally, the Company is restricted from assigning and subleasing the leased assets.

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

	30 June 2024 (Unaudited) SR	*31 December 2023 (Audited) SR*
At the beginning of the period / year	**258,940,787**	272,740,329
Depreciation charge for the period / year	**(5,629,383)**	(13,799,542)
At the end of the period / year	**253,311,404**	258,940,787

Movement in lease liabilities is presented below:

	30 June 2024 (Unaudited) SR	*31 December 2023 (Audited) SR*
At the beginning of the period / year	**285,942,686**	298,160,387
Accretion of interest for the period / year	**3,165,216**	3,185,528
Payments during the period / year	**(15,403,229)**	(15,403,229)
At the end of the period / year	**273,704,673**	285,942,686
Bifurcated into:		
Current portion	**15,403,229**	15,403,229
Non-current portion	**258,301,444**	270,539,457

Depreciation has been allocated as follows:

	30 June 2024 (Unaudited) SR	*31 December 2023 (Audited) SR*
Direct costs for the period / year	**2,252,005**	13,799,542
General and administration for the period / year	**2,814,482**	-
Selling and distribution for the period / year	**562,896**	-
Total charge for the period / year	**5,629,383**	13,799,542

6 INTANGIBLE ASSETS

	30 June 2024 (Unaudited) SR	*31 December 2023 (Audited) SR*
At the beginning of the period / year	**64,974,887**	68,269,768
Write-off during the period / year	**-**	(214,188)
Amortisation charge for the period / year	**(1,540,347)**	(3,080,693)
At the end of the period / year	**63,434,540**	64,974,887

Amortisation has been allocated as follows:

	30 June 2024 (Unaudited) SR	*31 December 2023 (Audited) SR*
General and administration for the period / year	**326,726**	653,452
Selling and distribution for the period / year	**1,213,621**	2,427,241
Total charge for the period / year	**1,540,347**	3,080,693

7 GOODWILL

Pursuant to privatization programme by the General Food Security Authority (“GFSA”) (formerly: Saudi Arabian Grain Organization “SAGO”), Food Security Holding Company (“former Parent Company”) entered into an agreement with National Centre for Privatization & Public Private Partnership (PPP) (“NCP”) on 30 November 2021 to acquire 100% equity stake in the Company. The former Parent Company paid a consideration of SR 2.15 billion to acquire the Company with book value of net assets of SR 1,140.55 million. In 2022, the former Parent Company completed the purchase price allocation (“PPA”) to net assets within a measurement period in which the former Parent Company identified and measured the identifiable assets and liabilities assumed as of the acquisition date in accordance with the requirements of IFRS 3 Business Combination.

Goodwill is assessed for impairment at Company level. The Company has performed its impairment test for goodwill on 31 December 2023. The recoverable amount of all the CGUs is ranging from SR 1,938.8 million to SR 2,279.6 million as at 31 December 2023 (2022: SR 1,782 million) has been determined based on a value-in-use calculation using cash flow projections from financial budgets reviewed by senior management covering a five-year period. The post-zakat discount rate applied to cash flow projections is between 11.5% to 12.5%. As at 31 December 2023, the value-in-use of the asset was higher than the net assets value of the Company, indicating no impairment of goodwill. At 30 June 2024, management evaluated that there is no major change in the assumption used for impairment assessment compared to 31 December 2023 and value-in-use of the asset does not change materially from 31 December 2023.

8 INVENTORIES

	30 June 2024 (Unaudited) SR	*31 December 2023 (Audited) SR*
Spare parts	**74,461,038**	73,150,421
Raw materials	**34,099,331**	29,128,750
Finished goods *	**17,290,125**	8,180,488
Others	**1,546,252**	1,344,155
Less: provision for slow moving inventories	**(11,908,937)**	(12,992,172)
	115,487,809	98,811,642

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

9 PREPAYMENTS AND OTHER CURRENT ASSETS

	30 June 2024 (Unaudited) SR	*31 December 2023 (Audited) SR*
IPO costs***	**7,434,172**	3,700,400
Prepayments	**6,333,660**	2,339,366
Advanced to suppliers	**4,498,407**	3,400,735
Margin on letters of guarantees	**2,187,976**	2,187,976
Margin on letters of credit	**448,843**	3,260,441
Other receivables	**292,537**	196,121
	21,195,595	15,085,039

*** It represents amounts paid to various consultants to assist in Initial Public Offering ("IPO") of the Company. The amounts will be recharged to the related parties once IPO is complete.

10 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 and shareholders.

Name of related party	**Nature of relationship**
Abdulaziz Alajlan Sons Co. for Commercial and Real Estate Investment	Shareholder
Sulaiman Abdulaziz Alrajhi International Company	Shareholder
National Agriculture Development Company (NADEC)	Shareholder
Al-Watania Poultry Company	Related to member board of director

Following table provides the total amount of transactions that have been entered into with related parties during the period:

<u>For the six-month period ended 30 June 2024 and 30 June 2023:</u>

		30 June 2024 (Unaudited) SR	*30 June 2023 (Unaudited) SR*
Watania Poultry Company	Revenue	**4,970,131**	-
National Agriculture Development Company (NADEC)	Revenue	**8,467,821**	10,008,760

<u>For the three-month period ended 30 June 2024 and 30 June 2023:</u>

		30 June 2024 (Unaudited) SR	*30 June 2023 (Unaudited) SR*
Watania Poultry Company	Revenue	**3,223,939**	-
National Agriculture Development Company (NADEC)	Revenue	**3,271,333**	4,994,300

10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Balances outstanding with the related parties is presented below:

	30 June 2024 (Unaudited) SR	*31 December 2023 (Audited) SR*
Amounts due from related parties		
Abdulaziz Alajlan Sons Co. for Commercial and Real Estate Investment	**3,520,603**	3,520,603
National Agriculture Development Company (NADEC)	**2,099,347**	1,805,997
	5,619,950	5,326,600

	30 June 2024 (Unaudited) SR	*31 December 2023 (Audited) SR*
Amounts due to a related party		
Watania Poultry Company	**1,120,041**	-

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 recognised as an expense during the reporting period related to key management personnel.

	For the three-month period ended		For the six-month period ended	
	30 June 2024 (Unaudited) SR	30 June 2023 (Unaudited) SR	30 June 2024 (Unaudited) SR	30 June 2023 (Unaudited) SR
Board and committees' expenses, rewards and allowances	**1,283,000**	294,470	**2,183,000**	744,470
Short-term employee benefits	**2,658,027**	2,911,235	**5,743,131**	5,833,832
Long-term employee benefits	**78,970**	84,087	**157,073**	179,208

11 CASH AND CASH EQUIVALENTS

	30 June 2024 (Unaudited) SR	*31 December 2023 (Audited) SR*
Cash at banks	**87,219,355**	127,797,523
	87,219,355	127,797,523

12 SHARE CAPITAL

The Company's authorised, issued and paid-up share capital is divided into 51,315,006 shares of SR 10 each (31 December 2023: 51,315,006 shares), held as follows:

	30 June 2024 (Unaudited) SR	*31 December 2023 (Audited) SR*	*Ownership percentage*
Abdulaziz Alajlan Sons Co. for Commercial and Real Estate Investment	**257,232,540**	257,232,540	**50.13%**
Sulaiman Abdulaziz Alrajhi International Company	**179,602,520**	179,602,520	**35.00%**
National Agriculture Development Company (NADEC)	**76,315,000**	76,315,000	**14.87%**
	513,150,060	513,150,060	**100%**

13 LOANS

On 28 November 2021, the former Parent Company signed a Murabaha facility agreement with a local bank to acquire the shares in the Company as following:

- An amount of SR 1,500 million long-term Murabaha loan with maturity period of 18 years as of date of loan agreement, with a grace period of 24 months, repayable in 32 semi-annual installments ending on 31 December 2039, with a return rate based on SAIBOR and a bank margin. During the year ended 31 December 2023, the Company made an early payment of SR 400 million, which was not scheduled as per repayment schedule. Further, during the six-month period ended 30 June 2024, the Company made an early payment of SR 100 million, which was not scheduled as per repayment schedule.

- An amount of SR 273 million against short-term Murabaha facilities for 12 months. The loan has been repaid during the year ended 31 December 2023.

	30 June 2024 (Unaudited) SR	*31 December 2023 (Audited) SR*
Maturity date	December 2039	December 2039
Principle loan payable	**986,250,000**	1,100,000,000
Interest loan payable	**4,925,753**	12,035,587
Unamortised finance costs	**(22,571,112)**	(23,353,499)
	968,604,641	1,088,682,088

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

	30 June 2024 (Unaudited) SR	*31 December 202 (Audited) SR*
Current portion of long-term loans	**25,451,612**	27,500,000
Long-term loans (non-current)	**938,227,276**	1,049,146,501
Interest payable on loans	**4,925,753**	12,035,587
	968,604,641	1,088,682,088

During the current period, transaction cost of SR 782,388 (30 June 2023: SR 747,581) has been amortised and released to interim condensed statement of profit or loss. Effective interest rate on the loan is 6.97% during the period.

Both long-term and short-term loan facilities involves several guarantees, including promissory notes, pledge over the Company's bank account including dividend receipt account, share pledge over the shares in the Company held by the shareholders including assignment of dividends and assignment of any shareholder loan from the shareholders to the Company, assignment / pledge of Company's rights under compensation and claims agreement, pledge over project accounts of the Company and pledge over insurance proceeds of the Company. Following the merger with the former Parent Company, both the loans are novated in the name of the Company.

14 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	30 June 2024 (Unaudited) SR	*31 December 2023 (Audited) SR*
Accrued employees' costs	**10,656,887**	13,287,436
Accrued rebates	**4,360,891**	2,999,577
VAT payable	**3,392,616**	-
Accrued Board of Directors' remuneration	**2,150,000**	3,324,250
Other accruals	**1,720,017**	19,519
	22,280,411	19,630,782

15 ZAKAT

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

Movement in zakat provision were as follows:

	30 June 2024 (Unaudited) SR	*31 December 2023 (Audited) SR*
At the beginning of the period / year	**5,122,094**	11,515,152
Charge for the period / year	**3,083,469**	5,169,127
Paid during the period / year	**(5,205,563)**	(11,562,185)
At the end of the period / year	**3,000,000**	5,122,094

Status of zakat and income tax assessment

The Company was subject to zakat and income tax from 1 December 2021 as previously its share capital was from public funds in accordance with the decision of the Zakat, Tax and Customs Authority (ZATCA). The Company has submitted its zakat and income tax return for a period from 1 December 2021 to 31 December 2021 and for the years ended 31 December 2022 and 31 December 2023, however assessment has not been raised by ZATCA.

Arabian Mills for Food Products Company
(formerly: The Second Milling Company)
(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
At 30 June 2024

16 REVENUE

	For the three-month period ended		*For the six-month period ended*	
	30 June 2024 (Unaudited) SR	*30 June 2023 (Unaudited) SR*	***30 June 2024 (Unaudited) SR***	*30 June 2023 (Unaudited) SR*
Flour	**120,464,822**	111,377,742	**261,021,533**	249,349,884
Bran	**72,289,577**	44,772,542	**142,635,661**	101,260,773
Feed	**45,610,895**	18,432,020	**86,529,514**	50,668,650
Rebates	**(11,798,854)**	(357,162)	**(25,395,692)**	(1,408,738)
	226,566,440	174,225,142	**464,791,016**	399,870,569

The Company sells its goods based on sale orders from customers, majority of which is secured by the advance receipts of value of goods. The sale of goods by the Company is recognised at a point in time basis. The performance obligation is satisfied at time of dispatch of goods from the warehouses in Kingdom of Saudi Arabia.

Disaggregation of revenue

	For the three-month period ended		*For the six-month period ended*	
	30 June 2024 (Unaudited) SR	*30 June 2023 (Unaudited) SR*	***30 June 2024 (Unaudited) SR***	*30 June 2023 (Unaudited) SR*
Type of sector				
Corporate sector	**175,960,283**	154,211,926	**396,065,766**	360,313,069
Individual sector	**48,884,068**	19,994,596	**68,678,570**	39,490,160
Government sector	**26,640**	18,620	**46,680**	67,340
	224,870,991	174,225,142	**464,791,016**	399,870,569

17 DIRECT COSTS

	For the three-month period ended		*For the six-month period ended*	
	30 June 2024 (Unaudited) SR	*30 June 2023 (Unaudited) SR*	***30 June 2024 (Unaudited) SR***	*30 June 2023 (Unaudited) SR*
Raw material consumed	**89,175,906**	60,667,783	**181,139,865**	140,660,538
Depreciation of property, plant and equipment	**12,935,623**	13,717,391	**27,990,832**	28,539,534
Employees' costs	**9,076,145**	8,450,396	**17,454,168**	17,120,359
Fuel and Power	**3,872,473**	4,656,927	**9,343,055**	10,739,876
Maintenance	**3,108,525**	3,617,069	**8,688,945**	5,139,465
Transportation	**620,169**	341,117	**2,468,658**	433,336
Bonus	**1,189,413**	1,077,565	**2,378,829**	2,270,847
Depreciation of right-of-use assets	**1,126,214**	3,449,885	**2,252,005**	6,899,771
Insurance	**558,291**	541,723	**1,116,133**	990,155
Short-term leases	**125,000**	87,500	**252,500**	175,000
Provision for slow-moving inventories	**(1,543,780)**	-	**(1,083,235)**	-
Other expenses	**1,768,943**	900,822	**4,465,361**	2,884,704
	122,012,922	97,508,178	**256,467,116**	215,853,585
Finished goods at the beginning of the period	**15,005,701**	10,255,019	**8,180,488**	9,163,114
Total production cost prepared for sale during the period	**137,018,623**	107,763,197	**264,647,604**	225,016,699
Finished goods at the end of the period	**(17,290,125)**	(7,792,734)	**(17,290,125)**	(7,792,734)
	119,728,498	99,970,463	**247,357,479**	217,223,965

Arabian Mills for Food Products Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
At 30 June 2024

18 SELLING AND DISTRIBUTION EXPENSES

	For the three-month period ended		***For the six-month period ended***	
	30 June 2024 (Unaudited) SR	*30 June 2023 (Unaudited) SR*	***30 June 2024 (Unaudited) SR***	*30 June 2023 (Unaudited) SR*
Transportation	**8,955,172**	2,046,906	**13,768,992**	2,897,706
Employees' costs	**2,092,323**	1,206,206	**5,381,294**	2,919,943
Marketing expenses	**333,759**	306,060	**2,426,659**	5,324,185
Bonus	**768,987**	701,362	**1,356,876**	772,806
Amortisation of intangible assets	**606,810**	606,810	**1,213,621**	1,213,620
Depreciation of right-of-use assets	**281,447**	-	**562,896**	-
Depreciation of property, plant and equipment	**233,854**	95,772	**379,873**	192,078
Fuel and Power	**310,788**	38,114	**353,200**	91,169
Insurance	**81,632**	26,181	**198,632**	191,116
Maintenance	**31,341**	195	**129,377**	66,318
Short-term leases	**13,715**	13,715	**27,431**	27,431
Other expenses	**47,188**	13,191	**56,581**	244,186
	13,757,016	5,054,512	**25,855,432**	13,940,558

19 GENERAL AND ADMINISTRATION EXPENSES

	For the three-month period ended		***For the six-month period ended***	
	30 June 2024 (Unaudited) SR	*30 June 2023 (Unaudited) SR*	***30 June 2024 (Unaudited) SR***	*30 June 2023 (Unaudited) SR*
Employees' costs	**9,877,577**	8,937,576	**18,770,310**	19,205,274
Depreciation of property, plant and equipment	**4,595,292**	1,002,902	**5,497,418**	1,518,640
Bank charges on credit sales	**1,772,286**	-	**3,920,305**	-
Bonus	**1,410,586**	2,717,206	**3,078,283**	2,956,347
Depreciation of right-of-use assets	**1,407,240**	-	**2,814,482**	-
Board of Directors' remuneration	**1,283,000**	294,470	**2,183,000**	744,470
Professional and consulting fees	**780,235**	1,641,694	**1,679,252**	3,526,608
Insurance	**754,862**	601,720	**1,272,661**	974,308
Maintenance	**151,494**	1,340,037	**958,247**	1,748,125
Fuel and Power	**665,247**	173,446	**845,487**	337,262
Material and supplies	**247,528**	141,225	**609,614**	734,217
Amortisation of intangible assets	**163,363**	163,363	**326,726**	326,726
Transportation	**298,672**	221,757	**303,706**	239,358
Short-term leases	**104,529**	-	**104,529**	11,387
Other expenses	**1,919,615**	1,761,072	**3,848,352**	3,771,144
	25,431,526	18,996,468	**46,212,372**	36,093,866

20 FINANCE COSTS

	For the three-month period ended		*For the six-month period ended*	
	30 June 2024 (Unaudited) SR	*30 June 2023 (Unaudited) SR*	***30 June 2024 (Unaudited) SR***	*30 June 2023 (Unaudited) SR*
Interest costs on loans	**20,384,202**	30,309,708	**40,743,620**	60,645,791
Interest costs on lease liabilities	**1,582,607**	796,381	**3,165,216**	1,592,763
	21,966,809	31,106,089	**43,908,836**	62,238,554

21 EARNINGS PER SHARE

Basic earnings per share (“Basic EPS”) is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is a measure of company’s earnings per share that takes into account the quality and quantity of all convertible securities that could be exercised or converted into common shares. Following table reflects the income and shares data used in basic and diluted EPS computations:

	For the three-month period ended		*For the six-month period ended*	
	30 June 2024 (Unaudited) SR	*30 June 2023 (Unaudited) SR*	***30 June 2024 (Unaudited) SR***	*30 June 2023 (Unaudited) SR*
Profit for the period	**46,123,391**	20,400,500	**101,518,174**	71,826,744
Weighted average number of ordinary shares for basic EPS	**51,315,006**	51,315,006	**51,315,006**	51,315,006
Earnings per share – basic and diluted	**0.90**	0.40	**1.98**	1,40

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

22 CONTINGENT LIABLILTIES

As of 30 June 2024, the Company had contingent liabilities arose during its normal business cycle and related to letters of credit and letters of guarantee of SR 2,636,819 (31 December 2023: SR 3,850,509).

23 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company’s capital and financial risk management strategies have not changed significantly since the last year end. All financial assets and financial liabilities of the Company are classified and measured at amortised cost.

24 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company’s financial asset consists of cash and cash equivalents, accounts receivables, amounts due from related parties and other receivables. Its financial liabilities consist of accounts payables, amounts due to a related party, lease liabilities and and long-term loans.

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

25 RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

During the year ended 31 December 2023, the Company restated certain amounts and balances included in the prior periods 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 2023, management of the Company has identified that they have not reassessed the value of lease liabilities after obtaining flour milling license in 2021. Management has done the reassessment during the year and as a result, the right-of-use assets and lease liabilities were understated. The error has been corrected by restating each of the affected financial statement line items for the prior period opening balance.

Restatement - 2
During the year ended 31 December 2023, management discovered that in prior periods, the useful life of the buildings that are built on leased land were erroneously based on the economic life of the buildings instead of the lease term. Consequently, the carrying value of buildings were overstated and the related accumulated depreciation was understated.

The above-mentioned errors have been corrected by restating each of the affected financial statement line items for the prior periods. Following tables summarises the impacts on the Company's financial statements:

At 31 December 2022

	Previously stated (SR)	***Restatement (SR)***	***Restated (SR)***
STATEMENT OF FINANCIAL POSITION			
Right-of-use assets	165,623,902	107,116,427	272,740,329
Lease liabilities	191,043,960	107,116,427	298,160,387
Retained earnings	730,326,507	16,537,478	713,789,029
Merger deficit reserve	675,370,884	16,537,478	658,833,406

26 EVENTS AFTER THE REPORTING DATE

No other significant subsequent event since the six-month period ended 30 June 2024 that would have a material impact on the interim condensed financial position of the Company as reflected in these interim condensed financial statements.

27 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were authorised for issuance by the Company's Board of Directors on 16 Safar 1446H (corresponding to 20 August 2024).

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Arabian Mills

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