First Milling Company Prospectus

المطاحن الأولى
FIRST MILLS

First Milling Company (the "**Company**") is a Saudi joint-stock company established under commercial registration No. 4030291813, dated 10/02/1438H (corresponding to 10/11/2016G) pursuant to ministerial resolution No. G/11, dated 11/01/1438H (corresponding to 12/10/2016G).

Offering of sixteen million six hundred fifty thousand (16,650,000) ordinary shares, representing 30% of the First Milling Company's share capital, through a public offering at an Offer Price of sixty Saudi Riyals (SAR 60) per share.

Offering Period: Two (2) days, starting from Tuesday 17/11/1444H (corresponding to 06/06/2023G) and ending on Wednesday 18/11/1444H (corresponding to 07/06/2023G)

First Milling Company (hereinafter referred to as the "**Company**" or the "**Issuer**") is a Saudi joint-stock company established under commercial registration No. 4030291813, dated 10/02/1438H (corresponding to 10/11/2016G), issued in Jeddah, pursuant to ministerial resolution No. G/11 dated 11/01/1438H (corresponding to 12/10/2016G). The current share capital of the Company is five hundred fifty-five million Saudi Riyals (SAR 555,000,000) divided into fifty-five million five hundred thousand (55,500,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share (the "**Shares**").

In 1972G, the First Milling Company commenced its commercial operations as a group of wheat mills that were operated as subsidiaries of the General Food Security Authority (the "**GFSA**"). GFSA was established pursuant to Royal Decree number M/14 dated 25/03/1392H (corresponding to 09/05/1972).

On 11/01/1438H (corresponding to 12/10/2016G), the Council of Ministers' resolution No. G/11 was issued, approving the Company's incorporation under commercial registration No. 4030291813, dated 10/02/1438H (corresponding to 10/11/2016G), issued in Jeddah, as a single-shareholder, closed joint-stock company wholly owned by the Public Investment Fund (the "**PIF**"), pursuant to ministerial resolution No. G/226 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 of ten Saudi Riyals (SAR 10) per share.

On 03/02/1441H (corresponding to 01/10/2019G), the General Assembly approved the increase of the Company's capital from five hundred thousand Saudi Riyals (SAR 500,000), divided into fifty thousand (50,000) ordinary shares, to five hundred thirty-nine million two hundred thirty-six thousand seven hundred eighty Saudi Riyals (SAR 539,236,780), divided into fifty-three million nine hundred twenty-three thousand six hundred seventy-eight (53,923,678) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, through the transfer of five hundred thirty-eight million seven hundred thirty-six thousand seven hundred eighty Saudi Riyals (SAR 538,736,780) from the other reserves account to the capital account, and the issuance of fifty-three million eight hundred seventy-three thousand six hundred seventy-eight (53,873,678) ordinary shares, bringing the total number of the Shares to fifty-three million nine hundred twenty-three thousand six hundred seventy-eight (53,923,678) ordinary shares. The six Saudi Riyals (SAR 6) remaining in the other reserves account following the capital increase were transferred to the retained earnings account. The amended bylaws issued by the Ministry of Commerce were approved on 12/05/1441H (corresponding to 07/01/2020G).

On 17/10/1441H (corresponding to 09/06/2020G), pursuant to the Council of Ministers' resolution No. 631, the PIF transferred all of its shares in the Company, a total of fifty-three million nine hundred twenty-three thousand six hundred seventy-eight (53,923,678) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to the National Center for Privatization (the "**NCP**").

On 16/05/1442H (corresponding to 31/12/2020G), the NCP transferred all its shares in the Company, a total of fifty-three million nine hundred twenty-three thousand six hundred seventy-eight (53,923,678) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to Al-Raha Al-Safi Food Company under a share purchase agreement entered into by and between the NCP and Al-Raha Al-Safi Food Company executed on 29/01/1442H (corresponding to 17/09/2020G).

On 16/07/1443H (corresponding to 17/02/2022G), the General Assembly approved the reduction of the Company's capital from five hundred thirty-nine million two hundred thirty-six thousand seven hundred eighty Saudi Riyals (SAR 539,236,780), divided into fifty-three million nine hundred twenty-three thousand six hundred seventy-eight (53,923,678) ordinary shares, to five million Saudi Riyals (SAR 5,000,000), divided into five hundred thousand (500,000) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, through the cancellation of the shares proportionate to such share capital reduction, and the transfer of the value of such canceled shares to the merger reserve. The amended bylaws issued by the Ministry of Commerce were approved on 11/10/1443H (corresponding to 12/05/2022G).

On 30/11/1443H (corresponding to 29/06/2022G), the General Assembly approved the merger of Al-Raha Al-Safi Food Company (the merged entity), a limited liability company established under commercial registration No. 1010652130, dated 20/01/1442H (corresponding to 08/09/2020G), including all its assets, rights, liabilities and obligations, into First Milling Company (the merging entity). Following this merger, the new ownership structure of the Company became as follows: AlMutlaq Group Industrial Investment Company (35%), Abdullah Abunayyan Trading Company (30%), AlSafi Advanced Investment (25%), and Essa Al-Ghurair Investment L.L.C. (10%). The amended bylaws issued by the Ministry of Commerce were approved on 12/02/1444H (corresponding to 08/09/2022G). Al-Raha Al-Safi Food Company was established as a special purpose entity to meet one of the privatization requirements, namely that each qualified bidder shall undertake to establish a legal entity in Saudi Arabia to acquire the First Milling Company.

On 10/03/1444H (corresponding to 06/10/2022G), the General Assembly approved the increase of the Company's capital from five million Saudi Riyals (SAR 5,000,000), divided into five hundred thousand (500,000) ordinary shares, to five hundred fifty-five million Saudi Riyals (SAR 555,000,000), divided into fifty-five million five hundred thousand (55,500,000) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, through the deposit of cash in a bank account by the shareholders. The amended bylaws issued by the Ministry of Commerce were approved on 12/04/1444H (corresponding to 06/11/2022G). (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 offer of sixteen million six hundred fifty thousand (16,650,000) ordinary shares (hereinafter referred to as the "**Offer Shares**", and each an "**Offer Share**"), with a paid-up nominal value of ten Saudi Riyals (SAR 10) per ordinary share, at an offer price of sixty Saudi Riyals (SAR 60) (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 sixteen million six-hundred fifty thousand (16,650,000) 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 fourteen million nine hundred eighty-five thousand (14,985,000) ordinary shares, representing 90% of the total Offer Shares. The Financial Advisor, in coordination with the Company, shall determine the number and percentage of Offer Shares to be allocated to Participating Parties.

Tranche (B): Individual Investors: This tranche includes Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe in her own name or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children; and any non-Saudi Arabian national who is residing in Saudi Arabia and any national of countries in the Gulf Cooperation Council (the "**GCC**"), in each case who has a bank account with a Receiving Agent and has the right to open an investment account with a capital market institution (collectively, the "**Individual Investors**", and each an "**Individual Investor**"). Subscription by a person in the name of his divorcee shall be deemed invalid. If a transaction of this nature is proved to have occurred, the applicable regulations shall be enforced against such person. If a duplicate subscription is made, the second subscription will be deemed void, and only the first subscription will be accepted. A maximum of one million six hundred sixty-five thousand (1,665,000) 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.

The current shareholders of the Company (hereinafter referred to as the "**Current Shareholders**") own the entirety of the Company's Shares prior to the Offering. All Offer Shares will be sold by the selling shareholders (hereinafter referred to as the "**Selling Shareholders**") in accordance with Table 12-3 ("**Ownership Structure of the Company**"). The Current Shareholders, whose names appear on page (xiii) of this Prospectus and who collectively own one hundred percent (100%) of the Shares prior to the Offering, shall own seventy percent (70%) of the Company's share capital following the Offering, and will continue to hold the controlling interest in the Company. (For further information, please refer to Figure 1.4 ("**The Company's Ownerships Structure as of the date of this Prospectus**")).

From the commencement of trading of the Shares on the Saudi Exchange (hereinafter referred to as "**Tadawul**", the "**Exchange**" or the "**Capital Market**"), the Substantial Shareholders (i.e. AlMutlaq Group Industrial Investment Company, Abdullah Abunayyan Trading Company, AlSafi Advanced Investment, and Essa Al-Ghurair Investment L.L.C.) will not be able to dispose of their Shares prior to obtaining the approval of the GFSA and the CMA, subject to also obtaining any required approvals from other concerned government agencies. As of the date of this Prospectus, 70% of the Shares of the Current Shareholders of the Company are pledged in favor of Alinma Bank. Additionally, the Current Shareholders have an obligation to maintain an ownership percentage not less than 66.6% of their total shares in the Company (directly or indirectly) starting from 27/12/2022G, until the commencement of trading the Company's shares on the Saudi Exchange. Post-Offering, said percentage shall decrease to 51% of all their Shares in the Company (directly or indirectly), throughout the term of the financing facility entered into by and between the Company and Alinma Bank (for a period of fifteen (15) years). (For more information, please refer to Section 18.7 ("**Share Restrictions**") and Section 12.7 ("**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 in proportion to the number of Offer Shares to be sold by each of them, (hereinafter referred to as the "**Net Offering Proceeds**"). The Company shall not receive any part of the Offering Proceeds. (For further details, please refer to Section 8 ("**Use of Proceeds**") of this Prospectus). The Underwriters shall fully underwrite the Offering (For further information, please refer to Section 13 ("**Underwriting**") of this Prospectus).

The offering period will commence on Tuesday 17/11/1444H (corresponding to 06/06/2023G), and will remain open for a period of two days up to and including the last Offering day on Wednesday 18/11/1444H (corresponding to 07/06/2023G) (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 (x) during the Offering Period. (For further details, please refer to page (xviii) ("**Key Dates and Subscription Procedures**")). Individual Investors can subscribe to the Offer Shares through the Receiving Agents during the Offering Period, and Participating Parties can 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 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 sixty-six thousand five hundred (166,500) Investors, the Company will not guarantee the minimum allocation of Offer Shares, and the allocation will be made in accordance with the recommendations of the Issuer and the Financial Advisor. Excess subscription monies, if any, will be refunded to the Individual Investors without any charge or withholding by the Receiving Agents. Notification of the final allocation will be made on 23/11/1444H (corresponding to 12/06/2023G) and refund of subscription monies, if any, will be made at the latest by 30/11/1444H (corresponding to 19/06/2023G) (For further details, please refer to "**Key Dates and Subscription Procedures**" on page (xviii) and Section 18 ("**Shares and Offering Terms and Conditions**") of this Prospectus).

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

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

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

Financial Advisor, Bookrunner and Underwriter	Advisor to the Selling Shareholders and Underwriter	Lead Manager	Receiving Agents
SNB Capital	GIB جي آي بي كابيتال CAPITAL	SNB Capital	SNB; مصرف الراجحي alrajhi bank; مصرف الإنماء alinma bank

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 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. The Authority and the Exchange do not take any responsibility for the contents of this prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

This Document is dated 05/09/1444H (corresponding to 27/03/2023G).


الأولى
Aloula
طحين فاخر
لجميع الاستعمالات


المطاحن الأولى
FIRST MILLS
Tabuk
المطاحن الأولى
FIRST MILLS
Al-Qassim
المطاحن الأولى
FIRST MILLS
Al-Hasa
المطاحن الأولى
FIRST MILLS
Jeddah

IMPORTANT NOTICE

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

In respect to the Offering, the Company has appointed SNB Capital Company as financial advisor (hereinafter referred to as the "**Financial Advisor**"), lead manager (the "**Lead Manager**"), and bookrunner (the "**Bookrunner**"). The Company has also appointed SNB Capital Company and GIB Capital as underwriters (hereinafter referred to as the "**Underwriters**") regarding the offering of the Shares described hereunder.

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 (vii), (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**")). Neither the delivery of this Prospectus nor any oral or written information in relation to the Offer Shares is intended to be, or should be construed as or relied upon in any way, as a promise, affirmation or representation as to future earnings, results or events.

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

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

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

MARKET AND INDUSTRY DATA

The information in Section 3 ("**Overview of the Market and Industry**") of this Prospectus is derived from the market study report dated 12 December 2022G prepared by the market study consultant, Euromonitor International Ltd. (the "**Market Study Consultant**") for the benefit of the Company, in relation to the food and feed sectors in the Kingdom of Saudi Arabia (the "**Market Study**"). Euromonitor International Ltd. was founded in 1972G in London, the United Kingdom, and provides five-year research, studies and forecasts about consumption patterns, fast-moving consumer goods, commercial industries, and demographic changes in the Kingdom. It commenced its operations in Saudi Arabia in 2008G. (For more information about Euromonitor International Ltd., 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 fiscal years ended 31 December 2019G, 2020G, and 2021G, as well as the interim condensed financial statements for the nine-month period ended on 30 September 2022G, were prepared in accordance with the International Financial Reporting Standards applicable in the KSA (IFRS-KSA) and other accounting standards accepted in the Kingdom issued by the Saudi Organization for Certified Public Accountants ("**SOCPA**"). The financial statements for the fiscal years ended 31 December 2019G, 2020G, and 2021G were audited by the Company's independent auditor, Ernst & Young Professional Services (Professional LLC) (EY), and the interim condensed financial statements were reviewed by KPMG Professional Services (KPMG). The abovementioned 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.

The financial information relating to the fiscal year ended 31 December 2019G was obtained from the comparative financial information presented in the Company's audited financial statements for the fiscal year ended 31 December 2020G; the financial information relating to the fiscal year ended 31 December 2020G was obtained from the comparative financial information presented in the Company's audited financial statements for the fiscal year ended 31 December 2021G; and the financial information relating to the fiscal year ended 30 September 2021G was obtained from the comparative financial information presented in the Company's audited financial statements for the fiscal year ended 30 September 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:

there has been a significant change in any material information contained in this Prospectus or any document required under the OSCOs; or

significant additional issues have arisen whose inclusion in this Prospectus is necessary.

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

DEFINITIONS AND ABBREVIATIONS

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

CORPORATE DIRECTORY

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

No.	Name	Position	Nationality	Status	Date of Appointment	Direct Ownership		Indirect Ownership	
						Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
1	Tariq Mutlaq Abdullah AlMutlaq ***	Chairman	Saudi	Non-Executive	31/12/2020	-	-	0.82%	0.71%
2	Abdullah Ahmed Sultan AlKenany	Vice Chairman	Saudi	Non-Executive	31/12/2020	-	-	-	-
3	Essa Abdulla Ahmad AlGhurair****	Board Member	Emirati	Non-Executive	31/12/2020	-	-	9.70%	6.79%
4	Yazeed Abdullah Abdulaziz AlOthman	Board Member	Saudi	Independent	31/12/2020	-	-	-	-
5	Rakan Abdullah Rashed Abunayyan*****	Board Member	Saudi	Non-Executive	31/12/2020	-	-	2.39%	1.67%
6	Massimo Dominico Ambrosio	Board Member	Italian	Independent	21/03/2021	-	-	-	-
7	Murad Ahmed AlKhatib	Board Member	Canadian	Independent	21/03/2021	-	-	-	-

Source: the Company

* The members of the Board of Directors were appointed at the General Assembly Meeting held on 31/12/2020G and the General Assembly Meeting held on 21/03/2021.

** For this table, indirect ownership includes shares held indirectly by a board member through companies or persons controlled thereby.

*** Tariq Mutlaq Abdullah AlMutlaq holds a 0.82% indirect ownership pre-Offering, as a result of holding 10% ownership in Madar Investment Trading Company, which owns 47.1% of Masara Investment Company, which owns 50% of AlMutlaq Group Company, which owns 100% of AlMutlaq Group Industrial Investment Company, which ultimately owns 35% of the Issuer's shares pre-Offering.

**** Essa Abdulla Ahmad AlGhurair holds a 9.70% indirect ownership pre-Offering, as a result of holding 97% ownership in Essa Al-Ghurair Investment L.L.C., which ultimately owns 10% of the Issuer's shares pre-Offering.

***** Rakan Abdullah Rashed Abunayyan holds a 2.39% indirect ownership pre-Offering, as a result of holding a 7.95% ownership in Abdullah Abunayyan Trading Company, which ultimately owns 30% of the Issuer's shares pre-Offering.

The current Secretary of the Board of Directors is Nawaf Shunbur Ibrahim AlHasani, who does not hold any Shares in the Company.

Company Address and Representatives and the Board Secretary

First Milling Company

Jeddah Islamic Port, between gates 7 and 8 next to the General Food Security Authority

Jeddah, Kingdom of Saudi Arabia

Zip Code: 22312

PO Box: 16165

Tel: +966 92 001 0375

Fax: +966 12 648 3433

Website: www.firstmills.com

Email: info@firstmills.com

Company's Representatives

Tariq Mutlaq Abdullah AlMutlaq

Chairman of the Board of Directors

Office 5103 - Fifth floor

Building Number: 1 - Al Akaria Tower

Riyadh 11431

Kingdom of Saudi Arabia

Tel: +966 11 479 2100

Website: www.firstmills.com

Email: Tariq@almutlaq.com

Manwel Adeb Abu Hamdan

Chief Financial Officer

Jeddah Islamic Port, between gates 7 and 8 next to the General Food Security Authority

Jeddah, Kingdom of Saudi Arabia

Zip Code: 22312

PO Box: 16165

Tel: +966 12648 2770

Website: www.firstmills.com

Email: Manwel.hamdan@firstmills.com

Secretary of the Board

Nawaf Shunbur Ibrahim AlHasani

Jeddah Islamic Port, between gates 7 and 8 next to the General Food Security Authority

Jeddah, Kingdom of Saudi Arabia

Zip Code: 22312

PO Box: 16165

Tel: +966 12 648 2770

Website: www.firstmills.com

Email: nawaf.alhasani@firstmills.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

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

Financial Advisor, Lead Manager, Bookrunner and Underwriter

SNB Capital Company
King Saud Road, SNB Regional Building
P.O. Box 22216, Riyadh 11495
Kingdom of Saudi Arabia
Tel: + 966 92 0000232
Fax: +966 11 4060052
Website: www.alahlicapital.com
Email: snbc.cm@alahlicapital.com

Advisor to the Selling Shareholders and Underwriter

GIB Capital
Low Rise Building 1, Granada Business Park
Eastern Ring Road
P.O. Box 89589
Riyadh 11692
Kingdom of Saudi Arabia
Tel: + 966 11 5112200
Fax: +966 11 5112201
Website: www.gibcapital.com
Email: Investment.Banking@gibcapital.com

Legal Adviser to the Issuer

Legal Advisers

Abdulaziz Al Ajlan & Partners in association with Baker & McKenzie Limited

Al Olayan Complex, Tower II, third floor

Al-Ahsa Street, Al Malaz

P.O. Box: 69103

Riyadh 11547

Kingdom of Saudi Arabia

Tel: +966 11 265 8900

Fax: + 966 11 265 8999

Website: www.legal-advisors.com

Email: legal.advisors@legal-advisors.com

Financial Due Diligence Advisor

PricewaterhouseCoopers - Public Accountants

Kingdom Tower, 21st Floor

P.O. Box 8282

Riyadh 11482

Kingdom of Saudi Arabia

Tel: +966 (11) 211 0400

Fax: +966 (11) 211 0250

Website: www.pwc.com

Email: project.horizon@pwc.com

Market Study Consultant

Euromonitor International Limited

60-61 Britton Street

London EC1M 5UX, United Kingdom

Tel: +44 2072518024

Fax: +44 2076083149

Website: www.euromonitor.com

Email: info@Euromonitor.com

Auditor for the Nine-Month Period Ended 30 September 2022G

KPMG Professional Services - Closed Joint Stock Company
Zahran Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah, 21534
Tel: +966 12 230 3000
Fax: +966 12 230 3111
Website: www.kpmg.com.sa
Email: marketingsa@kpmg.com

Auditor for the Financial Years Ending 31 December 2019G, 31 December 2020G, and 31 December 2021G

Ernst & Young Professional Services (Professional LLC) (Formerly known as Ernst & Young & Partners (Chartered Accountants))
Al Faisaliah Office Tower, 14th Floor
King Fahd Street
P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia
Tel: +966 11 2159898
Fax: +966 11 2734730
Website: ey.com/mena
Email: ey.ksa@sa.ey.com

Note: All the above-mentioned Advisors and independent Auditors have provided, and have not withdrawn, their written consent, as at the date of this Prospectus, to the publication of their names, logos and statements 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

Saudi National Bank King Fahd Road - Al-Aqiq - King Abdullah Financial District (KAFD) P.O. Box: 3208 Unit Number: 778 Kingdom of Saudi Arabia Tel: +966 (92) 000 1000 Fax: +966 (11) 406 0052 Website: www.alahli.com Email: contactus@alahli.com	SNB
AlRajhi Bank King Fahd Road - Al Muruj District - Al Rajhi 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	مصرف الراجحي alrajhi bank
Alinma Bank Al Anoud Tower - King Fahad Road P.O. Box: 66674, Riyadh 11586 Kingdom of Saudi Arabia Tel: +966 (11) 218 5555 Fax: +966 (11) 218 5000 Website: www.alinma.com Email: info@alinma.com	مصرف الإنماء alinma bank

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	First Milling Company (hereinafter referred to as the "**Company**" or the "**Issuer**") is a Saudi joint-stock company established pursuant to commercial registration No. 4030291813, dated 10/02/1438H (corresponding to 10/11/2016G), issued in Jeddah, KSA, and ministerial resolution No. G/11 dated 11/01/1438H (corresponding to 12/10/2016G). According to its commercial registry, the Company's head office is located in the city of Jeddah, at Zip Code No. 11452, P.O. Box No. 6847. The Company's actual head office is located in the Jeddah Islamic Port, between gates 7 and 8 next to the General Food Security Authority, Zip Code No. 22312, P.O. Box No. 16165. The Company operates in accordance with General Food Security Authority license No. 01 dated 29/04/1442H (corresponding to 14/12/2020G), and the licenses of the MIMR obtained by the Company's Branches: (i) license No. 281694 obtained by Jeddah facility, (ii) license No. 72795 obtained by Al-Ahsa facility, (iii) license No. 2811333 obtained by Al-Qassim facility, and (iv) license No. 2811192 obtained by Tabuk facility; and the SFDA licenses obtained by its Branches: (i) factory license No. AFEE/42/00067 obtained by Jeddah facility, (ii) factory license No. AFEE/42/00072 obtained by Al-Ahsa facility, (iii) factory license No. AFEE/42/00069 obtained by Al-Qassim facility, and (iv) factory license No. AFEE/42/00074 obtained by Tabuk facility. As listed in the Company's commercial register, the current share capital of the Company is five hundred fifty-five million Saudi Riyals (SAR 555,000,000) divided into fifty five million five hundred thousand (55,500,000) Ordinary Shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share (the "**Shares**"). First Milling Company commenced its commercial operations in 1972 as a group of wheat mills operated as subsidiaries of the GFSA. GFSA was established pursuant to Royal Decree number M/14 dated 25/03/1392H (corresponding to 09/05/1972G). On 11/01/1438H (corresponding to 12/10/2016G), the Council of Ministers' resolution No. G/11 was issued, announcing the Company's incorporation under commercial registration No. 4030291813, dated 10/02/1438H (corresponding to 10/11/2016G), issued in Jeddah, as a single-shareholder, closed joint-stock company wholly owned by the PIF, pursuant to ministerial resolution No. G/226 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 of ten Saudi Riyals (SAR 10) per share. On 03/02/1441H (corresponding to 01/10/2019G), the General Assembly approved the increase of the Company's capital from five hundred thousand Saudi Riyals (SAR 500,000), divided into fifty thousand (50,000) ordinary shares, to five hundred thirty-nine million two hundred thirty-six thousand seven hundred eighty Saudi Riyals (SAR 539,236,780), divided into fifty-three million nine hundred twenty-three thousand six hundred seventy-eight (53,923,678) ordinary cash shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, through the transfer of five hundred thirty-eight million seven hundred thirty-six thousand seven hundred eighty Saudi Riyals (SAR 538,736,780) from the other reserves account to the capital account, and the issuance of fifty-three million eight hundred seventy-three thousand six hundred seventy-eight (53,873,678) ordinary shares, bringing the total number of the Shares to fifty-three million nine hundred twenty-three thousand six hundred seventy-eight (53,923,678) ordinary shares. The six Saudi Riyals (SAR 6) remaining in the other reserves account following the capital increase were transferred to the retained earnings account. The amended bylaws issued by the Ministry of Commerce were approved on 12/05/1441H (corresponding to 07/01/2020G). On 17/10/1441H (corresponding to 09/06/2020G), pursuant to the Council of Ministers' resolution No. 631, the PIF transferred all its shares in the Company amounting to fifty-three million nine hundred twenty-three thousand six hundred seventy-eight (53,923,678) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to the NCP. On 16/05/1442H (corresponding to 31/12/2020G), the NCP transferred all its shares in the Company amounting to fifty-three million nine hundred twenty-three thousand six hundred seventy-eight (53,923,678) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to Al-Raha Al-Safi Food Company under a Share Purchase Agreement entered into between the NCP and Al-Raha Al-Safi Food Company on 29/01/1442H (corresponding to 17/09/2020G).

<table>
<tr>
<td></td>
<td colspan="2">On 16/07/1443H (corresponding to 17/02/2022G), the General Assembly approved the reduction of the Company's capital from five hundred thirty-nine million two hundred thirty-six thousand seven hundred eighty Saudi Riyals (SAR 539,236,780), divided into fifty-three million nine hundred twenty-three thousand six hundred seventy-eight (53,923,678) ordinary shares, to five million Saudi Riyals (SAR 5,000,000), divided into five hundred thousand (500,000) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, through the cancellation of the shares corresponding to such share capital reduction, and the transfer of their value to the merger reserve. The amended bylaws issued by the Ministry of Commerce, were approved on 11/10/1443H (corresponding to 12/05/2022G).

On 30/11/1443H (corresponding to 29/06/2022G), the General Assembly approved the merger of Al-Raha Al-Safi Food Company (the merged entity), a limited liability company established under commercial registration No. 1010652130, dated 20/01/1442H (corresponding to 08/09/2020G), including all its assets, rights, liabilities and obligations, into First Milling Company (the merging entity). Following this merger, the new ownership structure of the Company became as follows: AlMutlaq Group Industrial Investment Company (35%), Abdullah Abunayyan Trading Company (30%), AlSafi Advanced Investment (25%), and Essa Al-Ghurair Investment L.L.C. (10%). The amended bylaws issued by the Ministry of Commerce were approved on 12/02/1444H (corresponding to 08/09/2022G). Al-Raha Al-Safi Food Company was established as a Special Purpose Entity (SPE) to meet one of the privatization requirements, namely that each qualified bidder shall undertake to establish a legal entity in Saudi Arabia to acquire First Milling Company.

On 10/03/1444H (corresponding to 06/10/2022G), the General Assembly approved the increase of the Company's capital from five million Saudi Riyals (SAR 5,000,000), divided into five hundred thousand (500,000) ordinary shares, to five hundred fifty-five million Saudi Riyals (SAR 555,000,000), divided into fifty-five million five hundred thousand (55,500,000) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, through a cash deposit in a bank account held by the shareholders. The amended bylaws issued by the Ministry of Commerce were approved on 12/04/1444H (corresponding to 06/11/2022G).

(For more information, please refer to Section 1.1 ("Overview of the Company and Growth of its Capital") of this Prospectus).</td>
</tr>
<tr>
<td>Company's Activities</td>
<td>In accordance with its Bylaws, the Company's activities are as follows:
1- Wheat packing and milling
2- Maize packing and milling
3- Barley packing and milling
4- Packing and milling of flour, meal and bulgur wheat
5- Oats' production
6- Manufacture of concentrated fodder for animal
7- Manufacture of cattle fodder
8- Manufacture of secondary plant products as animal feed
9- Preparation, milling and pressing of animal feed
10- Manufacture of poultry fodder
11- Manufacture of bird fodder
12- Wholesale of barley
13- Grain wholesale except for barely
14- Wholesale of livestock feed for pharmaceutical feed additives
15- Wholesale of feed and non-medicinal feed additives
16- Retail sale of livestock feed
17- Retail sale of barley
18- Animal food and feed stores
19- Storage in warehouses of grain silos, flour and agricultural products
20- Dry food storage
21- Manufacture of flour and dough for bakeries</td>
<td>In accordance with its commercial register, the Company's activities are as follows:
1- Wheat packing and milling
2- Maize packing and milling
3- Barley packing and milling
4- Packing and milling of flour, meal and bulgur wheat
5- Oats' production
6- Manufacture of concentrated fodder for animal
7- Manufacture of cattle fodder
8- Manufacture of secondary plant products as animal feed
9- Preparation, milling and pressing of animal feed
10- Manufacture of poultry fodder
11- Manufacture of bird fodder
12- Wholesale of barley
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18- Storage in warehouses of grain silos, flour and agricultural products
19- Dry food storage
20- Manufacture of flour and dough for bakeries</td>
</tr>
</table>

<table>
<tr><td rowspan="1">Substantial Shareholders and Number of Shares held by them Pre- and Post-Offering</td><td>

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

Overview of Substantial Shareholders of the Company Pre- and PostOffering

Shareholder Name	Shareholding (Pre-Offering)			Shareholding (Post-Offering)		
	No. of Shares	Direct Ownership	Par Value (SAR)	No. of Shares	Direct Ownership	Par Value (SAR)
AlMutlaq Group Industrial Investment Company	19,425,000	35%	194,250,000	16,650,000	30%	166,500,000
Abdullah Abunayyan Trading Company	16,650,000	30%	166,500,000	11,655,000	21%	116,550,000
AlSafi Advanced Investment	13,875,000	25%	138,750,000	6,660,000	12%	66,600,000
Essa Al-Ghurair Investment	5,550,000	10%	55,500,000	3,885,000	7%	38,850,000
Public	-	-	-	16,650,000	30%	166,500,000
Total	**55,500,000**	**100%**	**555,000,000**	**55,500,000**	**100%**	**555,000,000**

Source: the Company

</td></tr>
</table>

Company's Capital	Five hundred fifty-five million Saudi Riyals (SAR 555,000,000).
Total Number of Issued Shares	Fifty-five million five hundred thousand (55,500,000) ordinary shares paid in full.
Offering	Initial public offering of sixteen million six hundred and fifty thousand (16,650,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share at an offering price of sixty Saudi Riyals (SAR 60) per Offer Share. The total Offer Shares represent 30% of the Company's Share Capital.
Total Number of Offer Shares	Sixteen million six hundred fifty thousand (16,650,000) Ordinary Shares.
Nominal value per Share	Ten Saudi Riyals (SAR 10) per Share.
Percentage of Offer Shares to the total number of issued Shares	The Offer Shares represent 30% of the Company's total Share Capital.
Offer Price	Sixty Saudi Riyals (SAR 60) per Share.
Total value of Offer Shares	Nine hundred ninety-nine million Saudi Riyals (SAR 999,000,000).
Use of Proceeds	The Net Proceeds from the Offering amounting to approximately nine hundred fifty eight million Saudi Riyals (SAR 958,000,000) (after deducting the Offering expenses estimated at forty one million Saudi Riyals (SAR 41,000,000) 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**")).
Number of Shares Underwritten	Sixteen million six hundred fifty thousand (16,650,000) Ordinary Shares.
Total Underwritten Offering Amount	Nine hundred ninety-nine million Saudi Riyals (SAR 999,000,000).

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 Book-Building Instructions. The number of Offer Shares allocated to Participating Parties effectively participating in the book-building process is sixteen million six hundred fifty thousand (16,650,000) 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 fourteen million nine hundred eighty-five thousand (14,985,000) Ordinary Shares, representing 90% of the total Offer Shares. Initially, four million nine hundred and ninety five thousand (4,995,000) ordinary shares were allocated to public funds, representing 30% of the total number of Offer Shares, 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 four million four hundred and ninety five thousand (4,495,000) ordinary shares as a minimum, representing 27% of the total number of the Offer 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 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 Saudi Arabian national who is resident in the Kingdom and any national of countries of GCC States, 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. A maximum of one million six hundred sixty-five thousand (1,665,000) Ordinary Shares representing 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	Sixteen million six hundred fifty thousand (16,650,000) 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 fourteen million nine hundred eighty-five thousand (14,985,000) Shares, representing 90% of the total Offer Shares. Initially, four million nine hundred and ninety five thousand (4,995,000) ordinary shares were allocated to public funds, representing 30% of the total number of Offer Shares, 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 four million four hundred and ninety five thousand (4,495,000) ordinary shares as a minimum, representing 27% 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 six hundred sixty-five thousand (1,665,000) Offer Shares, representing 10% of the total Offer Shares. In the event that Individual Investors do not subscribe in full for the Offer Shares allocated to them, the Lead Manager may reduce the number of Offer Shares allocated thereto in proportion to the number of Offer Shares subscribed for thereby.
Subscription Method for each Targeted Investor Category	
Subscription Method for Participating Parties	Participating Parties are entitled to apply for subscription, and the Lead Manager will provide Bidding Participation Forms to the Participating Party investors during the Book-Building Period. After the initial allocation, the Lead Manager will provide Participating Parties with Subscription Application Forms, which they must fill out in accordance with the instructions described in Section 18 ("**Shares and Offering Terms and Conditions**").
Subscription method for Individual Investors	Subscription Application Forms will be provided to Individual Investors during the Offering Period by one of the Receiving Agents. Subscription Application Forms must be completed in accordance with the instructions described in Section 18 ("**Shares and Offering Terms and Conditions**"). Individual Investors who have participated in recent initial public offerings in the Kingdom can also subscribe through the internet, telephone banking or automated teller machines ("**ATMs**") of any of the Receiving Agents' branches that offer any or all such services to their customers, provided that the following requirements are satisfied: (i) the Individual Investor must have a bank account at a Receiving Agent which offers such services, and (ii) there have been no changes in the personal information or data of the Individual Investor since such person's subscription to the last initial public offering.

Minimum Number of Offer Shares to be Applied for by each Category of Targeted Investors	
Minimum Number of Offer Shares to be Applied for by Participating Parties	Fifty thousand (50,000) Shares.
Minimum Number of Offer Shares to be Applied for by Individual Investors	Ten (10) Shares.
Minimum Subscription Amount by each Category of Targeted Investors	
Minimum Subscription Amount for Participating Parties	Three million Saudi Riyals (SAR 3,000,000).
Minimum Subscription Amount for Individual Investors	SAR Six hundred Saudi Riyals (SAR 600).
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 seven hundred seventy-four thousand nine hundred ninety-nine (2,774,999) Shares, and in relation to public funds only, the maximum number of Offer Shares shall not exceed the maximum limit for each participating public fund that is determined in accordance with the Book-Building Instructions.
Maximum Number of Offer Shares to be Applied for by Individual Investors	Two hundred fifty thousand (250,000) Shares.
Maximum Subscription Amount by each Category of Targeted Investors	
Maximum Subscription Amount for Participating Parties	One hundred and sixty-six million four hundred and ninety-nine thousand nine hundred and forty Saudi Riyals (SAR 166,499,940).
Maximum Subscription Amount for Individual Investors	Fifteen million Saudi Riyals (SAR 15,000,000).
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 sixteen million six hundred fifty thousand (16,650,000) Shares representing 100% of the total Offer Shares. In the event there is sufficient demand by Individual Investors for the Offer Shares, the Financial Advisor, in coordination with the Company, may decide to reduce the number of Shares allocated to Participating Parties to fourteen million nine hundred eighty-five thousand (14,985,000) Shares, representing 90% of the total Offer Shares, following subscription by Individual Investors. Initially, four million nine hundred and ninety five thousand (4,995,000) ordinary shares were allocated to public funds, representing 30% of the total number of Offer Shares, 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 four million four hundred and ninety five thousand (4,495,000) ordinary shares as a minimum, representing 27% 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 23/11/1444H (corresponding to 12/06/2023G), with the minimum allocation per Individual Investor amounting to ten (10) Offer Shares, and the maximum allocation per Individual Investor amounting to two hundred 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 sixty six thousand five hundred (166,500), the Company will not guarantee the minimum allocation of Offer Shares, and the allocation will be made as determined by the Company and the Financial Advisor.
Refund of Excess Subscription Monies	Surplus subscription amounts (if any) will be refunded without any charge or withholding by the Lead Manager or relevant Receiving Agent. Notification of the final allotment will be made on 23/11/1444H (corresponding to 12/062023G) and refund of subscription monies, if any, will be made at the latest by 30/11/1444H (corresponding to 19/06/2023G) (for further details, see "**Key Dates and Subscription Procedures**" on page (xviii) and Section 18 ("**Subscription Terms and Conditions**")) of this Prospectus).
Offering Period	The Offering will commence on 17/11/1444H (corresponding to 06/06/2023G) and will remain open for a period of two (2) days up to and including 18/11/1444H (corresponding to 07/06/2023G).

Distribution of Dividends	The Offer Shares will entitle their holders to receive any dividends declared and paid by the Company from the date of this Prospectus and for subsequent financial years (for further details, please refer to Section 7 ("**Dividend Distribution Policy**") of this Prospectus).
Voting Rights	The Company has only one class of Ordinary Shares, which do not carry any preferential voting rights. Each Share grants its holder the right to one vote, and each Shareholder has the right to attend and vote in the Company's General Assembly meetings. A Shareholder may authorize another Shareholder that is not a member of the Board of Directors, to attend General Assembly meetings and vote on its behalf (for further details, please refer to Section 12.13 ("**Rights of Shareholders**") of this Prospectus).
Share Restrictions	From the commencement of trading of the Shares on the Saudi Exchange, the Substantial Shareholders whose names appear on page (xiii) of this Prospectus are not able to dispose of their Shares prior to obtaining the approval of the GFSA and the CMA[1], subject to also obtaining any required approvals from other concerned government agencies. As of the date of this Prospectus, 70% of the Shares of the Current Shareholders of the Company are pledged in favor of Alinma Bank. Post-Offering, the Current Shareholders are bound to retain an ownership percentage not less than 51% of all their Shares in the Company (directly or indirectly), for the duration of the finance agreement between the Company and Alinma Bank (for a period of 15 years) (for more information, please refer to Section 12.7 ("**Credit Facilities and Loans**") of this Prospectus). In addition, the Company is prohibited from listing shares of the same class as the Offer Shares for a period of six (6) months starting from the start of trading of the Offer Shares on the Exchange. The Offer Shares are also subject to the general restrictions applying on Shares in the Kingdom.
Listing and Trading of Shares	Prior to the Offering, the Company's Shares have never been listed or traded in any stock market either in the Kingdom of Saudi Arabia or elsewhere. Applications have been submitted by the Company to the Capital Market Authority for the registration and offering of the Shares in accordance with the OSCOs, and the Exchange for the listing of the Shares in accordance with the Listing Rules. All relevant approvals to conduct the Offering have been granted and all CMA and Tadawul required documents submitted, and all requirements have been met, including those pertaining to the listing of the Company on the Exchange. It is expected that trading in the Shares will commence on the Exchange shortly after the final allocation of the Offer Shares.
Risk Factors	There are certain risks related to investing in the Offering. Such risks can be classified as follows: (i) risks related to the Company and its operations; (ii) risks related to the market; and (iii) risks related to the Shares. These risks are described in Section 2 ("**Risk Factors**") and the ("**Important Notice**") in the preamble hereof, and should be carefully considered prior to making a decision to invest in the Offer Shares.
Offering Expenses	The Selling Shareholders shall be responsible for all expenses and costs associated with the Offering, including expenses paid by the Company, which shall be compensated therefor. Expenses borne by the Selling Shareholders are estimated at around forty one million Saudi Riyals (SAR 41,000,000). Such costs shall be deducted from the Offering proceeds and include the fees of the Financial Advisor, Underwriters, Issuer's Legal Advisor, the Financial Due Diligence and Working Capital Advisor, Auditor, Market Study Consultant, and other Advisors, in addition to the fees of the Receiving Agents, marketing, printing and distribution expenses, as well as other related expenses. It should be noted that the costs paid by the Company amounted to approximately nine million Saudi Riyals (SAR 9,000,000), which include fees paid to Tadawul and the Securities Depository Center Company (Edaa), as well as other costs related to listing the Shares.

1 Whereas (1) the Substantial Shareholders may not dispose of their Shares during the six (6) months following the commencement of trading of the Shares on the Saudi Exchange, in accordance with the OSCOs requirements, and (2) under the provisions of the Company's GFSA license, the Company may not make any direct change in the Company's ownership nor any change of control of the owners or Shareholders of the Company, holding more than 5% of the Company's Shares (directly or indirectly), except after obtaining the GFSA's approval. It should be noted that the approval of the Capital Market Authority must be also sought to lift such restriction.

Financial Advisor and Lead Manager	**SNB Capital Company** King Saud Road, SNB Regional Building P.O. Box 22216, Riyadh 11495 Kingdom of Saudi Arabia Tel: + 966 92 0000232 Fax: +966 11 4060052 Website: www.alahlicapital.com Email: snbc.cm@alahlicapital.com
Advisor to the Selling Shareholders	**GIB Capital** Low Rise Building 1, Granada Business Park Eastern Ring Road P.O. Box 89589 Riyadh 11692 Kingdom of Saudi Arabia Tel: + 966 11 5112200 Fax: +966 11 5112201 Website: www.gibcapital.com Email: Investment.Banking@gibcapital.com
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Note: Page (i) (“**Important Notice**”) and Section 2 (“**Risk Factors**”) of this Prospectus must be carefully studied before making any decision regarding investing in Offer Shares under this Prospectus.

KEY DATES AND SUBSCRIPTION PROCEDURES

Table (1.2): Expected Offering Timetable

Expected Offering Timetable	Date
Offering Period for Participating Parties and Book-Building Period	A period of eight (8) days, starting from27/10/1444H (corresponding to 18/05/2023G) and closing at 5:00 p.m. KSA time on Thursday 05/11/1444H (corresponding to 25/05/2023G).
Submission Period for Individual Investors	A period of two (2) days, starting from 17/11/1444H (corresponding to 06/06/2023G) and closing at 5:00 p.m. KSA time on 18/11/1444H (corresponding to 07/06/2023G).
Deadline for submission of Subscription Forms by Participating Parties based on the initial allocation of Offer Shares	On Monday, 16/11/1444H (corresponding to 05/06/2023G).
Deadline for submission of Retail Subscription Forms and payment of the subscription monies by Individual Investors	On Wednesday, 18/11/1444H (corresponding to 07/06/2023G).
Deadline for payment of subscription money by Participating Parties based on their initially allocated Offer Shares	On Monday, 16/11/1444H (corresponding to 05/06/2023G).
Announcement of final Offer Shares allotment	On Monday, 23/11/1444H (corresponding to 12/06/2023G).
Refund of excess subscription monies (if any)	On Monday, 30/11/1444H (corresponding to 19/06/2023G).
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 local daily newspapers, on the Tadawul website (www.tadawul.com.sa), the Company's website (www.firstmills.com) and the website of the Financial Advisor (www.alahlicapital.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 ("**Shares and Offering Terms and Conditions**") of this Prospectus).

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

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

Participating Parties:

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

Individual Investors:

Retail Subscription Forms for Individual Investors will be available during the Offering Period at all Receiving Agents. Individual Investors who have participated in previous initial public offerings can also subscribe through the internet, telephone banking or ATMs of any of the Receiving Agents offering any or all such services to Individual Investors, provided that the following requirements are satisfied:

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

Each applicant is required to fill out the Subscription Form according to the instructions described in Section 18 ("**Shares and Offering Terms and Conditions**") of this Prospectus. Each applicant must complete all the relevant sections in the Subscription Form. The Company reserves the right to reject any Subscription Form, in part or in whole, if any of the subscription terms and conditions are not met. The Subscription Form cannot be amended or withdrawn once submitted. Furthermore, the Subscription Form shall, upon submission, be considered to be a legally binding agreement by the relevant investor to the Selling Shareholders (for further information, please refer to Section 18 ("**Shares and 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 Bookrunner 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.

OVERVIEW OF THE COMPANY

Overview of the Company and its Business Activities

First Milling Company (hereinafter referred to as the "**Company**" or the "**Issuer**") is a Saudi joint-stock company established pursuant to commercial registration No. 4030291813, dated 10/02/1438H (corresponding to 10/11/2016G), issued in Jeddah, KSA, and ministerial resolution No. G/11 dated 11/01/1438H (corresponding to 12/10/2016G). According to its commercial registry, the Company's head office is located in the city of Jeddah, at Zip Code No. 11452, P.O. Box No. 6847. The Company's actual head office is located in Jeddah Islamic Port, between gates 7 and 8 next to the General Food Security Authority, Zip Code No. 22312, P.O. Box No. 16165. The current share capital of the Company is five hundred fifty-five million Saudi Riyals (SAR 555,000,000) divided into fifty-five million five hundred thousand (55,500,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share (the "**Shares**"). As stated in its commercial registration certificate, the Company's main activities include: the packing and milling of wheat, maize, barley, groats, semolina and bulgur; the production of oats; the manufacture of flour and dough for bakeries; the manufacture of concentrated fodder for animals; the manufacture of cattle fodder; the manufacture of plant byproduct as animal feed; the preparation, milling and pressing of animal feed; the manufacture of poultry fodder; the manufacture of bird fodder; wholesale of barley; grain wholesale except for barely; wholesale of livestock feed for pharmaceutical feed additives; wholesale of feed and non-medicinal feed additives; retail sale of barley; animal food and feed stores; storage in warehouses of grain silos, flour and agricultural products; and dry food storage.

First Milling Company commenced its commercial operations in 1972G as a group of wheat mills affiliated to GFSA. GFSA was established pursuant to Royal Decree number M/14 dated 25/03/1392H (corresponding to 09/05/1972G).

On 11/01/1438H (corresponding to 12/10/2016G), the Council of Ministers' resolution No. G/11 was issued, announcing the Company's incorporation under commercial registration No. 4030291813, dated 10/02/1438H (corresponding to 10/11/2016G), issued in Jeddah, as a single-shareholder, closed joint-stock company wholly owned by the PIF, pursuant to ministerial resolution No. G/226 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 of ten Saudi Riyals (SAR 10) per share.

On 03/02/1441H (corresponding to 01/10/2019G), the General Assembly approved the increase of the Company's capital from five hundred thousand Saudi Riyals (SAR 500,000), divided into fifty thousand (50,000) ordinary shares, to five hundred thirty-nine million two hundred thirty-six thousand seven hundred eighty Saudi Riyals (SAR 539,236,780), divided into fifty-three million nine hundred twenty-three thousand six hundred seventy-eight (53,923,678) ordinary cash shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, through the transfer of five hundred thirty-eight million seven hundred thirty-six thousand seven hundred eighty Saudi Riyals (SAR 538,736,780) from the other reserves account to the capital account, and the issuance of fifty-three million eight hundred seventy-three thousand six hundred seventy-eight (53,873,678) ordinary shares, bringing the total number of the Shares to fifty-three million nine hundred twenty-three thousand six hundred seventy-eight (53,923,678) ordinary shares. The six Saudi Riyals (SAR 6) remaining in the other reserves account following the capital increase were transferred to the retained earnings account. The amended bylaws issued by the Ministry of Commerce were approved on 12/05/1441H (corresponding to 07/01/2020G).

On 17/10/1441H (corresponding to 09/06/2020G), pursuant to the Council of Ministers' resolution No. 631, the PIF transferred all its shares in the Company amounting to fifty-three million nine hundred twenty-three thousand six hundred seventy-eight (53,923,678) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to the NCP.

On 16/05/1442H (corresponding to 31/12/2020G), the NCP transferred all its shares in the Company amounting to fifty-three million nine hundred twenty-three thousand six hundred seventy-eight (53,923,678) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to Al-Raha Al-Safi Food Company under a Share Purchase Agreement entered into between the NCP and Al-Raha Al-Safi Food Company on 29/01/1442H (corresponding to 17/09/2020G).

On 16/07/1443H (corresponding to 17/02/2022G), the General Assembly approved the reduction of the Company's capital from five hundred thirty-nine million two hundred thirty-six thousand seven hundred eighty Saudi Riyals (SAR 539,236,780), divided into fifty-three million nine hundred twenty-three thousand six hundred seventy-eight (53,923,678) ordinary shares, to five million Saudi Riyals (SAR 5,000,000), divided into five hundred thousand (500,000) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, through the cancellation of the shares corresponding to such share capital reduction, and the transfer of their value to the merger reserve. The amended bylaws issued by the Ministry of Commerce, were approved on 11/10/1443H (corresponding to 12/05/2022G).

On 30/11/1443H (corresponding to 29/06/2022G), the General Assembly approved the merger of Al-Raha Al-Safi Food Company (the merged entity), a limited liability company established under commercial registration No. 1010652130, dated 20/01/1442H (corresponding to 08/09/2020G), including all its assets, rights, liabilities and obligations, into First Milling Company (the merging entity). Following this merger, the new ownership structure of the Company became as follows: AlMutlaq Group Industrial Investment Company (35%), Abdullah Abunayyan Trading Company (30%), AlSafi Advanced Investment (25%), and Essa Al-Ghurair Investment L.L.C. (10%). The amended bylaws issued by the Ministry of Commerce were approved on 12/02/1444H (corresponding to 08/09/2022G). Al-Raha Al-Safi Food Company was established as a Special Purpose Entity (SPE) to meet one of the privatization requirements, namely that each qualified bidder shall undertake to establish a legal entity in Saudi Arabia to acquire First Milling Company.

On 10/03/1444H (corresponding to 06/10/2022G), the General Assembly approved the increase of the Company's capital from five million Saudi Riyals (SAR 5,000,000), divided into five hundred thousand (500,000) ordinary shares, to five hundred fifty-five million Saudi Riyals (SAR 555,000,000), divided into fifty-five million five hundred thousand (55,500,000) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, through a cash deposit in a bank account held by the shareholders. The amended bylaws issued by the Ministry of Commerce were approved on 12/04/1444H (corresponding to 06/11/2022G).

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

Vision of the Company

The Company aims to be the first partner of choice in the food and feed sectors across the Kingdom, and the credible source of vital products to the market and communities.

Mission of the Company

The Company endeavors to be a reliable source of high quality and pioneering products in the food and feed sectors, where the Company operates as a viable contributor to food availability and sustainability.

Strengths and Competitive Advantages of the Company

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

1- Leading Local Market Position

The Company is among the market leaders in the regions in which it currently operates. According to the Market Study, the Company is one of the largest producers of flour-based products and byproducts by volume and sales, whereby it held an estimated market share of more than 30% in the flour products market in the Kingdom in 2021G. The Company also holds a prominent position in the animal feed market in the Kingdom, and maintains its leadership position through several factors, including the following:

1- The Company's largest production facility is located within the Jeddah Islamic Port in Makkah Region, and according to the Market Study, Jeddah is the second largest city in terms of population; where the presence of the facility contributes to a decrease in the costs of transporting the basic materials to the facility, which enables the Company to offer its products at competitive market prices (except for products which prices are set by GFSA).

2- A flexible business model that stems from the Company's ability to align supply chains in order to provide products which have specifications that meet the needs of different customers while keeping pace with market changes, as the Company has medium to long-term contracts with its suppliers to ensure the continued availability of its products to customers and consumers.

3- Reliance on cash sales as a basic sales avenue and the availability of a huge circulating capital that guarantees the unrestricted conduct of its business in the short and medium terms, as more than 95% of the Company's product sales were effectuated in cash during FY19G, FY20G and FY21G.

2- Diversity in Product Range and Geographical Spread of the Company

The Company predominantly focuses on food and feed products, through all of the primary sales channels of the flour milling and flour byproducts sector to ensure that it sustains its leading position in the market. The Company sells more than 48 products, most of which are flour products, and transports these products to all regions across the Kingdom with a leading presence in four main regions: Makkah Region (Jeddah Governorate), Al-Qassim Region (Buraidah Governorate), Tabuk Region (Tabuk City) and the Eastern Region (Al-Ahsa Governorate), nearby consumers. The Company's sales are not limited to the locations of its main branches, as the Company is present in other regions through sales and distribution warehouses belonging to the Company or its authorized distributors. The Company enjoys a close relationship with GFSA to supply raw materials with the highest standard of quality and low transportation costs, due to the presence of its largest production facility in Jeddah Islamic Port. Therefore, the Company believes that the diversity of its products and the scope of its geographical presence represent its main strengths and allow it to achieve the following:

- **Logistic Synergies and Efficiency:** The Company does not waste any byproducts or production derivatives, as it uses all wheat derivatives as basic materials in the production of feed. The Company also relies on a homogeneous supply chain and operational processes, which contributes to achieving high asset production efficiency.
- **High flexibility to face changes:** Through its extensive experience in dealing with basic food commodities, especially in the Saudi local market, the Company is able to identify and meet new or changing consumer needs, in addition to responding directly to market trends as well as local and regional changes that affect its market position and mitigate potential local and regional risks.
- **Platform for expansion in the Local Market:** The strength of the Company's presence, knowledge, and awareness of food and feed commodities in each of its areas of presence consolidates its ability to expand its activities and offer other food commodities in said regions in the future.

3- The Company's Commitment to Provide Quality Products

The Company continuously strives to achieve success and excellence through the implementation of comprehensive quality management, with quality being considered one of the basic pillars on which the Company builds the reputation of its products in comparison with other products. The Company also seeks to ensure the continuity of its relationship with customers by maintaining the quality of products supplied to customers over the years, which comforts customers and reassures them as to the quality of the Company's products. The Company continuously monitors the quality of raw materials, including by sampling all purchased batches and analyzing them for mycotoxins and microbial load, in addition to chemical and physical analyses. Transparency is one of the Company's core values, by placing appropriate labels on its products to educate consumers about the nutritional values of products. The Company shares analysis certificates with customers who request them, which display the results of quality analyses that the Company performs on its products. The Company has recently updated its customer complaints protocol to provide effective and timely resolution of all complaints while identifying the reasons thereof, which in turn reveal possible improvements in its internal operations as required.

4- A Solid Base of Logistic and Production Facilities

The Company's operations are based on a framework of logistic and production facilities that form the essence of its core operations. The Company has made substantial investments in its local assets, and established links between them to facilitate the flow of operations and build an "added value chain", from supplying, producing, processing, purifying, transporting and storing materials, to research, marketing and distribution. The Company currently operates its business throughout the Kingdom, and has a fixed asset base with a book value of more than half a billion Saudi Riyals as of 30 September 2022G. Due to its efforts to integrate its assets and considerate distribution thereof, the Company today benefits from economies of scale in all of its business, including financing, storage, transportation and management of materials and products, which increases the efficiency of its business at every stage of the value chain, and enhances its ability to control all stages of its commercial activities efficiently and effectively and gives it the ability to address supply risks.

5- Risk Management Capabilities

One of the Company's notable strengths is its ability to manage risk. Risk management is handled by a number of employees at different levels, based on the Audit Committee. Risk management is under the supervision of the Board of Directors and the Chief Executive Officer has direct oversight on governance, risk and compliance management. Operationally, the Company relies on supply, wholesale, and retail operations, achieving profits that depend on economies of scale and value chain integration. The Company seeks to maintain its profit levels by applying comprehensive and strict policies, practices and guidelines approved by the Board of Directors to motivate the Company to adopt proactive and preventive measures to mitigate the impact of risks. The subsidy arrangements concluded between the milling companies in the Kingdom with GFSA contribute to reducing the risks related to fluctuations in international wheat prices; while noting that the Company continuously monitors, reviews and updates the risk factors to which the Company is exposed, and the extent of its compliance with legal provisions applicable thereto, in order to minimize the effects of risks and keep abreast of developments in the Saudi regulatory environment. Therefore, the Company believes that its well-established risk management policies have contributed to its positive performance through the volatile market environment over recent years and helped mitigate earnings volatility.

6- Experienced and Highly Efficient Management Team

The Company is led by a management team with extensive experience in leading international companies in the field of mills, food and feed. The Company's leadership team adopts a practical methodology that aims to include all Company's business and divisions through close monitoring and immediate support. (For further information about the biographies of management team members, please refer to Section 5 ("**Organizational Structure and Corporate Governance**") of this Prospectus).

Key Developments of the Company since Establishment

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

Table (1.3): Key Developments of the Company since Establishment

Year	Event/Development
1972G	GFSA was established by Royal Decree number M/14 dated 25/03/1392H (corresponding to 09/05/1972).
1979G	GFSA commenced its commercial operations with the establishment of a production facility in Jeddah (Jeddah Governorate).
1983G	GFSA established a production facility in Al-Qassim (Buraidah Governorate).
1998G	GFSA established a production facility in Tabuk (Tabuk City).
2009G	GFSA launched the privatization program with an aim to raise the level of operational competency, improve monetary performance, support economic growth, and improve operational competency.
2011G	The Saudi Supreme Economic Council approved the strategy of privatizing the milling companies, which provides for the consolidation of all operations of the mills in four companies, and for the Company it consisted of assembling the branches of Jeddah, Al-Qassim and Tabuk.
2014G	GFSA established a production facility in Al-Ahsa (Al-Ahsa Governorate).
2016G	The Council of Ministers issued its Resolution No. 35 approving GFSA privatization program and establishing the Company as a closed joint stock company owned by the PIF.
2017G	The Company commenced its commercial operations as a separate entity.
2017G	The Company surpassed SAR 500 million in revenues.
2020G	GFSA accepted the bid submitted by Al-Raha Al-Safi Food Company for the acquisition of the Company.
2020G	The Company's ownership was transferred to Al-Raha Al-Safi Food Company.
2021G	The Company launched its five-year strategy to transform its business and operations.
2021G	The Company transformed all Enterprise Resource Planning and IT-related systems under its direct control from GFSA.
2021G	The Board of Directors approved over SAR 100 million of capacity and product range investments and capital expenditure to increase capacity and portfolio.
2022G	The Company launched its first retail brand, Aloula.
2022G	The process of merging Al-Raha Al-Safi Food Company (the merged entity), including all its assets, rights, liabilities and obligations, into First Milling Company (the merging entity). Following this merger, the new ownership structure of the Company became as follows: AlMutlaq Group Industrial Investment Company (35%), Abdullah Abunayyan Trading Company (30%), AlSafi Advanced Investment (25%), and Essa Al-Ghurair Investment L.L.C. (10%).

Source: the Company

Company Strategy

The Company was formerly part of GFSA's wheat mills group, and as a result, over four decades, it formed a long-standing experience in the manufacture of food and feed products related to the Company's operations and processes, which resulted in the Company gaining a leading role in the food and feed sectors. As a result of said experience, the Company today produces a variety of basic products of the highest levels of quality and excellence that satisfy the vital needs of the Saudi market through various sales channels, in a sustainable manner that meets all needs. Since its inception, the Company has pursued the approach of achieving food abundance, security and stability for society through its basic commodities, which are compatible with GFSA and the Ministry of Environment, Water and Agriculture strategies to achieve Vision 2030 objectives. The Company leads the flour products sector in the Kingdom, and according to the Market Study, it has the largest number of production sites for mills in the Kingdom. In the next phase, the Company seeks to enhance and diversify its services and products to satisfy the needs of its existing customers and win more customers through additional services and products, while maintaining its leading market position, where, according to the Market Research Consultant, the flour sale market in which the Company operates is expected to grow at a CAGR of 3.5% between 2021G and 2026G.

Based on the foregoing, the Company extensively studied the market and its needs as well as analyzed the internal and external factors affecting the scope of the Company's business. Based on these studies, the Company has identified strategic avenues to ensure continued growth in order to achieve its vision and mission during the coming years. These avenues revolve around the following four main pillars:

1- Enhancing market leadership
2- Building an efficient and distinguished operational framework.
3- Creating outstanding products and providing exceptional services.
4- Building the necessary capabilities and an effective framework to achieve the Company's strategy.

Enhancing Market Leadership

According to the Market Study, the Company's sales constitute 30.0% of the flour market sales in the Kingdom for FY21G, and it is also a competitor in the feed sector, as a result of the Company's focus on the needs of its customers. The Company relies on the principle of "customer centrality" in all its operations (For more information, please refer to Section 3 ("**Overview of the Market and Industry**") of this Prospectus). Therefore, the Company seeks to continue applying and strengthening this principle, which in turn will enhance the Company's market leadership position through the following:

a- Enhancing and developing distribution operations and expanding sales channels to include all channels available for selling the Company's basic products (flour and feed products), and focusing on customers. The Company achieved tangible success in this regard through the spread of the "Aloula" product, which relied on new sales channels, as the Company was able to gain a market share of 16% of the flour market in the retail sector within the eight months extending from March 2022G to October 2022G.
b- Adding new products to its portfolio to consolidate the Company's position in the flour market in order to serve the needs of customers.
c- Building strategic qualitative partnerships with all relevant entities in the public and private sectors.
d- Maintaining the current leadership position in the feed sector and developing bran in line with flour growth.

Building an Efficient and Distinguished Operational Framework

The Company undertakes great and various efforts and initiatives to raise efficiency and achieve operational excellence on a permanent and continuous basis, as the efficiency of assets and operations is considered one of the most important pillars for the success of industrial companies globally. Accordingly, the Company takes basic steps such as:

a- **Enhancing value chain integration:** The Company launched a program to improve the interdependence between its departments through integrated planning; starting from the strategic procurement of packing and raw materials until the final product reaches customers and final consumers, in a manner that aims to ensure quality and raise the operational efficiency and productivity of its final products.

b- **Increasing production capacity:** The Company is studying all strategic avenues to raise operational capacities in a balanced and highly efficient manner to achieve the best possible return on investments that meet growing market requirements and strategic guidance aimed at enhancing market leadership.

c- **Developing operational and financial efficiency programs:** In order to achieve efficiency and excellence at all operational levels, the Company launched a sustainable program aimed at enhancing automation and improving operational processes systematically by applying best practices, leading to cost reductions in all sectors in which the Company operates as well as raising the level of operational excellence.

Creating Outstanding Products and Providing Exceptional Services

Innovation is one of the Company's main pillars, as it works to develop both its strategic partnerships with farms to supply durum wheat, and its capabilities and procedures to launch systematic research and development operations in order to innovate for the purpose of satisfying customer desires and needs (for additional information, please refer to Section 4.11 ("**Research and Development**") of this Prospectus). The Company relies on all of its available supply chain capabilities, such as utilizing the Company's flour in innovations and manufacturing cake mixes. In addition, the Company seeks to raise the level of services and customer satisfaction with the aim of raising the level of service in the flour and derivatives market.

Building the Necessary Capabilities and an Effective Framework to Achieve the Company's Strategy

The Company endeavors to enhance its capabilities in the main and required areas to ensure the implementation and management of its strategy:

a- **Enhancing technical capabilities, research & development, and supply chains:** The Company aims to upgrade its IT and data analytics capabilities to satisfy its customers through all sales channels. The Company seeks to build a network of future supply chains to support the expansion of comprehensive sales channels in the Kingdom and abroad, while enhancing operational efficiency, in addition to the ability to meet all the needs and requests of local consumers for Company products.

b- **Attracting and retaining the best talents:** The Company endeavors to develop its human resources by attracting, developing and retaining the best talents within the Company, in addition to creating a motivating high performance culture that links Company employee tasks to the achievement of Company goals.

c- **Enhancing safety and quality capabilities:** The safety of products and employees is of utmost importance to the Company. Accordingly, the Company aims to instill the culture of safety for all, as it aspires to be a leader in the sector in terms of safety and quality.

Generating Sustainable Value

The Company's sustainability strategy is inspired by the United Nations' sustainable development goals, as the Company continues to focus on core value factors in the areas of environment, society, and governance. Today, the Company is a key player in the critical food supply chain, and its position as well as the measures taken thereby on environmental, social and governance issues are key to its continued success. The Company firmly believes that the above would contribute to sustainable development and generate shared value in the market and local communities throughout the Kingdom as part of Vision 2030, and in the Middle East region more broadly.

The Company is aware of its responsibility and leadership role in protecting the environment; a responsibility that stems from the fact that the Company is subject to various laws and regulations related to environment, health and safety, including laws and regulations related to the generation and treatment of waste containing hazardous materials. It should be noted that the Company holds the ISO 14001 certificate, which confirms that the Company employs a systematic approach that enables it to deal with various environmental issues in its operations, including carbon emissions. The Company's production facilities always receive excellent evaluations and impressive comments subsequent to inspections conducted by regulatory authorities. The Company has recently received evaluation grades exceeding 90% from the Food and Drug Authority (SFDA) for two of its production facilities. In the next phase, the Company plans to continue tracking and managing its environmental footprint systematically, by sourcing appropriate technologies to further reduce carbon emissions in its operations, in addition to adopting a deliberate and targeted water and waste management program, which would help it reduce its environmental impact. The Company also seeks to reduce harmful emissions by implementing a thermal treatment project that will completely halt the use of chemical pesticides.

One of the Company's top priorities is to maintain the well-being and productivity of its employees. The Company also aims to continuously maintain the health and safety of its employees, as the Company obtained the ISO 45001 certificate for occupational health and safety. The Company intends to continue its efforts to develop a safe work environment for its employees and avoid workplace injuries. In addition, the Company conducts periodic reviews of all its sites and production facilities in order to assess compliance with health, safety and environmental policies. As for talent development, the Company has set up various bespoke training and development programs and continues to participate in diversity and equality initiatives of all kinds, aiming to create additional value and enhance organizational performance, by organizing more than 24 training courses and preparing a training program for more than 200 employees in FY22G.

In addition, the Company is committed to operating with integrity and has developed a code of professional conduct to guide its business and daily decision-making in an ethical and transparent manner. The Company is currently launching a mandatory training program that will introduce its employees to the Code of Professional Conduct. Moreover, the Company has completed the implementation of a comprehensive corporate governance framework, within which fair and transparent reporting mechanisms have been adopted. This includes a whistle-blowing policy, which allows employees to report their problems and concerns in good faith, without fear of repercussions. A new department has been created within the Company dedicated to governance, risks and compliance (for more information, please refer to Section 4.19.8 ("**Governance, Risk and Compliance Department**") of this Prospectus), which will be responsible for tracking, monitoring and reporting on governance and compliance initiatives, including environmental, social and governance commitments within the Company.

The Company's management is constantly developing a sustainability strategy, which will positively affect the Company and other parties such as communities and shareholders.

MARKET OVERVIEW

The Company obtained the data and information included herein and relating to the market and sector in which it operates from the Market Study Report prepared by Euromonitor International Ltd. (hereinafter referred to as the "**Market Study Consultant**"). The study was published in November 2022G.

Euromonitor International Ltd. was founded in 1972G in London, Britain, and provides strategic services and market research. (For more information about Euromonitor International Ltd., visit the Market Consultant's website: www.euromonitor.com/saudi-arabia).

It should be noted that neither the Market Consultant nor any of its shareholders, directors or their relatives, own any kind of share or interest in the Company or its affiliate companies. The Market Consultant has given its written consent on the use of the market information and studies provided to the Company as shown in this Prospectus, and such approval has not been withdrawn as at the date of this Prospectus.

SUMMARY OF MARKET STUDY

- **KSA economy is to be among the fastest-growing economies in the world in 2022G and to maintain its positive growth in the future**

The economy of the Kingdom of Saudi Arabia is the largest among the GCC countries, with a CAGR of 0.7% in 2018-2021G and a nominal GDP of SAR 3,125.78 billion at the end of said period. The Kingdom's economy also recorded a strong recovery in 2021G, following a slight slowdown due to COVID-19 pandemic and fluctuations in oil prices. The real GDP recorded a growth rate of 3.2% in 2021G, with the recovery of oil prices, government financial and financing initiatives, and the recovery of the non-oil sector.

It is estimated that KSA will be among the fastest-growing economies in the world in 2022G, with the real GDP featuring an annual growth rate of 7.9% as a result of the continuous rise in oil prices in addition to the growth of the non-oil sector and the improvement of the labor market. It is also expected that the nominal GDP will continue to grow at a CAGR of 5.7% by 2022-2026G, supported by several factors, including population growth, increased private investment and positive changes in the oil sector.

- **The contribution of the Kingdom's development economic policies to increase disposable income and thus consumer spending**

Within the framework of Vision 2030, the government pursues its efforts to shift away from dependence on oil revenues through major projects, investments and economic reforms, which will enhance the contribution of non-oil sectors to economic growth in the medium term. With the improvement in the economic environment in 2021G, average per-capita income increased by 12.5% from the previous year. It is expected that such increase will continue at a CAGR of 4.2% between 2022G and 2026G, which will contribute to an increase in consumer spending at a CAGR of 5.3% over the same period.

- **The improvement in consumer spending will lead to growth in the demand for flour in the bakery and food services sector**

In 2021G, the Kingdom consumed 2.7 million tons of flour, valued at SAR 1,641.9 million. In the light of the improved consumer spending, the positive development in the food services and tourism sectors, the expansion of cities and the flourishing of modern retail trade, the growth of the baked goods sector in the Kingdom is expected to accelerate from 2.9% in 2018-2021G to 5.5% by 2022-2026G, which will lead to the growth of the flour market by 3.5% over the same period. In addition, the continuously growing production of noodles will contribute to increasing the demand for flour.

- **Strong growth of the compound feed market during the projection period**

In 2021G, the total value of the compound feed market amounted to SAR 1,346.0 million (equivalent to 0.9 million tons), registering a CAGR decline of 4.7% in terms of volume between 2018G and 2021G, due to the exit of small-scale livestock breeders from the market. However, the sales of animal feed by the national mills companies increased by a CAGR of 14.3%, and the consumption of animal bran - the raw material - increased by a CAGR of 2.9% in 2018-2022G, as a result of the government's policy aimed at regulating and restricting the production of green fodder and reducing imports of barley on the one hand and the development of the domestic compound feed industry on the other.

In addition to government policies, the future growth of this sector will be affected by the high demand on livestock due to the expected growth of the meat sector in the Kingdom. As a result, the compound feed and bran markets are projected to record a CAGR of 2.2% and 3.6%, respectively, in value terms, by 2022-2026G.

- **FMC is ideally positioned to benefit from the positive market dynamics**

In 2021G, First Milling Company had a leading position in the flour market (as its market share amounted to 30% of the total market share), and an advanced position in the compound animal feed market (as its market share amounted to more than 16% of the total market share). Therefore, the Company is ideally positioned to take advantage of its production capacity and market share, as a result of the growing demand for flour-based products, the expected growth in the local meat market, and the government initiatives aimed at increasing local production of animal compound feed.

The Company's willingness to invest in production, improve its production capacity, and build relationships with customers and wholesalers of all categories, will allow the Company to reduce risks associated with pricing, understand market mechanisms, and meet the needs of Key Customers.

SUMMARY OF FINANCIAL INFORMATION

The selected financial information set out below should be read in conjunction with the audited financial statements for the financial years ended 31 December 2020G, 31 December 2021G and the reviewed financial statements for the nine-month period ended 30 September 2022G, in each case prepared in accordance with the International Financial Reporting Standards applicable in the KSA (IFRS-KSA) and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("**SOCPA**").

These audited and reviewed financial statements and the notes attached thereto are included in Section 20 ("**Financial Statements and Chartered Accountant's Reports**") of this Prospectus.

SAR in 000's	FY19G	FY20G	FY21G	30 September 2021G	30 September 2022G
Profit and loss information / statement of income or loss and other comprehensive income					
Sales	643,894	716,056	801,009	565,532	687,051
Cost of Sales	(441,270)	(457,640)	(469,541)	(338,550)	(377,043)
Gross Profit	**202,624**	**258,416**	**331,468**	**226,982**	**310,008**
General and Administrative Expenses	(56,956)	(49,957)	(93,940)	(65,514)	(65,541)
Selling and Distribution Expenses	(11,122)	(9,154)	(17,760)	(10,173)	(25,876)
Impairment Loss for Assets Held for Sale	-	-	(6,466)	-	(139)
Operating Profit	**134,546**	**199,305**	**213,302**	**151,295**	**218,452**
Financing costs	(13,499)	(13,289)	(11,818)	(8,656)	(16,731)
Finance income	3,985	3,674	110	-	-
Other Income	748	996	1,625	1,296	154
Profit Before Zakat	**125,780**	**190,686**	**203,219**	**143,935**	**201,875**
Zakat	**-**	**-**	**(4,744)**	**(3,206)**	**(4,679)**
Net Income	**125,780**	**190,686**	**198,475**	**140,729**	**197,196**
(Other Comprehensive Loss) / Other Comprehensive Income	-	-	(116)	-	10,536
Total Comprehensive Income for the Year	**125,780**	**190,686**	**198,359**	**140,729**	**207,732**
Key Performance Indicators (KPIs)*					
Gross Profit Margin	31.5%	36.1%	41.4%	40.1%	45.1%
Operating Profit Margin	20.9%	27.8%	26.6%	26.8%	31.8%
Net Profit Margin before Zakat	19.5%	26.6%	25.4%	25.5%	29.4%
Net Income Margin	19.5%	26.6%	24.8%	24.9%	28.7%

Source: the Company's Management information and the audited financial statements for the financial years ended 31 December 2020G, 31 December 2021G, and the reviewed financial statements for the nine-month period ended 30 September 2022G.

* Gross Profit Margin = Gross Profit / Sales

* Operating Profit Margin = Operating Profit / Sales

* Net profit margin before Zakat = Net profit before Zakat / Sales

* Net Profit Margin = Net Income / Sales

SAR in 000's	FY19G	FY20G	FY21G	30 September 2022G
Statement of Financial Position				
Total Non-Current Assets	764,009	830,719	857,774	2,023,440
Total Current Assets	477,392	650,898	298,650	478,750
Total Assets	**1,241,401**	**1,481,617**	**1,156,424**	**2,502,190**
Total Non-Current Liabilities	261,943	322,589	348,697	1,477,693
Total Current Liabilities	88,893	77,777	142,533	196,085
Total Liabilities	**350,836**	**400,366**	**491,230**	**1,673,778**
Total Equity	890,565	1,081,251	665,194	828,412
Total Equity and Liabilities	**1,241,401**	**1,481,617**	**1,156,424**	**2,502,190**
Key Performance Indicators (KPIs)*				
Return on Average Assets	10.7%	14.0%	15.0%	14.4%
Return on Average Equity	15.2%	19.3%	22.7%	35.3%

Source: the Company's Management information and the audited financial statements for the financial years ended 31 December 2020G, 31 December 2021G, and the reviewed financial statements for the nine-month period ended 30 September 2022G.

* Return on Average Assets = Net Income / Average Total Assets

* Return on Average Equity = Net Income / Average Total Equity

SAR in 000's	FY19G	FY20G	FY21G	30 September 2022G	30 September 2022G
Statement of Cash Flows					
Net cash flows from operating activities	140,221	255,019	315,039	166,649	210,286
Net cash flows used in investing activities	(49,092)	(35,151)	(38,689)	(28,593)	(23,056)
Net cash flows used in financing activities	(51,034)	(21,450)	(637,620)	(541,335)	(107,327)

Source: the Company's Management information and the audited financial statements for the financial years ended 31 December 2020G, 31 December 2021G, and the reviewed financial statements for the nine-month period ended 30 September 2022G.

SUMMARY OF RISK FACTORS

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

A- Risks Related to the Company's Operations

1- Risks related to Government Subsidies and the Company's Reliance on GFSA for the Supply of Wheat.
2- Risks Related to the Availability and High Prices of Raw Materials.
3- Risks Relating to Leases and not Owning the Lands on which the Company's Production Facilities are Located.
4- Risks Related to the Lack of Supply and Sale Agreements with Some Key Suppliers and Customers.
5- Risks Related to Capacity Constraints and Production Inefficiency.
6- Risks Related to the Development of Production Lines and Replacement of Assets.
7- Risks Related to the Impact of Increasing Costs and Operating Expenses on the Company's Business.
8- Risks Related to Safety Accidents at the Company's Production Facilities and Employees' Professional Mistakes.
9- Risks Related to the Company's Supply Chain.
10- Risks Related to the Company's Operations and Unexpected Interruptions to the Company's Business.
11- Risks Related to Production Defects.
12- Risks Related to Termination Clauses Set Forth in the Material Agreements Concluded by the Company.
13- Risks Related to Maintaining its Brand Reputation.
14- Risks Related to Retail Product Sales.
15- Risks Related to Interruptions in the Company's IT Systems.
16- Risks Related to the Company's Strategy.
17- Risks Related to the Seasonality of Revenues.
18- Risks Related to the Company's Related Party Transactions.
19- Risks Relating to Protecting Certain Trademarks on which the Company Relies.
20- Risks Relating to the Outbreak of Infectious Diseases or Other Serious Public Health Concerns, including the Continuing Global Spread of Covid-19.
21- Risks Related to the Company's Reliance on its Senior Management and Key Personnel.
22- Risks Related to Financing Facilities, Liquidity and Obtaining Additional Loans.
23- Risks Related to Derivative Contracts and Interest-Rate Fluctuations.
24- Risks Related to the Distribution of Cash Dividends and the Restrictions Imposed by the Funding Entities on the Distribution of Profits.
25- Risks related to the Registration of the Company's Goodwill and the Potential Decline Thereof.
26- Risks Related to the Company's Implementation of a Newly Adopted Corporate Governance Manual.

27- Risks Related to Management's Lack of Experience in Managing a Publicly Listed Company.
28- Risks Related to the Adequacy of Insurance Coverage.
29- Risks Related to Litigation Involving the Company.
30- Risks Related to the Company's Revenue Growth Rates.
31- Risks Related to the Potential Misconduct of the Company's Employees and Third-Party Agents.
32- Risks Related to Storage Maintenance and Mismanagement.
33- Risks Related to the Transportation of the Company's Raw Materials and Products.
34- Risks Related to the Concentration of Revenue in Specific Geographic Areas.
35- Risks Related to the Companies Law.
36- Risks Related to Exchange Rate Fluctuations.
37- Risks Related to Zakat

B- Risks Relating to the Market, Industry and Regulatory Environment

1- The Impact of Political and Economic Risks on the Company's Operations.
2- Risks Related to the Increasing Competition in the Industry which the Company Operates.
3- Risks Related to Natural Disasters.
4- Risks Related to the Competition Law.
5- Risks associated with Statutory Regulations, Permits, Licenses and Approvals Necessary for the Company's Business.
6- Risks Related to Compliance with the Environmental Law.
7- Risks Related to Changes in Laws and Government Policies in Saudi Arabia, or Changes in Their Application to the Company.
8- Risks Related to Saudization, Non-Saudi Employees, and Other Labor Law Requirements.
9- Risks Related to the Imposition of Additional Fees or New Taxes.
10- Risks Related to Changes in the Calculation of Zakat and Income Tax.
11- Risks Related to VAT.

C- Risks Related to the Offer Shares

1- Risks Related to Actual Control by Substantial Shareholders on the Interests of the Company and Other Shareholders.
2- Risks Related to the Absence of a Prior Market for the Shares.
3- Risks Related to Future Sales and Offers.
4- Risks Related to Fluctuation in the Market Price of the Shares.
5- Risks Relating to the Company's Ability to Distribute Dividends.
6- Risks Related to the Failure of Publishing Research or the Publishing of Unfavorable Research About the Company.
7- Risks Related to Non-Qualified Foreign Investors Not Being Able to Directly Hold Shares.

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1. DEFINITIONS AND ABBREVIATIONS

1.1 Glossary

Term	Definition
Accounting Standards Generally Accepted in the KSA (SOCPA)	Accounting standards that are generally accepted in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by SOCPA.
Acting in Concert	Actively cooperating, pursuant to an agreement (whether binding or non-binding) or an understanding (whether formal or informal) between persons, to be controllers (whether directly or indirectly, excluding indirect ownership of shares through swap agreements or through an investment fund whose unit owner have no discretion in its investment decisions) of a company, through the acquisition by any of them (through direct or indirect ownership) of voting shares in that company. Moreover, "**concert parties**" shall be construed accordingly.
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.
Application Form	Application form used by the Participating Parties to apply for the Offer Shares during the book-building period. This term includes (as the case may be) the supplementary application form when the price range is changed.
Audit Committee	The Company's Audit Committee.
Board of Directors or Board	The Company's board of directors.
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.
Bookrunner	SNB Capital Company.
Branch	Company branch registered in the commercial registry as an independent branch, through which profits are collected.
Business Day	Any business day for Receiving Agents in Saudi Arabia (with the exception of Fridays, Saturdays and official holidays).
Bylaws	The Company's Bylaws, as approved by the General Assembly.
Capital Market Institution	A person authorized by the CMA to carry out securities business.
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.
CEO	The Company's Chief Executive Officer.
Chairman	The Chairman of the Company's Board of Directors.
CMA	The Capital Market Authority in Saudi Arabia.
Companies Law	The Companies Law, issued under Royal Decree No. (M/132) dated 01/12/1443H (corresponding to 30/06/2022G), as amended.
Company or Issuer	First Milling Company.
Competition Law	The Competition Law issued under Royal Decree No. M/75 dated 29/6/1440H (corresponding to 06/03/2019G), as amended.
Control	Pursuant to the Glossary of Defined Terms used in the Regulations and Rules of the Capital Market Authority, "**Control**" means the ability to influence the actions or decisions of another person through, whether directly or indirectly, alone or with a relative or affiliate: (i) holding 30% or more of the voting rights in a company; or (ii) having the right to appoint 30% of more of the members of the governing body, and a "**controller**" shall be construed accordingly.
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) based on the Companies Law Issued by Royal Decree No. M/132 dated 01/12/1443H (corresponding to 30/06/2022G), as amended.

Term	Definition
Current Shareholders	All Current Shareholders in the Company whose names and shareholding percentages are shown in Table 4.8 ("**The Company's Ownership Structure as at the date of this Prospectus**"), namely: • AlMutlaq Group Industrial Investment Company • Abdullah Abunayyan Trading Company • AlSafi Advanced Investment • Essa Al-Ghurair Investment
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.
Exchange	The Saudi Stock Exchange where the Shares will be registered and offered pursuant to Part Four of OSCOs.
Extraordinary General Assembly	An extraordinary general assembly of the Shareholders convened in accordance with the Company's Bylaws.
Financial Advisor	SNB Capital Company.
Financial Year or Fiscal Year (FY)	The Company's financial year commencing from January 1 to December 31 of each Gregorian year.
FY19G	The period commencing 01 January 2019G and ended 31 December 2019G.
FY20G	The period commencing 01 January 2020G and ended 31 December 2020G.
FY21G	The period commencing 01 January 2021G and ended 31 December 2021G.
G	Gregorian
GAC	The General Authority for Competition of Saudi Arabia.
General Assembly	An Extraordinary General Assembly and/or an Ordinary General Assembly.
Government	Government of Saudi Arabia, and "**Governmental**" shall be interpreted accordingly.
H	Hijri
Head Office	The Company's head office in Jeddah.
Independent Auditors	KPMG Professional Services, and Ernst & Young (formerly known as Ernst & Young & Co. (Certified Public Accountants)).
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.
International Financial Reporting Standards applicable in the KSA (IFRS-KSA)	The International Financial Reporting Standards, as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by SOCPA, which include standards and technical releases relating to matters not covered by IFRS, such as the subject of Zakat.
Key Customers	The Company's top 10 customers based on their respective percentage in the Company's revenues as at the Period Ended 30 September 2022G.
Key Suppliers	The Company's top 10 suppliers based on total purchases as at the Period Ended 30 September 2022G.
KSA, the Kingdom, or Saudi Arabia	The Kingdom of Saudi Arabia.
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).
Listing	Listing of all the Company's Shares on the Saudi Stock Exchange in accordance with the Listing Rules.
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 3-96-2022 dated 10/02/1444H (corresponding to 06/09/2022G), amended pursuant to resolution number 1-108-2022 dated 23/03/1444H (corresponding to 19/10/2022G), as amended.
Management	The executive directors and Senior Executives of the Company.

Term	Definition
Market Research Consultant	Euromonitor International Limited.
Market Study	Market study prepared by the Market Research Consultant regarding the food and feed sectors in November 2022G.
MHRSD	The Ministry of Human Resources and Social Development in Saudi Arabia.
MIMR	The Ministry of Industry and Mineral Resources in Saudi Arabia.
MoC	The Ministry of Commerce in Saudi Arabia.
MoI	The Ministry of Investment in Saudi Arabia.
MoMRAH	The Ministry of Municipal, Rural Affairs and Housing.
NCP	National Center for Privatization in the Kingdom of Saudi Arabia.
Nomination and Remuneration Committee	The Company's Nomination and Remuneration Committee.
Offer Price	Sixty Saudi Riyals (SAR 60).
Offer Shares	Sixteen million six hundred and fifty thousand (16,650,000) ordinary Shares representing 30% of the Company's share capital.
Offering	The initial public offering of sixteen million six hundred and fifty thousand (16,650,000) ordinary shares representing 30% of the Company's share capital in accordance with the terms set forth in this Prospectus.
Offering Period	The Offering Period starts on Tuesday, 17/11/1444H (corresponding to 06/06/2023G), and will remain open for a period of two days up to and including the last Offering day on Wednesday 18/11/1444H (corresponding to 07/06/2023G).
Ordinary General Assembly	An ordinary general assembly of the Shareholders convened in accordance with the Company's Bylaws.
OSCOs	The Rules on the Offer of Securities and Continuing Obligations issued by the board of the CMA pursuant to its resolution number 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), amended by resolution number 8-5-2023 dated 25/06/1444H (corresponding to 18/01/2023G), as amended.
Participating Parties	Parties eligible to participate in the book-building process pursuant to the Book-Building Instructions, namely: 1- public and private funds that invest in securities listed on the Exchange, if permissible according to the terms and conditions of such funds, in accordance with the provisions and restrictions set forth in the Investment Fund Regulations and the Book-Building Instructions; 2- Capital Market Institutions licensed to deal as principal, in accordance with the Prudential Rules when submitting the Subscription Application Form; 3- clients of a Capital Market Institution authorized by the CMA to conduct managing activities in accordance with the provisions and restrictions set forth in the Book-Building Instructions; 4- legal persons allowed to open an investment account in the Kingdom and an account with the Securities Depository Center (Edaa), including foreign legal persons who are allowed to invest in the Exchange in which the shares of the Issuer are to be listed, subject to the investment requirements of companies listed on the security market, as stipulated in the CMA's Circular No. (6/05158) dated 11/08/1435H (corresponding to 09/06/2014G) based on the Capital Market Authority's board resolution No. (9-28-2014) dated 20/07/1435H (corresponding to 19/05/2014G); 5- Government entities and any supranational authority recognized by the CMA, the Exchange or any other exchange recognized by the CMA or the Securities Depository Center (Edaa); 6- companies owned by the Government, directly or through a portfolio manager; and 7- GCC companies and GCC funds if the terms and conditions of the fund so permit.
Period ended 30 September 2022G or the nine-month period ended 30 September 2022G	The period starting 01 January 2022G and ended 30 September 2022G.
Person	Any natural or legal person recognized as such under the laws of the Kingdom.
PIF	Public Investment Fund in the Kingdom of Saudi Arabia.

Term	Definition
Prospectus	This document prepared by the Company in relation to the Offering.
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.
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.
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.
Receiving Agents	The Receiving Agents whose names are stated on Page (x).
Related Party(ies)	In this Prospectus and pursuant to the Glossary of Defined terms used in the Regulations and Rules of the CMA, a "**Related Party**" includes any of the following: 1- affiliates of the Issuer, except for wholly-owned companies; 2- Substantial Shareholders of the Issuer; 3- Directors and Senior Executives of the Issuer; 4- Directors and senior executives of an affiliate of the Issuer; 5- Directors and Senior Executives of Substantial Shareholders of the Issuer; 6- any relatives of persons described at (1), (2), (3), (4) or (5) above; 7- any other company or establishment controlled by any person described at (1), (2), (3), (4), (5) or (6) above. For purposes of the Corporate Governance Regulations, a "**Related Party**" includes any of the following: a- Substantial Shareholders of the Company. b- Board members of the Company or any of its affiliates and their relatives. c- Senior Executives of the Company or any of its affiliates and their relatives. d- Board members and Senior Executives of Substantial Shareholders of the Company. e- Entities, other than companies, owned by a Board member or any Senior Executive or their relatives. f- Companies in which a Board member or a Senior Executive or any of their relatives is a partner. g- Companies in which a Board member or a Senior Executive or any of their relatives is a member of its Board of directors or is one of its Senior Executives. h- Joint stock companies in which a member of the Board or a Senior Executive or any of their relatives owns 5% or more, subject to the provisions of paragraph (D) of this definition. i- Companies in which a Board member or a Senior Executive or any of their relatives has influence on their decisions even if only by giving advice or guidance. j- Any person whose advice or guidance influence the decisions of the Company, the Board and the Senior Executives k- Holding companies or affiliates Advice or guidance that is provided on a professional basis by a person licensed to provide such advice shall be excluded from the provisions of paragraphs (I) and (J) of this definition.

Term	Definition
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.
Saudi Riyal(s) or SAR	Saudi Arabian Riyal(s), the official currency of Saudi Arabia.
Saudization	Saudization requirements applicable in the Kingdom in relation to the labor market.
Saudization Rate	The percentage of employees within any workforce who are deemed to count towards the level of Saudization within the workforce of any company, including Saudi nationals and persons married to Saudi nationals, with certain categories of persons, such as disabled Saudi national employees, given greater weighting when counted towards the Saudization level.
Secretary	The secretary of the Board of Directors.
Selling Shareholders	• AlMutlaq Group Industrial Investment Company • Abdullah Abunayyan Trading Company • AlSafi Advanced Investment • Essa Al-Ghurair Investment
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.
SFDA	The Saudi Food & Drug Authority.
Shareholder(s)	Any holder of Shares in the Company.
Shares	Any ordinary share of the Company with a nominal value of SAR 10 per share in the Company's capital.
Subscriber(s)	Any Participating Party and Individual Investor.
Subscription Form	The Subscription Form that the Subscriber uses to apply for Offer Shares.
Substantial Shareholder(s)	Any person holding 5% or more of the Issuer's shares, namely AlMutlaq Group Industrial Investment Company; Abdullah Abunayyan Trading Company; AlSafi Advanced Investment; and Essa Al-Ghurair Investment.
SWAP Agreements	Type of agreement through which non-Saudi individual investors residing outside the Kingdom or institutions registered outside the Kingdom, agree with a Capital Market Institution licensed by the CMA to invest indirectly to acquire the economic benefits of shares by acquiring the economic benefits of shares.
Tadawul, Saudi Exchange or Exchange	The Saudi Exchange Company.
Underwriters	SNB Capital Company and GIB Capital.
Underwriting Agreement	The underwriting agreement entered into between the Company, the Selling Shareholders and the Underwriters in connection with the Offering.
VAT	Value Added Tax, also known as Goods and Services Tax.
Zakat	Zakat imposed on Muslims under the relevant laws.
ZATCA	The Zakat, Tax and Customs Authority (formerly known as the General Authority of Zakat and Tax).

1.2 Specific Terms

Term	Definition
Bran (Wheat Bran)	The hard protective layer of the wheat kernel, which is a byproduct of the wheat milling process. Because of their nutritional value, they are used in a variety of foods that people eat such as breakfast cereals and are also used as poultry and livestock feed.
Coffee Shops	They include all (non-alcoholic) beverage-focused establishments, in which the customer may only order a drink, although they may also provide a variety of snacks and full meals. As a general rule, this category includes all establishments that generate 50% or more of their income from the sale of beverages.
Compound Feed	It is a mixture (produced through a compounding process) of various concentrate feed ingredients in suitable proportion.
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.
Consumer Food Services	The food supply sector (catering), including coffee shops, full-service restaurants, limited-service restaurants, self-service cafes and kiosks.
Distribution Channels	The path that the Company's products take until they reach the Company's customers, including the Wholesale Sector, the Retail Sector, and the Food Service Sector.
Flour	Fine powder resulting from grinding grains or other sources of starchy foods. It is usually made from wheat, corn, rye, barley, rice and other grains, some legumes, and nuts. Flour is primarily used in the production of bread and other baked goods and can also be used in sauces and desserts.
Flour Extraction (%)	The extraction rate is a figure representing the percentage of flour produced from wheat grain and resulting from milling wheat and separating the largest amount of bran and germ elements from the flour material elements of the wheat kernel, according to the specific extraction percentage for each type.
Flour Mill Operation License	License No. 01 pursuant to Resolution No. 9453 dated 29/04/1442H (14/12/2020G) issued by GFSA Governor; Resolution No. 189 dated 09/03/1442H (corresponding to 26/10/2020G) issued by GFSA Board; and Ministerial Resolution No. 632 dated 17/10/1441H (corresponding to 09/06/2020G).
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.
GFSA	The General Food Security Authority (GFSA) is a Saudi government institution, previously known as the Saudi Grains Organization (SAGO). GFSA aims to regulate, develop and enhance food security, in a manner that guarantees the protection of the vital interests and national security of the state, while monitoring compliance with the laws and plans issued in this regard. GFSA's work is based on achieving economic development and providing the citizens with the most important food commodities in the Kingdom. More specifically, GFSA manages the activity, operation, and development of silos, in addition to organizing, monitoring and supervising the activity of flour mills.
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.
Juice/Beverage Shops	Outlets specializing in the sale of juices or fruit refreshments. This category only includes large establishments that sell juices and beverages, and therefore does not include street stalls and other small outlets that still fall under the Kiosk category.
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.
Retail Sector	A distribution channel through which the Company sells its products to retail customers, including hypermarkets, supermarkets, minimarkets, and groceries.
Silos	A structure for storing wheat, flour and wheat derivatives.

Specialty Coffee and Tea Shops	Establishments offering a wide range of coffee and related products and in which coffee or tea is the main item on the menu. This category is based on the Starbucks' concept of an American modern coffee shop featuring modern designs, elegant and relaxed atmosphere, and focused on coffee and/or tea. Specialty Coffee and Tea Shops do not usually provide table service, and the customer takes his order without stopping at the facility, or eats it within the facility, unlike traditional cafes that do not provide takeaway orders. Takeaway orders represent an important percentage of total sales, although this percentage varies greatly according to the market. This category is considered as being part of Food Service Chains in general, but also includes independent chains and outlets.
Wheat (Wheat Grain)	Wheat grain as an agricultural product is used by mills as a raw material for the production of food products such as flour.
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.
Wholesalers	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).

2. RISK FACTORS

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

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

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

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

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

2.1 Risks Related to the Company's Operations

2.1.1 Risks related to Government Subsidies and the Company's Reliance on GFSA for the Supply of Wheat

The Company purchases its principal raw material, wheat, from its Key Supplier, the GFSA, which is the competent regulator in KSA that sells wheat to milling companies at a government subsidized price in accordance with the Subsidized and Unsubsidized Flour Supply Agreement concluded with the Company on 15/04/1442H (corresponding to 03/11/2020G), and the Wheat Pricing Policy adopted pursuant to GFSA Board of Directors' Resolution No. 46 dated 15/10/1441H (corresponding to 07/06//2020G).

The Company's operations and profitability therefore depend on its relationship with its regulator and Key Supplier of raw materials, GFSA, to ensure timely delivery of raw materials and other supplies necessary to meet market demand. In 2020G, the Company has entered into an agreement with GFSA for the supply of wheat over a period of 25 years, which will be implemented from the date of its signature until the expiry date of the Company's main license (and any renewal thereof), in accordance with the terms of the license to operate flour mills. The regulator reserves the right to change its prices at any time, which may materially affect the Company's margins and profitability. In addition, if the GFSA terminates the Wheat Supply Agreement (the "**WSA**") concluded with the Company, the latter may incur additional capital and operational costs, and may also be unable to maintain the expected levels of production and sales, which would have a material adverse effect on the Company's business, results of operations, financial condition, cash flows and prospects (for more details about the Wheat Supply Agreement with GFSA, please refer to Section 12.5.2 ("**Supply Contracts with Key Suppliers**") of this Prospectus.)

In addition, any potential failure by the Key Supplier to provide the Company and its branches with sufficient quantities of raw materials within the specified time and in accordance with the agreed standards, as a result of a shortage or interruption in their supplies or due to any other factors, may lead to the disruption of the Company's operations and profitability. Moreover, the termination of the WSA concluded with GFSA due to the Company's breach of its obligations set forth therein, or for any other reasons, may expose the Company to difficulties related to its inability to obtain sufficient quantities of wheat at competitive prices, which may have a material effect on the Company's margins and profitability.

On 16/05/1442H (corresponding to 31/12/2020G), the Company entered into a Compensation and Claims Agreement (the "**CCA**") with the Ministry of Finance ("**MoF**"), which will be valid for a period of twelve (12) years from the date of its conclusion, with the exception of claims notified to the Ministry of Finance prior to such date. Given the subsidization of the prices of wheat purchased by the Company and the price of flour sold by the Company, net production revenues from each ton of regulated flour sold by the Company are effectively fixed based on a price differential between wheat purchased and flour sold of SAR 320 per ton, given that the unified price for buying wheat for all companies operating in the field of flour milling is SAR 180 per metric ton, while the unified price for selling regulated flour is SAR 500 per metric ton. It should be noted that such price differential between the price of wheat purchased, and that of flour sold is fixed until 12/07/2025G. In the MoF's endeavor to address the risk that the Company's actual gross revenues fall short of its expected revenues (based on direct recurring raw material costs 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" (each as defined in the CCA), including any amendment, modification, termination or repeal of any of: (i) the Flour Mills Law, (ii) the Implementing Regulations, (iii) the Pricing Policy, or (iv) the Cap Period. It should also be noted that if subsidies are completely lifted from 2026G, the Company will not be subject to compensation for the price change under the Compensation and Claims Agreement with the Ministry of Finance. For more details about the Compensation and Claims Agreement, please refer to Section 12 ("**Legal Information**") of this Prospectus.

Since the Company did not file any claim under the Compensation and Claims Agreement, it is difficult to assess whether said CCA is sufficient to cover all its future losses or to anticipate whether the Company's position would enable it to file a successful claim under such CCA, 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 will reduce the Company's margins or adversely affect its ability to introduce new products profitably. After the end of the period of stabilization of prices of wheat purchased and flour sold in 12/07/2025G, the subsidy may be reduced or lifted in the future on the subsidized wheat that the Company relies on in its operations, which may occur gradually or all at once, in addition to the possibility of decreasing or lifting the subsidy on specific categories of subsidized wheat or on all categories of subsidized wheat. Changes in the market could also force the Company to alter its approach to selling, marketing, distributing and servicing the Company's customer base. Any of the factors above would have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

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

The Company has four production facilities, each with major production lines. The production process of these facilities is mainly affected by the availability and prices of raw materials, in addition to the supply chain, the purchase of raw materials and the inventory that the Company maintains. For the continuation of its operations, the Company relies on supplies of raw and primary materials used in the production process from suppliers, such as wheat, yellow corn and soybeans. Wheat purchases from GFSA accounted for 70% and 75% of the Company's total raw material costs for FY21G and the nine-month period ended 30 September 2022G, respectively. Yellow corn, which is used in the production of animal feed, accounted for 18% and 14% of the Company's total raw material costs for FY21G and the nine-month period ended 30 September 2022G, respectively. The Company also purchases other materials used in the production of animal feed, such as soybeans, plants, palm oil and vitamins from local sources inside the Kingdom.

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. In addition, the Company always works to maintain a certain level of inventory to avoid problems in market supplies, as well as to not to be significantly affected in the event of an increase in the prices of raw materials. 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 Relating to Leases and not Owning the Lands on which the Company's Production Facilities are Located

As at the date of this Prospectus, the Company does not own any lands or properties through which the Company conducts its business. The land and properties on which the Company's production facilities, silos, and employee accommodations are located are leased (please refer to Section 12.5.5 ("**Lease Agreements**") of this Prospectus).

These lease agreements may be terminated in the case of a default or force majeure event. If these lease agreements are terminated, or if the agreements are not renewed upon their expiry, the Company would have no rights to access or use the relevant asset, property or facility which may result in the Company surrendering the assets without compensation. The Company's inability to renew these lease agreements may lead to an increase in rent upon renewal, which may cause the Company to incur unexpected additional obligations. This means that the Company would need to cease its use or operations in the relevant facility, which could cause business interruptions or suspension, and 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; all of this would have a material adverse effect on the Company's business, operations, financial position, cash flows and prospects.

It should be noted that most of the Company's and its branches' lease agreements pertaining to its production facilities and silos are concluded with GFSA and expire in 2044G. The Company has other lease agreements that expire in 2026G (for the warehouses) and 2028G (for the Company's head office). If these agreements are not renewed, the Company would not be able to continue its business, which would have a material adverse effect on the Company's and its branches' business, operations, financial position, cash flows and prospects.

The Jeddah Sub-Lease Agreement entered into between the Company and GFSA is also considered the most material and prominent existing lease agreement for the Company. The Company entered into said Sub-Lease Agreement with GFSA on 30/11/2020G, to rent a land in Jeddah Islamic Port including silos with a total area of 114,834 sqm and Warehouse No. 13 with a total area of 4,776 sqm (the "**Jeddah Sub-Lease**"). The importance of the Jeddah Sub-Lease lies in the fact of it being a major enabler for the Company's business conducted in Jeddah Islamic Port, which represents a large part of the total Company's business, due to the large quantities of wheat and flour that arrive through Jeddah Islamic Port and which the Company is associated therewith. Under the Jeddah Sub-Lease, the Company shall perform several key duties, including the Company's payment to GFSA of a bank guarantee equivalent to 15% of the annual rent and to compensate GFSA in the event that the latter terminates the agreement due to the Company's failure to meet its obligations under the Jeddah Sub-Lease.

The main risks related to the Jeddah Sub-Lease lie in the fact that such agreement is linked to a main lease agreement concluded between GFSA and the Saudi Ports Authority (the "**Main Lease Agreement**"), as the Saudi Ports Authority is the owner of the land covered by the Jeddah Sub-Lease and has concluded the Main Lease Agreement with GFSA on 07/11/2013G. Given that the Jeddah Sub-Lease is based on the Main Lease Agreement, any changes in the terms of the Main Lease Agreement or any termination thereof would materially affect the Jeddah Sub-Lease, which would have a material adverse effect on the Company's business, operations, financial position, cash flows and prospects.

2.1.4 Risks Related to the Lack of Supply and Sale Agreements with Some Key Suppliers and Key Customers

The Company has no supply and sale agreements with eight of its ten Key Suppliers, as it purchases and sells its products pursuant to purchase orders and invoices. Accordingly, it may be difficult for the Company to ensure the continuity of supply and that its business will not be affected as a result of the absence of a contract or agreement with such Key Supplier. In addition, the Company may not be able to meet the requirements of its customers and continue to sell them the products and brands they are accustomed to. The Company's business and relationship with its customers would be negatively affected, if any of these suppliers ceases their businesses with the Company in the future, or switch to other companies in the local market (especially given the low shift cost), or in cases any changes are made in strategy, etc.; all of which could have a material adverse effect on the Company's business, operations, financial position, and prospects.

The Company relies on purchase orders and direct invoicing, in its dealing with six out of ten Key Customers. Revenues amounted to SAR 155 million, representing 22% of the Company's total revenues for the period ended 30 September 2022G. As of the date of this Prospectus, the Company is in the process of negotiating with five Key Customers to renew agreements concluded with them (for further information, please refer to Section 12.5.4 ("**Agreements with Key Customers**") of this Prospectus). The Company's revenue generated from the top 20 customers represented an average of 44.9%, 44.6%, 49.0%, and 48.7% of total flour sales in the financial years ended on 31 December 2019G, 2020G, 2021G, and in the period ended 30 September 2022G, respectively. In the financial years ended 31 December 2019G, 31 December 2020G, and 31 December 2021G, all the Company's transactions with its customers were made under purchase orders and direct invoicing. Therefore, it may be difficult for the Company to ensure that its Key Customers will fulfill their obligations and continue to deal with the Company if no formal contracts or agreements are concluded. Accordingly, in the event that the relationship with a Key Customer or a group of Key Customers is ended or severed, and the Company fails to build the necessary relationships with new customers, this would have a material adverse effect on the Company's business, operations, financial position, and prospects.

2.1.5 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 extraction of flour.

The Company's ability to increase sales of its products is limited by the production capacity of its mills, which, as at 30 September 2022G, had an aggregate daily milling capacity of 4,200 tons of wheat. Although the Company plans to add additional production lines to increase its milling capacity in the near future, there can be no assurance that it will be able to do so in the timeframes expected, or that it will be sufficient to meet the growing demand once installed. Failure to properly anticipate demand for the Company's products in the future, or inability to add production capacity in a timely manner to meet demand as it arises, will limit the Company's growth and lead to a loss of business 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 time. For example, as at the date of this Prospectus, the Company converts approximately 76% of the wheat it obtains into flour. The Company may not be able to increase its operational efficiency when needed. Failure to reduce costs through productivity gains would adversely affect the Company's profitability and weaken its competitive position.

Many productivity initiatives involve raising the operational efficiency of mills as well as the ceilings of production capacities through mill modernization operations planned for the coming years, such as, but not limited to, the modernization of the Mill-C mill in the Jeddah production facility to raise its production capacity from 300 tons per day to 550 tons per day. In addition, as at the Period Ended 30 September 2022G, the full production capacity of the Company's mills is 1,348,914 tons of wheat per year. During the period ended 30 September 2022G, the utilization ratio of the Company's mills exceeded the maximum recommended by the GFSA, with a utilization ratio of 102.1% (as the recommended number of days to operate the mills was 300 days per year, while the Company planned to operate its mills for 312 days in 2022G). Milling production efficiency reached 79%, 82%, 88%, and 92% in the financial years ended 31 December 2019G, 2020G, 2021G, and in the period ended 30 September 2022G, respectively.

If the Company's operations are not sufficiently efficient, its profitability would suffer as a result of the competitive environment in which it operates, which would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

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

For any new milling facility that the Company builds, its ability to complete construction on a timely basis and within budget is subject to certain risks and challenges. In particular, when establishing a new production facility, it is necessary to make an accurate assessment of the market size and the economic feasibility of such establishment and to obtain the necessary permits and approvals from the relevant governmental entities, none of which is guaranteed. The establishment of a new production facility also depends on the Company's ability to secure the necessary financing to complete the construction process. If the Company fails to assess the economic feasibility of establishing new facilities or to obtain the necessary permits and approvals to operate these new facilities, this could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

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

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

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

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

The Company's operating expenses could increase as a result of a number of factors (for more information about the Company's financial and operational performance, please refer to Section 6 ("**Management Discussion and Analysis of Financial Position and Results of Operations**") of this Prospectus), including, without limitation, the increases in the costs of wheat purchase from the supplier; labor costs; fuel, water and electricity consumption costs; repair and maintenance costs; insurance premiums; financing costs; and the costs of increasing rental of properties rented by the Company.

In particular, the Company's labor costs increased significantly from SAR 112.3 million for the financial year ended 31 December 2020G, to SAR 120.9 million for the financial year ended 31 December 2021G, as a result of the Company's management's decision to adjust the salaries of its employees to compete with those of the private sector.

Prolonged periods of cost inflation may also have a negative impact on the Company's profit margins and earnings to the extent such cost increases are not translated into increase in prices. Saudi Arabia, in common with many other jurisdictions and economic regions, is experiencing an acceleration and increase in inflation, which has resulted in increases in costs of certain raw materials and transportation costs for the Company. In addition, the price of fuel and utilities and labor cost have increased in recent years. Furthermore, any further increase in Saudization requirements of the Company's workforce may lead to an increase in the Company's operational expenditure (for more information, please refer to Section 2.2.8 ("**Risks Related to Saudization, Non-Saudi Employees, and Other Labor Law Requirements**") of this Prospectus). The Company's operating expenses and costs amounted to 79.1%, 72.2%, 73.4%, and 68.2% of the Company's total revenues for the financial years ended 31 December 2019G, 31 December 2020G, 31 December 2021G and the period ended 30 September 2022G, respectively. Any increases in the Company's operating expenses and costs will also reduce its cash flow, profit margin and funds available to operate the Company's business and for future expansion. This would have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

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

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

Occupational errors and potential health, safety and security events, such as fires, light vehicle incidents, falls from height, personal injuries and fatalities, electrocutions, and incidents involving equipment, 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, 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 is implementing safety standards in its industrial facilities to avoid any accidents that may occur in industrial facilities or accidents that may occur to the Company's workers, in 2022G, an accident occurred to one of the Company's employees in its manufacturing factory in Jeddah, in which the employee suffered from minor injuries. Although the Company complies with the relevant health and safety requirements, this does not necessarily mean that the Company will not incur legal liability in the future, which may expose the Company to risks related to compensation claims filed by the heirs of the deceased persons, in addition to the risks associated with the revocation of any of the Company's licenses in case of any health and safety standard compliance violations.

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

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

2.1.9 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 Government Subsidies 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 were 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 customer expectations for its products, which would adversely affect the Company's reputation and revenues.

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

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

The Company's success depends significantly on the continuous and smooth operation of its production facilities. The Company's operations involve the coordination of raw materials, internal production processes and external distribution processes. For the continuation of its operations, the Company depends on the functioning and effectiveness of its production lines 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, 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. The occurrence of any of these or similar incidents would cause a significant disruption to the Company's business, which will affect adversely and materially the Company's business, results of operation, financial position, and prospects.

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

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

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

2.1.11 Risks Related to Production Defects

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

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

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

The Company has entered into several Material Agreements (please refer to Section 12.5 ("**Material Agreements**") of this Prospectus), 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 specified remedy periods. 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 license obtained by the Company to operate flour mills. 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.)

2.1.13 Risks Related to Maintaining its Brand Reputation

In February 2022G, the Company launched its first retail brand, Aloula, with the goal of increasing the Company's market share of the retail market. The Company also plans to introduce additional brands in the future. Maintaining and continually enhancing the value of these brands will be critical to the success of the Company's business and growth strategy. The value of a brand is based, in large part, on the degree to which consumers react and respond positively to the brand. Brand value could diminish significantly due to a number of factors, including consumer perception that the Company has acted in an irresponsible manner, adverse publicity about its products, 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. The growing use of social and digital media by consumers, and third parties increases the speed and extent that information or misinformation and opinions can be shared. Negative posts or comments about the Company, its brands, or products on social or digital media could seriously damage the brand and reputation of the Company. Any damage to the Company's brand name or reputation as a result of these or other factors may cause its products to be perceived unfavorably by customers, third-party merchants, regulators and other business partners, which would have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

2.1.14 Risks Related to Retail Product Sales

The Company intends to develop its retail sales channel as it derives a small portion of its operating revenues from sales to retailers. The Company sells retail products, including its Aloula brand premium flour, to large retailers, such as supermarkets and hypermarkets, and to smaller traditional retailers, such as small convenience stores, and to distributors, who further distribute the Company's products to retail outlets. These retailers and distributors, in turn, sell the Company's products to consumers.

Any significant deterioration in the business performance of the Company's retail or wholesale customers could adversely affect the sales of its products. Retailers and wholesalers also carry products of the Company's competitors. 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, or form alliances with, the Company's competitors or their own private labels 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 condition and prospects.

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

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

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

2.1.16 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 Strategy**") of this Prospectus.

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

- the Company's ability to obtain the required approvals for its products and customers, or to meet the requirements to obtain such approvals from GFSA.
- the Company's ability to successfully expand its existing product portfolio to successfully meet local consumer preferences while enhancing revenue and profitability;
- the competition that the Company faces from incumbent and new players in its product segments;
- the Company's ability to seamlessly adapt and cater to changes in consumer behaviors, new marketing strategies, and new business models;
- the Company's ability to maintain its relationships with GFSA and other Key Suppliers and Key Customers and its ability to negotiate and reach acceptable terms;
- the Company's ability to successfully identify and subsequently accommodate any new businesses from future acquisitions while preserving the Company's operations and culture;
- the Company's ability to hire, train and retain skilled personnel and employees;
- the effectiveness of the Company's marketing campaigns;
- the availability of sufficient financing (including through the Company's existing cash resources) on acceptable terms;
- the Company's ability to 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;
- government restrictions imposed to address the COVID-19 pandemic, or as a result of any other causes, that may disrupt the Company's ability to import and distribute its products in its markets; 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 negatively affected if any of these factors significantly delay, prevent or hinder the Company from achieving its strategy. There can be no assurance that the Company's product expansion strategy will be profitable or will achieve its projected investment returns. The Company may also face cannibalization risks which may arise from the fact that an expansion into one product segment or sub-segment may adversely affect the revenues from the Company's existing product portfolio.

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

2.1.17 Risks Related to the Seasonality of Revenues

The revenues of the Company, in particular in the Makkah Region (Jeddah Governorate), are subject to seasonal variations. In general, flour sales are highest in the period leading up to the Blessed Month of Ramadan, back-to-school and Hajj seasons, and lowest in the period after the Blessed Month of Ramadan and during the summer. The Company will not be able to anticipate such seasonal variations in sales, and such seasonal variations will affect the consistency of 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.) may affect the production process and costs. Accordingly, the Company may have difficulty planning its business, which in turn could limit the Company's ability to accurately forecast its future revenues or set an accurate budget for its operational costs, which would adversely and materially affect the Company's business, results of operations, financial condition and prospects.

2.1.18 Risks related to the Company's Related Party Transactions

The Company entered into certain agreements with Related Parties in connection with some of its operations' aspects. As at the date of this Prospectus, the Company has three (3) agreements in force with Related Parties. (For more information, please refer to Section 12.6 ("**Transactions and Contracts with Related Parties**") of this Prospectus). The Company entered into contracts with Related Parties to provide consultancy services on hedging, milling operations, mill maintenance and project management services. During the General Assembly dated 10/03/1444H (corresponding to 06/10/2022G), the General Assembly approved all of the Company's transactions and contracts with Related Parties.

The total value of the Company's transactions with Related Parties amounted to SAR 1,628,788, and SAR 1,594,210 for the financial year ended 31 December 2021G and the period ended 30 September 2022G, respectively. The Company had no transactions with Related Parties for the financial years ended 31 December 2019G and 31 December 2020G.

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

There can be no guarantee that the Company will be able to renew its contracts with such Related Parties when expired. Accordingly, if any such Related Parties do not renew the agreements entered into with the Company, or renew these agreements but under conditions that are not in line with the Company's objectives, this would adversely affect the Company's business. Under Article 71 of the Companies Law, those related party agreements, in which any Director is deemed to have an interest, will need to be approved by the General Assembly. It is also required that any Director and / or Shareholder of the Company, who is deemed to have an interest, cannot participate in the approval process for such Related Party Transaction(s).

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

2.1.19 Risks Relating to Protecting Certain Trademarks on which the Company Relies

The Company has registered four (4) trademarks in Saudi Arabia on which it relies, i.e. Aloula, Naffa'a, First Mills and First Milling Company, while three (3) trademark registration applications are currently under review. Details of these trademarks are set out in Section 12.9.1 ("**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 affect the Company's operations, financial condition, and results of operation. The competitive position of the Company depends on its ability to continue using such trademarks and to protect its rights related to such trademarks against any illegal use of such trademarks by third parties.

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

2.1.20 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.

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

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

The Company may need to invest significant financial and human resources to attract and retain new senior management members or senior employees. The loss of the services of members of the Company's senior management or key employees could prevent or delay the implementation and completion of its strategic objectives, divert management's attention to seeking certain qualified replacements or adversely affect its ability to manage its business effectively. Each member of senior management, as well as key employees, may resign at any time. As at the date of this Prospectus, the Company has two key vacant positions; the position of Director of Governance, Risk and Compliance and the position of Director of Planning and Reporting. As at the period ended 30 September 2022G, the Company has 40 non-key vacancies. 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.

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

Following the Company's merger with Al-Raha Al-Safi Food Company, the Company became a party to financing facilities with Alinma Bank pursuant to the Common Terms Agreement dated 27/12/2020G, as updated (the "**Financing Document**"). The Financing Document includes the provision of the following guarantees: (1) the Company's Accounts Pledge Agreement dated 27/12/2020G between Al-Raha Al-Safi Food Company and Alinma Bank; (2) the Company's SPA Assignment Agreement dated 27/12/2020G between Al-Raha Al-Safi Food Company and Alinma Bank; (3) the SAR 1,371,000,000 Order Note dated 27/12/2020G issued by Al-Raha Al-Safi Food Company; (4) the SAR 30,620,000 Order Note dated 27/12/2020G issued by Al-Raha Al-Safi Food Company; (5) the SAR 202,100,000 Order Note dated 27/12/2020G issued by Essa Al Ghurair Investment; (6) the SAR 500,000,000 Order Note dated 27/12/2020G issued by Al-Raha Al-Safi Food Company; (7) the SAR 3,540,000 Order Note dated 27/12/2020G issued by Al-Raha Al-Safi Food Company; (8) the SAR 707,350,000 Order Note dated 27/12/2020G issued by AlMutlaq Group Industrial Investment Company; (9) the SAR 505,250,000 Order Note dated 27/12/2020G issued by AlSafi Holding; (10) the SAR 606,300,000 Order Note dated 27/12/2020G issued by Abdullah Abunayan Trading Company; (11) the MC Accounts Pledge Agreement between the Company and Alinma Bank dated 13/06/2021G; (12) the MC Asset Pledge Agreement between the Company and Alinma Bank dated 13/06/2021G; (13) the MC Compensation and Claims Assignment Agreement between the Company and Alinma Bank dated 13/06/2021G; (14) the SAR 46,303,269 Order Note dated 13/06/2021G issued by the Company; (15) the MC Insurance Assignment Agreement between the Company and Alinma Bank dated 13/06/2021G; (16) the SAR 150,000,000 Order Note dated 01/07/2021G issued by Al-Raha Al-Safi Food Company; (17) the SAR 2,047,473 Order Note dated 01/07/2021G issued by Al-Raha Al-Safi Food Company; and (18) the Amended Share Pledge Agreement dated 28/11/2022G between the Company, Alinma Bank, and the Company's Shareholders. It should be noted that, in accordance with the provisions of the Financing Document, Alinma Bank must return the Order Notes to their relevant issuers in any of the following cases: (1) when Alinma Bank considers that the discharge date has occurred (i.e. when none of the obligors has an obligation to make any payments to Alinma Bank in accordance with the provisions of any financing document concluded between the obligors and Alinma Bank, and when Alinma Bank is not liable for any obligations due under any financing document concluded between the obligors and Alinma Bank, or for any obligations that may lead to the creation of any obligations on the part of any of the obligors) or (2) when the Order Note is substituted in accordance with the provisions of the Financing Document. Notably, none of the Order Notes issued by the Current Shareholders will be transferred to the Company. Notably, an amount of SAR 1,300,000,000 was withdrawn from the SAR 1,371,000,000 Term Murabaha Facility for the purpose of purchasing commodities. No amounts have been withdrawn from the SAR 150,000,000 Working Capital Murabaha Facility for the purpose of purchasing commodities (for more details on these facilities, please refer to Section 12.7 ("**Credit Facilities and Loans**") of this Prospectus).

These facilities include standard terms, including a negative pledge, with the Company undertaking that there will be no financial restrictions on any of the current or future returns or assets, except for permissible financial restrictions. It should be noted that as of the period ended 30 September 2022G, the Company's total restricted cash amounted to SAR 77 million out of the Company's total cash balances, which amounted to SAR 318.9 million, as a result of the provisions of the Financing Document (for more details, please refer to Section 6.3.2.2.5 ("**Cash and Cash Equivalents**") and Section 12.7 ("**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 Common Terms Agreement, whether such actions are conducted in one transaction or several transactions or in a series of transactions (interconnected or otherwise). In addition, the Company undertakes not to arrange, permit to arrange or have any security interest over any of its present or future assets, rights, pledges, revenues, property or shares (except for such security as permitted under the Common Terms Agreement). Pursuant to the Common Terms Agreement, a change of business of the Company will result in a breach, which will also result in a breach in respect of the financial indebtedness.

In addition, Alinma Bank has extensive rights to set-off against the Company's accounts, which may affect the cash flow available to the Company in the event that Alinma Bank decides to exercise such rights. The Current Shareholders of the Company shall maintain (directly or indirectly) 66.6% of all the shares in the Company from 27/12/2022G until the date of the Offering. Moreover, the Current Shareholders of the Company shall maintain 51% of all the shares in the Company from the date of the initial public offering. In the event of non-compliance with any provisions set out in this section, Alinma Bank would have the right to take any steps to preserve its rights such as accelerating the payment of the amounts due and terminate the facilities.

Additionally, the Company may need additional funds to address the challenges it may face in the course of its business operation, implement its growth strategy, increase its market share across its current markets, expand into other markets, or expand its product offering. The liquidity generated from the Company's current operations and financial resources may not be sufficient to fund its growth strategy, and thus the Company may seek to increase its capital, or otherwise increase its indebtedness.

If the Company is not able to obtain sufficient funds when needed or under favorable terms, or otherwise if the Company becomes unable to pay its debts when they fall due, the Company's ability to run its business or achieve the intended growth rate would be adversely affected, which would adversely and materially affect the Company's business, results of operations, financial position, and prospects.

2.1.23 Risks Related to Derivative Contracts and Interest Rate Fluctuations

In order to hedge against a change in the interest rate applicable to the Term Murabaha Facility entered into with Alinma Bank for an amount of 1.2 billion Saudi riyals (currently priced at three-month SIBOR plus margin). The value of this derivative financial instrument is affected by global and local interest rate indices among other factors. In the event that there is a difference between the hedging position and the derivatives concluded by the Company for hedging purposes, and the prices of derivative financial instruments change in a way that negatively affects the Company's position therein, or if the fair market value of those derivative financial instruments fluctuates, the hedging relationship may become ineffective, and therefore the fair market value (on the Company's profits and losses) results in a material loss, which may affect the Company's financial position, results of operations and prospects. For the purpose of hedge accounting, hedging instruments are classified as cash flow hedges. The fair value of derivative financial instruments amounted to 64.7 million Saudi riyals as at 30 September 2022G. It should be noted that Gulf International Bank has made a separate valuation of the derivative financial instruments mentioned above, which included that the value of these instruments is 60.1 million Saudi riyals as at 30 September 2022G. This is mainly due to differences in the application of certain accounting standards.

The Company's policy for interest rate hedging applied to the Term Murabaha Facility is limited to 60% of the total expected cash flows which are subject to the interest rate by SIBOR plus a spread. The maximum profit rate will be out of the money (i.e. the other party will not pay the required amounts) if the fluctuating reference rate (three-month SIBOR) is less than 2% (the maximum). In the event that the fluctuating reference price exceeds the maximum at the time of financial reporting (at the end of each quarter of the financial year), the Company may receive a maximum three-month SIBOR of less than 2%. The maturity date of the financial derivatives related to the hedging process is not consistent with the maturity date of the Term Murabaha Facility, as the derivative linked to the maximum profit rate falls due in 2026G, while the Term Murabaha Facility entered into with Alinma Bank falls due in 2035G.

Accordingly, the Company is subjected to risks related to interest rate fluctuations. Interest rates may change according to any local or global economic, political, or regulatory changes, which will lead to the potential increase of the Company's obligations under the Company's banking facilities. Consequently, this will lead to an increase in the funding costs needed by the Company for its operations, which in turn, will have a material and adverse effect on the Company's business, financial position, cash flows, results of operations and prospects.

2.1.24 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 and statutory reserves requirements, available credit limits, general economic conditions, cash flows, working capital requirements, capital expenditures, and Alinma Bank's consent, as stipulated in the financing agreements concluded by the Company and under which the Company may not distribute dividends unless after obtaining prior approval from the financing entity, and according to other factors subject to the recommendation of the Board of Directors in announcing the distribution of dividends, as deemed appropriate thereby.

The Shareholders may not obtain any return on their investment in the Shares except through selling the Shares at a price higher than the purchase price thereof. Accordingly, the Company does not in any way guarantee that it will have sufficient funds to distribute dividends or that it will make any dividend announcements in the near future. (For more details about the Company's dividend policy and the restrictions imposed by the financing entities on the distribution of cash dividends, please refer to Section 7 ("**Dividend Distribution Policy**") and Section 12 ("**Legal Information**") of this Prospectus).

2.1.25 Risks related to the Registration of the Company's Goodwill and the Potential Decline Thereof

Following the merger with Al-Raha Al-Safi Food Company, the goodwill book value was transferred to the Company's assets with a value of SAR 1,090.7 million (representing 43.58% of the Company's total assets as of 30 September 2022G), representing the surplus of the consideration paid for the Company's specified net assets. 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 to determine any decrease in its value. Such evaluation is conducted at least once a year or more if evidence of a decrease in its value is found. In addition, goodwill may need to be evaluated outside the required annual evaluation period, 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 6.3.2.1.5 ("**Goodwill**") of this Prospectus).

It should be noted that no value was recorded for the Milling License based on the opinion of a chartered accountant, whereas it was concluded that the fair value of the license was zero Saudi riyals, as the impact of the subsidized price is considered to be included within the cash flows associated with the supply agreement, resulting in negative cash flows associated with the license value. Accordingly, the license was deemed to have no value, given the Company's ability to automatically renew the license upon its expiration in accordance with the terms and conditions of the agreement. The non-recording of the value of the Milling License also resulted in the non-allocation of part of the surplus paid to the value of the license as a separate item among the intangible assets, which in turn led to an increase of the goodwill value. In the event that the Company determines the value of the license and allocates part of the surplus consideration paid to the license item within the intangible assets, this will result in recording a lower goodwill value, or in a decrease of its value in subsequent periods.

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

The Ordinary General Assembly approved the implementation of a Corporate Governance Manual on 14/08/1444H (corresponding to 06/03/2023G), which includes rules and procedures related to corporate governance derived from the Corporate Governance Regulations issued by the CMA. The Company's success in properly implementing the corporate governance rules and procedures will depend on the extent of the comprehension and understanding of these rules as well as the proper execution of such rules and procedures by the Board, its committees and Senior Executives, especially with regards to the formation of the Board and its committees, independence requirements, as well as rules related to conflict of interests and Related Party Transactions.

Article 22 of the Corporate Governance Regulations also requires the adoption of a written and detailed policy, defining the powers delegated to the executive management, and a table clarifying such powers. On 19/03/1443H (corresponding to 25/10/2021G), the Board of Directors approved the authority tables governing the specialization and delegation of powers and authorities between the Board and the Senior Executives. Failure to comply with the governance rules, especially the mandatory rules derived from the Corporate Governance Regulations issued by the CMA, would subject the Company to regulatory penalties and would adversely and materially affect the Company's business, results of operations, financial position, and prospects.

On 10/03/1444H (corresponding to 06/10/2022G), the Company's Ordinary General Assembly approved the re-formation of the Audit Committee; and on 14/08/1444H (corresponding to 06/03/2023G), the Company's Ordinary General Assembly approved the amended Charter of the Audit Committee. The Board of Directors formed the Nomination and Remuneration Committee 28/05/1442H (corresponding to 12/01/2021G), and the Nomination and Remuneration Committee was re-formed on 14/03/1444H (corresponding to 10/10/2022G), and on 14/08/1444H (corresponding to 06/03/2023G), the Company's Ordinary General Assembly approved the amended Charter of the Nomination and Remuneration Committee (for further details, please refer to Section 5.2 ("**Board Committees**") of this Prospectus). Failure by members of these committees to perform their duties and adopt a work approach that protects the interest of the Company, and its Shareholders will affect corporate governance compliance, the continuous disclosure requirements, and the Board's ability to monitor the Company's business through these committees. That would have a material 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.

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

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

2.1.28 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 12.8 ("**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 and sabotage. In addition, the Company's present insurance policies contain coverage exclusions or limitations. The current insurance policies might also be unavailable in the future. Accordingly, the losses and liabilities resulting from entirely uninsured or insufficiently insured risks could significantly increase the Company's costs, which would have a material adverse effect on the Company's business, results of operations, financial position, and prospects.

2.1.29 Risks Related to Litigation Involving the Company

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

As at the date of this Prospectus, the Company is party (as plaintiff and defendant) to a number of non-material lawsuits that arose in its normal course of business. The total value of these non-material lawsuits is estimated at SAR 979,122. In addition, in 2019G, the Public Prosecutor of GAC filed a lawsuit against the Company for an amount of SAR 10,000,000, with respect to the Company's alleged violation of the Competition Law with regard to the palm commodity market, and the Company paid the full amount. As at the date of this Prospectus, the Company is in the process of preparing and submitting an appeal to the Supreme Administrative Court in this regard.

In addition, the GFSA filed a lawsuit against the Company before the Committee for the Adjudication of Violations of the Provisions of the Flour Milling Law, stating that the Company violated one of the clauses of the Subsidized and Unsubsidized Flour Supply Agreement, as well as one of the clauses of the license granted thereto by the GFSA, in addition to exceeding the quantities of sales allowed by the GFSA (for further information, please refer to Section 2.2.5 ("**Risks associated with Statutory Regulations,**

Permits, Licenses and Approvals Necessary for the Company's Business"). The Company received notification of this lawsuit on 02/04/2023G. As a result, the GFSA requested that the Company be fined a total amount of SAR 69,763,099.5 as follows:

- accepting membership requests from the new customers without GFSA's approval - fine amounting to SR 20,000,000 and financial recoveries amounting to SR 33,848,850.59;
- updating key information of customers without submitting a request to GFSA – fine amounting to SR 100,000 and financial recoveries amounting to SR 6,012,915.32; and
- exceeding allocated sale quantities approved by GFSA – fine amounting to SR 1,000,000 and financial recoveries amounting to SR 8,801,333.59.

On 30/04/2023G, the Company submitted a Reply Memorandum to the indictment filed by the GFSA. As at the date of this Prospectus, the aforementioned dispute remains ongoing. (For more information, please refer to Section 12.10 ("**Litigation**") of this Prospectus).

2.1.30 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.

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

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

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

2.1.32 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 moisture, temperature and humidity levels, deviations in which may result in damage to wheat or finished flour products in stock. Any significant damage to the products in storage could materially and adversely affect the Company's business operations, financial condition, results of operations and prospects.

The Company also relies on its expertise in the food and feed sectors and its knowledge of demand forecasts for its products to manage its inventory of flour, wheat and its derivatives. The Company calculates the inventory of flour and wheat in the operational silos in its reports using the size up approach, which may lead to inaccurate calculations of the wheat and flour inventory. Whereas the current stock available inside wheat silos is calculated by way of a manual measuring tool (metric tape measure) that is inserted into the silo to calculate the empty distance, and the quantities of wheat available inside the silo are calculated accordingly, which may result in slight differences in the actual stock of raw wheat. 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. Therefore, material changes may occur in the demand for the Company's products which may vary from what was expected and stated in its reports. Demand may be affected by the launch of new products in the market, changes in product cycles, pricing, changes in customer spending patterns, the entry of new competitors into the market, etc. As a result, customer demands for the Company's products may decrease. Therefore, if the Company is unable to accurately estimate the volume of products that its customers require or if it is unable to manage its inventory in an appropriate manner, this will lead to the overproduction of flour and feed products and thus, a surplus of inventory levels.

The total inventory for the financial years ended 31 December 2019G, 2020G and 2021G and the period ended 30 September 2022G, amounted to SAR 111,482,003, SAR 118,803,883, SAR 115,818,107, and SAR 112,648,403, respectively, representing 9%, 8%, 10%, and 5% of the Company's total assets for the said periods, respectively. The Company allocated SAR 28,533,146, SAR 32,606,494, SAR 33,701,417, and SAR 39,847,709 as provisions for inventory for the said periods, respectively. As of the period ended 30 September 2022G, the Company's inventory included raw materials worth SAR 41.2 million (representing 36.6% of the total inventory), ready-made products worth SAR 10.2 million (representing 9.1% of the total inventory), and spare parts worth SAR 98.7 million (including spare parts that have been outstanding for over three years). Accordingly, the Company is conducting a detailed stocktaking of its spare parts inventory, expected to be completed by the end of 2022G. In light of such stocktaking, the Company may have to write off part of such inventory or make additional provisions to reflect its actual value (for more details about the inventory, please refer to Section 6.3.2.2.1 ("**Inventories**") of this Prospectus). The spare parts consist of any materials or supplies used during the production process. Spare parts are classified under inventory as they do not align with the definition of fixed assets provided under the IAS2 - Inventories accounting standards, despite not being part of the Company's products. The total waste of inventory for the financial years ending 31 December 2019G, 2020G and 2021G and the period ended 30 September 2022G, amounted to SAR 10,438, SAR 369,937, SAR 1,512,754, and SAR 532,393, respectively, representing 0.009%, 0.3%, 1.3% and 0.5% of the total inventory for the said periods. Moreover, the average days in inventory for raw materials were 50 days, 41 days, 45 days, and 46 days for the financial years ended 31 December 2019G, 2020G, 2021G, and the period ended 30 September 2022G, respectively. The Company made provisions of SAR 7.3 million, SAR 4.1 million, SAR 1.1 million, and SAR 6.1 million for the financial years ended on 31 December 2019G, 2020G, 2021G, and the period ended 30 September 2022G, respectively. It should be noted that the Company did not adopt the inventory aging analysis as at the period ending on 30 September 2022G, which may lead to calculating higher provisions in the future than those currently approved. As of December 2022G, the Company is adopting the inventory aging analysis, and in the event that such analysis results in a material increase in the inventory provisions that must be set aside, this would adversely affect the results of the Company's operations and financial position. Accordingly, the Company may have to adopt and implement a policy for inventory management, excess inventory and its mismanagement. However, delaying the adoption of the most conservative policy on the Company's business and position may force the Company to reduce prices to sell its stock before the expiration date, which in turn will have a material and adverse effect on the Company's business, results of operations, financial position, and prospects.

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

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

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

The majority of the Company's revenues are generated from sales in four regions of the Kingdom, namely Makkah Region (Jeddah Governorate), Al-Qassim Region (Buraidah Governorate), Tabuk Region (Tabuk City), and the Eastern Region (Al-Ahsa Governorate), which are the regions where the Company's production facilities are located. The revenues generated from Makkah Region (Jeddah Governorate), Al-Qassim Region (Buraidah Governorate), Tabuk Region (Tabuk City), and the Eastern Region (Al-Ahsa Governorate) accounted for 44.8%, 31.4%, 11.9% and 11.9% of the Company's total revenues, respectively, as at the period ended 30 September 2022G. There is no guarantee that the Company will be able to maintain the growth of its revenues from sales in these four regions. If the revenues generated from any of these regions decreased substantially, this could have a material adverse effect on the Company's business, results of operations, financial condition and 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 January 2023G (the "**New Companies Law**") imposes certain regulatory requirements that the Company must abide by. To comply with such requirements, the Company must adopt specific procedures such as amending its Bylaws to comply with the Companies Law and adhere to the periods stipulated for holding General Assembly meetings.

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

The Companies Law imposes stricter penalties for violation of its mandatory provisions and 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. It should be noted that the Company has not been subjected to any fines or penalties as a result of non-compliance with the Companies Law.

2.1.36 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 Swiss Franc is subject to supply and demand factors and to fluctuations at any time. Therefore, any deflation of the Saudi Riyal against foreign currencies (especially the US dollar and the Swiss Franc) 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 letters No. 30446/16/1439 and 21258/115/1442 dated 14/09/1439H (corresponding to 29/05/2018G) and 05/11/1442H (corresponding to 15/06/2021G), respectively, that the Company is exempt from paying Zakat given that its capital is derived from public funds to which Zakat is not applicable for the financial years ended 31 December 2019G and 31 December 2020G (noting that the Company was wholly owned by the PIF back then).

On 17/10/1441H (corresponding to 09/06/2020G), the Saudi Council of Ministers' Resolution No. 631 was issued declaring the transfer of the Company to the NCP. On 16/05/1442H (corresponding to 31/12/2020G), the NCP sold all its shares in the Company to Al-Raha Al-Safi Food Company. Following this transfer, Al-Raha Al-Safi Food Company became the only shareholder of the Company and requested ZATCA to merge the Company for the purpose of filing the Zakat returns and payment, with Al-Raha Al-Safi Food Company being responsible for submitting the Zakat letter No. 35015357 dated 16/05/1443H (corresponding to 20/12/2021G).

Accordingly, Al-Raha Al-Safi Food Company filed consolidated zakat returns for the financial year ended 31 December 2021G, including the joint zakat base of Al-Raha Al-Safi Food Company and the Company. As at the date of this Prospectus, ZATCA has not issued any final Zakat assessments for the Company since its incorporation.

Pursuant to the accounting laws, the Company allocated an adequate Zakat provision to cover any shortfall that may be detected when the final Zakat assessment is received from the ZATCA. The provision for Zakat is set aside in accordance with the ZATCA regulations and instructions. The Company's Zakat provision amounted to SAR 4.7 million, and SAR 4.6 million as at the financial years ended 31 December 2021G and the nine-month period ended 30 September 2022G, respectively.

The Selling Shareholders have declared that they would be liable for any additional amounts that may be claimed by ZATCA for the period from the financial year ended 31 December 2021G until the Company's Shares are listed on the Exchange. In the event ZATCA raises any claims relating to any financial years preceding the financial year ended 31 December 2021G, 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.

On 15 September 2022G, the Company completed its merger with the Parent Company, Al-Raha Al-Safi Food Company, and the Company became the only remaining entity after such transaction. Going forward, the Company will be solely responsible for Zakat and may also be responsible for any assessments determined by ZATCA in connection with the consolidated Zakat returns submitted by Al-Raha Al-Safi Food Company for FY21G.

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).

2.2 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 businesses, operating results, cash flows and prospects.

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

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

The Company competes with other milling companies in its key markets. In its 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 brands and products offered; and (5) ability to understand and respond to demands in a timely manner. Some of the Company's competitors may possess financial, managerial, logistical and human resources exceeding those possessed by the Company. Moreover, a number of different competitive factors would also have a material adverse effect on the Company's business, results of operations and financial condition, including, among other things:

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

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

2.2.3 Risks Related to Natural Disasters

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

2.2.4 Risks Related to the Competition Law

The Competition Law promulgated by Royal Decree No. M/75, dated 29/06/1440H (corresponding to 6 March 2019G) and its implementing regulations issued by the General Authority for Competition pursuant to Resolution No. 337, dated 25/01/1441H (corresponding to 24 September 2019G) prohibit practices (including agreements or contracts made between entities, irrespective of whether they are written or oral, express or implied) with anti-competitive objectives or effects, including practices such as fixing prices of goods, service fees, or terms of purchase and sale. Should the GAC decide to lead an investigation into the Company, or otherwise conclude that the Company is in breach of the applicable Competition Laws, it may impose on the Company a fine of up to 10% of the total annual sales value which is the subject of the violation or no more than ten million (10,000,000) Saudi riyals where it proves impossible to estimate such value. Moreover, the GAC may, at its discretion, impose a fine of up to three times the revenues made as a result of the breach and order the (partial or full) suspension of the Company's activities temporarily or permanently in case of repeated breach. The issuance of a final and binding order by the competent authorities against the Company in connection with a material violation of the Competition Law may lead to the suspension or revocation of the flour mill operating license issued to the Company by GFSA. In addition, the Company previously paid a SAR 10,000,000 fine to the General Authority for Competition as a result of the Company's violation of Article 9(a)(2) of the Competition Law in the bran commodity market, prior to its privatization. Such amount was paid in full, and the Company is not currently subject to any financial penalties or fines imposed by the General Authority for Competition (for more information, please refer to Section 2.1.29 ("**Risks Related to Litigation Involving the Company**") and Section 12.10 ("**Litigation**") of this Prospectus).

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

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

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

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

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

In order to operate or expand the production capacity of its facilities, the Company must obtain various permits, licenses, certificates and other approvals from the relevant authorities. These include, the MoMRAH and GFSA licenses, civil defense permits 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 has obtained municipal licenses from the Ministry of Municipal and Rural Affairs and Housing (MoMRAH) for two of its branches. However, as at the date of this Prospectus, the Company has not obtained a municipal license from MoMRAH for its branch situated in Al-Ahsa. In addition, the Company did not obtain environmental permits for three of its branches. 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.

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. Compliance with existing or new environmental laws and regulations, as well as obligations in agreements with public entities, could result in increased costs and expenses. As such, environmental compliance and remediation could result in substantially increased capital requirements and operating costs which could adversely affect the Company's business, financial condition, results of operations or prospects may be materially adversely affected.

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

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

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

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

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

The Saudization and Nitaqat programs were adopted pursuant to the Ministerial Resolution No. 4040 dated 12/10/1432H (corresponding to 10 September 2011G), with the Ministry of Human Resources and Social Development beginning the implementation of the Nitaqat program to encourage institutions to employ Saudi nationals. Compliance with Saudization requirements is a local regulatory requirement necessitating that all companies carrying out business in Saudi Arabia, including the Company, employ and maintain a certain ratio of Saudi personnel among their staff. The ratio of Saudi workers varies on the basis of a Company's activities and the professions specifically targeted with Saudization resolutions. As at 30 September 2022G, 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 Saudization Rate of 37.13%), and the industries entity classified under the platinum category (with Saudization Rate of 37.53%), which means that the Company comply with the current Saudization requirements, and will be able to secure work visas and transfer sponsorship. The Company received Saudization certificates from the Ministry of Human Resources and Social Development for observing the Saudization requirements.

Under the Saudi Labor Law, foreign employees are only permitted to work for the corporate entity which sponsors them in Saudi Arabia or through the Ajeer program. The Company employs a number of non-Saudi employees who are sponsored by third-party recruiting companies. The fees for transferring employees from one company to another are between SAR 2,000 and SAR 6,000 (depending on the number of times an employee has transferred their sponsorship in the past). For further information on the employees, please refer to Section 4.16 ("**Employees**"). The risks related to the requirements applicable to non-Saudi employees include facing fines or penalties, such as suspension of MHRSD recruitment systems or services in the event of violating laws pertaining to Iqama, transfer of sponsorship, Ajeer notices, secondment, and residency professions, which would adversely affect the Company's business and results of operations. The penalties for entities seconding foreign employees under their own sponsorship to another entity without an Ajeer notice include, for a first-time violating entity, a fine of SAR 25,000 for each employee working in violation of the law, and these fines increase in case of repeated violations.

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

The Company may not be able to fulfil current or amended Saudization or other Labor Law requirements in the future or that the minimum wage required to be paid by the Company will not increase. In case of non-compliance with the requirements pertaining to Saudization or non-Saudi employees, the Company could face sanctions by governmental authorities. In addition, the Company may be unable to provide the required workforce or recruit the required number of Saudi nationals and / or foreign workers without incurring additional costs, if at all, which would adversely affect the Company's business, results of operations, financial position, and prospects. For further details, please refer to Section 4.17 ("**Saudization Strategy**").

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

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

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

2.2.10 Risks Related to Changes in the Calculation of Zakat and Income Tax

The Zakat, Tax and Customs Authority issued Circular No. 6768/16/1438 dated 05/03/1438H (corresponding to 05/12/2016G), which obliges Saudi listed companies to calculate income and Zakat on the basis of shareholder nationality and the ratio of actual ownership between Saudi and Gulf citizens and others as stated in the "**Tadawulaty**" system at the end of the year. Prior to the issuance of said circular, listed companies were generally subject to the payment of Zakat or tax on the basis of the ownership held by their founders in accordance with their bylaws, and the impact of listed shares was not taken into account in determining the Zakat base. This circular was to come into effect for the financial year ended 31/12/2016G and subsequent years. However, the Zakat, Tax and Customs Authority issued Letter No. 12097/16/1438 dated 19/04/1438H (corresponding to 17/01/2017G), which postponed the implementation of said circular until the financial year ended 31/12/2017G and subsequent years.

Until the Zakat, Tax and Customs Authority issues directives regarding the mechanisms and procedures for implementing this circular, the implementation thereof, including final requirements that must be met, are still under study. In the event that the financial impact of this circular, if applied, is significant, or if the Company incurs additional costs to take the necessary steps to ensure compliance therewith, such occurrences would adversely affect the Company's business, results of operations, financial position, and prospects, as well as the Share price.

2.2.11 Risks Related to VAT

The Company has filed all its VAT returns since its registration (since 01/01/2018G until 30/09/2022G), 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 periods ending 31 December 2018G, 31 December 2019G, 30 September 2020G, 31 October 2020G, 30 November 2020G, and 31 December 2020G, and ZATCA has accordingly issued the final assessments in this regard. The Company objected to the final assessments and paid the additional VAT due, including penalties. The Company's objection to the amount of SAR 426,609 is still pending at the time being at the first level before the General Secretariat of Zakat, Tax and Customs Committees, until the case is heard.

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 collectively hold (directly or indirectly) 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, which would adversely and materially affect Subscribers' anticipated returns, or result in the loss of all or a portion of their investment in the Company.

2.3.3 Risks Related to Future Sales and Offers

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

Upon the successful completion of the Offering, the Substantial Shareholders will not be able to dispose of their Shares prior to obtaining the approval of the GFSA and the CMA[2], subject to also obtaining any required approvals from other concerned government agencies. The sale of a substantial number of Shares by any of the Substantial Shareholders will have an adverse effect on the market for the Shares, and may result in a lower market price.

The Company does not currently intend to issue additional Shares after the end of the Offering. If the Company decides to raise additional capital by issuing new Shares, the newly issued Shares may cause the value of the Shares to drop. 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 Whereas (1) the Substantial Shareholders may not dispose of their Shares during the six (6) months following the commencement of trading of the Shares on the Saudi Exchange, in accordance with the OSCOs requirements, and (2) under the provisions of the Company's GFSA license, the Company may not make any direct change in the Company's ownership or any change of control of the owners or Shareholders of the Company holding more than 5% of the Company's Shares (directly or indirectly), except after obtaining the GFSA's approval. It should be noted that the approval of the Capital Market Authority must be also sought to lift such restriction.

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

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

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

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

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

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

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

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.


FIRST MILLS
المطاحن الأولى

3. OVERVIEW OF THE MARKET AND INDUSTRY

3.1 Introduction

The information in Section 3 (Market Overview) is derived from the market study report prepared by Euromonitor International Ltd (the "**Market Consultant**") exclusively for the Company in November 2022G. The Market Consultant is headquartered in London, UK. For further details about the Market Consultant, visit its website (www.euromonitor.com).

The Market 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 of the date of this Prospectus, the Market Consultant has given, and not withdrawn, its written consent for the use of its name, logo, market information, and data supplied by it to the Company in the form set out in this Prospectus.

The Board of Directors believes that the information and data from third party sources contained in this Prospectus, including those provided by the Market Consultant, are reliable. However, such information and data have not been independently verified by the Company, the Directors, the Advisors or the Selling Shareholders, and thus none of them bears any liability for the accuracy or completeness of such information or data.

3.2 Research Methodologies

All data, analysis and research estimates in this section are based on research work conducted between May 2022G and October 2022G, including (i) desk research to collect publicly available secondary sources of data, statistics on macroeconomic indicators, demographics from entities such as General Authority for Statistics (GaStat), Saudi Central Bank (SAMA), Euromonitor International's internal database (Passport), and trade press on food industry, companies and third party reports; (ii) trade survey analysis of the opinions and perspectives companies across core markets; and (iii) cross-checks and analysis of all sources to build an industry consensus on the market size and historic trends.

The Company provided its audited sales data recorded in the Kingdom for the financial year 2021G, which has been factored in the section where it is positioned against competitors.

3.3 Forecasting Bases and Assumptions

Euromonitor International based the Euromonitor Report on the following assumptions:

- The social, economic, and political environment is expected to remain stable in the Kingdom and other surrounding markets during 2022G-2030G,
- There will be no external shock, such as a financial crisis affecting the sector's demand and supply across core markets during the same period,
- Key drivers influencing growth/demand during 2019G-2021G and 2022G-2030G include growing target population, inflation, GDP growth and government expenditure on the sector.

The research results may be influenced by the accuracy of these assumptions and the choice of these parameters. The market research was completed during the period May- October 2022G, and all statistics in the Euromonitor report are based on information available at the time of reporting. Euromonitor's forecast data is derived from an analysis of the historical development of the market, the economic environment, and underlying market drivers, and it is cross-checked against established industry data and trade interviews with industry experts.

Market review for this report has been carried out for the period covering 2018G-2021G unless otherwise stated. Specifically, the 2018G-2021G period will be termed the historical or review period, and 2022G-2026G will be deemed the forecast period for the entire report.

3.4 Executive Summary

3.4.1 The Kingdom is expected to be among the fastest growing economies globally in 2022G and maintain a positive development going forward

The Kingdom was the largest economy among the Gulf Cooperation Council (GCC) members in 2021G. The Kingdom registered a CAGR growth of 0.7% over 2018G-2021G, reaching a nominal Gross Domestic Product (GDP) of SAR 3,125.78 billion in the latter year. Following slight slowdown as a result of COVID-19 pandemic and a period of fluctuating oil prices, the Kingdom's economy has registered a strong recovery in 2021G. Rebounded oil prices, government's fiscal and financial initiatives, a revival of the non-oil sectors facilitated the real GDP growth of 3.2% in 2021G.

With a continuous rise in oil prices, non-oil sector growth, and improving labor market, the Kingdom is expected to be among the fastest growing economies globally in 2022G, registering 7.9% year on year growth in real GDP. Owning to rising private investment, positive oil sector dynamics and population growth, nominal GDP growth is anticipated to continue, maintaining a CAGR of 5.7% from 2022G to 2026G.

3.4.2 Strong economic fundamentals are set to facilitate disposable income and consumer spending growth

Under Vision 2030, the Government continues its economic efforts to shift away from dependence on oil revenues through major projects, investment and reforms. The contribution of the non-oil sectors to economic growth is expected to increase in the medium term. In line with improved economic environment in 2021G, the per capita consumer disposable income saw a strong recovery in 2021G as well, registering a 12.5% annual rise. The per capita disposable income is anticipated to continue rising at a CAGR of 4.2% between 2022G and 2026G facilitating CAGR of 5.3% in consumer expenditure over the same period.

3.4.3 Recovered consumer spending to facilitate the flour demand growth from baked goods and foodservice sector

In 2021G, the Kingdom's wheat flour market was valued at SAR 1,641.9 million in value and 2.7 million tons in volume. With the recovery in consumer spending, positive development in foodservice and tourism sector, urbanization and expansion of modern retail, the Kingdom's baked goods retail is expected to accelerate from CAGR of 2.9 % during 2018G-2021G to CAGR of 5.5% during 2022G-2026G period, facilitating 3.5% growth in flour market over the same period. The continuous growth of noodle production in the Kingdom will contribute to the greater demand for flour.

3.4.4 Compound feed market is poised for a solid growth as well for a forecast period

The overall compound feed market valued at SAR 1,346.0 in 2021 (or 0.9 million ton) registered a CAGR of 4.7% decline in volume between 2018G-2021G, as small livestock players exited the market. However, the sales of animal feed by national milling companies as well as utilization of animal bran – primary input material – increased by CAGR of 14.3% and 2.9% respectively over 2018G-2022G facilitated by the government policy to regulate and restrict green fodder production, reduce barley imports and further develop the local compound feed industry.

Besides government policy, future growth will also be determined by herd related demand increase due to the expected growth of Kingdom’s meat industry. As a result, compound feed and bran market is set to register a CAGR of 2.2% and 3.6% respectively in value terms over 2022G-2026G period.

3.4.5 First Milling Company is well positioned to leverage positive market dynamics

As of 2021, First Milling Company was a market leader in flour (responsible for 30.0% of market value) and a significant player in compound animal feed market (responsible for 16% of compound animal feed market). As a result of the growing demand for flour-based consumer products, the expected growth in the domestic meat market, and government's initiatives to expand local production of compound animal feed, First Milling Company is well placed to capitalize on its industry position and market share.

The company's willingness to invest in production and operational efficiency, its direct relationships with bakeries with a low level of mediation by distributors and wholesales will allow the company to reduce risk associated with pricing and understand market dynamics and cater to key customer needs.

3.5 The Macroeconomic Environment in the Kingdom

3.5.1 Economic Development

Table (3.1): Macroeconomic Indicators in the Kingdom, 2018G-2026G

Indicator	Unit	2018G	2019G	2020G	2021G	2022G	2026G	% CAGR 2018G-21G	% CAGR 2022G-26G
Nominal GDP	SAR bn	3,062.2	3,013.6	2,637.6	3,125.8	3,684.1	4,595.0	0.7%	5.7%
Nominal GDP from Crude Petroleum & Natural Gas	SAR bn	959.8	842.1	522.2	787.1	-	-	(6.4)%	-
Nominal GDP from Agriculture, Forestry & Fishing	SAR bn	65.5	66.2	67.0	72.3	-	-	3.3%	-
Real GDP at Constant 2021 Prices	SAR bn	3,147.8	3,158.3	3,027.7	3,125.8	3,373.0	3,785.1	(0.2)%	2.9%
Real GDP Growth	% growth	2.5	0.3	-4.1	3.2	7.9	2.3	-	-
Government Expenditure	SAR bn	1,078.8	1,059.0	1,057.7	1,038.9	-	-	(1.2)%	-
Government Revenue	SAR bn	905.6	926.8	781.6	965.5	-	-	2.2%	-

Source: Euromonitor International from Organization for Economic Co-operation and Development/United Nations/International Monetary Fund (IMF), National Accounts from General Authority for Statistics, Kingdom of Saudi Arabia

Note: growth rates referenced in the table were estimated with real/actual values, while the data in the tables were rounded to thousands / millions / billions

The Kingdom is the largest economy among the six Gulf Cooperation Council (GCC) members. The country registered a solid CAGR growth of 0.7% over 2018G-2021G, reaching a nominal Gross Domestic Product (GDP) of SAR 3,125.8 billion in 2021G. Despite a decelerated real GDP growth of 0.3% in 2019G and a 4.1% contraction in 2020G in light of the COVID-19 pandemic and the oil market weakness, the economy has demonstrated strong signs of recovery in 2021G. As a result of the government's fiscal, financial, and employment support programs and a recovery in the non-oil sector, nominal GDP increased by 3.2% in 2021G. Backed by a rise in oil prices and continuous growth in the non-oil sectors, substantial 7.9% real GDP growth is anticipated for 2022G as well, representing one of the highest expected economic increases among the world economies.

Although in 2022G the solid GDP growth is set to be primarily determined by recovered oil sector (real GDP growth in the oil sector is projected to be 15.5% in 2022G), the non-oil sectors' contribution to economic growth is expected to increase in the medium term as a result of the Government's efforts to move away from its dependence on the oil revenues as well as projects and reforms planned under Vision 2030.[3][4][5] Looking ahead, the Kingdom's economic upward trend is predicted to continue with the nominal GDP growth of CAGR of 5.7% from 2022G to 2026G in light of strong performance of oil sector, continuous private sector investment, rising consumer spending and positive dynamics in the labor market.

3.5.2 Consumer Spending and Prices

Table (3.2): Consumer Income, Spending and Price Indicators in the Kingdom, 2018G-2026G

Indicator	Unit	2018G	2019G	2020G	2021G	2022G	2026G	% CAGR 2018G-21G	% CAGR 2022G-26G
Inflation	% growth	2.5	(2.1)	3.4	3.1	2.5	2.0	-	-
Index of Consumer Prices	2021= 100	95.8	93.8	97.1	100.0	102.5	111.6	1.4%	2.2%
Consumer Expenditure	SAR bn	1,167.0	1,209.0	1,185.8	1,347.6	1,619.7	2,024.4	4.9%	5.7%
Consumer Expenditure on Food	SAR bn	215.6	223.1	220.2	250.9	299.8	366.9	5.2%	5.2%
Consumer Expenditure on Bread and Cereals	SAR bn	26.3	26.6	26.4	30.4	36.9	47.5	5.0%	6.6%
Per Capita Consumer Expenditure	SAR thousand	33.3	33.7	32.9	37.5	44.5	52.6	4.0%	4.3%
Per Capita Disposable Income	SAR thousand	32.1	32.5	31.6	36.0	42.7	50.4	3.8%	4.2%

Source: Euromonitor International from Organization for Economic Co-operation and Development/United Nations/International Monetary Fund (IMF), National Accounts from General Authority for Statistics, Kingdom of Saudi Arabia

Note: growth rates referenced in the table were estimated with real/actual values, while the data in the tables were rounded to thousands / millions / billions

In light of economic challenges and corona-related restrictions, consumer expenditure per capita in Saudi Arabia grew moderately by 1.4% in 2020G over 2019G. Private demand was negatively affected by the crisis-induced decline of foreign workers and the increase in value-added tax from 5% to 15% in July 2020G, among other factors. However, a strong recovery took place in 2021G. The positive impetus comes from 12.5% annual rise in disposable income in 2021G and the improved labor market for Saudi nationals. Going forward, annual disposable income in the Kingdom is forecasted to rise at a CAGR of 3.7% over 2022G-2026G period supporting CAGR of 5.7% and a CAGR of 6.6% in consumer expenditure and consumer spending on bread and cereals respectively over the same period.

Supporting further development of private consumption, inflationary pressure in the Kingdom is expected to ease in the medium term as well. In 2021G, inflation declined slightly to 3.1% from 3.4% in the year before as the VAT increase in 2020G faded. Inflation is set to rise slightly in 2022G (consumer prices registered a q-o-q increase of 0.5% in Q1, and 0.9% increase in Q2); however, it is expected to remain steady till the end of the year compared to 2021G.[6] Moreover, inflationary pressures are expected to ease further over the medium term as supply chain bottlenecks gradually unwind and demand pressures on goods subside while consumer spending shifts to services.

3 Euromonitor International Passport, Economy, Finance and Trade: Saudi Arabia, February 2022G
4 Euromonitor International Passport, Economy, Finance and Trade: Saudi Arabia, February 2022G
5 General Authority for Statistics, Kingdom of Saudi Arabia, Percent Distribution of Gross Domestic Product By Kind Of Economic Activity at Current Prices 2008-2021G
6 Euromonitor International from national statistics/Eurostat/OECD/UN/International Monetary Fund (IMF), International Financial Statistics (IFS)

3.5.3 Labor Market

Table (3.3): Labor Market Indicators, 2018G-2026G

Indicator	Unit	2018G	2019G	2020G	2021G	2022G	2026G	% CAGR 2018G-21G	% CAGR 2022G-26G
Economically Active Population	million	14.1	14.8	15.2	15.6	16.1	17.1	3.3%	1.5
Employed Population	million	13.3	14.0	14.0	14.5	15.2	16.2	3.1%	1.6%
Employed Male Population	million	11.5	12.1	12.2	12.6	13.0	14.1	2.9%	2.2%
Employed Female Population	million	1.7	1.9	1.8	2.0	2.2	2.0	4.4%	1.9%
Employed Saudi Population	% of total	24.2	24.0	23.8	25.7	-	-	2%	-
Employed Non-Saudi Population	% of total	75.8	76.0	76.2	74.3	--		(0.7%)	-
Unemployment Rate (% of total economically active population)	% of total	6.0	5.6	7.7	6.6	5.8	5.3	-	-

Source: Euromonitor International from Labor Organization (ILO), Labor Market Statistics from General Authority for Statistics, Kingdom of Saudi Arabia

Note: growth rates referenced in the table were estimated with real/actual values, while the data in the tables were rounded to thousands / millions / billions

The stronger consumer sentiment will also come from expected growth in employment. In light of the pandemic-driven economic slowdown and Saudization, the number of total individuals employed in Saudi Arabia started to decline in 2020G till the last quarter of 2021G. However, the decline was primarily driven by a decrease in non-Saudi employees, while employment of Saudi nationals maintained a strong growth trajectory. Going forward, strong economic development and continuous private sector investment is set to facilitate a 1.6% rise in employed population over 2022G-2026G.

Positive labor market dynamics will be also determined by the rise in female participation in the labor force, encouraged by recent government reforms under Vision 2030. Overall, the number of Saudi individuals employed, total females employed, and Saudi females employed increased by a CAGR of 2.3%, 5.6% and 4.5%, respectively, over 2018G-2020G (while the overall number of employed individuals rose only by 0.3% over the same period).[7]

3.5.4 Demographic Overview

Table (3.4): Macroeconomic Indicators in the Kingdom, 2018G-2026G

Indicator	Unit	2018G	2019G	2020G	2021G	2022G	2026G	% CAGR 2018G-21G	% CAGR 2022G-26G
Total Population	million	35.0	35.8	36.0	36.0	36.4	38.5	0.9%	1.4%
Total Population: Riyadh	million	7.1	7.2	7.3	7.3	7.4	7.9	1.1%	1.5%
Total Population: Jeddah	million	4.5	4.6	4.6	4.6	4.7	5.0	0.9%	1.4%

Source: Euromonitor International from Organization for Economic Co-operation and Development/United Nations/International Monetary Fund (IMF), National Accounts from General Authority for Statistics, Kingdom of Saudi Arabia

Note: growth rates referenced in the table were estimated with real/actual values, while the data in the tables were rounded to thousands / millions / billions

7 Euromonitor International from International Labor Organisation (ILO)/Eurostat/national statistics; National Accounts from General Authority for Statistics, Kingdom of Saudi Arabia; Labor Market Statistics

Further consumer spending on various goods and services will be facilitated by the total population growth. Overall, Saudi Arabia's population continued to grow, except in 2020G, when the foreign population declined by 3.4% as expatriates left the country due to job losses as a result of the COVID-19. However, population growth has recovered in 2022G, recording a 1.5% annual increase over the year, reaching nearly 36.4 billion of people. Riyadh and Jeddah are expected to remain the most populated cities in Saudi Arabia and are expected to rise at a CAGR of 1.5% and 1.6%, respectively, over 2022G-2026G. Meanwhile, total population in Saudi Arabia is set to increase by 1.4% over the same period.

3.6 Overview of the Agribusiness Sector in the Kingdom

3.6.1 Wheat and Flour

As part of the efforts to privatize the sector under Vision 2030, Saudi public authorities approved establishing four milling companies in 2017G, and the process was completed in 2021G. General Food Security Authority(GFSA)took over the responsibility of importing and storing wheat, while the established four milling companies (First Milling Company (MC1), Second Milling Company (MC2), Third Milling Company (MC3) and Fourth Milling Company (MC4)) produce and distribute flour from the subsidized wheat. According to GFSA, 3.5 million tons were allocated to the four milling companies in 2021G for production of flour and derivatives. The Kingdom's flour market is primarily supplied by four milling companies and only a small part of flour is imported.

Although currently all wheat processed by milling companies is subsidized by GFSA, it is expected that the subsidies may be eventually removed. It is expected that increased wheat production costs would be passed on to the supply chain, eventually reflecting on higher prices for end-consumers resulting in a temporary decline of final consumption. Nonetheless, demand for bread is relatively inelastic, thus the decline in consumption is set to be limited and temporary. Also, gradual removal and government support to low-income households may aid in offsetting final consumption declines as evidenced by experience in neighboring Jordan, Egypt, and Sudan.

Table (3.5): Flour Production in the Kingdom 2018G-2026G

Indicator	Unit	2018G	2019G	2020G	2021G	2022G	2026G	% CAGR 2018G-21G	% CAGR 2022G-26G
Local Production of Wheat Flour	SAR mn	1,413.3	1,434.7	1,445.9	1,452.7	1,516.3	1,662.0	0.9%	2.3%
Bulk	SAR mn	312.1	314.8	316.4	317.5	330.8	359.7	0.6%	2.1%
45Kg	SAR mn	1014.8	1,035.8	1,045.7	1,051.9	1,099.3	1,211.4	1.2%	2.5%
1 - 10kg	SAR mn	86.3	84.2	83.7	83.4	86.3	90.9	(1.1)%	1.3%
Imports of Wheat Flour	SAR mn	191.1	199.8	211.9	189.2	191.1	199.8	(0.3)%	1.1%
Local Production of Wheat Flour	000 tons	2,550.1	2,588.8	2,608.9	2,621.3	2,736.1	2,998.9	0.9%	2.3%
Bulk	000 tons	563.2	568.01	571.0	572.8	596.8	649.0	0.6%	2.1%
45Kg	000 tons	1,831.1	1,868.9	1,886.9	1,897.9	1,983.6	2,185.8	1.2%	2.5%
1 - 10kg	000 tons	155.78	151.9	151.0	150.51	155.6	164.1	(1.1)%	1.3%
Premium 70%	000 tons	259.5	263.4	266.5	266.9	276.4	298.8	0.9%	2.3%
Bakery 80%	000 tons	2,131.9	2,165.0	2,181.8	2,194.2	2,294.2	2,525.6	1.0%	2.4%
Whole wheat	000 tons	17.1	17.60	17.6	17.4	17.9	18.5	0.6%	0.8%
Others	000 tons	141.6	142.9	143.0	142.8	147.6	156.1	0.3%	1.4%
Imports of Wheat Flour	000 tons	93.1	98.6	101.2	63.3	93.1	98.6	(12.1)%	1.4%

Source: Euromonitor International from secondary research and trade interviews

Note: growth rates referenced in the table were estimated with real/actual values, while the data in the tables were rounded to thousands / millions / billions

Milling companies have produced 2,621.3 thousand tons of wheat flour (equivalent to SAR 1,452.7 million) in 2021G. It is estimated that 31% of produced flour was sold to large food manufacturers/bakeries, 60% was handled by wholesalers and distributors and only 10% was sold directly to retail, hotel and catering channel. Larger manufacturers/bakeries receive flour in bulk directly, while smaller enterprises receive flour in 45kg sacks, through the network of distributors. Flour in 45Kg bags accounted for 72.5% of the total wheat flour production volume in 2021. Baked goods, primarily Arabic (unleavened) flat bread and leavened bread cakes and biscuits, as well as noodles are the key flour end products sold within the Kingdom's market.

3.6.2 Value Chain

3.6.2.1 Inputs

- The flour market is largely supplied by subsidized wheat imports which accumulated for nearly 3.1 million tons in 2021G. Meanwhile, local domestic wheat production accounts for 0.5 million ton over the same year.
- According to preliminary data from GFSA, 3.5 million tons were allocated to four milling companies in 2021G for production of flour and derivatives.
- All wheat is supplied/imported by GFSA and subsidized for domestic production.

3.6.2.2 Milling Industry:

- All the wheat is processed by four milling companies
- Milling companies processed 3.5 million tons of wheat in 2021G to produce 2,621.3 thousand tons of flour

3.6.2.3 Wholesalers and distributors

- Wholesalers and distributors handle around 66% of produced flour. Flour is principally distributed in 45kg sacks, while only a small portion is distributed in 1kg, 2kg, and 10kg packages.

3.6.2.4 End Consumer:

3.6.2.4.1 Manufacturing/ Bakeries

- As the price for the flour provided by four milling companies for bakeries/manufacturers does not fluctuate, they are nearly an exclusive supplier to the sector.
- Larger manufacturers/bakeries receive flour in bulk directly, while smaller enterprises receive flour in 45kg sacks, through the network of distributors.
- Arabic (unleavened) flat bread accounts for 63% of total flour demand, followed by leavened bread at 25%, including western styles such as French bread.

3.6.2.4.2 Multi Retail & the hotel and catering industry

- Saudi retail channels are primarily supplied by the distributor network.
- The hotel and catering customers obtain flour through the distributor network as well. The channel utilizes the largest share of imported flour.

3.6.3 Feed and Animal Bran

In 2021, the Kingdom required around 20 million tons of feed, with majority being unprocessed alfalfa and imported barley. Meanwhile, the consumption of processed preparations used in animal feeding accounted 3,291.4 thousand tons (equivalent to SAR 3,259.4 million). First Milling Company participates in the compound feed market segment, which accounted for 37.8% of all processed preparations used in animal feeding value in 2021G. Compound animal feed market – where milling companies participate - was valued at SAR 1,158.1 in 2021G (equivalent to 0.9 million ton). In volume terms, the market is primarily serviced by domestic feed producers.

Around 2.3 million tons of corn and 52 thousand tons of soybeans are used in the production of animal feed preparations.[8] Bran, a by-product of flour milling, is one of the key component of compound feed production. Bran that is processed by milling companies directly or is sold to other feed mills for compound feed production. Milling companies have produced 880.2 thousand tons of bran and sold 624.1 thousand tons of bran to other mills and feed manufacturers over the course of 2021.

Feed in Saudi Arabia is primarily sold to domestic agricultural establishments engaged in animal husbandry activities (animal growing for meat, dairy products, eggs and etc.). However, a lot of feed preparations made in the Kingdom do not participate in the feed market. For instance, companies like Almarai, Al Watania, Fakeih process significant amount of animal feed, however, all the feed is consumed internally by the in-house poultry farms.

3.7 Value Chain

3.7.1 Inputs

- The compound feed ingredients, like corn, soy meal, and etc. are imported and regulated by GFSA.[9] Around 2.3 million tons of corn and 52 thousand tons of soybeans are used in the production of animal feed preparations.[10]
- Bran, a by-product of flour milling, is one of the key component of compound feed production. Bran that is not processed by milling companies directly, is sold to other feed mills for compound feed production.
- Around 5.4 million tons of barley is consumed for feed in Saudi Arabia. All of the barley for feed is imported - as Saudi Arabia only produces barley for human consumption. Majority of barley is consumed unprocessed within livestock population and only a small percentage is used in further feed processing.

3.7.1.1 Animal Feed Industry

- In volume terms, the market is primarily serviced by domestic feed producers.
- The domestic production of compound animal feed amounted to 858.6 thousand tons in 2021G.
- Animal feed sales by milling companies amounted to 624.1 thousand tons
- Overall, feed milling capacity is highly concentrated in the East of Saudi Arabia, with 36 of the Kingdom's 55 mills in Riyadh and Eastern Province. Poultry feed is the largest and most important category in all provinces, except for the Eastern Province, where the production is focused on sheep feed.

8 Foastat Crop Balance: https://www.fao.org/faostat/en/#data Food Balances, 2019 - latest available year
9 Foastat Crop Balance: https://www.fao.org/faostat/en/#data Food Balances, 2019 - latest available year
10 Foastat Crop Balance: https://www.fao.org/faostat/en/#data Food Balances, 2019 - latest available year

3.7.1.2 End Consumers

- Feed in Saudi Arabia is primarily sold to domestic agricultural establishments engaged in animal husbandry activities (animal growing for meat, dairy products, eggs and etc.). The agricultural sector is highly fragmented. Euromonitor International estimates that there are nearly 114 thousand agricultural establishments (refers to homogeneous unit of production, including individual farmers, within the agricultural sector for which the business maintains accounting records) in Saudi Arabia. Nearly 90% have less than 10 employees.
- According to the latest official data, there are a total of 2,293[11] barns in layer chicken farms and 3,564[12] broiler chicken barns in Saudi Arabia in 2018, with a total area of 19,061,081 m^2. The largest portion of poultry farms is based in Riyadh.
- Saudi Arabia had 33[13] specialized cattle farms in 2018G, 49% of which (16 farms) are located in Riyadh.

3.8 Outlook for the Agribusiness Sector in the Kingdom

Table (3.6): Flour market in the Kingdom, 2018G-2026G

Indicator	Unit	2018G	2019G	2020G	2021G	2022G	2026G	% CAGR 2018G-21G	% CAGR 2022G-26G
Wheat Flour Market	SAR mn	1,604.4	1,634.5	1,657.7	1,641.9	1,733.4	1,988.5	0.9%	3.5%
Wheat Flour Market	000 tons	2,643.2	2,687.4	2,710.1	2,684.6	2,834.3	3,188.8	0.5%	3.5%
Wheat Flour Market per capita	SAR	75.5	75.0	75.3	74.7	77.8	82.8	(0.4)%	1.6%
Wheat Flour Market per capita	Kilogram	45.8	45.1	45.6	45.7	47.6	51.7	(0.1)%	2.1%
Wheat Flour Price	SAR per ton	607.0	608.2	611.7	611.6	611.6	623.6	0.3%	0.5%

Source: Euromonitor International from secondary research and trade interviews

Note: growth rates referenced in the table were estimated with real/actual values, while the data in the tables were rounded to thousands / millions / billions

The growth of the flour market is expected to accelerate

In 2021G, the Kingdom's flour market was valued at SAR 1,641.9 million (equivalent to 2.7 million tons). The market is primarily serviced by four milling companies - First Milling Company (MC1), Second Milling Company (MC2), Third Milling Company (MC3) and Fourth Milling Company (MC4). Only small portion of the market is supplied by imports. 3.5 million tons of wheat were sold to national milling companies for the production of flour in 2021G, equivalent to SAR 633.4 million.

The market for wheat flour has demonstrated a solid 0.9% CAGR over 2018G-2021G; however, it is expected to accelerate to 3.5% between 2022G and 2026G in the light of rising disposable income, improved consumer sentiment and, as a result, strong recovery in spending on food and foodservice. In relation to significantly better economic fundamentals, strong growth of baked goods category, recovered foodservice and tourism sectors, urbanization, expansion of modern retail, rising prevalence of Western Style foodservice outlets are set to contribute to future growth.

11 Specialized Agricultural Projects Survey Bulletin (Broiler Chicken, Ostrich, Rabbit, Quail and Pigeon Farms). General Authority for Statistics. (2022, September 4). Retrieved September 7, 2022, from https://www.stats.gov.sa/en/1052

12 Specialized Agricultural Projects Survey Bulletin (Layer Chicken Farms and Hatcheries). General Authority for Statistics. (2022, September 4). Retrieved September 7, 2022, from https://www.stats.gov.sa/en/1052

13 Specialized Agricultural Projects Survey Bulletin (Cattle Farms). General Authority for Statistics. (2022, September 4). Retrieved September 7, 2022, from https://www.stats.gov.sa/en/1052

Table (3.7): Baked Goods Retail In The Kingdom, 2018G-2026G

Indicator	Unit	2018G	2019G	2020G	2021G	2022G	2026G	% CAGR 2018G-21G	% CAGR 2018G-21G
Baked Goods Retail Value									
Baked Goods	SAR bn	18.2	18.6	19.6	19.9	21.4	26.5	2.9 %	5.5 %
Bread	SAR bn	7.5	7.6	8.0	8.1	8.7	10.9	2.9%	5.8%
Cakes	SAR bn	3.5	3.6	3.8	3.8	4.2	5.2	3.1%	5.5%
Pastries	SAR bn	6.8	7.0	7.3	7.4	7.9	9.7	2.9%	5.4%
Baked Goods Retail Volume									
Baked Goods	000 tons	2,779.1	2,784.6	2,854.9	2,822.9	2,882.3	3,265.6	0.5 %	3.2 %
Bread	000 tons	2,393.3	2,397.7	2,462.6	2,437.6	2,490.0	2,826.7	0.6%	3.2%
Cakes	000 tons	102.8	102.3	103.3	101.9	103.6	114.1	(0.3)%	2.4%
Pastries	000 tons	260.7	262.6	266.5	261.5	266.8	301.0	0.1%	3.1%
Baked Goods Retail Value per Capita									
Baked Goods	SAR	520.1	519.2	543.9	552.8	586.8	688.4	2.1 %	4.1 %
Bread	SAR	212.9	211.4	221.8	226.1	238.7	282.4	2.0 %	4.3 %
Cakes	SAR	99.4	99.7	104.3	106.1	115.9	135.6	2.2 %	4.0 %
Pastries	SAR	194.2	194.8	203.5	206.1	217.2	253.3	2.0 %	3.9 %
Baked Goods Retail Volume per Capita									
Baked Goods	Kg	79.4	77.7	79.3	78.5	79.2	84.8	(0.4)%	1.7%
Bread	Kg	68.3	66.9	68.4	67.8	68.4	73.4	(0.2) %	1.8 %
Cakes	Kg	2.9	2.9	2.9	2.8	2.8	3.0	(1.2) %	1.7 %
Pastries	Kg	7.4	7.3	7.4	7.3	7.3	7.8	(0.5) %	1.7 %

Source: Euromonitor International, Packaged Food, 2022G

Note: growth rates referenced in the table were estimated with real/actual values, while the data in the tables were rounded to thousands / millions / billions

Baked goods market is set to be the key driver for wheat flour growth

One of the key drivers for future growth of flour demand in the Kingdom is expected to be the strong development of country's baked goods market. Although retail sales of baked goods in value terms registered a CAGR of 2.9 % between 2018G and 2021G, the market is expected to accelerate and rise at a CAGR of 5.5% over 2022G-2026G and support future demand for flour. The positive market dynamic will be facilitated by improved consumer sentiment and expected income gains in the short term, while expansion of modern retail channels and increased prevalence of western style foodservice outlets will play an important role in the long run.

Table (3.8): Consumer Foodservice in the Kingdom, 2018G-2026G

Indicator		2018G	2019G	2020G	2021G	2022G	2026G	% CAGR 2018G-21G	% CAGR 2022G-26G
Consumer Foodservice	SAR bn	79.4	82.0	42.0	54.3	68.2	108.1	(11.9)%	12.2%
Consumer Foodservice	outlets	35,601	36,309	34,287	33,382	34,577	42,912	(2.1)%	5.5%

Source: Euromonitor International, Packaged Food, 2022G

Note: growth rates referenced in the table were estimated with real/actual values, while the data in the tables were rounded to thousands / millions / billions

Recovered foodservice sector expected to contribute to the greater sales of baked goods sales

The recovered development of foodservice outlets is anticipated to contribute to an accelerated sales growth of baked goods and other flour end products as well. Foodservice outlets were negatively affected in terms of both value sales and number of outlets by the COVID-19 pandemic and associated lockdown measures. The value of foodservice transactions has declined by a CAGR of 11.9% over 2018G-2021G. While at the same time, the number of outlets decreased by 2.1%.

However, going forward, the foodservice sector, supported by improved consumer sentiment and financial standing, is poised for a strong recovery. According to the Euromonitor annual Lifestyle Survey, in 2022G, 42.2% of Saudi consumers plan to increase spending on restaurant visits for the upcoming 12 months, compared to 26.5% in 2019G. Consequently, foodservice sales value are set to grow at a current value CAGR of 12.2% between 2022G and 2026G to reach SAR 108.1 billion, while the number of outlets is expected to increase at a CAGR of 5.5% to 42.9 thousand outlets. As a result, the sales volume of baked goods through the foodservice channel is anticipated to rise at a CAGR of 5.4% over the same period, outperforming baked goods sales in retail channels (CAGR of 3.5%).

Table (3.9): Tourism Industry in the Kingdom, 2018G-2026G

Indicator	Unit	2018G	2019G	2020G	2021G	2022G	2026G	% CAGR 2018G-21G	% CAGR 2022G-26G
Travel	SAR million	75,634.5	80,884.5	27,686.2	38,659.4	82,930.0	143,144.9	(20.0)%	14.6%
Inbound Arrivals	Number of Trips (000 trips)	15,334.3	17,525.6	4,202.8	2,759.8	11,088.4	22,299.0	(43.5)%	19.1%
Inbound Arrivals	SAR million	93,705.1	103,391.2	20,414.1	13,832.4	52,962.9	114,219.9	(47.2)%	21.1%

Source: Euromonitor International, Retail 2022G

Note: growth rates referenced in the table were estimated with real/actual values, while the data in the tables were rounded to thousands / millions / billions

Consumer spending on flour end products through tourism-intensive channels such as accommodation establishments expected to rise as well

Flour end product distribution through tourism-intensive channels such as accommodation establishments, foodservice, etc., is expected to rebound as well. The Kingdom's travel industry (including money spent by domestic and foreign tourists on accommodation, services, etc.) has decreased substantially by 20.0% over 2018G-2021G in the light of COVID-19 and is expected to recover, rising at a CAGR of 14.6% over the forecast period.

Table (3.10): Consumer Foodservice by Type in the Kingdom, 2018G-2026G

Indicator	2018G	2019G	2020G	2021G	2022G	2026G	% CAGR 2018G-21G	% CAGR 2022G-26G
Consumer Foodservice by Type (SAR bn)								
Consumer Foodservice by Type	79.4	82.0	42.0	54.3	68.2	108.1	(11.9%)	12.2%
Chained Consumer Foodservice	21.9	23.3	14.7	19.0	23.0	37.6	4.7%	13.0%
Independent Consumer Foodservice	57.5	58.8	27.3	35.3	45.2	70.5	(15.0%)	11.8%
Cafés	6.1	6.6	3.4	4.0	5.4	9.2	(12.9 %)	14.3%
Chained Consumer Foodservice	0.3	0.3	0.3	0.4	0.5	0.7	7.4%	11.9%
Juice/Smoothie Bars	0.5	0.5	0.3	0.3	0.4	0.7	(11.6)%	12.8%
Specialist Coffee and Tea Shops	1.8	1.8	1.3	1.5	1.9	3.5	(5.5)%	16.6%
Consumer Foodservice by Type (outlets)								
Consumer Foodservice by Type	35,601	36,309	34,287	33,382	34,577	42,912	(2.1%)	5.5%

Indicator	2018G	2019G	2020G	2021G	2022G	2026G	% CAGR 2018G-21G	% CAGR 2022G-26G
Chained Consumer Foodservice	8,595	8,949	8,703	8,635	9,016	11,472	0.2%	6.2%
Independent Consumer Foodservice	27,006	27,360	25,584	24,747	25,561	31,440	(2.9)%	5.3%
Cafés	3,650	3,866	3,943	3,401	3,623	4,787	(2.3)%	7.2%
Street Stalls/Kiosks	840	872	1,066	1,130	1,198	1,672	10.4%	8.7%
Juice/Smoothie Bars	333	363	372	373	389	498	3.9%	6.4%
Specialist Coffee and Tea Shops	1,055	1,187	1,221	1,115	1,175	1,670	1.9%	9.2%

Source: Euromonitor International, Packaged Food, 2022G

Note: growth rates referenced in the table were estimated with real/actual values, while the data in the tables were rounded to thousands / millions / billions

The rise in new end channels for baked goods – including western style cafes as well as modern retail channels – will provide new expansion opportunities for baked goods and flour

The baked goods sales will be further encouraged by the continuous development of western-style foodservice outlets. In light of increased exposure to international preferences, the development of western style foodservice outlets, including cafés, bakeries, and restaurants where bread and baked goods are served, is expected to accelerate. The number of outlets of juice/smoothie bars and specialist coffee and tea shops is anticipated to grow at a CAGR of 6.4% and 9.2%, respectively, over the forecast period to reach an estimated 2,168 outlets in 2026G.

The growth of modern grocery expands the variety of affordable products available to consumers, facilitating changes in consumption patterns that were not previously available. A greater variety of baked goods, especially pastries, appeal to a broadening range of consumer households who purchased more than 60.4% of their bakery products from modern retailers in 2021G. The expansion of modern retail is set to be primarily facilitated by a rising share of the Saudi population in Urban Areas.

Table (3.11): Pasta and Noodle Market in the Kingdom, 2018G-2026G

Indicator	Unit	2018G	2019G	2020G	2021G	2022G	2026G	% CAGR 2018G-2021G	% CAGR 2022G-2026G
Total Pasta and Noodle Market Value									
B2C Sales	SAR million	3,263.7	3,532.4	3,598.9	3,946.5	4,304.8	5,372.5	6.5%	5.7%
B2C Sales (Per Capita)	SAR	93.2	98.6	100.0	109.8	118.2	139.6	5.6%	4.2%
B2B Sales (Accommodation and food service activities)	SAR million	1,406.8	1,531.7	1,040.8	1,068.7	1,225.8	1,501.5	(8.8)%	5.2%
Production value	SAR million	3,619.3	3,791.1	3,375.7	3,465.5	3,862.7	4,169.9	(1.4)%	1.9%
Total Pasta and Noodle Market Volume									
B2C Sales	000 tons	533.3	519.3	532.9	566.1	561.6	625.4	2.0%	2.7%
B2C Sales (Per Capita)	Kilograms	15.2	14.5	14.8	15.7	15.4	16.2	1.1%	1.3%
B2B Sales (Accommodation and food service activities)	000 tons	235.9	233.4	165.0	166.9	161.9	210.8	(10.9)%	6.8%
Domestic Production	000 tons	441.6	444.6	402.8	399.7	412.9	470.1	(3.3)%	3.3%
Pasta	000 tons	168.8	168.9	151.8	150.3	156.2	182.0	(3.8)%	3.9%
Noodles	000 tons	272.8	275.8	250.9	249.3	256.5	287.9	(3.0)%	2.9%

Source: Euromonitor International from secondary research and trade interviews

Note: growth rates referenced in the table were estimated with real/actual values, while the data in the tables were rounded to thousands / millions / billions

Solid growth of noodle production will contribute to the greater flour demand as well

Positive dynamics in the Kingdom's noodle production – a smaller but important end consumer for milling companies – will also contribute to the rise in flour demand. Supported by similar market dynamics as the baked goods market, the pasta and noodles market is anticipated to pick up from a CAGR of 1% over 2018G-2021G to 5.6% over 2022G-2026G facilitated by rising disposable income, recovery in tourism and foodservice sector as well as continuous growth of modern retail, which leads to an increase in demand of flour for the same period.

Table (3.12): Semolina demand in the Kingdom, 2018G-2026G

Indicator	Unit	2018G	2019G	2020G	2021G	2022G	2026G	% CAGR 2018G-21G	% CAGR 2022G-26G
Total Market	SAR million	141.9	115.8	108.9	131.4	159.2	206.4	(2.5)%	6.7%
Total Market	000 tons	73.3	73.8	66.9	66.3	68.8	79.6	(3.3)%	3.7%
Imports	SAR million	113.2	80.7	97.4	92.3	-	-	(6.6)%	-
Imports	000 tons	73.3	51.5	59.8	46.6	-	-	(14.0)%	-
Local Production	SAR million	12.6	14.8	17.7	28.2	-	-	30.9%	-
Local Production	000 tons	7.2	8.4	9.6	12.6	-	-	20.5%	-

Source: Euromonitor International from secondary research and trade interviews

Note: growth rates referenced in the table were estimated with real/actual values, while the data in the tables were rounded to thousands / millions / billions

Supplying semolina and high quality flour to pasta producers may present expansion opportunities in the long run

Although domestic pasta makers are currently more often rely on imports for durum wheat flour and semolina, local players are expected to play a more important role in the following privatization: milling companies can import non-subsidized, higher-quality wheat. Removing subsidies would also facilitate the willingness of local milling companies to participate in the pasta market. Currently, the production value of locally made pasta and noodles accumulates to SAR 3,465.5 and is expected to grow at 2% going forward, offering opportunities for durum wheat flour and semolina suppliers.

Going forward, the rising manufacture of pasta in the Kingdom will also provide opportunities to national milling companies to engage in the production and supply of semolina to the local pasta producers. The semolina consumption in the Kingdom stood at around 66.3 thousand tons in 2021G, equivalent to 131.4 SAR million. Overall, pasta production in the Kingdom accumulated to 150.3 thousand tons in 2021G and is expected to rise at a CAGR of 3.9% between 2022G-2026G. Following pasta production dynamics in the Kingdom, the demand for semolina has registered a slight decline at a CAGR of 3.3% in volume terms (and a CAGR 5.1% increase in value), however, is expected to recover, rising at a CAGR of 3.7% during 2022G-2026G period.

3.9 Outlook for Bran and Animal Feed

Table (3.13): Animal Feed in the Kingdom Market Overview, 2018G-2026G

Indicator	Unit	2018G	2019G	2020G	2021G	2022G	2026G	% CAGR 2018G-21G	% CAGR 2022G-26G
Processed preparations used in animal feeding	SAR mn	3,289.7	3,942.9	3,417.8	3,269.4	3,413.6	3,914.1	(0.2)%	3.5%
Processed preparations used in animal feeding	000 tons	4,009.6	5,037.9	4,166.4	3,291.4	3,334.2	3,511.0	(7.1)%	1.3%
Compound Animal Feed	SAR mn	1,337.3	1,177.6	1,307.4	1,346.0	1,378.7	1,501.8	0.2%	2.2%
Compound Animal Feed	SAR/ton	639.5	638.3	781.8	903.1	-	-	12.2%	-
Local Production	SAR mn	633.8	624.1	662.8	775.3	-	-	7.0%	-
Imports	SAR mn	703.5	553.5	644.6	570.8	-	-	(6.7)%	-
Compound Animal Feed	000 tons	1,108.8	1,073.5	950.8	910.5	923.4	974.3	(6.4)%	1.4%
Local Production	000 tons	991.0	977.8	847.8	858.6	871.9	914.0	(4.7)%	1.2%
Imports	000 tons	117.8	95.8	103.0	52.0	-	-	(23.9)%	-
Bran Market	SAR million	555.9	539.4	625.6	769.6	804.2	924.9	11.4%	3.6%
Imports of Bran	SAR million	156.8	142.1	233.3	267.9	-	-	19.6%	-
Sales of Bran by milling companies	SAR million	399.2	397.3	296.6	301.1	-	-	(9.0)%	-
Bran Market	000 tons	784.9	758.8	879.1	793.1	808.2	884.5	0.3%	2.3%
Imports of Bran	000 tons	212.6	189.8	319.6	169.0	-	-	(7.4)%	-
Local Production	000 tons	742.0	682.3	792.6	880.2	-	-	5.9%	-
Sales of Bran by milling companies	000 tons	572.3	568.9	559.6	624.1	-	-	2.9%	-
Bran Price (Total Market)	SAR/ton	708.3	710.9	711.6	970.4	995.1	1,045.7	11.1%	1.2 %
Imported Bran Price	SAR/ton	737.5	748.5	730.0	1,585.6	-	-	29.1%	-
Locally Produced Bran Price	SAR/ton	697.5	698.3	699.2	700.0	-	-	0.12%	-

Source: Euromonitor International from secondary research and trade interviews

Note: Animal Feed refers only to compound animal feed and not all feed preparations; growth rates referenced in the table were estimated with real/actual values, while the data in the tables were rounded to thousands / millions / billions

Herd related animal feed demand is expected to recover, facilitating the growth of animal feed market

The overall compound feed consumption registered a CAGR of 6.4% decline in volume between 2018G-2021G with utilization of animal bran – primary input material – declined by CAGR of 11.0% over the same period. The industry players attribute the historic decline in feed consumption to smaller livestock farmers exiting agricultural industry in the light of rising prices of barley and animal feed. Prices of imported barley and animal bran have increased by 31.4% and 117.2% respectively over 2021G alone. While the estimated prices for domestically produced animal feed also have risen by 16% in 2021G and 22% in 2022G, many producers attempted to keep the price below imported feed barley[14].

14 Saudi Arabia's barley imports for the first six months of my 2021G/22 is estimated at 2.36 MMT. Agro Perspectiva. (n.d.). Retrieved June 15, 2022G, from https://www.agroperspectiva.com/en/news/18559

Going forward, the herd related animal feed demand is expected to recover in light of government's grant program to support local meat production industry. Also, policies intent on reducing barley imports and local green fodder crop production endeavor to convert users to compound feed is also expected to contribute to growth. In addition, according to various industry players, in line with increased efficiency of subsidy payments to agricultural sector, 2022G marked the significant increase in new farm registrations. As a result, animal feed production is set to return to growth and register a 1.2% volume growth over 2022G-2026G period, facilitating the volume demand for animal bran to rise at a CAGR of 2.3% over the same period.

Table (3.14): Consumption of Eggs and Meat in the Kingdom, 2018G-2026G

Indicator	2018G	2019G	2020G	2021G	2022G	2026G	% CAGR 2018G-21G	% CAGR 2022G-26G
Consumption of Eggs and Meat (SAR Mn)								
Eggs	1,665.3	1,638.4	2,062	1,978.2	2,127.4	2,829.0	5.9%	6.9%
Fresh Meat	52,428.4	51,521	60,322.4	62,090.8	65,641.8	83,225	5.8%	6.1%
Consumption of Eggs and Meat (000 tons)								
Eggs	159.6	160.6	159.7	163	187.1	218.3	0.7%	3.9%
Fresh Meat	1,509.4	1,518.4	1,571	1,659.1	1,781.2	2,024.1	3.2%	3.2%
Per Capita Consumption of Eggs and Meat (SAR)								
Eggs	47.6	45.7	57.3	55.0	57.9	71.5	4.9%	5.4%
Fresh Meat	1,497.2	1,438.0	1,675.8	1,727.1	1,802.9	2,162.0	4.9%	4.6%
Per Capita Consumption of Eggs and Meat (Kilograms)								
Eggs	4.6	4.5	4.4	4.5	5.1	5.7	(1.7)%	2.8%
Fresh Meat	43.1	42.4	43.6	46.2	48.9	52.6	2.3%	1.8%

Source: Euromonitor International, Fresh Food, 2022G

Note: growth rates referenced in the table were estimated with real/actual values, while the data in the tables were rounded to thousands / millions / billions

Rising production of meat and dairy to facilitate further growth

Continuous development of Saudi meat and dairy sectors and as a result growing animal herds is expected to continue driving positive market development. In 2022G Saudi public authorities announced plans to invest SAR 17 billion[15] in poultry production to increase self-sufficiency of poultry production to 80% by 2030G, up from 68% in 2022G.

Besides government investment, poultry meat production will be supported by improved subsidy payment procedure and lower chicken mortality rates (due to recently implemented improved biosecurity procedures).[16] Domestic poultry production increased by 900 thousand tons in 2020G to 910 thousand tons in 2021G and is projected to continue rising in light of government's efforts to support local production and expected growth in meat market which is anticipated to rise at a CAGR of 3.2% in volume terms between 2022G and 2026G.

Other related sectors that support positive herd dynamics, such as local dairy and production of eggs will continue rising as well. According to official estimates, in 2021G the fresh dairy industry and the production of eggs reached a self-sufficiency at a rate of 121% and 112% respectively.[17]

15 Person. (2022G, March 30). Saudi Arabia deposits $5 billion in Egypt's Central Bank - Spa. Reuters. Retrieved July 8, 2022G, from https://www.reuters.com/world/middle-east/saudi-arabia-deposits-5-billion-egypts-central-bank-state-news-agency-2022G-03-30/

16 United States Department of Agriculture. Poultry and Products Annual. https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Poultry%20and%20Products%20Annual_Riyadh_Saudi%20Arabia_09-01-2021G.pdf

17 General Authority for Statistics. Agricultural Statistics Publication for 2021G

Government initiatives aimed to restrict green fodder production and reduce barley imports will facilitate the demand for compound animal feed

Animal feed production is also set to be driven by government policies to regulate and restrict green fodder production as well as intent by the public authorities to reduce barley imports. In 2016G, the Government introduced policies to restrict green fodder production across Riyadh, Tabuk, Eastern Province, Al Qassim, Hail, and Jouf in order to reduce agricultural water use. While currently farmers are seeking low cost alternatives, continued enforcement will support the demand for compound feed in the long run.

Also, in 2016G the Ministry of Environment, Water and Agriculture also introduced initiative to reduce barley imports to the level required to support compound feed production. Although, the program is not yet implemented, as farmers continue buying barley due to familiarity and cost advantages, it signals government's support for compound feed over barley in the long run.

3.10 Competitive Landscape

Table (3.15): Market Shares in Saudi Arabia's Wheat Flour Market Based on Value Sales (2021)

Rank	Company Name	Market Share
1	First Milling Company (MC1)	30.2%
2	Second Milling Company (MC2)	26.8%
3	Third Milling Company (MC3)	18.7%
4	Fourth Milling Company (MC4)	12.7%
	Market share supplied by imports	11.6%

Source: Euromonitor International, estimated from secondary research and interviews with industry players

Four Milling companies hold a dominant position in the flour market with the combined market share of these companies representing 88.4% of the market value, including 30.2% for First Milling Company (MC1), 26.8% for Second Milling Company (MC2), 18.7% for Third Milling Company (MC3) and 12.7% for Fourth Milling Company (MC4) -, while importers supply the remaining small portion of the market. Milling companies capture the majority of the manufacturing and bakery sector, while imported flour is available in retail or sold to the HORECA channel. Cumulatively, the flour mills of the four milling companies have a storage capacity of 745,000 tons.

MC1: Following the privatization by GFSA, First Milling Company was founded in 2017G and privatized by December of 2020G. The Company operates through its four branches in Jeddah (headquarters), Al Ahsa, Al Qassim and Tabuk. First Milling Company offers a wide range of flour, bran and animal feed products. Overall, the Company has 4,200 tons of wheat milling and 900 tons of feed processing capacity per day. The Company is considered to be the largest producer and seller of flour in the Kingdom as well as an important player in animal feed. For more information, please see Section 4.10 ("**Overview of the Company's Main Activities**") of this Prospectus.

Table (3.16): Market Shares of First Milling Company in Saudi Arabia's Wheat Flour and Compound Animal Feed Markets (2018-2022)

Indicator	Unit	2018G	2019G	2020G	2021G	2022G
Wheat Flour Market	Value sales as a % of total market	25.6%	26.8%	28.3%	30.2%	29.3%
Wheat Flour Market	Volume sales as a % of total market	28.9%	30.2%	31.6%	33.8%	34.1%
Compound Animal Feed Market	Value sales as a % of total market	5.7%	10.7%	13.6%	16.5%	19.8%
Compound Animal Feed Market	Volume sales as a % of total market	n/a	15.3%	17.2%	18.3%	17.1%

Source: Euromonitor International, estimated from secondary research and sales data provided by the First Milling Company

MC2: Based in Riyadh, Second Milling Company also has branches in Jazan and Hail. Second Milling Company has 4,350 tons of daily wheat milling capacity and 600 tons of animal feed. The company produces and sells flour, feed and animal bran.

MC3: Third Milling Company is based in the southern city of Khamis Mushit. Third Milling Company has four mills besides Khamis Mushit and also operates in Jumum and Jouf. MC3 has 3,451 tons of wheat milling and 1,400 tons of animal feed processing capacity per day.

MC4: Headquartered in Dammam, MC4 has branches in Kharj and Madina. Fourth Milling Company can process 3,150 tons of wheat and 300 tons of animal feed. Fourth Milling Company produces and sells flour, feed and animal bran.

Animal Feed

Meanwhile, the animal feed market is highly fragmented, defined by intense competition and a growing number of participants. ARASCO is the market leader in compound feed providing both captive and commercial feed services. ARASCO accounted for 22.3% of the compound animal feed market in 2021G. First Milling Company, MC3 and MC2 that were responsible for 16.5%, 8.8% and 8.0% of the animal feed market respectively in 2021G, mainly operated in the compound feed market, with livestock feed being a focus segment.

Table (3.17): Market Shares in Saudi Arabia's Compound Animal Feed Market Based on Value Sales (2021G)

Rank	Company Name	Market Share
1	ARASCO	22.3%
2	First Milling Company (MC1)	16.5%
3	Third Milling Company (MC3)	8.8%
4	Second Milling Company (MC2)	8.0%

Source: Euromonitor International, estimated from secondary research and interviews with industry players

ARASCO: Founded in 1983, ARASCO is a privately held closed joint stock company headquartered in Riyadh, with factories in Riyadh, Kharj, and Dammam. ARASCO primarily specializes in animal feed and agricultural food products (like poultry). ARASCO can handle 4 million tons of various feed annually, including handling/storing feed for other companies. The processing capacity for compound animal feed is around 400-600 thousand tons. ARASCO typically operates at 50%-65% capacity.

4. THE COMPANY

4.1 Overview of the Company and its Business Activities

First Milling Company is a Saudi joint-stock company established under commercial registration No. 4030291813 dated 10/02/1438H (corresponding to 10/11/2016G), issued in Jeddah, Saudi Arabia, pursuant to ministerial resolution No. G/11 dated 11/01/1438H (corresponding to 12/10/2016G). According to its commercial registry, the Company's head office is located in the city of Jeddah, at Zip Code No. 11452, P.O. Box No. 6847. The Company's actual head office is located in Jeddah Islamic Port, between gates 7 and 8 next to the General Food Security Authority, Zip Code No. 22312, P.O. Box No. 16165. The Company operates in accordance with the GFSA License No. 01 dated 29/04/1442H (corresponding to 14/12/2020G), MIMR licenses obtained by its Branches: (i) license No. 281694 obtained by Jeddah facility, (ii) license No. 72795 obtained by Al-Ahsa facility, (iii) license No. 2811333 obtained by Al-Qassim facility, and (iv) license No. 2811192 obtained by Tabuk facility; and the SFDA licenses obtained by its Branches: (i) factory license No. AFEE/42/00067 obtained by Jeddah facility, (ii) factory license No. AFEE/42/00072 obtained by Al-Ahsa facility, (iii) factory license No. AFEE/42/00069 obtained by Al-Qassim facility, and (iv) factory license No. AFEE/42/00074 obtained by Tabuk facility. As listed in the commercial register, the current share capital of the Company is five hundred fifty-five million Saudi Riyals (SAR 555,000,000) divided into fifty five million five hundred thousand (55,500,000) Ordinary Shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share.

The Company was established to provide and produce flour products in certain regions of the Kingdom. The Company's main business activities comprise the production of flour and animal feed and its storage. The Company produces flour products, feed products and other wheat derivatives, and in February 2022G launched its first retail brand, Aloula, a premium flour brand marketed in supermarkets across the Kingdom of Saudi Arabia.

The Company's production facilities are located in four regions across the Kingdom, in Makkah Region (Jeddah Governorate), Al-Qassim Region (Buraidah Governorate), Tabuk Region (Tabuk City) and the Eastern Region (Al-Ahsa Governorate), with an aggregate flour milling capacity of 4,200 tons per day and feed mixing capacity of 900 tons per day.

The Company is one of the leading producers of flour in the Kingdom and was the market leader within the Kingdom in terms of flour production and sales in 2021G, according to the Market Study prepared by the Market Research Consultant. The Company's sales volume was 1.28 million tons for the year ended 31 December 2021G, compared to 1.15 million tons and 1.20 million tons for the years ended 31 December 2019G, and 31 December 2020G, respectively.

The Company generated total revenues of SAR 644 million, SAR 716 million, SAR 801 million, and SAR 687 million for the financial years ended 31 December 2019G, 2020G, 2021G, and the nine-month period ended 30 September 2022G, respectively. The Company's net income amounted to SAR 126 million, SAR 191 million, SAR 198 million, and SAR 197 million for the same periods, respectively.

4.2 Vision and Mission of the Company

4.2.1 Vision of the Company

The Company aims to be the first partner of choice in the food and feed sectors across the Kingdom, and the credible source of vital products to the market and communities.

4.2.2 Mission

The Company endeavors to be a reliable source of high quality and pioneering products in the food and feed sectors, where the Company operates as a viable contributor to food availability and sustainability.

4.3 Strengths and Competitive Advantages of the Company

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

1- Leading Local Market Position

The Company is among the market leaders in the regions in which it currently operates. According to the Market Study, the Company is one of the largest producers of flour-based products and byproducts by volume and sales, whereby it held an estimated market share of more than 30% in the flour products market in the Kingdom in 2021G. The Company also holds a prominent position in the animal feed market in the Kingdom, and maintains its leadership position through several factors, including the following:

- The Company's largest production facility is located within the Jeddah Islamic Port in Jeddah Governorate, and according to the Market Study, Jeddah is the second largest city in terms of population; where the presence of the production facility contributes to a decrease in the costs of transporting the basic materials to the production facility, which enables the Company to offer its products at competitive market prices (except for products whose prices are set by GFSA).
- A flexible business model that stems from the Company's ability to align supply chains in order to provide products whose specifications meet the needs of different customers while keeping pace with market changes, as the Company has medium to long-term contracts with its suppliers to ensure the continued availability of its products to customers and consumers.
- Reliance on cash sales as a basic sales avenue and the availability of a huge circulating capital that guarantees the unrestricted conduct of its business in the short and medium terms, as more than 95% of the Company's product sales were effectuated in cash during FY19G, FY20G and FY21G.

2- Diversity in Product Range and Geographical Spread of the Company

The Company predominantly focuses on food and feed products, through all of the primary sales channels of the flour milling and flour byproduct sector to ensure that it sustains its leading position in the market. The Company sells more than 48 products, most of which are flour products, and transports these products to all regions of the Kingdom with a leading presence in four main regions: Makkah Region (Jeddah Governorate), Al-Qassim Region (Buraidah Governorate), Tabuk Region (Tabuk City), and Eastern Region (Al-Ahsa Governorate), nearby consumers. The Company's sales are not limited to the locations of its main Branches, as the Company is present in other regions through sales and distribution warehouses belonging to the Company or its authorized distributors. The Company enjoys a close relationship with the GFSA to supply raw materials with the highest standard of quality and low transportation costs, due to the presence of its largest production facility in Jeddah Islamic Port. Therefore, the Company believes that the diversity of its products and the scope of its geographical presence represent its main strengths and allow it to achieve the following:

- **Logistic Synergies and Efficiency:** The Company does not waste any of byproducts or production derivatives, as it uses all wheat derivatives as basic materials in the production of feed. The Company also relies on a homogeneous supply chain and operational processes, which contributes to achieving high asset production efficiency.
- **High flexibility to face changes:** Through its extensive experience in dealing with basic food commodities, especially in the Saudi local market, the Company is able to identify and meet new or changing consumer needs, in addition to responding directly to market trends as well as local and regional changes that affect its market position and mitigate potential local and regional risks.
- **Platform for Expansion in the Local Market:** The strength of the Company's presence, knowledge, and awareness of food and feed commodities in each of its areas of presence consolidates its ability to expand its activities and offer other food commodities in said regions in the future.

3- The Company’s Commitment to Provide Quality Products

The Company continuously strives to achieve success and excellence through the implementation of comprehensive quality management, with quality being considered one of the basic pillars on which the Company builds the reputation of its products in comparison with other products. The Company also seeks to ensure the continuity of its relationship with customers by maintaining the quality of products supplied to customers over the years, which comforts customers and reassures them as to the quality of the Company’s products. The Company continuously monitors the quality of raw materials, including by sampling all purchased batches and analyzing them for mycotoxins and microbial load, in addition to chemical and physical analyses. Transparency is one of the Company’s core values, by placing appropriate labels on its products to educate consumers about the nutritional values of products. The Company shares analysis certificates with customers who request them, which display the results of quality analyses that the Company performs on its products. The Company has recently updated its customer complaints protocol to provide effective and timely resolution of all complaints while identifying the reasons thereof, which in turn reveal possible improvements in its internal operations as required.

4- A Solid Base of Logistic and Production Facilities

The Company’s operations are based on a framework of logistic and production facilities that form the essence of its core operations. The Company has made substantial investments in its local assets, and established links between them to facilitate the flow of operations and build an “added value chain”, from supplying, producing, processing, purifying, transporting and storing materials, to research, marketing and distribution. The Company currently operates its business throughout the Kingdom, and has a fixed asset base with a book value of more than half a billion Saudi Riyals as of 30 September 2022G. Due to its efforts to integrate its assets and considerate distribution thereof, the Company today benefits from economies of scale in all of its business, including financing, storage, transportation and management of materials and products, which increases the efficiency of its business at every stage of the value chain, and enhances its ability to control all stages of its commercial activities efficiently and effectively and gives it the ability to address supply risks.

5- Risk Management Capabilities

One of the Company’s notable strengths is its ability to manage risk. Risk management is handled by a number of employees at different levels, based on the Audit Committee. Risk management is under the supervision of the Board of Directors and the Chief Executive Officer has direct oversight on governance, risk and compliance management. Operationally, the Company relies on supply, wholesale, and retail operations, achieving profits that depend on economies of scale and value chain integration. The Company seeks to maintain its profit levels by applying comprehensive and strict policies, practices and guidelines approved by the Board of Directors to motivate the Company to adopt proactive and preventive measures to mitigate the impact of risks. The subsidy arrangements concluded between the milling companies in the Kingdom with GFSA contribute to reducing the risks related to fluctuations in international wheat prices; while noting that the Company continuously monitors, reviews and updates the risk factors to which the Company is exposed, and the extent of its compliance with legal provisions applicable thereto, in order to minimize the effects of risks and keep abreast of developments in the Saudi regulatory environment. Therefore, the Company believes that its well-established risk management policies have contributed to its positive performance through the volatile market environment over recent years and helped mitigate earnings volatility.

6- Experienced and Highly Efficient Management Team

The Company is led by a management team with extensive experience in leading international companies in the field of milling, food and feed. The Company’s leadership team adopts a practical methodology that aims to include all Company business and divisions through close monitoring and immediate support. (For further information about the biographies of the Management team members, please refer to Section 5 (“**Organizational Structure and Corporate Governance**”) of this Prospectus).

4.4 Company Strategy

The Company was formerly part of GFSA's wheat mills group, and as a result, over four decades, it formed a long-standing experience in the manufacture of food and feed products related to the Company's operations and processes, which resulted in the Company gaining a leading role in the food and feed sectors. As a result of said experience, the Company today produces a variety of basic products of the highest levels of quality and excellence that satisfy the vital needs of the Saudi market through various sales channels, in a sustainable manner that meets all needs. Since its inception, the Company has pursued the approach of achieving food abundance, security and stability for society through its basic commodities, which are compatible with GFSA and the Ministry of Environment, Water and Agriculture strategies to achieve Vision 2030 objectives. The Company leads the flour products sector in the Kingdom, and according to the Market Study, it has the largest number of production sites for milling in the Kingdom. In the next phase, the Company seeks to enhance and diversify its services and products to satisfy the needs of its existing customers and win more customers through additional services and products, while maintaining its leading market position, where, according to the Market Research Consultant, the flour sale market in which the Company operates is expected to grow at a CAGR of 3.5% between 2021G and 2026G.

Based on the foregoing, the Company extensively studied the market and its needs as well as analyzed the internal and external factors affecting the scope of the Company's business. Based on these studies, the Company has identified strategic avenues to ensure continued growth in order to achieve its vision and mission during the coming years. These avenues revolve around the following four main pillars:

1- Enhancing market leadership
2- Building an efficient and distinguished operational framework.
3- Creating outstanding products and providing exceptional services.
4- Building the necessary capabilities and an effective framework to achieve the Company's strategy.

4.4.1 Enhancing Market Leadership

According to the Market Study, the Company's sales constitute 30.0% of the flour market sales in the Kingdom for FY21G, and it is also a competitor in the feed sector, as a result of the Company's focus on the needs of its customers. The Company relies on the principle of "**customer centrality**" in all its operations (For more information, please refer to Section 3 ("**Overview of the Market and Industry**") of this Prospectus). Therefore, the Company seeks to continue applying and strengthening this principle, which in turn will enhance the Company's market leadership position through the following:

a- Enhancing and developing distribution operations and expanding sales channels to include all channels available for selling the Company's basic products (flour and feed products), and focusing on customers. The Company achieved tangible success in this regard through the spread of the "Aloula" product, which relied on new sales channels, as the Company was able to gain a market share of 16% of the flour market in the retail sector within the eight months extending from March 2022G to October 2022G.
b- Adding new products to its portfolio to consolidate the Company's position in the flour market in order to serve the needs of customers.
c- Building strategic qualitative partnerships with all relevant entities in the public and private sectors.
d- Maintaining the current leadership position in the feed sector and developing bran in line with flour growth.

4.4.2 Building an Efficient and Distinguished Operational Framework

The Company undertakes great and various efforts and initiatives to raise efficiency and achieve operational excellence on a permanent and continuous basis, as the efficiency of assets and operations is considered one of the most important pillars for the success of industrial companies globally. Accordingly, the Company takes basic steps such as:

a- **Enhancing value chain integration:** The Company launched a program to improve the interdependence between its departments through integrated planning; starting from the strategic procurement of packing and raw materials until the final product reaches customers and final consumers, in a manner that aims to ensure quality and raise the operational efficiency and productivity of its final products.

b- **Increasing production capacity:** The Company is studying all strategic avenues to raise operational capacities in a balanced and highly efficient manner to achieve the best possible return on investments that meet growing market requirements and strategic guidance aimed at enhancing market leadership.

c- **Developing operational and financial efficiency programs:** In order to achieve efficiency and excellence at all operational levels, the Company launched a sustainable program aimed at enhancing automation and improving operational processes systematically by applying best practices, leading to cost reductions in all sectors in which the Company operates as well as raising the level of operational excellence.

4.4.3 Creating Outstanding Products and Providing Exceptional Services

Innovation is one of the Company main pillars, as it works to develop both its strategic partnerships with farms to supply durum wheat, and its capabilities and procedures to launch systematic research and development operations in order to innovate for the purpose of satisfying customer desires and needs (for additional information, please refer to Section 4.11 (“**Research and Development**”) of this Prospectus). The Company relies on all of its available supply chain capabilities, such as utilizing the Company’s flour in innovations and manufacturing cake mixes. In addition, the Company seeks to raise the level of services and customer satisfaction with the aim of raising the level of service in the flour and derivatives market.

4.4.4 Building the Necessary Capabilities and an Effective Framework to Achieve the Company’s Strategy

The Company endeavors to enhance its capabilities in the main and required areas to ensure the implementation and management of its strategy:

a- **Enhancing technical capabilities, research & development, and supply chains:** The Company aims to upgrade its IT and data analytics capabilities to satisfy its customers through all sales channels. The Company seeks to build a network of future supply chains to support the expansion of comprehensive sales channels in the Kingdom and abroad, while enhancing operational efficiency, in addition to the ability to meet all the needs and requests of local consumers for Company products.

b- **Attracting and retaining the best talents:** The Company endeavors to develop its human resources by attracting, developing and retaining the best talents within the Company, in addition to creating a motivating high-performance culture that links Company employee tasks to the achievement of Company goals.

c- **Enhancing safety and quality capabilities:** The safety of products and employees is of utmost importance to the Company. Accordingly, the Company aims to instill the culture of safety for all, as it aspires to be a leader in the sector in terms of safety and quality.

4.4.5 Generating Sustainable Value

The Company's sustainability strategy is inspired by the United Nations' sustainable development goals, as the Company continues to focus on core value factors in the areas of environment, society and governance. Today, the Company is a key player in the critical food supply chain, and its position as well as the measures taken thereby on environmental, social and governance issues are key to its continued success. The Company firmly believes that the above would contribute to sustainable development and generate shared value in the market and local communities throughout the Kingdom as part of Vision 2030, and in the Middle East region more broadly.

The Company is aware of its responsibility and leadership role in protecting the environment; a responsibility that stems from the fact that the Company is subject to various laws and regulations related to environment, health and safety, including laws and regulations related to the generation and treatment of waste containing hazardous materials. It should be noted that the Company holds the ISO 14001 certificate, which confirms that the Company employs a systematic approach that enables it to deal with various environmental issues in its operations, including carbon emissions. The Company's production facilities always receive excellent evaluations and impressive comments subsequent to inspections conducted by regulatory authorities. The Company has recently received evaluation grades exceeding 90% from the Food and Drug General Authority to two of the Company's production facilities. In the next phase, the Company plans to continue tracking and managing its environmental footprint systematically, by sourcing appropriate technologies to further reduce carbon emissions in its operations, in addition to adopting a deliberate and targeted water and waste management program, which would help it reduce its environmental impact. The Company also seeks to reduce harmful emissions by implementing a thermal treatment project that will completely halt the use of chemical pesticides.

One of the Company's top priorities is to maintain the well-being and productivity of its employees. The Company also aims to continuously maintain the health and safety of its employees, as the Company obtained the ISO 45001 certificate for occupational health and safety. The Company intends to continue its efforts to develop a safe work environment for its employees and avoid workplace injuries. In addition, the Company conducts periodic reviews of all its sites and production facilities in order to assess compliance with health, safety and environmental policies. As for talent development, the Company has set up various bespoke training and development programs, and continues to participate in all diversity and equality initiatives of all kinds, aiming to create additional value and enhance organizational performance, by organizing more than 24 training courses and preparing a training program for more than 200 employees in FY22G.

In addition, the Company is committed to operating with integrity and has developed a code of professional conduct to guide its business and daily decision-making in an ethical and transparent manner. The Company is currently launching a mandatory training program that will introduce its employees to the Code of Professional Conduct. Moreover, the Company has also completed the implementation of a comprehensive corporate governance framework, within which fair and transparent reporting mechanisms have been adopted. This includes a whistle-blowing policy, which allows employees to report in good faith problems and concerns experienced thereby without fear of repercussions. A new department has been created within the Company dedicated to Governance, Risk and Compliance (for more information, please refer to Section 4.19.8 ("**Governance, Risk and Compliance Department**") of this Prospectus), which will be responsible for tracking, monitoring and reporting on governance and compliance initiatives, including environmental, social and governance commitments within the Company.

The Company's Management is constantly developing a sustainability strategy, which will positively affect the Company and other parties such as communities and shareholders.

4.5 Key Developments of the Company since Establishment

The Company was established by virtue of Council of Ministers' resolution No. G/11 as a closed joint stock company owned by the Public Investment Fund, as a result of GFSA's privatization program launched in 2009G. The aim of the privatization was to increase operational efficiency, improve fiscal performance, support economic growth and enhance the Company's operational technology. In the late 1970s and 1980s, GFSA established multiple branches across the Kingdom, including in Makkah Region (Jeddah Governorate), Al-Qassim Region (Buraidah Governorate), and Tabuk Region (Tabuk City). In 2011G, the Saudi Council of Economic and Development Affairs (previously known as the Supreme Economic Council) approved the strategy of privatizing the food and feed sectors by providing for the consolidation of all milling operations into four companies. In 2017G, the Company commenced its operations as a standalone entity operating on a commercial basis, taking over operation of the milling facilities in Makkah Region (Jeddah Governorate), Al-Qassim Region (Buraidah Governorate), and Tabuk Region (Tabuk City), and Eastern Region (Al-Ahsa Governorate), in preparation for its privatization.

The key milestones achieved in relation to the Company and its business since its establishment are summarized as follows:

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

Year	Event/Development
1972G	GFSA was established by Royal Decree number M/14 dated 25/03/1392H (corresponding to 09/05/1972).
1979G	GFSA commenced its commercial operations with the establishment of a production facility in Makkah Region (Jeddah Governorate).
1983G	GFSA established a production facility in Al-Qassim Region (Buraidah Governorate).
1998G	GFSA established a production facility in Tabuk Region (Tabuk City).
2009G	GFSA launched the privatization program with an aim to raise the level of operational competency, improve monetary performance, support economic growth, and improve operational competency.
2011G	The Saudi Council of Economic and Development Affairs approved the strategy of privatizing the milling companies, which provides for the consolidation of all operations of the mills in four companies, and for the Company it consisted of assembling the Branches of Jeddah, Al-Qassim and Tabuk.
2014G	GFSA established a production facility in Eastern Region (Al-Ahsa Governorate).
2016G	The Council of Ministers issued its Resolution No. 35 approving the GFSA Privatization Program and establishing the Company as a closed joint stock company owned by the PIF.
2017G	The Company commenced its commercial operations as a separate entity.
2017G	The Company surpassed SAR 500 million in revenue.
2020G	GFSA accepted the bid submitted by Al-Raha Al-Safi Food Company for the acquisition of the Company.
2020G	The Company's ownership transferred to Al-Raha Al-Safi Food Company.
2021G	The Company launched its five-year strategy to transform its business and operations.
2021G	The Company transformed all Enterprise Resource Planning and IT-related systems under its direct control from GFSA.
2021G	The Board of Directors approve +SAR 100 million of capacity and product range investments and capital expenditure to increase capacity and portfolio (as further detailed in Section 4.10.3.3.3 (Jeddah Production Facility) and Section 4.10.3.3.6 (Al-Ahsa Production Facility) of this Prospectus).
2022G	The Company launched its first retail brand, Aloula.
2022G	The merger of Al-Raha Al-Safi Food Company (the merged entity) with all its assets, rights, liabilities and obligations into First Milling Company (the merging entity) was completed, whereby the new ownership structure of the Company became as follows: Almutlaq Group Industrial Investments Company (35%), Abdullah Abunayyan Trading Company (30%), Al-Safi Advanced Investment (25%), and Essa Al-Ghurair Investments L.L.C. (10%).

Source: the Company

4.6 Overview of the Company and Growth of its Capital

First Milling Company was incorporated as a single-shareholder Saudi closed joint-stock company in Jeddah pursuant to ministerial resolution No. G/11 dated 11/01/1438H (corresponding to 12/10/2016G), wholly owned by the PIF, pursuant to ministerial resolution No. G/226 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 of ten Saudi Riyals (SAR 10) per share. Set out below is the Company's Ownership Structure upon incorporation.

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

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

Source: the Company

On 03/02/1441H (corresponding to 02/10/2019G), the General Assembly approved the increase of the Company's capital from five hundred thousand Saudi Riyals (SAR 500,000), divided into fifty thousand (50,000) ordinary shares, to five hundred thirty-nine million two hundred thirty-six thousand seven hundred eighty Saudi Riyals (SAR 539,236,780), divided into fifty-three million nine hundred twenty-three thousand six hundred seventy-eight (53,923,678) ordinary cash shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, through the transfer of five hundred thirty-eight million seven hundred thirty-six thousand seven hundred eighty Saudi Riyals (SAR 538,736,780) from the other reserves account to the capital account, and the issuance of fifty-three million eight hundred seventy-three thousand six hundred seventy-eight (53,873,678) ordinary shares, bringing the total number of the Shares to fifty-three million nine hundred twenty-three thousand six hundred seventy-eight (53,923,678) ordinary shares. The six Saudi Riyals (SAR 6) remaining in the other reserves account following the capital increase were transferred to the retained earnings account.

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

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

Shareholder	No. of Shares	Value per Share	Total Value of Shares (SAR)	Shareholding (%)
The PIF	53,923,678	10	539,236,780	100%

Source: the Company

On 17/10/1441H (corresponding to 09/06/2020G), pursuant to the Council of Ministers' resolution No. 631, the PIF transferred all its shares in the Company amounting to fifty-three million nine hundred twenty-three thousand six hundred seventy-eight (53,923,678) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to the NCP.

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

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

Shareholder	No. of Shares	Value per Share	Total Value of Shares (SAR)	Shareholding (%)
The NCP	53,923,678	10	539,236,780	100%

Source: the Company

On 16/05/1442H (corresponding to 31/12/2020G), the NCP transferred all its shares in the Company, amounting to fifty-three million nine hundred twenty-three thousand six hundred seventy-eight (53,923,678) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to Al-Raha Al-Safi Food Company pursuant to a Share Purchase Agreement entered into between the NCP and Al-Raha Al-Safi Food Company on 29/01/1442H (corresponding to 17/09/2020G).

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

Table (4.5): The Company's Ownership Structure as of 16/05/1442H (corresponding to 31/12/2020G)

Shareholder	No. of Shares	Value per Share	Total Value of Shares (SAR)	Shareholding (%)
Al-Raha Al-Safi Food Company	53,923,678	10	539,236,780	100%

Source: the Company

On 16/07/1443H (corresponding to 17/02/2022G), the General Assembly approved the reduction of the Company's capital from five hundred thirty-nine million two hundred thirty-six thousand seven hundred eighty Saudi Riyals (SAR 539,236,780), divided into fifty-three million nine hundred twenty-three thousand six hundred seventy-eight (53,923,678) ordinary shares, to five million Saudi Riyals (SAR 5,000,000), divided into five hundred thousand (500,000) ordinary cash shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, through the cancellation of the shares corresponding to such share capital reduction, and the transfer of their value to the merger reserve. The amended bylaws issued by the Ministry of Commerce were approved on 11/10/1443H (corresponding to 12/05/2022G).

The following table sets out the Company's ownership structure following the aforementioned capital reduction:

Table (4.6): The Company's Ownership Structure as of 16/07/1443H (corresponding to 17/02/2022G)

Shareholder	No. of Shares	Value per Share	Total Value of Shares (SAR)	Shareholding (%)
Al-Raha Al-Safi Food Company	500,000	10	5,000,000	100%

Source: the Company

On 30/11/1443H (corresponding to 29/06/2022G), the General Assembly approved the merger of Al-Raha Al-Safi Food Company (the merged entity), a limited liability company established under commercial registration No. 1010652130, dated 20/01/1442H (corresponding to 08/09/2020G), including all its assets, rights, liabilities and obligations, into First Milling Company (the merging entity). Following this merger, the new ownership structure of the Company became as follows: Almutlaq Group Industrial Investments Company (35%), Abdullah Abunayyan Trading Company (30%), Al-Safi Advanced Investment (25%), and Essa Al-Ghurair Investments L.L.C. (10%). The amended bylaws issued by the Ministry of Commerce were approved on 12/02/1444H (corresponding to 08/09/2022G). Al-Raha Al-Safi Food Company was established as a Special Purpose Entity (SPE) to meet one of the privatization requirements, namely that each qualified bidder shall undertake to establish a legal entity in Saudi Arabia to acquire First Milling Company.

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

Table (4.7): The Company's Ownership Structure as of 30/11/1443H (corresponding to 29/06/2022G)

Shareholder	No. of Shares	Value per Share	Total Value of Shares (SAR)	Shareholding (%)
Almutlaq Group Industrial Investments Company	175,000	10	1,750,000	35%
Abdullah Abunayyan Trading Company	150,000	10	1,500,000	30%
Al-Safi Advanced Investment	125,000	10	1,250,000	25%
Essa Al-Ghurair Investments L.L.C.	50,000	10	500,000	10%
Total	**500,000**	**10**	**5,000,000**	**100%**

Source: the Company

On 10/03/1444H (corresponding to 06/10/2022G), the General Assembly approved the increase of the Company's capital from five million Saudi Riyals (SAR 5,000,000), divided into five hundred thousand (500,000) ordinary shares, to five hundred fifty-five million Saudi Riyals (SAR 555,000,000), divided into fifty-five million five hundred thousand (55,500,000) ordinary cash shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, through a cash deposit in a bank account held by the shareholders. The amended bylaws issued by the Ministry of Commerce were approved on 12/04/1444H (corresponding to 06/11/2022G).

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

Table (4.8): The Company's Ownership Structure as of 10/03/1444H (corresponding to 06/10/2022G)

Shareholder	No. of Shares	Value per Share	Total Value of Shares (SAR)	Shareholding (%)
Almutlaq Group Industrial Investments Company	19,425,000	10	194,250,000	35%
Abdullah Abunayyan Trading Company	16,650,000	10	166,500,000	30%
Al-Safi Advanced Investment	13,875,000	10	138,750,000	25%
Essa Al-Ghurair Investments L.L.C.	5,550,000	10	55,500,000	10%
Total	**55,500,000**	**10**	**555,000,000**	**100%**

Source: the 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 fifty-five million Saudi Riyals (SAR 555,000,000), divided into fifty-five million five hundred thousand (55,500,000) ordinary cash 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 (4.9): The Company's Ownership Structure Pre- and Post-Offering, as of the date of this Prospectus

No.	Shareholder	Pre-Offering			Post-Offering		
		No. of Shares	Shareholding (%)	Par Value (SAR)	No. of Shares	Shareholding (%)	Par Value (SAR)
1.	Almutlaq Group Industrial Investments Company	19,425,000	35%	194,250,000	16,650,000	30%	166,500,000
2.	Abdullah Abunayyan Trading Company	16,650,000	30%	166,500,000	11,655,000	21%	116,550,000
3.	Al-Safi Advanced Investment	13,875,000	25%	138,750,000	6,660,000	12%	66,600,000
4.	Essa Al-Ghurair Investments L.L.C.	5,550,000	10%	55,500,000	3,885,000	7%	38,850,000
5.	The Public	-	-	-	16,650,000	30%	166,500,000
	Total	**55,500,000**	**100%**	**555,000,000**	**55,500,000**	**100%**	**555,000,000**

Source: the Company

On 24/12/2020G, the shareholders of Al-Raha Al-Safi Food Company entered into an agreement therebetween. Following the merger of Al-Raha Al-Safi Food Company into the Company, said agreement became effective therebetween in relation to the Company. The main objective of the agreement is to regulate and organize the Company's management affairs (i.e. the formation of the Board of Directors, quorum and majority in general assemblies of shareholders, and matters requiring a set quorum and majority vote) and determine the obligations pertaining to the transfer of shares. The agreement shall automatically terminate upon listing the Company's shares, pursuant to a termination agreement signed on 30/11/2022G, and such termination shall not have any implications on the Company. As of the date of this Prospectus, there has been no other agreement entered into between the shareholders.

The following table sets out the Substantial Shareholders with a direct and indirect shareholding in the Company, Pre- and Post-Offering.

Table (4.10): Substantial Shareholders Pre- and Post-Offering

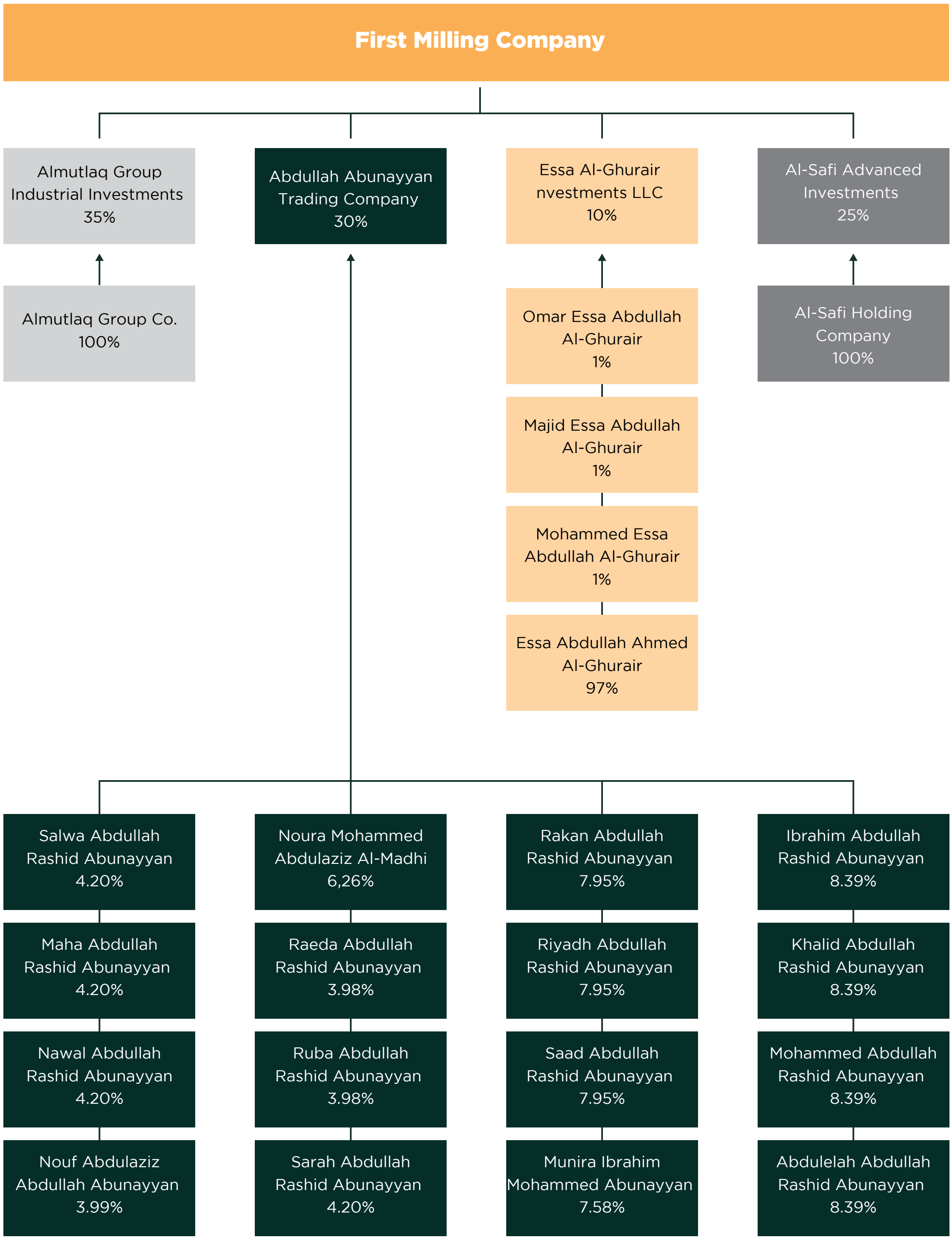
No.	Shareholder	Pre-Offering			Post-Offering		
		No. of Shares	Shareholding (%)	Par Value (SAR)	No. of Shares	Shareholding (%)	Par Value (SAR)
1.	Almutlaq Group Industrial Investments Company	19,425,000	35%	194,250,000	16,650,000	30%	166,500,000
2.	Abdullah Abunayyan Trading Company	16,650,000	30%	166,500,000	11,655,000	21%	116,550,000
3.	Al-Safi Advanced Investment	13,875,000	25%	138,750,000	6,660,000	12%	66,600,000
4.	Essa Al-Ghurair Investments L.L.C.	5,550,000	10%	55,500,000	3,885,000	7%	38,850,000
5.	The Public	-	-	-	16,650,000	30%	166,500,000
	Total	**55,500,000**	**100%**	**555,000,000**	**55,500,000**	**100%**	**555,000,000**

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 Ownerships Structure as of the date of this Prospectus



Note: The above -mentioned ownership structure is a simplified representation of the structure. For more details about the ownership structure of both Almutlaq Group Industrial Investments and AlSafi Advanced Investments, please refer to the sections below.

4.8.1 Almutlaq Group Industrial Investments

Almutlaq Group Industrial Investments is a limited liability company, with a share capital of one million Saudi Riyals (SAR 1,000,000), divided into one thousand (1,000) shares, with a nominal value of one thousand Saudi Riyals (SAR 1,000) per share, registered under commercial registration No. 1010244206, dated 05/02/1429H (corresponding to 12/02/2008G), in Riyadh.

The main business activities of Almutlaq Group Industrial Investments include manufacturing pulp and cardboard; manufacturing plastics in primary forms; manufacturing paper making machines (pulp machines, as well as manufacturing paper and cardboard machines); manufacturing all-purpose furniture from plastics, manufacturing high impact-resistant plastic protective helmets for work sites or sports; and manufacturing plastic safety equipment.

The following table sets out the ownership structure of Almutlaq Group Industrial Investments, as of the date of this Prospectus:

Table (4.11): Ownership structure of Almutlaq Group Industrial Investments, as of the date of this Prospectus

Shareholder	Shareholding (%)	No. of Shares
Almutlaq Group Co.	100%	1,000
Total	**100%**	**1,000**

Source: the Company

4.8.1.1 Almutlaq Group Co.

Almutlaq Group Co. is a closed joint stock company, with a share capital of three hundred million Saudi Riyals (SAR 300,000,000), divided into thirty million (30,000,000) shares, with a nominal value of ten Saudi Riyals (SAR 10) per share, registered under commercial registration No. 1010072881, dated 22/12/1409H (corresponding to 25/07/1989G), in Riyadh.

The main activities of Almutlaq Group Co. include industrial, commercial and real estate investment for the benefit of the Company.

The following table sets out the ownership structure of Almutlaq Group Co. as of the date of this Prospectus:

Table (4.12): Ownership structure of Almutlaq Group Co., as of the date of this Prospectus

Shareholder	Shareholding (%)	No. of Shares
Bandariya Holding Company	50.00%	15,000,000
Masara Investment Company	50.00%	15,000,000
Total	**100%**	**30,000,000**

Source: the Company

4.8.1.2 Bandariya Holding Company

Bandariya Holding Company is a closed joint stock company, with a share capital of five hundred thousand Saudi Riyals (SAR 500,000), divided into fifty thousand (50,000) shares, with a nominal value of ten Saudi Riyals (SAR 10) per share, registered under commercial registration No. 2051231463, dated 08/01/1442H (corresponding to 27/08/2022G), in Khobar.

The main activities of Bandariya Holding Company include managing its subsidiaries; participating in the management of other companies; and providing support to other companies in which it is a shareholder.

The following table sets out the ownership structure of Bandariya Holding Company as of the date of this Prospectus:

Table (4.13): Ownership structure of Bandariya Holding Company, as of the date of this Prospectus

Shareholder	Shareholding (%)	No. of Shares
Badar Abdulmohsen Abdullah Almutlaq	35%	17,500
Sheikha Jassim Saud Alqusayr	12.5%	6,250
Khulood Abdulmohsen Abdullah Almutlaq	17.5%	8,750
Faten Abdulmohsen Abdullah Almutlaq	17.5%	8,750
Basma Abdulmohsen Abdullah Almutlaq	17.5%	8,750
Total	**100%**	**50,000**

Source: the Company

4.8.1.3 Masara Investment Company

Masara Investment Company is a limited liability company, with a share capital of one hundred and two thousand Saudi Riyals (SAR 102,000), divided into twelve thousand seven hundred fifty (12,750) shares, with a nominal value of eight Saudi Riyals (SAR 8) per share, registered under commercial registration No. 1010639954, dated 06/11/1441H (corresponding to 27/06/2020G), in Riyadh.

The main activities of Masara Investment Company include investment for the benefit of respective units, including venture capital companies, investment clubs; purchase, sale, and allocation of land and properties; and off-plan sale activities.

The following table sets out the ownership structure of Masara Investment Company as of the date of this Prospectus:

Table (4.14): Ownership structure of Masara Investment Company, as of the date of this Prospectus:

Shareholder	Shareholding (%)	No. of Shares
Madar Investment Trading Company	47.059%	6,000
Olfat Mutlaq Abdullah Almutlaq	17.647%	2,250
Hanan Mutlaq Abdullah Almutlaq	17.647%	2,250
Razan Mutlaq Abdullah Al Mutlaq	17.647%	2,250
Total	**100%**	**12,750**

Source: the Company

4.8.1.4 Madar Investment Trading Company

Madar Investment Trading Company is a limited liability company, with a share capital of twenty-five thousand Saudi Riyals (SAR 25,000), divided into two thousand five hundred (2,500) shares, with a nominal value of ten Saudi Riyals (SAR 10) per share, registered under commercial registration No. 1010195407, dated 23/01/1425H (corresponding to 14/03/2004G), in Riyadh.

The main activities of Madar Investment Trading Company include real estate activities in owned or leased properties, other financial services activities except insurance, financing unclassified retirement plans, and building constructions.

The following table sets out the ownership structure of Madar Investment Trading Company as of the date of this Prospectus:

Table (4.15): Ownership structure of Madar Investment Trading Company, as of the date of this Prospectus:

Shareholder	Shareholding (%)	No. of Shares
Hanan Tariq Mutlaq Almutlaq	18%	450
Dalal Tariq Mutlaq Almutlaq	18%	450
Reem Tariq Mutlaq Almutlaq	18%	450
Abeer Tariq Mutlaq Almutlaq	18%	450
Yasmeen Tariq Mutlaq Almutlaq	18%	450
Tariq Mutlaq Abdullah Almutlaq	10%	250
Total	**100%**	**2,500**

Source: the Company

4.8.2 Abdullah Abunayyan Trading Company

Abdullah Abunayyan Trading Company is a limited liability company, with a share capital of twenty million Saudi Riyals (SAR 20,000,000), divided into twenty thousand (20,000) shares, with a nominal value of one thousand Saudi Riyals (SAR 1,000) per share, registered under commercial registration No. 1010077408, dated 17/11/1410H (corresponding to 11/06/1990G), in Riyadh.

The main activities of Abdullah Abunayyan Trading Company include the laying pipes of all kinds for electricity, telecommunications, and so forth; developing water distribution stations and main lines; developing sewage stations, projects, networks and pumps; and developing and installing electrical power stations and transformers.

The following table sets out the ownership structure of Abdullah Abunayyan Trading Company as of the date of this Prospectus:

Table (4.16): Ownership structure of Abdullah Abunayyan Trading Company, as of the date of this Prospectus

Shareholder	Shareholding (%)	No. of Shares
Ibrahim Abdullah Rashid Abunayyan	8.39%	1,678
Khalid Abdullah Rashid Abunayyan	8.39%	1,678
Mohammed Abdullah Rashid Abunayyan	8.39%	1,678
Abdulelah Abdullah Rashid Abunayyan	8.39%	1,678
Rakan Abdullah Rashid Abunayyan	7.95%	1,590
Riyadh Abdullah Rashid Abunayyan	7.95%	1,590
Saad Abdullah Rashid Abunayyan	7.95%	1,590
Munira Ibrahim Muhammad Abunayyan	7.58%	1,517
Noura Mohammed Abdulaziz Almadhi	6.26%	1,252
Raeda Abdullah Rashid Abunayyan	3.98%	796
Ruba Abdullah Rashid Abunayyan	3.98%	796
Sarah Abdullah Rashid Abunayyan	4.2%	840
Salwa Abdullah Rashid Abunayyan	4.2%	840
Maha Abdullah Rashid Abunayyan	4.2%	840
Nawal Abdullah Rashid Abunayyan	4.2%	840
Nouf Abdulaziz Abdullah Abunayyan	3.99%	797
Total	**100%**	**20,000**

Source: the Company

4.8.3 Essa Al-Ghurair Investments

Essa Al-Ghurair Investments is a limited liability company, with a share capital of three million Emirati dirham (AED 3,000,000), divided into three thousand (3,000) shares, with a nominal value of one thousand Emirati dirham (AED 1,000) per share, registered under commercial registration No. 709174, dated 01/05/2014G, in Dubai.

The main activities of Essa Al-Ghurair Investments include investing in, establishing and managing industrial projects; investing in, establishing, and managing agricultural projects; and investing in, establishing and managing commercial projects.

The following table sets out the ownership structure of Essa Al-Ghurair Investments as of the date of this Prospectus:

Table (4.17): Ownership structure of Essa Al-Ghurair Investments, as of the date of this Prospectus:

Shareholder	Shareholding (%)	No. of Shares
Essa Abdulla Ahmad Al-Ghurair	97%	2,910
Mohammed Essa Abdullah Al-Ghurair	1%	30
Majid Essa Abdulla Al-Ghurair	1%	30
Omar Essa Abdullah Al-Ghurair	1%	30
Total	**100%**	**3,000**

Source: the Company

4.8.4 Al-Safi Advanced Investment

Al-Safi Advanced Investment is a limited liability company, with a share capital of ten thousand Saudi Riyals (SAR 10,000), divided into ten thousand (10,000) shares, with a nominal value of ten Saudi Riyals (SAR 10) per share, registered under commercial registration No. 1010 651122, dated 15/01/1442H (corresponding to 03/09/2020G), in Riyadh.

The main activities of Al-Safi Advanced Investment include rice cultivation and wheat packing and milling.

The following table sets out the ownership structure of Al-Safi Advanced Investment as of the date of this Prospectus:

Table (4.18): Ownership structure of Al-Safi Advanced Investment, as of the date of this Prospectus:

Shareholder	Shareholding (%)	No. of Shares
Al-Safi Holding Company	100%	10,000
Total	**100%**	**10,000**

Source: the Company

4.8.4.1 Al-Safi Holding Company

Al-Safi Holding Company is a limited liability company, with a share capital of five hundred thousand Saudi Riyals (SAR 500,000), divided into fifty thousand (50,000) shares, with a nominal value of ten Saudi Riyals (SAR 10) per share, registered under commercial registration No. 1010380426, dated 10/08/1434H (corresponding to 19/06/2013G), in Riyadh.

The main activities of Al-Safi Holding Company include managing subsidiaries of holding companies; investing monies and funds of subsidiaries of holding companies; owning properties and movables needed by holding companies; providing loans, guarantees and financing to subsidiaries of holding companies; owning industrial property rights to subsidiaries of holding companies; and leasing industrial property rights to subsidiaries of holding companies.

The following table sets out the ownership structure of Al-Safi Holding Company as of the date of this Prospectus:

Table (4.19): Ownership structure of Al-Safi Holding Company, as of the date of this Prospectus:

Shareholder	Shareholding (%)	No. of Shares
Al Faisaliah Group Holding Company	99%	49,500
Al Faisaliah Commercial Investment Company	1%	500
Total	**100%**	**50,000**

Source: the Company

4.8.4.2 Al Faisaliah Group Holding Company

Al Faisaliah Group Holding Company is a closed joint stock company, with a share capital of three hundred seventy-five million Saudi Riyals (SAR 375,000,000), divided into thirty-seven million five hundred thousand (37,500,000) shares, with a nominal value of ten Saudi Riyals (SAR 10) per share, registered under commercial registration No. 1010158635, dated 26/01/1421H (corresponding to 01/05/2000G), in Riyadh.

The main activities of Al Faisaliah Group Holding Company include managing subsidiaries of holding companies; investing monies and funds of subsidiaries of holding companies; owning properties and movables needed by holding companies; providing loans, guarantees and financing to subsidiaries of holding companies; and leasing industrial property rights to subsidiaries of holding companies.

The following table sets out the ownership structure of Al Faisaliah Group Holding Company as of the date of this Prospectus:

Table (4.20): Ownership structure of Al Faisaliah Group Holding Company, as of the date of this Prospectus:

Shareholder	Shareholding 1 (%)	No. of Shares
Faisal Abdullah Al Saud	19.50%	7,312,500
Abdulrahman Abdullah Al Saud	11.375%	4,265,625
Mohammed Khalid Al Saud	11.375%	4,265,625
Turki Abdullah Al Saud	11.375%	4,265,625
Sultan Abdullah Al Saud	11.375%	4,265,625
Sultana Abdullah Al Saud	9.750%	3,656,250
Faisal Saud Al Saud	2.844%	1,066,406
Khalid Saud Al Saud	2.844%	1,066,406
Mohammed Abdulrahman Al-Arifi	2.500%	937,500
Turki Muhammad Al Saud	1.810%	678,622
Fahad Muhammad Al Saud	1.810%	678,622
Saud Mohammed Al Saud	1.810%	678,622
Talal Muhammad Al Saud	1.810%	678,622
Sultan Muhammad Al Saud	1.810%	678,622
Alanoud Fahad Al Saud	1.422%	533,204
Sarah Saud Al Saud	1.422%	533,203
Nouf Saud Al Saud	1.422%	533,203
Noura Saud Al Saud	1.422%	533,203
Noura Bandar Al Saud	1.422%	533,203
Noura Mohammed Al Saud	0.905%	339,312
Total	**100%**	**37,500,000**

Source: the Company

1 Please note that the percentages set out in this table are rounded.

4.8.4.3 Al Faisaliah Commercial Investment Company

Al Faisaliah Commercial Investment Company is a limited liability company, with a share capital of one million Saudi Riyals (SAR 1,000,000), divided into one hundred thousand (100,000) shares, with a nominal value of ten Saudi Riyals (SAR 10) per share, registered under commercial registration No. 1010187830, dated 23/04/1424H (corresponding to 23/06/2003G), in Riyadh.

The main activities of Al Faisaliah Commercial Investment Company include rice cultivation; Anthracite coal mining; wholesale of equipment's spare parts and telecommunication-related electronic parts, including electronic pipes, integrated and printed electrical circuits; wholesale of precious metals and stones; retail of computers and accessories; and the provision of management and monitoring services for communication and information networks.

The following table sets out the ownership structure of Al Faisaliah Commercial Investment Company as of the date of this Prospectus:

Table (4.21): Ownership structure of Al Faisaliah Commercial Investment Company, as of the date of this Prospectus:

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

Source: the Company

4.9 Subsidiaries

The Company does not have any subsidiaries.

4.10 Overview of the Company's Main Activities

The Company is engaged in the production, packaging and selling of flour products and wheat byproducts, such as animal feed, bran and wheat germ. The Company is a market leader in the production of flour products supported by strategically located, modern, innovative and efficient production facilities in four regions, Makkah Region (Jeddah Governorate), Al-Qassim Region (Buraidah Governorate), Tabuk Region (Tabuk City), and Eastern Region (Al-Ahsa Governorate), providing the Company with a competitive advantage as the only local player with production facilities located in four regions throughout the Kingdom.

The Company generates its revenue from the sale of its products to businesses such as large industrials, bakeries, restaurants and catering businesses; wholesalers and flour traders; and retail customers in supermarkets and hypermarkets.

Prior to its incorporation as a standalone entity, the Company, as an affiliate of GFSA, produced flour products under the First Milling Company brand, FOAM brand and Super Superior brand. Recently, the Company launched its first retail brand, "**Aloula**", in February 2022G with the objective of growing its retail business. Aloula is a premium flour brand that the Company sells to well-known hypermarkets, supermarkets and grocery stores in the Kingdom. The introduction of the Aloula brand added value to the Company's portfolio, which helped drive the development and innovation of the Kingdom's flour market. The Company also relies on its reputable brands such as First Milling Company and Aloula in its distribution activities through its wholesale channel.

4.10.1 Key Performance Indicators

The following table sets forth the Company's key performance operating metrics, which the Management considers the key performance indicators for the past three financial years and the period ended 30 September 2022G.

Table (4.22): The Company's Key Performance Indicators:

Key Performance Indicator	FY19G	FY20G	FY21G	Period ended 30 September 2022G
Sales volume (million tons)	1.15	1.20	1.28	1.01
YOY% volume growth	-	4%	6%	10%
Revenue (million SAR)	644	716	801	687
Revenue growth during the year/period (%)	-	11%	12%	21%
Annual milling capacity (ton of wheat) (on the basis of 321 Business Days)*	1,348,200	1,348,200	1,348,200	1,058,400
Milled wheat	1,063,869	1,103,404	1,184,740	964,744
Milling Production Efficiency	79%	82%	88%	92%
Revenue per ton (SAR/ton)	559	595	628	679
Revenue growth per ton during the year/period (%)	-	6%	5%	10.5%
Flour production (tons)	830,872	857,243	903,766	724,056
Bran production (tons)	213,288	224,904	259,946	221,364
Feed production (tons)	177,033	224,159	248,573	174,601

Source: the Company

* The capacity of wheat milling was calculated on the basis of 321 days per year. It should be noted that utilization is computed based on the number of days previously followed by the GFSA which are 300 days.

4.10.2 Products

4.10.2.1 Overview

The Company produces flour products, animal feed products and other wheat derivatives. Sales of flour products comprised 62% and 57% of the Company's total revenues for FY21G and the period ended 30 September 2022G, respectively. Sales of wheat derivatives comprised 11% and 15% of the Company's total revenues for FY21G and the period ended 30 September 2022G, respectively. Sales of feed products comprised 28% of the Company's total revenues for FY21G and the period ended 30 September 2022G, respectively.

4.10.2.2 Flour Products

The Company produces a range of flour types used for a variety of baking applications. These are generally classified according to their extraction percentage.

In the milling process, the flour is "extracted" from whole wheat kernels, separating the starchy endosperm elements of the wheat kernel from the bran and germ elements. The amount of the wheat kernel that remains after the flour extraction process is referred to as the extraction percentage. A lower extraction percentage, from which more of the bran and germ has been removed, results in a finer, whiter flour. A higher extraction percentage, which includes more of the bran and germ elements, results in a coarser, more whole-grain type of flour.

The Company produces the following classes of flour:

- Premium flour (70% extract), which is used in confectionary and functional baking;
- Bakery flour (80% extract), used to make Arabic bread and other traditional and western baking products;
- Whole wheat flour (95% extract), used in making whole meal bread; and
- Superior wheat flour (70% extract with fine bran additives), used in special traditional meals.

The Company sells the flour in the form of packs or in bulk, with the packs ranging in size from 1kg to 45kg.

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

Table (4.23): Breakdown of sales by type of flour product:

Product type	Percentage of Flour Classes Sales of the Company's Total Sales (%)			
	FY19G	FY20G	FY21G	period ended 30 September 2022G
Premium flour	18.6%	20%	19%	18%
Bakery flour	72%	70%	72%	73%
Whole wheat flour	8%	9%	8%	8%
Superior wheat flour	1%	2%	2%	1%

Source: the Company

In February 2022G, the Company began offering premium flour under its first retail brand, Aloula. The Company is also developing additional products, including various types of flour, ready-to-bake mixes and semolina, to bring to market serving B2B and retail customers in the future.

Notably, the Company is the first milling company to obtain a conditional secondary license on 13/07/1443H to produce semolina locally to meet the local demand. As of the date of this Prospectus, the Company has not yet started producing semolina.

4.10.2.3 Animal Feed Products

The Company uses the byproducts of the flour milling process, together with other materials such as corn and soy, to produce a range of animal feed products. These include cattle feed (including lamb feed, horse feed and camel feed) and bird feed. These animal feed products are offered in large packs of 50kg and are typically sold to feed producers, feed traders and cooperatives dealing with animal breeders across the Kingdom, with special focus on the central and western regions. The Company prides itself on formulating high quality animal feed products with feed health as a top priority without compromise in feed ingredients or quality. These products perform a great synergetic role in the offerings of the Company as it utilizes identical capabilities through deploying similar manufacturing processes and utilizing the byproduct as input.

4.10.2.4 Wheat Derivative Products

The Company also produces other wheat derivative products (composed mainly of bran for animals) from the byproducts of the milling process, including fine bran for human consumption, bran for animals and wheat germ. These products are offered in bulk and are typically sold to feed producers, feed traders and cooperatives dealing with animal breeders.

4.10.3 Operations and Production

4.10.3.1 Supply Chain Overview

Management believes that one of the competitive advantages the Company has over its competitors is its effective supply chain management system, specifically designed to meet the needs of the Company and its customers. The Company's supply chain handles the production and distribution of products from the Company to its customers, and operates in alignment with GFSA to ensure food safety and security in the Kingdom.

Supply of Raw Materials

The supply chain process kicks off as soon as the Company receives GFSA's subsidized wheat supply at the wheat collection point on the dates agreed between the Company and GFSA. The process of procuring wheat from international and local farms with predetermined specifications, characteristics and features is undertaken by GFSA, while the Company procures the rest of the raw materials for manufacturing feed and packaging materials from the local and international market. Bran, a flour derivative, is sold directly as a final product to customers and is used as an input in manufacturing feed in Jeddah and Al-Qassim production facilities.

Transportation and Storage

GFSA leads the efforts of transporting imported wheat from ports and locally-harvested wheat to strategic storage silos in the Kingdom, and then transports wheat from storage silos to operating silos located near the Company's four production facilities in Makkah Region (Jeddah Governorate), Al-Qassim Region (Buraidah Governorate), Tabuk Region (Tabuk City), and Eastern Region (Al-Ahsa Governorate). As for other raw materials, the Company undertakes their transportation and storage to and in its warehouses at each of its locations.

Milling Process

Wheat undergoes screening, sieving, metals removal, moisture control, and milling to extract different flour classes, categorized according to protein content and use.

Sales and Distribution

Following the production process, the Company packs and stores flour end products in its warehouses, where customers load and transport the products to their facilities for production or to distributors' warehouses for distribution. The Company delivers some of its products to a number of its customers who accounted to no more than 5% of its total sales as of 30 September 2022G.

4.10.3.2 Suppliers

4.10.3.2.1 Overview of the Company's Suppliers

The primary raw material used in the production of the Company's products is wheat, which the Company purchases from GFSA at subsidized prices. GFSA purchases the wheat from local farmers in the Kingdom according to a set price, and imports additional wheat from international suppliers in order to meet demand. GFSA is responsible for delivering the wheat directly to the Company's mills at the times and quantities required. Wheat purchases from GFSA comprised 70% and 75% of the Company's total raw material costs for FY21G and the nine-month period ended 30 September 2022G, respectively.

The Company sources other raw materials from local and international sources, including yellow corn, which is used in the production of animal feed and comprised 18% and 14% of the Company's total raw material costs for FY21G and for the nine-month period ended 30 September 2022G, respectively. Other materials used in animal feed production, such as soybeans, vegetable/palm oil and vitamins, are sourced locally within the Kingdom.

The Company sources primary packaging materials such as packets made of food grade plastic and paper packaging and sachets primarily from suppliers in the Kingdom.

The Company maintains a buffer stock of raw materials at its facilities to cover production requirements for a specified period. The quantity of such buffer stock varies according to the storage requirements and spoilage times of different commodities. In addition, the Company does not maintain large reserves of wheat in its facilities, since GFSA regulates and manages the available wheat stocks, and therefore the Company relies thereon to provide the necessary quantities of wheat at appropriate times.

The following table sets out the Company's 10 Key Suppliers according to their contribution to purchases during the financial year ended 31 December 2021G, and the period ended 30 September 2022 G (in alphabetical order):

Table (4.24): Company's 10 Key Suppliers during FY21G:

Supplier	Supply Type	Amount (in SAR)	Products Supplied
Supplier A	Local	246,848,357	Wheat
Supplier B	Local	52,826,415	Yellow corn
Supplier C	Local	29,542,456	Yellow corn
Supplier D	Local	19,336,415	Soybean
Supplier E	International	8,576,830	Packaging Materials
Supplier F	Local	3,835,423	Packaging materials - bags
Supplier F	International	3,018,212	Spare parts
Supplier G	Local	2,326,750	Packaging
Supplier H	Local	1,696,365	Raw materials
Supplier I	Local	1,684,889	Packaging

Source: the Company

Table (4.25): Company's 10 Key Suppliers during period ended 30 September 2022G:

Supplier	Supply Type	Amount (in SAR)	Products Supplied
Supplier A	Local	198,489,599	Wheat
Supplier C	International	29,263,807	Yellow corn - raw materials
Supplier D	Local	19,818,912	Yellow corn - raw materials
Supplier B	Local	16,012,054	Packaging materials - bags
Supplier K	Local	4,334,941	Soybeans - raw materials
Supplier E	Local	3,084,720	Raw materials
Supplier F	Local	2,467,510	Yellow corn - raw materials
Supplier G	International	2,455,697	Spare parts
Supplier H	Local	2,345,607	Packaging materials - bags
Supplier I	International	1,585,460	Spare parts

Source: the Company

4.10.3.2.2 Standard supply terms

The Company's relationships with its suppliers are regulated in most cases under standardized purchase and supply contracts. These contracts include commercial terms such as product purchase prices; delivery and payment provisions; duration of the contract and provisions for termination and renewal (if any) available to the parties; incentives; discounts; and others. Contracts for raw materials other than wheat are generally for a short term, often between three and six months.

In contrast, the Company's agreement with GFSA for the supply of wheat is a long-term agreement of up to 25 years, subject to amendment in line with governmental and regulatory reforms. The purchase price of wheat from GFSA is pegged to the price of the resultant flour sold to customers, resulting in a specified profit margin for the Company on those products and effectively providing a subsidy on the wheat purchase price compared to the open market price of wheat.

For more information on the terms of supply contracts with Key Suppliers, please refer to Section 12.5.2 ("**Supply Contracts with Key Suppliers**").

4.10.3.3 Production

4.10.3.3.1 Overview of flour production

The production of flour includes the use of wheat grains that are transferred to large silos, where scaling, sieving, metals removal, and moisture control occur. Following this process, the different varieties of wheat are blended until the resulting blend meets the quality and safety specifications for milling. During the subsequent cleaning step, the wheat grains are moved into a separator, which initiates the purification process. Following this step, the wheat is subjected to milling in order to release the different classes of flour, which are classified according to protein content and use. Before the flour is packaged, it will occasionally be enriched with vitamins and minerals. Finally, the flour is weighed and packaged in bulk or small packs.

4.10.3.3.2 Overview of the methods used in flour production

During the financial years ended 31 December 2019G, 31 December 2020G, 31 December 2021G, and the nine-month period ended 30 September 2022G, the Company relied on the batch production method in its operations, due to the general similarity of the nature of its products. In the batch production method, each batch of products goes through one production stage before moving on to the next stage to produce the required product. This method allows large quantities of products to be produced in a number of batches, with some changes being made to each batch. These changes may range from minor to major, depending on the variety to be produced. Accordingly, the characteristics of each batch of the Company's products differ based on the variation in the relevant recipes.

The Company has four production facilities in operation, located in Makkah Region (Jeddah Governorate), Al-Qassim Region (Buraidah Governorate), Tabuk Region (Tabuk City), and Eastern Region (Al-Ahsa Governorate), Saudi Arabia. The following table provides an overview of the Company's production facilities:

Table (4.26): Overview of the Company's Production Facilities:

	Jeddah Facility	Al-Qassim Facility	Tabuk Facility	Al-Ahsa Facility	Total
Year Established	1979G	1983G	1998G	2014G	-
Daily Wheat Milling Capacity (tons) (as of 30 September 2022)	2,100	900	600	600	4,200
Annual Wheat Milling Capacity (tons) (on the basis of 321 Business Days)	674,100	288,900	192,600	192,600	1,348,200
Daily Feed Capacity (tons) (as of 30 September 2022)	300	600	-	-	900
Silo Storage Capacity (tons) (as of 30 September 2022)	120,000	60,000	10,000	30,000	220,000
FY21G Wheat Milled - pure flour (tons)	601,599	261,739	148,208	173,192	1,184,740
FY21G Milling Production Efficiency (tons)	89%	90%	77%	90%	88%
FY21G annual production - animal feed (tons)	78,684.90	169,888.26	-	-	248,573.16
FY21G annual production - other (tons)	144,731.65	67,050.36	33,944.41	46,502.87	292,229.29
% of total revenue, FY21G	46%	32%	10%	13%	100%

Source: the Company

All of the Company's production facilities comply with regulatory norms, including those set by SFDA and GFSA, and have received Quality System Management (ISO) certifications.

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

4.10.3.3.3 Jeddah Production Facility

The Company's oldest and largest manufacturing facility is located in Jeddah. This facility opened in 1979G, and is capable of processing all feedstock and producing all products in the Company's range. The Jeddah facility primarily serves markets in the Jeddah and Makkah region.

The Jeddah facility has 5 milling lines producing flour that is then sent to storage silos for bulk outflow or packaging. The packaging capabilities are then further subdivided into packaging lines filling sachets or bags with ranges from 1kg to 45kg. The Jeddah facility also has 2 production lines for animal feed products.

In 2021G, the Board of Directors approved a number of investments aimed at increasing the Company's operational and production capacity. Accordingly, the Company is currently increasing its production at the Jeddah production facility by upgrading three flour production lines between 2023G and 2025G. This is in conjunction with improving B2B and modern trade customer services capabilities through the installation of a new bulk flour loader and additional trucks servicing customers. Initiatives aimed at increasing production include improving the operational efficiency of mills and increasing their production capacities through the mills' modernization planned for the coming years, as follows:

- The modernization of Mill-A at the Jeddah production facility to increase its production capacity from 300 tons/day to 550 tons/day, expected to be completed by the third quarter of 2024G;
- The modernization of Mill-B at the Jeddah production facility to increase its production capacity from 450 tons/day to 550 tons/day, expected to be completed by the second quarter of 2025G; and
- The modernization of Mill-C at the Jeddah production facility to increase its production capacity from 300 tons/day to 550 tons/day, expected to be completed by the fourth quarter of 2023G.

Additionally, the Company plans to develop new facilities for the production of more flour products, which would enable the Company to export durum wheat that goes into the production of pasta, harees, greesh, Arabic sweets, and specialty bread. These developments are expected to be completed by the fourth quarter of 2023G.

In addition, the Company is continuously modernizing its mills and expanding its production lines, in line with the market needs and the discretion of the Company's senior management. That would enable the Company to produce more value-added products such as ready-to-bake items and mixes.

4.10.3.3.4 Al-Qassim Production Facility

The Al-Qassim production facility commenced its commercial operations in 1983G, and is capable of processing all feedstock and producing all products in the Company's range. The Al-Qassim production facility primarily serves markets in the Al-Qassim region, as well as central and northern areas in the Kingdom.

The Al-Qassim production facility has 2 milling lines producing flour that is then sent to storage silos for bulk outflow or packaging. The packaging capabilities are then further subdivided into packaging lines filling sachets or bags with ranges from 45kg to 1kg. The Al-Qassim facility also has 2 production lines for animal feed products, strategically located in one of the key regions of animal breeders within Saudi Arabia.

4.10.3.3.5 Tabuk Production Facility

The Tabuk production facility commenced its commercial operations in 1998G, and primarily serves the market in the Tabuk region and other northern areas of the Kingdom. The Tabuk production facility is smaller than the Company's other facilities, with one production line that can process wheat and package all flour products in the Company's range, except the animal feed range.

4.10.3.3.6 Al-Ahsa Production Facility

The Al-Ahsa production facility is the newest of the Company's facilities, commencing its commercial operations in 2014G. This facility has one production line that is capable of processing wheat and producing all flour products in the Company's range but does not produce animal feed. The Al-Ahsa production facility primarily serves the market in the Eastern Region. In 2021G, the Board of Directors approved increasing the operational and production capacity of Al-Ahsa production facility, through the modernization of Mill-A (Al-Ahsa) to increase its production capacity from 600 tons/day to 750 tons/day, which is expected to be completed by the fourth quarter of 2024G.

4.10.4 Commercial Operations and Sales

4.10.4.1 Geographic regions and catchments

The Company's most significant sales are in the regions in which its production facilities are located. The Company seeks new opportunities to increase sales in other regions of the Kingdom with high population centers.

4.10.4.2 Customers

The Company's sale of flour to customers is regulated by GFSA, which must pre-approve every customer to whom the Company sells flour as well as the price at which the flour is sold and the quantity assigned to each customer. Potential new customers must register with the Company and undergo an assessment process that includes site visits to the customer's facilities; assessments of the customer's production lines and capacity; and assessments of the products in which the flour is to be used. The completed assessment is then submitted to GFSA for approval.

The Company classifies its customer portfolio into four sales channels:

- **Business to business (B2B):** Customers in this sales channel are businesses that use flour in their operations, and include large businesses, such as industrial manufacturers and large commercial bakeries, and smaller businesses such as restaurants and hospitality businesses and smaller bakeries. The Company has over 88 unique customers in its B2B channel.
- **Wholesale:** Customers in this sales channel are distributors and wholesalers who purchase the Company's products and on-sell them to other customers, and include flour traders and large and small wholesalers. As at the date of this Prospectus, this sales channel has historically contributed the largest portion of the Company's sales. The Company has over 350 unique customers in its wholesale channel.
- **Modern & traditional trade:** This sales channel is focused on retail sales to consumers, and includes customers such as supermarkets and other retail sales outlets. This channel includes reaching over 5,000 unique customers across the Kingdom.
- **Farms & feed distributors:** This sales channel is focused on the sale of animal feed to farms and feed distributors using animal feed and wheat derivative products.

The following table sets out the breakdown of sales by customer sales channel for the periods indicated.

Table (4.27): Breakdown of Sales by Customer Sales Channel:

Sales Channel	Percentage of Total Sales			
	FY19G	FY20G	FY21G	period ended 30 September 2022G
B2B	61%	63%	19%	16%
Wholesale	39%	37%	42%	40%
Modern & traditional trade 1	-	-	3%	5%
Farms & feed distributors 2	-	-	36%	39%

Source: the Company

1 The Company's modern and traditional trade channel was subsumed under the wholesale channel until 2020G.

2 The Company's farms and feed distributors channel was subsumed under the wholesale channel until 2020G.

Source: the Company Information

Although the modern and traditional trade channel has historically contributed only a small share of the Company's total sales (i.e. the modern trade channel was subsumed under the wholesale channel until 2020G), the Company is increasing its focus on the modern and traditional trade sales, specifically retail sales, in order to expand its consumer base and increase its market share. As part of the Company's strategy to expand its modern and traditional trade channel, it launched its premium retail brand, Aloula, in February 2022G.

The Company forms strategic partnerships with its top customers in each sales channel, entering into contractual agreements with more than 50% of its customers across all channels, which fosters long term relationships and loyalty and provides stability of sales.

The Company's top 10 customers contributed 33% of the Company's sales for FY21G and 37% of the Company's total sales for the period ended 30 September 2022G.

The following table shows the Company's top 10 customers based on revenue contribution for FY21G and the period ended 30 September 2022G (ordered alphabetically):

Table (4.28): Top 10 Customers of the Company for FY21G:

Customer	Sales Channel	Sales (SAR)	Products Purchased
Customer A	Wholesale	82,867,437	Feed, Bran
Customer B	B2B	42,875,252	Flour
Customer C	Wholesale	21,764,757	Feed, Flour, Bran
Customer D	Wholesale	20,324,326	Flour, Bran, Feed
Customer E	Wholesale	19,656,718	Flour
Customer F	Wholesale	17,589,024	Feed, Flour, Bran
Customer G	Wholesale	16,159,331	Feed, Flour, Bran
Customer H	Wholesale	15,997,862	Feed, Flour, Bran
Customer I	Wholesale	12,816,891	Feed, Flour, Bran
Customer J	Wholesale	12,023,598	Feed

Source: the Company information

Table (4.29): Top 10 Customers of the Company for the period ended 30 September 2022G:

Customer	Sales Channel	Sales (SAR)	Products Purchased
Customer A	Wholesale	105,620,354	Feed, Bran
Customer C	Wholesale	26,897,286	Feed, Flour, Bran
Customer D	B2B	19,098,135	Feed, Flour, Bran
Customer B	Wholesale	24,313,833	Flour
Customer K	Wholesale	16,483,520	Feed, Flour, Bran
Customer E	Wholesale	15,368,666	Flour
Customer F	Wholesale	14,857,798	Feed, Flour, Bran
Customer L	Wholesale	13,441,160	Feed
Customer G	Wholesale	12,864,303	Feed, Flour, Bran
Customer M	Wholesale	10,956,622	Flour

Source: the Company

The Company's relationships with its customers are regulated in most cases either under standardized customer contracts or standard customer allocations. These contracts include commercial terms and conditions such as product purchase prices; type of products; specifications; delivery and payment provisions; duration of the contract and provisions for termination and renewal (if any) available to the parties; dispute resolution methods; incentives; discounts; and others. The vast majority of the Company's sales, representing 99% and 95% of total sales in the year ended 31 December 2021G and the period ended 30 September 2022G, respectively, are paid through cash in advance, which reduces credit risk and improves the Company's cash flow.

For a summary of the key terms of the Company's agreements with its customers, please refer to Section 12.5.4 ("**Contracts with Key Customers**") of this Prospectus.

4.10.4.3 Distribution

90% of purchases were picked up directly by the customers from the Company's production facilities for the period ended 30 September 2022G (sales handed over on the production facilities premises). The Company adopts an efficient distribution network, which is cost efficient for the Company. These customers are typically customers in the B2B and wholesale sales channels.

Other sales, primarily in the modern and traditional trade sales channel, are delivered to customers using third-party delivery services with their own fleet of vehicles. Delivery costs are typically borne by the Company.

4.10.4.4 Sales

The Company employs a dedicated sales team that is responsible for providing services to customers and implementing the Company's pricing and promotions strategy with respect to some of its products. The sales team, in collaboration with the customers, generates sales forecasts to ensure that the Company adopts a market-aligned production method. In doing so, the sales force takes into account the market positioning of the Company's products and the features of each product category. The sales team continually monitors the current market trends and implements appropriate adjustments for its products and promotions as and when necessary. In addition, the sales team is responsible for coordinating with the Company's direct and indirect customers and ensuring that all orders are satisfied.

4.10.4.5 Marketing

The Company's marketing activities are focused on building the equity of the First Milling brand and its newly launched premium retail flour brand, Aloula, to position it as a trusted, quality-focused baking portfolio. The Marketing Department constantly innovates by exploring new horizons in taste, format and well-being to delight consumers. The Company implements a 360-degree integrated communication model to engage with multiple marketing channels and touchpoints that include digital (i.e. social media, websites); billboards prominent public advertisements; in-store displays; and events such as live cooking shows in a variety of shopping malls across the Kingdom. The cornerstone for the successful implementation of its marketing strategy is the focus on digital marketing, with regular social media promotion posts every month and interactions with various influencers to expand the Company's consumer base and attract further shoppers.

4.11 Research & Development

Research and development are key drivers towards the Company's future growth. The Company's research and development function strives to provide diversified, new product offerings to meet the needs of the feed and food sectors. Additionally, research and development activities are carried out in conjunction with marketing functions to allow the Company a competitive edge, by formulating new flour-based recipes for unique products and to expand its market share. The Company is developing plans to increase its operational capacity by supporting projects for buying new equipment, tools and spare parts. Furthermore, the Company recruits top talent with expertise in the field of milling and seeks technical consultation to improve its machinery and milling capacities.

4.12 Future Plans and Development Opportunities

The Company implements all its expansion and future plans according to a comprehensive and far-reaching strategy aligned with the Company's vision and mission, which enables it to fulfill the ambitions and expectations of all related parties. The Company's strategy set out in Section 4.4 ("**Company Strategy**") of this Prospectus is the basis on which all of the Company's initiatives and future plans are built.

The Company always plans and considers a range of growth and development options including:

- i- Establishing and increasing the reach of its products in the Saudi market through expanding its geographic presence across the Kingdom into areas where the Company's products are not so heavily present, and balancing out any resulting operational investments, such as adding or modernizing production lines.
- ii- Establishing and increasing the reach of value-added products by expanding their geographic presence outside the Kingdom, especially into the Arabian Gulf and the North African region, through building capabilities needed to break into such markets.
- iii- Stimulating growth through strategic partnerships that add upon the Company's competitive edge in the food and feed sectors.
- iv- Developing human capabilities and Saudi personnel, and simultaneously adapting to technological and digital developments.
- v- Adopting future plans to attain the highest levels of sustainable development in milling and production.

4.13 Quality Assurance and Control

Quality is at the heart of the Company's mission and daily operations within facilities. The Company is ethically bound to the development, production and release of a quality product, apart from its legal obligations. It has not only adopted GFSA, ISO and SFDA standards, but has also developed its own standards to ensure that its products are consistently developed to predefined standards.

The Company applies an integrated quality management system based on international ISO standards, which ensures that quality control measures are adhered to during all operational processes. The Company has obtained ISO 45001, and ISO 14001 certificates for all of its production facilities. This is only the base on which the Company is building to further improve and enhance its quality systems, as the Company is in the process of implementing more rigorous food safety standards, namely Good Manufacturing Practices (GMP) and Hazard Analysis & Critical Control Points (HACCP) that will help the Company to further enhance sanitary standards.

The Company's focus on ensuring quality is demonstrated at every stage of the production process, from raw materials to finished product:

- **Quality of raw materials:** The Company uses quality raw materials (commodity orders include grade and quality specifications), which are stored in well-designed, segregated facilities at an appropriate temperature until put into use. The raw materials are analyzed to the Company's predefined standards, using the latest and most sophisticated instruments to determine their quality standards.
- **Quality of packaging materials:** The Company uses packaging components that are treated similar to raw materials in terms of storage and analysis.
- **Quality of finished commercial products:** Each final commercial batch produced undergoes checking with respect to the approved quality specification. This further ensures that the product is of right quality. It is stored at an appropriate controlled temperature in the Company's warehouses prior to distribution to customers.

The Company's advanced quality control testing facility, which is in line with international standards, provides a wide range of support for ensuring the compliance of its products and facilities. The quality control section conducts tests on the wheat, other raw materials, finished products and packaging materials. In addition, a well-equipped team ensures the validation of facilities, equipment, process, product and method.

In addition to skilled and trained staff, the Company has the latest state-of-the-art analysis equipment. To ensure the highest standards of compliance and quality, various tests are conducted at different stages from raw materials up to finished products. This is achieved by using wide range of analytical techniques to determine the protein content, level of moisture, starch damage and existence of impurities of the raw materials.

The Company's advanced production facility is in line with international standards provides a wide range of support for ensuring the compliance of the Company's products and facilities. This is achieved by employing well trained staff and state-of-the-art equipment. The Company conducts tests on its equipment, raw materials, bulk, finished products, packaging materials that include sterility tests and water testing and environmental control tests.

4.14 Intellectual Property

As of 30 September 2022G, the Company has four trademarks registered in Saudi Arabia, for the Aloula, First Mills, First Milling Company and Naffa'a names, with three applications pending registration. (For further information, please refer to Section 12.9 ("**Intellectual Property**") of this Prospectus).

4.15 Environment, Health and Safety

One of the Company's core values is safety. As such, the Company is committed to excellence in Environment, Health and Safety (EHS) by instilling a "Safety First" mentality in all its operations, thus operating in a way that ensures people's safety and protects the environment and making it integral to its business processes, planning and decision making. The Company has adopted comprehensive systems and procedures for responsible and ethical management of EHS aspects in all its activities to ensure safe conditions for employees, visitors and contractors by conducting various tests that take place on a daily, weekly, monthly and annual basis. The Company has obtained a number of key ISO certificates, which indicates that the Company's EHS management system complies with world class standards (for more information, please refer to Section 12.4 ("**Material Government Consents, Licenses and Certificates**") of this Prospectus.

The EHS Department is responsible for overseeing the Company's EHS systems and procedures and follows a risk-based approach for the prevention of injury and illness to employees, visitors and contractors, as well as environmental protection. This proactive approach helps to identify the controls and procedures to avoid any injury, ill-health or environmental damage. The Company is also conscious of the environmental footprint from its activities and operations. The EHS Department is responsible for overseeing and ensuring compliance with procedures that have been established to deal with emissions, effluent and solid waste at the source to ensure that there is minimal impact on the environment.

4.16 Employees

As of 30 September 2022G, the Company had 726 employees, of whom 214 are Saudi nationals. The Saudization Rate of the Company is 30%, which is classified under the Medium Green category. The following table sets out the distribution of employees per department as at 31 December 2019G, 2020G, 2021G and the nine month period ended 30 September 2022G.

Table (4.30): Overview of the Company's Employees:

Company / Branch	Department	Number of Employees											
		FY2019G			FY20G			FY21G			period ended 30 September 2022G		
		Total No. of Employees	Saudi Employees	Non-Saudi Employees	Total No. of Employees	Saudi Employees	Non-Saudi Employees	Total No. of Employees	Saudi Employees	Non-Saudi Employees	Total No. of Employees	Saudi Employees	Non-Saudi Employees
Head Office	Executive Management	9	9	-	9	9	-	7	5	2	7	4	3
	CEO Office	3	1	2	3	1	2	5	4	1	6	5	1
	Finance	12	7	5	11	7	4	20	11	9	19	7	12
	Quality Assurance and Safety	2	2	-	2	2	-	2	2	-	22	12	10
	Human Capital	11	8	3	12	9	3	10	10	-	33	14	19
	Business Transformation	-	-	-	-	-	-	2	1	1	2	1	1
	Commercial	10	10	-	9	9	-	12	10	2	3	3	-
	Operations	7	7	-	7	7	-	7	6	1	12	8	4
	Governance, Risk and Compliance	-	-	-	-	-	-	-	-	-	1	-	1
	Total	**54**	**44**	**10**	**53**	**44**	**9**	**65**	**49**	**16**	**105**	**54**	**51**
Jeddah Production Facility		318	88	230	304	86	218	279	76	203	230	45	185
Al-Qassim Production Facility		235	118	117	230	116	114	203	96	107	158	50	108
Tabuk Production Facility		146	52	94	143	50	93	128	42	86	107	25	82
Al-Ahsa Production Facility		137	43	94	135	43	92	124	39	85	126	40	86
Total of All Employees		**890**	**345**	**545**	**865**	**339**	**526**	**799**	**302**	**497**	**726**	**214**	**512**

Source: the Company

4.17 Saudization Strategy

The Saudization Program "Nitaqat" was adopted by virtue of His Excellency the Minister of Labor's Decision No. 4040 dated 12/10/1432H (corresponding to 10/09/2011G), pursuant to Council of Ministers' Resolution No. 50 dated 21/5/1415H (corresponding to 27/10/1994G). The "Nitaqat" program was implemented on 12/10/1432H (corresponding to 10/09/2011G), with the Ministry of Human Resources and Social Development beginning the implementation of the Nitaqat program to encourage institutions to employ Saudi citizens. Through the "Nitaqat" program, the performance of any Company is evaluated based on specific categories (classifications), namely the platinum category, the green category (subdivided, into low, middle and high) and the red category. Companies in the platinum or green categories are deemed to have met Saudization requirements and are therefore entitled to a number of benefits, such as: obtaining and renewing work visas or otherwise changing the occupations of its non-Saudi workers (except for professions exclusively reserved for Saudi nationals). Companies in the red category (due to their non-compliance with specific requirements), are deemed to have violated Saudization requirements and may be subject to certain punitive measures, such as limiting their ability to renew non-Saudi employees' work visas or completely prohibiting non-Saudi employees from obtaining or renewing work visas.

By virtue of its position as a leading Saudi company, the Company plays a major role in sponsoring and empowering national cadres in line with the Saudi Vision 2030 and in the implementation of the Saudization Resolutions issued by the Ministry of Human Resources and Social Development. The Company's Saudization strategy is centered on nurturing and developing Saudi talents in the food and feed industry. To achieve this strategy, the Company has developed numerous initiatives in order to meet and exceed the required Saudization Rate.

The company's initiatives are generally based on two pillars: (i) Saudi Talent Acquisition, and (ii) Saudi Talent Development and Retention.

The first pillar (Talent Acquisition) aims to recruit the best Saudi national talents from different regions of the Kingdom, in all professions and levels. Additionally, the Company strives to meet and exceed the Saudization Rates set out in Saudization Resolutions issued by the Ministry of Human Resources and Social Development in regard to manufacturing, engineering and accounting professions and so forth. In addition, the Company has set internal targets for the Saudization of certain operational levels within the organization to ensure the optimal balance of Saudization across all levels of the organization. In order to achieve such initiatives, the Company has targeted many universities and technical colleges in the Kingdom's regions with which the Company aims to build strategic relationships and attract qualified graduates and technicians from local universities and technical colleges through various activities. Such activities include participation in job fairs and career days as well as providing training opportunities for students in the Company's departments and sectors in accordance with the agreements concluded with the several technical colleges across the Kingdom in order to foster their knowledge, skills and abilities and help them embark on their career journey. The Company also emphasizes on employing, empowering and providing a suitable and safe work environment for female nationals in all its sectors with female hiring rate increasing from 3% of total hiring in 2021G to 13.6% of total hiring as of the date of this Prospectus.

The second pillar (Development & Retention) aims to develop the Company's national cadres' technical skills, foster their knowledge, upskill their expertise and therefore ensure the achievement of personal growth and reach of the Company's goals, in compliance with Vision 2030 aiming at developing national talent. Such objectives shall be met through the various programs offered by the establishment of human resources planning department responsible for building integrated training and development plans that start from the onboarding of new employees to the continuous development through trainings and development programs tailored to needs in raising behavioral as well technical and specialized knowledge and skills. The Company believes in developing the employees' career path and is concerned with the necessity of promoting them according to specific regulations and rules, as such a newly developed process for succession planning ensures that employees can further their careers in line with Company's goals. Furthermore, the Company shows interest in the continuity of the retention of these national talents within the Company and maintaining them. This is achieved through the setting out of financial and moral incentive programs and benefits including bonuses, annual increases, as well as providing benefits for employees through the Company's cooperation with the largest service providers across the Kingdom that provide the best offers and discounts to meet the employees' needs. The Company also celebrates its employees' special and family occasions to create a positive work environment (e.g., Mabrouk program for celebrating newborns, etc.).

Finally, the Management of the Company promotes the importance of diversity by hiring the best international and regional talents in efforts to complement local talent and transfer knowledge to Saudi talents, which enhances the capabilities of the Company's workforce and its competitive advantage.

The following tables sets out the Saudization Rates and Nitaqat categories of the Company and its branches, as of 30 September 2022G.

Table (4.31): The Company's Saudization Rates as of 30 September 2022G

Company / Branch	Activity	Nitaqat Category	Saudization Rate
The Company	Wholesale & Retail	Medium Green	37.13%
Jeddah Production Facility	Industries	Platinum	37.67%
Al-Qassim Production Facility	Wholesale & Retail	Medium Green	37.13%
Tabuk Production Facility	Industries	Platinum	37.67%
Al-Ahsa Production Facility	Industries	Platinum	37.67%

Source: the Company

4.18 Business Activities or Assets in Other Jurisdictions

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

4.19 Company Departments

The Company operates its business through several different departments and functions centrally managed from its Head Office, as follows:

4.19.1 Executive Management

The Executive Management Department is responsible for:

- Providing guidance in matters relating to operational activities of a given department or business unit.
- Making management decisions needed to achieve the Company's objectives and implement its strategy.
- Overseeing, implementing and reviewing environmental, social and related policies.
- Preparing key reports to be examined by the Company during its regular meetings.

4.19.2 Finance Department

The Finance Department holds three key subdepartments: Finance, Procurement, and IT

The Finance Department is responsible for the recording of all transactions of the Company, reporting of its financial position in accordance with the International Financial Reporting Standards ("**IFRS**"), and facilitating the treasury, financial budgeting and forecasting activities of the Company. The Finance Department is responsible for:

- Acting as true business partner by advising the business and providing insightful information to drive fact-based decision for long term sustainable and profitable business growth
- Leading with other departments on developing and improving the ESG in the organization
- Facilitating the financial budgeting and forecasting activities of the Company and monitoring adherence to budget.
- Ensuring financial transactions are appropriately and timely recorded, and records are up to date.
- Ensuring monthly, quarterly, and annual financial reporting is done within an acceptable timeframe.
- Ensuring fixed assets and inventory are maintained and recorded correctly in the books of accounts.
- Managing all banking relationships, including opening and closing of bank accounts, mandates and signatory changes.
- Coordinating treasury functions including raising capital and treasury operations.
- Devising and implementing a framework to intelligently allocate capital to long-term assets and investments.
- Managing Zakat and VAT related regulatory reporting.
- Facilitating the external audit and ensuring that the audit is duly completed within the regulated time frame.
- Leading business analysis, cash flow management and cash flow projections.
- Managing period closing and reporting activities, including third-party and regulatory reporting.

Direct and indirect procurement efforts are being developed within the Company as a key strategic arm for the longevity and sustainability of the Company and finance is responsible for developing this new function from a traditional role into a more strategic role, ensuring adequate governance, structure and enablement.

Finally, digital transformation efforts are being supported through a complete roadmap of digital initiatives, ensuring a smooth transition into a more digitally savvy and efficient company that started with the complete ERP migration into SAP as a first cornerstone that is being followed by several initiatives across all sectors to continue building a more efficient and effective organization.

4.19.3 Quality Assurance and Safety Department

The Company's Quality Assurance and Safety Department is responsible for ensuring that the Company's high standards of quality and safety standards are met in all its operations. The Quality Assurance and Safety Department has all the components of a quality and Safety management system. Over 20 employees work to ensure compliance with the highest standards of quality and Safety. There are three departments under this Department: Quality Assurance, Research & Development, and HSE.

For more details, please refer to Section 4.13 ("**Quality Assurance and Control**") of this Prospectus.

4.19.4 Human Capital Department

The main responsibilities of the Human Capital Department include developing and implementing strategies that focus on the integrity of the Company in terms of manpower management and administration. This includes full onboarding and support for new employees, both GOSI & Medical Insurance, complete orientation program, exit interviews, and end of service settlements. The main responsibilities of the Human Capital Department also include establishing policies and procedures related to the effective management, development and use of the Company's human resources, as well as overseeing the adoption and evaluation of the Company's organizational structure and job functions. Moreover, the Human Capital Department undertakes the preparation and review of the general framework for job grades, salary structure, wages, and allowances. The Department also cultivates a performance and reward culture that allows empowerment and creates a culture that motivates and rewards the achievement of individual- and business-goals, and ensures effective and fair development and recognition for all employees.

4.19.5 Business Transformation Department

To ensure its achievement of strategic objectives, the Company has created the Business Transformation Department with strong ties to public and private sector transformation programs. The Department's primary responsibility is to ensure that the Company meets and exceeds its strategic objectives, and aids in the transition of operations from government-controlled traditional milling operations, to a more commercially driven operations with a broader set of objectives that can benefit all relevant stakeholders through culture change management.

Business Transformation functions include strategy development, renewal, communication and implementation and follow up on strategic objectives through project management and Key Performance Indicators (KPI). The department also assesses and supports in capability and organizational structure building, as well as facilitating quick responses and rectification of any complications that may hinder the Company's ability to meet its objectives.

Finally, the Business Transformation Department works hand in hand with all departments to assess various market and operational related opportunities, cooperation's and advances that could potentially leap the Company's competitive advantage and fast track strategy achievement.

4.19.6 Commercial Department

The Commercial Department is responsible for addressing the needs of the wide range of customers, such as B2B, production facilities, distributors, and wholesalers, as well as the wide Saudi consumers markets (B2C) by providing the Company's products in the required quantities, ensuring the efficiency of stock availability as per purchase and sales plans, registering the items, and keeping track of and providing existing and new products and variants to meet the expectations of those customers and consumers.

The Commercial Department works on visibility of the product throughout all trade channels. The Commercial Department also develops, oversees and implements the Company's road-to-market strategies to achieve sustainability for the Company, as well as differentiation and brand equity. The Department is also responsible for producing the Company's contractual and commercial framework for buying, planning and category management along with purchasing decisions to ensure that sales and profit forecasts are met.

Other important responsibilities include maintaining strong customer relationships (including through service level agreements and standard operating procedures), updating business strategy against a dynamic market and changing regulatory policy with a view to supporting the sustainable growth of the business.

4.19.7 Operations Department

The Company's Operations Department is responsible for managing the end-to-end supply chain process, starting from planning to receiving raw materials from national and international suppliers and ending with the completion of the process. It is also responsible for planning, implementing and following up on the operational aspect of milling and packaging of the Company's wide range of products, as well as the warehousing and logistical operations of transporting all materials throughout the different locations. The Company uses the international SAP system, applying international quality and safety systems (as mentioned under Quality Management) and meeting all the requirements of government authorities. The Operations Department comprises the following main departments:

- **Planning:** is responsible for planning and managing the movement of goods in the supply chain, communicating with various parties involved, including suppliers of goods as well as internal department and outlets, monitoring the flow of goods. In addition, it is responsible for ensuring product availability with the right stock level at the right place and at the right time to fulfill customer demand and needs. This department plays a major role in the sales and operations planning cycle to manage quantities for both inbound and outbound activities through a fully integrated system. The department is responsible for maintaining inventory flow and quality in line with the best global performance indicators, which entails managing storage in distribution centers in a way that contributes to improving their storage capacity and resources, while ensuring compliance with the requirements of government authorities. The Supply Chain department also develops demand and inventory strategies to ensure shelf availability and stock level.
- **Logistical Operations:** is responsible for organizing and initiating the product handling process stages of receiving the goods until order preparation and distribution to wholesalers and retail shops, to ensure product quality through following work mechanisms that guarantee the quality at all stages, and ensure high quality and accuracy of the time required to implement the relevant service.
- **Manufacturing & Maintenance:** The manufacturing department primarily focuses on running the four production facilities as standalone mills. As such this department is responsible for the planning and execution of milling operational plans in line with supply chain and commercial targets for the Company. This department holds much of the responsibility and technical knowledge within the Company and is considered a key department that provides expertise and value for the Company.

4.19.8 Governance, Risk and Compliance Department

The Governance, Risk and Compliance Department is responsible for:

- Providing general guidelines to promote compliance and establish sound governance.
- Ensuring the Management's competence in applying the Governance, Compliance and Risk Management framework.
- Confirming the Company's compliance with the applicable regulatory directives.
- Supporting the Management in ensuring the proper enforcement of governance across all of the Company's activities and departments.
- Supporting the Management in verifying the adequacy and effectiveness of the Company-wide Governance, Compliance and Risk Management framework.

4.20 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 of 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 Company Committees; namely the Audit Committee, the Nomination and Remuneration Committee, the Transformation Committee, and the Optimization Committee. The Board is ultimately responsible for directing, supervising and general oversight of the Company and its executive management team.

The following figure illustrates the organizational structure of the Company, as at the date of this Prospectus.

Figure (5.1): The Company's Organizational Structure as at the date of this Prospectus

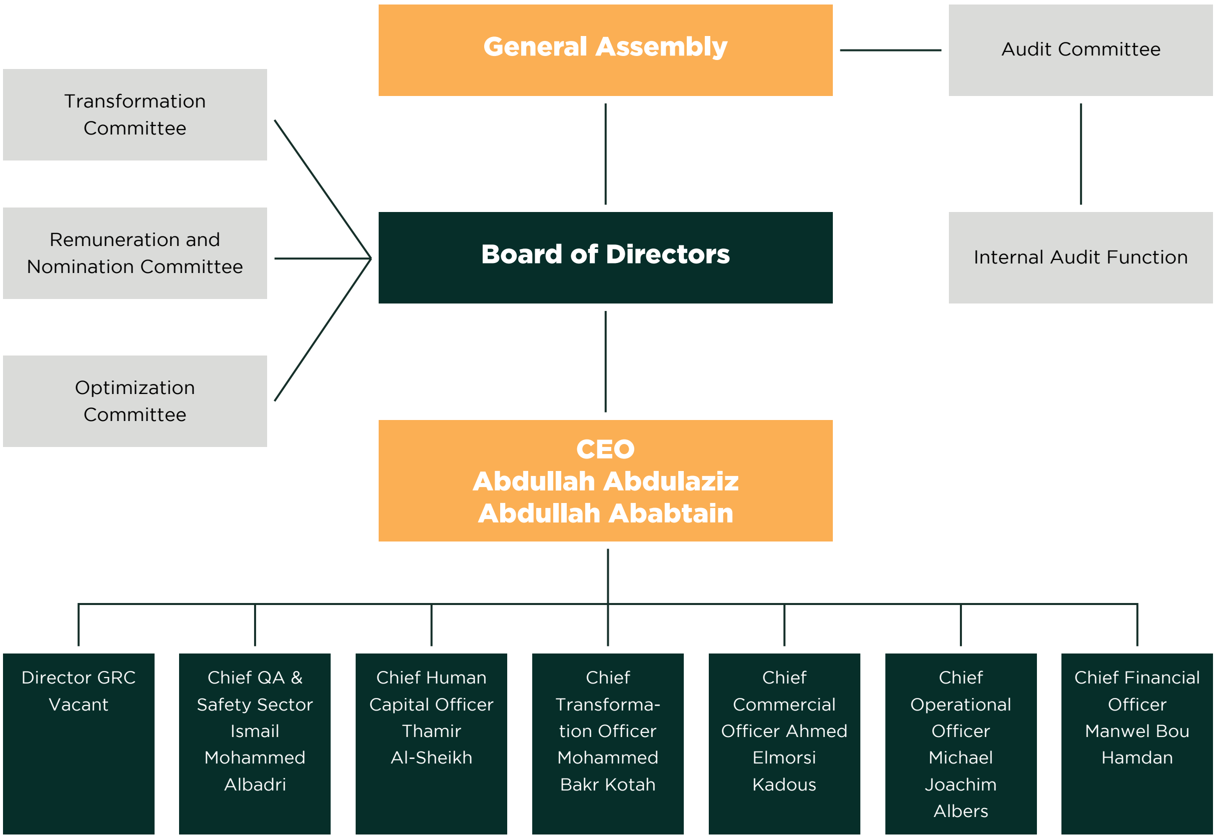


Table (5.1): The Company's Ownership Structure Pre- and Post-Offering:

Shareholder	Pre-Offering			Post-Offering		
	No. of Shares	Nominal Value (SAR)	Direct Ownership	No. of Shares	Nominal Value (SAR)	Direct Ownership
AlMutlaq Group Industrial Investment Company Limited	19,425,000	194,250,000	35%	16,650,000	166,500,000	30%
Abdullah Abunayyan Trading Company	16,650,000	166,500,000	30%	11,655,000	166,500,000	21%
Al Safi Advanced Investments Company	13,875,000	138,750,000	25%	6,660,000	66,600,000	12%
Essa Al-Ghurair Investment Company	5,550,000	55,500,000	10%	3,885,000	38,850,000	7%
Total	**55,500,000**	**555,000,000**	**100%**	**38,850,000**	**388,500,000**	**70%**

Source: the Company

5.1 Board Members and Secretary

5.1.1 Composition of the Board of Directors

Pursuant to the Company's bylaws, the Board of Directors shall be comprised of seven (7) members to be appointed by the Shareholders' Ordinary General Assembly. The Companies Law, the Corporate Governance Regulations, the Company's bylaws and the Company's Corporate Governance Manual define the duties and responsibilities of the Board of Directors. The maximum term of office of each member, including the Chairman, shall be three (3) years.

As at the date of this Prospectus, the Board of Directors is comprised of seven (7) members appointed for a period not exceeding three years in accordance with the Issuer's bylaws. The Company's General Assembly appointed the current Board of Directors from 31/12/2020G until 15/08/2023G.

The following table sets out the names of the Board members and other information related thereto, as on the date of issue of this Prospectus:

Table (5.2): The Company's Members of the Board of Directors:

No.	Name	Position	Nationality	Status	Date of Appointment	Direct Ownership		Indirect Ownership	
						Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
1	Tariq Mutlaq Abdullah AlMutlaq*	Chairman	Saudi	Non-Executive	31/12/2020	-	-	0.82%	0.71%
2	Abdullah Ahmed Sultan AlKenany	Vice Chairman	Saudi	Non-Executive	31/12/2020	-	-	-	-
3	Essa Abdulla Ahmad AlGhurair**	Board Member	Emirati	Non-Executive	31/12/2020	-	-	9.70%	6.79%
4	Yazeed Abdullah Abdulaziz AlOthman	Board Member	Saudi	Independent	31/12/2020	-	-	-	-
5	Rakan Abdullah Rashed Abunayyan***	Board Member	Saudi	Non-Executive	31/12/2020	-	-	2.39%	1.67%
6	Massimo Dominico Ambrosio	Board Member	Italian	Independent	21/03/2021	-	-	-	-
7	Murad Ahmed AlKhatib	Board Member	Canadian	Independent	21/03/2021	-	-	-	-

Source: the Company

* Mr. Tariq Mutlaq Abdullah AlMutlaq holds a pre-offering indirect ownership of 0.82%, as a result of a 10% shareholding in Madar Investment Trading Company, which in turn owns 47.1% of Masara Investment Company, which in turn owns 50% of AlMutlaq Group Company, which in turn owns 100% of AlMutlaq Group for Industrial Investment Co. Ltd., which in turn owns 35% of the Issuer's pre-offering shares. Mr. Tariq Mutlaq Abdullah AlMutlaq will hold a post-offering indirect ownership of 0.71%, as a result of a 10% shareholding in Madar Investment Trading Company, which in turn owns 47.1% of Masara Investment Company, which in turn owns 50% of AlMutlaq Group Company, which in turn owns 100% of AlMutlaq Group for Industrial Investment Co. Ltd., which in turn will own 30% of the Issuer's post-offering shares.

** Mr. Essa Abdulla Ahmad AlGhurair holds a pre-offering indirect ownership of 9.70%, as a result of a 97% shareholding in Essa AlGhurair Investment Company, which in turn owns 10% of the Issuer's pre-offering shares. Mr. Essa Abdulla Ahmad AlGhurair will hold a post-offering indirect ownership of 6.79%, as a result of a 97% shareholding in Essa AlGhurair Investment Company, which in turn will own 7% of the Issuer's post-offering shares.

*** Mr. Rakan Abdullah Rashed Abunayyan holds a pre-offering indirect ownership of 2.385%, as a result of a 7.95% shareholding in Abdullah Abunayyan Trading Company, which in turn owns 30% of the Issuer's pre-offering shares. Mr. Rakan Abdullah Rashed Abunayyan will hold a post-offering indirect ownership of 1.669%, as a result of a 7.95% shareholding Abdullah Abunayyan Trading Company, which in turn will own 21% of the Issuer's post-offering shares.

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 shall assume the responsibility for supervising the Company's management. The Board shall bear the main responsibility before the Shareholders and shall work to achieve their interests through directing and controlling the Company's works and affairs. The Board shall act carefully and loyally when managing the Company. The Board of Directors shall be responsible for approving the general strategic approach of the Company and for laying the Company's general policy. The Board shall undertake such responsibility by supervising the Company's management. The Board may authorize committees, bodies, or individuals to exercise some of its powers. In all cases, the Board of Directors may not issue general or unlimited authorizations. Members of the Board of Directors shall be honest, diligent, and serious, at all times, when performing their duties in accordance with the laws governing the Company and shall act, at all times, in accordance with the Company-related policies.

With due consideration to the powers reserved for the General Assembly, the Board of Directors shall have the widest powers and authorities to manage the Company in accordance with the Company's bylaws and the Company's Corporate Governance Manual and shall have, more specifically, the following powers:

- Setting the Company's vision and values and ensuring the support and achievement thereof.
- Defining the business directions.
- Ensuring clarity of responsibilities and communications within the Company and controlling its activities.
- Creating a positive environment supporting the business constructive challenges.
- Reviewing the formation and performance of the Board of Directors and the succession plans on a regular basis.
- Appointing and removing, if necessary, the Chairman of the Board of Directors.
- Setting the main strategic plans as well as the required strategic objectives and results.
- Developing business plans and providing constructive challenges and ensuring the effectiveness thereof.
- Approving an annual work plan, revenue budgets and the financial strategic capital expenditures supporting the achievement of the Company's objectives.
- Establishing a framework for approving and reviewing the policies and plans periodically in order to achieve the required objectives.
- Ensuring the efficient and effective management of all assets and the proper use of capital in order to maintain the continuity and sustainability of the Company and its assets in the long run.
- Supervising the main capital expenditure and acquisition and liquidation operations.
- Defining the desired performance objectives and supervising the implementation thereof and the general performance of the Company.
- Periodically reviewing and approving the Company regulatory organizational and functional structures.
- Reviewing the application of risk management policies and procedures.
- Identifying the main risks threatening the Company's business and ensuring the application of proper systems to mitigate them, including the agreement on the Company's capacity to accept and face such risks.
- Participating in the review and assessment of strategic risks and receiving periodic reports on such risks and any new risks.
- Ensuring that a positive culture for managing opportunities and risks is adopted across the Company.

- Defining the policies, procedures and decisions relating to all matters that may result in major financial risks or any other risks materially threatening or affecting the Company.
- Establishing the ability to determine and understand the main risks faced by the Company in connection with the achievement of its objectives through its strategies and business plans in the form of strategic documents.
- Monitoring the conflict-of-interest policy applied by the Chairman of the Board of Directors, members of the Board of Directors, the Executive Management and the Shareholders, including any wrongdoing or misuse of the Company's assets resulting from transactions with Related Parties.
- Verifying the adequacy of the Company's financial and accounting systems, including systems for preparing financial reports.
- Ensuring that appropriate internal control systems for risks-management are applied, by defining the general concept of risks that may be faced by the Company and discussing the same transparently.
- Establishing a framework to delegate responsibilities and supervise the same while avoiding delegating responsibilities for unlimited periods or granting unlimited powers.
- Annually and periodically reviewing the effectiveness of the Company's internal control procedures.
- Annually reviewing the effectiveness of the Company's internal control procedures.
- Periodically reviewing and controlling performance with regard to plans, budgets, controls and decisions.
- Reviewing performance reports and considering the same in the light of clients and stakeholders' notes and comparing that with companies practicing activities similar to those of the Company.
- Ensuring the Company's compliance with all the relevant regulatory requirements.
- The Board shall review the periodic reports issued by the Board of Directors' committees, the Executive Management, the internal auditor, and the external auditors in order to evaluate their respective performance and correct any inconsistencies contained therein.
- Obtaining the performance information related to the evaluations by the stakeholders and comparing the same with companies similar to the Company.
- Devoting the necessary time for attending meetings and complying with that.
- Reviewing the relevant documents before meetings and evaluating the information provided by the Company's management.
- Effectively participating in the decision-making process.
- Continuously controlling, protecting, and promoting the Company's reputation.
- Establishing policies and procedures that guarantee compliance with the rules and regulations for the disclosure of information to shareholders, creditors, and other stakeholders.
- Monitoring the Company's governance management system consistently with the laws and regulations issued by the CMA and other regulatory bodies and corporations, stating the effectiveness thereof and amending the same, as necessary.
- Undertaking the necessary marketing for the Company in major occasions and other meetings.
- Continuously controlling, protecting, and promoting the Company's reputation.
- Appointing and removing the CEO and approving his salary, entitlements, and employment conditions.
- Ensuring the availability of appropriate policy and regulations for the appointment, development, retention, and remuneration of employees.
- Monitoring and managing any potential conflict of interest between the management, members of the Board of Directors and the Shareholders, including any misuse of the Company's assets or abuse of transactions with Related Parties.

- Establishing the policies relating to the evaluation by the Executive Management of the Company, and ensuring the approval and application of appropriate policies in connection with the evaluation of other employees by the Executive Management.
- Evaluating the general performance of employees and effectiveness of the Board of Directors, and taking decisions in respect of issues affecting the management of governance within the Company.
- Reviewing succession plans and administrative development program of the Executive Management.
- Ensuring integrity of the Company's accounting system and financial reports, including the independent review by an external auditor; approving appropriate control systems, particularly risk control systems and financial controls; and complying with the relevant laws and regulations.
- Supervising the disclosure process and announcement results.
- Discussing, approving, and verifying the accuracy of the Company's financial statements, before presenting the same before the Shareholders.
- The Board shall be authorized to investigate any issue flagged or noticed thereby
- Establishing the Board membership policies, standards, and procedures, and controlling and enforcing the same after approval by the General Assembly.
- Establishing a written policy with regard to the Company's stakeholders in order to safeguard their rights, which shall include, in particular, the following:
  - A mechanism for compensating stakeholders in case of prejudicing their legal rights under the relevant regulations and contractual relationships.
  - A mechanism for the settlement of disputes or complaints that may arise between the Company and the Shareholders.
  - Appropriate mechanisms for establishing strong relations with suppliers and customers and ensuring the confidentiality of their relevant information at the Company.
  - Establishing the principles of professional conduct for the Company's management and employees, in accordance with professional and behavioral standards, which should also define the guidelines for relationships with stakeholders. The Board of Directors shall also lay down an appropriate mechanism for monitoring the application of such principles and standards.

5.1.2.2 Chairman of the Board of Directors

Pursuant to article 24 of the Company's bylaws, the Board of Directors shall appoint from among its members a Chairman and a Vice Chairman. It shall not be permissible for a member to occupy jointly the office of the Chairman and any executive position in the Company. The Chairman shall have all the powers set forth under Article 24 of the Company's bylaws, including mainly 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 Governance Manual, the main responsibilities of the Chairman of the Board of Directors shall include the following:

- Leading the Board, ensuring that it assumes efficiently all its responsibilities and runs the Company's business.
- Ensuring participation by the Board of Directors in setting the Company's objectives, strategies and policies.
- Ensuring the availability of an adequate internal control system, to follow-up and achieve the Company's objectives and goals.
- Directing the discussions of the Board of Directors in order to effectively make use of time and handle the important and basic issues of the Company.
- Ensuring that the Board members are empowered and motivated to undertake their required role at meetings, so as to achieve the Company's interests.

- Ensuring that the Board members obtain complete, clear, accurate and non-misleading 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, by cooperating with the Nomination and Remuneration Committee.
- Monitoring the Company's Corporate Governance Manual.
- 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.
- Encouraging constructive relationships and effective participation between the Board and the Executive Management on the one hand, and the Executive, Non-Executive and Independent Directors on the other hand, and creating a culture that encourages constructive criticism.
- Preparing agendas of the Board meetings, taking into consideration any matters raised by Board members or the external auditor and consult with the Board members and the Chief Executive Officer upon preparing the Board's agenda.
- Convening periodic meetings with the Non-Executive Directors without the presence of any executive officers of the Company.
- 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 as per paragraph (14) of Article 28 of the CGRs and shall be accompanied by a special report of the Company's external auditor.
- Maintaining sufficient control in order to ensure recognition of the Chairman's authority make it possible to return the level of formalities, whenever required, to achieve some developments.
- Ensuring finalization of resolutions and discussions while drafting a reasonable official resolution including all conclusions.
- Supporting constructive relationships between the Board of Directors and Senior Executives on the one hand, and the Executive and Non-Executive Members of the Board, on the other.

5.1.2.3 Vice-Chairman

In the absence of the Chairman, the Vice-Chairman shall assume the duties of the Chairman of the Board of Directors and shall have the powers delegated to him in writing by the Chairman.

5.1.2.4 Board Secretary

The Board of Directors shall appoint a Secretary selected from among its members or from others, and shall determine his duties, powers and fees in the appointment resolution. The Secretary may be dismissed only pursuant to a Board resolution.

The responsibilities of the Secretary include the following:

- Ensuring that the procedures approved by the Board of Directors are followed and presenting them regularly.
- Following-up on the resolutions of the Board of Directors and preparing status reports to the Chairman and the CEO regarding any challenges encountered thereby.
- Providing the Chairman and the members of the Board of Directors with information about their responsibilities, and providing the members of the Board with an agenda, working papers, documents and information related thereto, and additional documents or information requested from the members related to the issues and topics on the agenda.
- Documenting Board meetings and preparing meeting minutes.
- Ensuring that the members promptly obtain a complete copy of the meeting minutes, as well as information and documents related to the Company.

- Coordinating between the members of the Board.
- Organizing the disclosure record of the Board and Executive Management.
- Ensuring the flow of information within the Board of Directors and between the Board of Directors and the Executive Management, and retaining the reports submitted to the Board and the reports prepared thereby.
- Notifying the Board members of the dates of the Board's meetings within sufficient time prior to the date specified for the meeting.
- Providing assistance and advice to the Board members.
- Performing other tasks as delegated by the Chairman.

5.1.2.5 Managing Director

The Managing Director (if appointed) shall enjoy the powers determined by the Board of Directors. He shall carry out the operations as directed by the Board of Directors.

5.1.3 Service Contracts Concluded with Members of the Board of Directors

The Company has entered into service contracts with two members of the Company's Board of Directors, which determine their duties and fees according to their qualifications and experience.

The table below shows the main details of the service contracts concluded with the members of the Board of Directors.

Table (5.3): Summary of Service Contracts Concluded with Members of the Company's Board of Directors

No.	Name	Position	Contract Start	Contract End
1-	Massimo Ambrosio	Board Member - Independent	03/03/2021G	03/03/2022G Renewed automatically
2-	Murad Ahmed AlKhatib	Board Member - Independent	03/03/2021G	03/03/2022G Renewed automatically

Source: Company

The remaining Board members (those not mentioned under Table 5-3 "**Summary of Service Contracts Concluded with Members of the Company's Board of Directors**" above) receive their remuneration in accordance with the provisions of the Company's bylaws, in a manner that does not conflict with the statutory controls issued in this regard. Board members have also been appointed pursuant to the resolutions of the General Assembly issued on the dates shown in Section 5.1.4 ("**Biographies of the Members and Secretary of the Board**") of this Prospectus. For more details, please refer to Section 5.4 ("**Remuneration of Directors and Senior Executives**") contained in this Section.

5.1.4 Biographies of the Members and Secretary of the Board

Overview of the experiences, qualifications, and current and previous positions of each member of the Board of Directors and the Secretary of the Board.

5.1.4.1 Tariq Mutlaq Abdullah AlMutlaq

Age:	60 years
Nationality:	Saudi
Current Position:	Chairman – Non-executive
Appointment Date:	31/12/2020G
Academic Qualifications:	BA Commerce from the American University in Washington in 1986G.
Current Positions:	• From 2015G, Vice Chairman and Managing Director of AlMutlaq Group, a closed joint stock company engaging in the field of industrial and commercial investment.

Current Memberships:	• Since 2007G, Chairman of AlMutlaq Real Estate Investment Company (AREIC), a limited liability company engaging in the field of construction and real estate and as an investor and real estate developer. • Since 2014G, Chairman of Daikin KSA, a limited liability company engaging in the industry field. • Since 2017G, Chairman of Galaxy Company, a limited liability company engaging in the field of plastic pallets industry. • Since 2016G, Chairman of Iplast Company, a limited liability company engaging in the manufacturing of metallic containers used for transporting and packaging commodities.
Previous Positions:	• From 2002 to 2008G, Chief investment of AlMutlaq Group, a closed joint stock company engaging in the field of industrial and commercial investment. • From 1996 to 2005G, CEO of Napco National Company, a closed joint stock company engaging in the field of plastic and paper packaging and distribution.
Previous Memberships:	• From 2009G to 2012G, Chairman of AlWaha Petrochemical company, a limited liability company engaging in the field of establishment, ownership, operation of a petrochemical complex and propylene and polypropylene production. • From 2007G to 2012G, Chairman of Shuaa Capital Saudi Arabia, a closed joint stock company engaging in the field of real estate asset management, investment fund and portfolio management licensed by CMA. • From 2014G to 2019G, Chairman of United Feed Manufacturing Company, a limited liability company engaging in the field of animal feed industry. • From 2019G to 2021G, Board Member of United Feed Manufacturing Company, a limited liability company engaging in the field of animal feed industry. • From 2006G to 2012G, Vice-Chairman of Arabia Insurance Company, a listed joint stock company, engaging in the field of insurance. • From 2016G to 2020G, Chairman of Ajyad Knowledge Company, a limited liability company engaging in the field of education and training. • From 2007G to 2020G, Board Member of Acwa Power Company, a listed joint stock company, engaging in the field of utilities. • From 2007G to 2014G, Board Member of AlSahara Petrochemical Company, a listed joints-stock company engaging in the field of chemical production. • From 2018G to 2020G, Board Member of Gas Industry Company for Industrial Services, a limited liability company engaged in the gas conversion industry. • From 2019G to 2020G, Vice-Chairman of Arabian Qudra Energy Company, a limited liability company engaging in the field of energy and gas conversion industry. • From 2015G to 2020G, Chairman of Gas Integrated Company Ltd, a limited liability company engaging in the field of providing operating and maintaining services in the gas field. • From 2016G to 2020G, Board Member of Jazan Gas Projects Company, a limited liability company engaging in the field of gas and energy conversion.

5.1.4.2 Abdullah Ahmed Sultan AlKenany

Age:	54 years
Nationality:	Saudi
Current Position:	Vice-Chairman – Non executive
Appointment Date:	31/12/2020G
Academic Qualifications:	• Master of Professional Accounting from the University of Miami, USA, 1990G • Bachelor of Accounting degree from King Abdulaziz University, KSA, 1986G
Current Positions:	• Since 2003G, CEO of Development at Al-Faisaliah Group, a closed joint stock company engaging in the field of dairy, electronics, games, healthcare and food products. • Since 2018G, President for Strategy & Development at Al-Faisaliah Group, a closed joint stock company engaging in the field of dairy, electronics, games, healthcare and food products.

Current Memberships:	• Since 2020G, Chairman of Tamkean Company, a closed joint stock company engaging in the human resource field. • Since 2019G, Chairman of Green Environment Company, a limited liability company engaging in the field of recycling management. • Since 2019G, Board member of Saudi Ikea Company, a closed joint stock company engaging in the field of designing and manufacturing home furniture and retail. • Since 2019G, Audit Committee Chief of Saudi Ikea Company, a closed joint stock company engaging in the field of designing and manufacturing home furniture and retail. • Since 2008G, Board member of Al-Mozaini Real Estate Developer Company, a closed joint stock company engaging in the field of real estate development. • Since 2008G, Audit Committee Chief of Al-Mozaini Real Estate Developer Company, a closed joint stock company engaging in the field of real estate development. • Since 2018G, Member of the Board of Directors of Accenture Saudi Limited Company, a limited liability company engaging in the field of consulting and professional services.
Previous Positions:	• From 2003G to 2020G, Governor for Strategy & Business Development in Al-Faisaliah Group, a closed joint stock company engaging in the field of dairy, electronics, games, healthcare and food products. • From 2003G to 2020G, Vice President for Mergers & Acquisition and Business Development in Al-Faisaliah Group, a closed joint stock company engaging in the field of dairy, electronics, games, healthcare and food products. • From 1997G to 2002G, Financial Controller at Al-Faisaliah Group, a closed joint stock company engaging in the field of dairy, electronics, games, healthcare and food products. • From 1997G to 2002G, Chairman of the Credit Committee in Al-Faisaliah Group, a closed joint stock company engaging in the field of dairy, electronics, games, healthcare and food products. • From 1993G to 1997G, Assistant Vice-President in The Saudi National Bank (previously known as Samba Bank), a joint stock company engaging in the banking field.
Previous Memberships:	• From 2014G to 2020G, Audit Committee Member in Pharma International Company, a Jordanian limited liability company engaging in the field of pharmaceutical industry. • From 2015G to 2018G, Member of the Board of Directors of Al Safi Danone Company, a limited liability company engaging in the field of dairy products. • From 2014G to 2018G, Chief of the Board of Directors of Al Safi Danone Company, an Iraqi limited liability company engaging in the field of dairy products. • From 2015G to 2018G, Board Member of Alfa Company for Operation Services, a limited liability company engaging in the field of food industry and restaurants operations. • From 2013G to 2015G, Board Member of MEFIC, a closed joint stock company engaging in the real estate field. • From 2013G to 2015G, Audit Committee Chief of MEFIC, a closed joint stock company engaging in the real estate field. • From 2008G to 2010G, Board Member of Azadea Group, a limited liability company engaging in the field of retail. • From 2002G to 2007G, Board Member of Ebttikar Technology, a limited liability company engaging in the field of information technology.

5.1.4.3 Essa Abdulla Ahmad Al-Ghurair

Age:	66 years
Nationality:	Emirati
Current Position:	Board Member – Non executive
Appointment Date:	31/12/2020G
Academic Qualifications:	• Bachelor's Degree in Business Administration from San Diego State University, USA, 1984G
Current Executive Positions:	N/A

Current Memberships:	• Since 2018G, Chairman of Awqaf and Minors Affairs Foundation (AMAF), a Dubai government department responsible for the legal supervision over the Awqaf (endowments), its care and investment. It manages and invests such money within the endowment terms. • Since 2014G, Chairman of Essa Al-Ghurair Investment L.L.C., a limited liability company engaging in the field of establishing and managing industrial, agricultural and commercial projects. • Since 2015G, Chairman of the Advisory Board of Tharawat Family Business Forum, a limited liability company engaging in the field of organizing and managing exhibitions, conventions and seminars. • Since 2018G, Board Member of Binladin Contracting Group, a limited liability company engaging in the field of contracting in UAE, and specialized in civil engineering and infrastructure development, public and recreational buildings, airports and electromechanical projects.
Previous Positions:	N/A
Previous Memberships:	• From 2015G to 2021G, Board Member of Dubai Chamber of Commerce and Industry, a non-profit public utility company engaging in the government sector and having a mission to represent, support and protect the interests of Dubai's business community by creating a business-driven environment.

5.1.4.4 Yazeed Abdullah Abdulaziz AlOthman

Age:	41 years
Nationality:	Saudi
Current Position:	Board Member - Independent
Appointment Date:	31/12/2020G
Academic Qualifications:	• Mechanical Engineering Technology Degree from Yanbu Industrial College, Yanbu, KSA, 2002G
Current Positions:	• Since 2022G, CEO of Alansoon Trading Company, a closed joint stock company, that provides many integrated solutions engaging in the field of security, safety and the solar energy sector.
Current Memberships:	• Since 2020G, Board member of Rabi AlMarifah for Trading Co., a limited liability company engaging in the field of travel and tourism agencies.
Previous Positions:	• In 2022G, Advisor of Emdad Al Khebrat Ltd. (assigned as a consultant to the Ministry of Environment, Water and Agriculture), a limited liability company engaging in the field of recruitment to provide human resources to its projects. • From 2019G to 2020G, CEO of Al Khumasia for Feed and Animal Products, a closed joint stock company engaging in the field of feed and animal production. • From 2014G to 2019G, General Manager of Al Khumasia for Feed and Animal Products, a limited liability company engaging in the field of feed and animal production. • From 2012G to 2014G, Deputy General Manager of Feed Affairs at Al Khumasia for Feed and Animal Products Company, a limited liability company engaging in the field of feed and animal production. • From 2010G to 2012G, Head of Administrative Development and Training Department at the Grain Silos and Flour Mills Organization (GSFMO), a government entity engaging in the field of flour mills and feed production.
Previous Memberships:	• From 2016G to 2017G, member of the Poultry Producers Committee at the Riyadh Chamber of Commerce. • From 2019G to 2020G, member of the National Committee for Feed Manufacturers in the Federation of Saudi Chambers. • From 2020G to 2022G, Board member of Al-Raha Al-Safi Food Company, a limited liability company engaging in the field of food industry. • From 2018G to 2020G, Board member of Al Khomasia Food Production Company, a limited liability company engaging in the field of meat production. • From 2016G to 2020G, Board member of Agricultural Gulf Layers Breeder Company (GLBCO), a limited liability company engaging in the field of poultry production. • From 2016G to 2020G, Board member of Tirhal, a limited liability company engaging in the transport field.

5.1.4.5 Rakan Abdullah Rashid Abunayyan

Age:	43 years
Nationality:	Saudi
Current Position:	Board Member – Non executive
Appointment Date:	31/12/2020G
Academic Qualifications:	• Master of Science in Finance from the University of Illinois Urbana-Champaign, 2005G • Bachelor's degree in accounting from King Saud University, KSA, 2001G • Fellowship Certificate from Certified Public Accountant (California Board of Accountancy) in the American Institute of Certified Public Accountants, USA, 2006G
Current Positions:	• Since 2015G, CEO of the Investment Sector of Abdullah Abunayyan Investment Holding Company, a limited liability company engaging in the field of investing the funds of holding companies' subsidiaries.
Current Memberships:	• Since 2022G, Chairman of Alistithmar for Financial Securities and Brokerage Company (Alistithmar Capital), a closed joint stock company engaging in the field of investment. • Since 2019G, Board member of Unigaz Arabia Company, a limited liability company implementing, maintaining and operating mechanical works and implementing central gas systems networks. • Since 2018G, Chairman of the Mediterranean and Gulf Insurance and Reinsurance (Medgulf), a listed joint stock company engaging in the field of insurance. • Since 2015G, Board member of Venture Capital Company, a limited liability company engaging in the field of managing and leasing (non-residential) owned or rented properties. • Since 2015G, Board member of Abdullah Abunayyan Trading Company, a limited liability company engaging in the field of trading, contracting, and manufacturing. • Since 2015G, Board member of Abdullah Abunayyan Electric Company, a limited liability company engaging in the field of electrical works contracting. • Since 2015G, Board member of Jobar International Contracting Company, a limited liability company engaging in the contracting field for the establishment, maintenance and operation of pumping and purification plants. • Since 2012G, Board member of Electronic & Electrical Industries Company, a limited liability company engaging in the field of manufacturing of prefabricated buildings, generators and electric motors. • Since 2012G, Board member of WETICO, a limited liability company engaging in the field of soap industry, industrial detergents and cosmetics industry. • Since 2011G, Board member of Middle East Agriculture Company, a limited liability company engaging in implementation, establishment, and maintenance of water projects and irrigation systems and landscaping and planting gardens and parks. • Since 2011G, Board member of Saudi Meters Company, a limited liability company engaging in the field of complete and semi-completed meter products industry and electrical, gas and water meter industry. • Since 2011G, Board member of Industrial Instrumentation & Control Systems Company, a limited liability company engaging in the manufacture of locks, fabrication of keys, and manufacture of mechanical shovels. • Since 2011G, Board member of Arabian Qudra Company, a limited liability company engaging in the establishment, maintenance and repair of stations of sewerage projects, sewage systems, pumps and installing solar power grids • Since 2011G, Board member of Abdullah Abunayyan Investment Holding Company, a limited liability company engaging in the field of Investing subsidiaries funds for holding companies.
Previous Positions:	NA
Previous Memberships:	• From 2021G to 2022G, Board member of American Express Saudi Company, a closed joint stock company engaging in the field of banking services. • From 2021G to 2022G, Board member of Al-Raha Al-Safi Food Company, a limited liability company engaging in the field of cultivation of grains, food crops and packaging and milling of barley and corn. • From 2019G to 2022G, Board member of Ashmore Investment Saudi Arabia Company, a closed joint stock company engaging in the field of assets management. • From 2012G to 2017G, Board member of Vision Invest Company, a holding company engaging in the field of energy, water, manufacturing, services, construction, contracting, transportation and real estate development.

5.1.4.6 Massimo Ambrosio

Age:	60 years
Nationality:	Italian
Current Position:	Board Member - Independent
Appointment Date:	21/03/2021G
Academic Qualifications:	• Bachelor's degree in Business Administration in International Finance from Georgetown University, USA, 1985G.
Current Positions:	NA
Current Memberships:	NA
Previous Positions:	NA
Previous Memberships:	• From 2006G to 2021G. Board member of Italgrani, a limited liability company engaging in the semolina and wheat flour sector.

5.1.4.7 Murad Ahmed AlKhatib

Age:	49 years
Nationality:	Canadian
Current Position:	Board Member - Independent
Appointment Date:	21/03/2021G
Academic Qualifications:	• Bachelor's degree in Commerce from the University of Saskatchewan, Canada, 1994G. • Master's degree in International Management from the Thunderbird School of Global Management at Arizona State University, USA, 1995G. • Honorary doctorate of laws from the University of Regina, Canada, 2018G.
Current Positions:	• Since 2001G, CEO in AGT Food and Ingredients, a closed joint stock company engaging in activities relating to mills, retail, packaged foods, value-added agricultural processing, and distribution. • Since 2004G, Chairman of the Canadian Special Crops Association, an industrial association of agricultural manufacturers and processors, operating in the agricultural sector.
Current Memberships:	• Since 2004G, Board member of Canadian Special Crops Association, an industrial association of agricultural manufacturers and processors, operating in the agricultural sector. • Since 2019G, Board member of the Protein Industries Canada, an industrial association for agronomists and processors, engaging in the management of innovation, research and development funds for Canadian agricultural companies and plant-based manufacturing.
Previous Positions:	• From 1995G to 2001G, Senior Manager of Saskatchewan Trade & Export Partnership (STEP), a government company engaging in the sectors of international trade and the development of export markets. • From 2016G to 2021G, Chairman of the Board of Canada's Strategic National Agriculture Service, a government initiative to advise the Government of Canada on devising national agricultural development strategies.
Previous Memberships:	• From 2016G to 2021G, Chairman of the Board of Canada's Strategic National Agriculture Service, a government initiative to advise the Government of Canada on devising national agricultural development strategies.

5.1.4.8 Nawaf Shunbur Ibrahim AlHasani

Age:	31 years
Nationality:	Saudi
Current Position:	Secretary of the Board of Directors
Appointment Date:	20/02/2023G
Academic Qualifications:	• Master's degree in Comparative Law from Levin College of Law at the University of Florida, the United States of America, 2017G. • Bachelor's degree in Law from King Abdulaziz University, Saudi Arabia, 2013G.
Current Positions:	NA
Current Memberships:	NA
Previous Positions:	• From 2022G to 2023G, Secretary of the Board of Directors of Nahdi Medical Company, a listed joint stock company, operating in the retail sector. • From 2021G to 2022G, Secretary of the Board of Directors of Jeddah Althaniya Water Company, a closed joint stock company, operating in water and electricity services sector.
Previous Memberships:	NA

5.2 Board Committees[18]

The Board of Directors shall form committees in order to better run the Company. Each Committee shall have its own charter which determines the Committee's roles, responsibilities, and powers. The Committees shall periodically hold meetings for the purpose of carrying out the tasks entrusted thereto. These Committees comprise the Nomination and Remuneration Committee, the Transformation Committee, the Optimization Committee and the Audit Committee formed by the Company General Assembly.

The following is a summary of the structure, responsibilities and current members of each permanent Committee:

5.2.1 Nomination and Remuneration Committee

The main function of the Nomination and Remuneration Committee is to determine the policies and procedures related to the nomination of the Board's, its Committees, and the Executive Team's members, and to determine the policies and procedures related to their remunerations. The amended Charter of the Nominations and Remuneration Committee was approved by the General Assembly on 10/03/1444H (corresponding to 06/10/2022G). The Committee's scope of work includes all duties designed to enable it to fulfil its functions, including:

- Suggesting clear policies and standards for membership on the Board and its committees.
- Setting procedures to be followed if the position of a member of the Board becomes vacant.
- Supporting the Board of Directors in filling vacant positions on the Company's Board of Directors or Committees including the CEO position. The Nomination and Remuneration Committee shall follow sound nomination practices to improve the quality of recruitment.
- Supervising the appointment, performance assessment and dismissal of Senior Executives.
- Ensuring that an effective business model and an effective and high-level organizational structure are in place.

18 The Issuer hereby acknowledges and undertakes to update the Bylaws, Corporate Governance Manual, Nomination and Remuneration Committee Charter, and Audit Committee Charter to reflect the latest amendments effected to the Companies Law, Corporate Governance Regulations, and relevant laws and regulations, at the first General Assembly following the Company's listing on the Exchange, given that the current charters of the Nominations and Remuneration Committee and the Audit Committee do not comply with the amended Corporate Governance Regulations (for more information, please refer to Section 16 ("**Company Post-Listing Undertakings**").

- Overseeing the development of succession plans for the Board and Executive Management; setting clear plans and studying the challenges and risks associated therewith while taking into consideration the candidates' skills, knowledge, experience, independence, and background diversity. The succession planning program shall be studied at least annually, and reports thereon shall be submitted to the Board of Directors.
- Preparing a description of the qualifications required for membership of the Board positions and determining the amount of time that the member must allocate to the activities of the Board.
- Determining the expected roles to be discharged by the Board Committees and Directors.
- The Committee shall maintain a record of the skills and qualifications of each member of the Board of Directors and Board Committees that will qualify them for such roles in order to ensure their ability to fulfil the responsibilities and tasks assigned thereto.
- Reviewing the structure of the Board and the Executive Management and providing recommendations regarding changes that may be made to such structure;
- Providing an assessment tool that enables the Chairman of the Board of Directors to annually evaluate the performance of the Board members, according to a set of skills required for such members.
- Drawing clear policies regarding the remunerations of the Board members, Board Committees' members and Senior Executives (CEO, Deputy CEO, Chief Financial Officer and Chief Operating Officer) and submitting the same to the Board for approval and signature.
- Reviewing the Remuneration Policy and comparing it with the remuneration policies adopted by other similar companies. The Committee may seek the expertise of an external consultant to ensure that appropriate remuneration plans are in place. The Committee shall also seek to attract, motivate, reward and retain Directors of high integrity and superior ability, who are focused on enhancing long-term Shareholder value.
- Reviewing and clarifying the relation between remunerations being paid and the applicable remuneration policy, and highlighting any material deviation from that policy. Board approval is required for any exceptions in that regard.
- Providing recommendations to the Board in respect of the remuneration of its members, the Committee' Members and Executive Management in accordance with the approved policy.
- Periodically reviewing the grades and salary ranges adopted by the Company to ensure that internal and external property rights are preserved at all times.

Recommending to the Board of Directors the total amounts and total annual cash rewards, the employee stock options, and the proportions of their allocation and distribution among the Company's employees and Executive Management.

Determining a balanced and appropriate ratio between fixed, performance-related, immediate and future bonuses.

The Nominations and Remunerations 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 three (3) years.

Subject to the conditions to be met by the Members of the Nomination and Remuneration Committee, the Board of Directors shall appoint Committee Members for a period of three (3) years. The Board of Directors shall take the necessary measures to enable the Committee to carry out the tasks entrusted thereto, including informing the Committee, without any restrictions, of all data, information, reports, records, correspondences, or other matters that the Committee deems important to have access to.

The following Members were appointed to the Nomination and Remuneration Committee pursuant to Board Resolutions dated 28/05/1442H (corresponding to 12/01/2021G), 28/06/1442H (corresponding to 10/02/2021G) and 14/03/1444H (corresponding to 10/10/2022G).

Table (5.4): Nomination and Remuneration Committee Members

	Name	Position
1	Massimo Ambrosio	Chairman of the Committee
2	Abdullah Ahmed Sultan AlKenany	Member
3	Rakan Abdullah Rashed Abunayan	Member
4	Ahmed Nasr Hasan Al-Homoud	Member
5	Ahmad Misfer Saleh Al Ghamdi	Member

Source: Company

The following is a brief overview of the Members of Nomination and Remuneration Committee:

5.2.1.1 Massimo Ambrosio

Please refer to Section 5.1.4.6 for further details regarding the experience, and current and previous positions of Massimo Ambrosio.

5.2.1.2 Abdullah Ahmed Sultan AlKenany

Please refer to Section 5.1.4.2 for further details regarding the experience, and current and previous positions of Abdullah Ahmed Sultan AlKenany.

5.2.1.3 Rakan Abdullah Rashed Abunayyan

Please refer to Section 5.1.4.5 for further details regarding the experience, and current and previous positions of Rakan Abdullah Rashed Abunayyan.

5.2.1.4 Ahmed Nasr Hasan Al-Homoud

Age:	52 years
Nationality:	Saudi
Current Position:	Member of the Nominations and Remunerations Committee
Appointment Date:	12/01/2021G
Academic Qualifications:	• Bachelor of Sciences degree - Science Mechanical Engineering from King Fahd University of Petroleum & Minerals, KSA, 1990G.
Current Positions:	• Since 2020G, Chief HR Officer, Roshn Company, a closed joint stock company engaging in the real estate development field.
Current Memberships:	• Since 2020G, Chairman of the Nominations and Remunerations Committee, Al Mutlaq Group, a closed joint stock company engaging in the furniture trade, manufacture and retail field. • Since 2021G, Chairman of the Nominations and Remunerations Committee, National Real Estate Registration Service Company, a closed joint stock company engaging in the information technology field and the organization and development of local real estate field. • Since 2022G, Board Member of the Nominations and Remunerations Committee, Makkah Healthcare Cluster, a government entity engaging in the healthcare field.

Previous Positions:	• From 2018G to 2020G, Chief HR Officer, United Electronics Co. (eXtra), a listed joint stock company engaging in the retail of consumer electronics field. • From 2013G to 2018G, Chief HR Officer, Emaar Economic City, a listed joint stock company engaging in the real estate management and development field. • From 2010G to 2012G, HR Director, General Electric, a joint stock company listed in the US Market engaging in the exploration, production, liquefied natural gas, storage, industrial pipelines, power generation, oil refineries and petrochemicals field. • From 2006G to 2010G, HR Director, Madar Holding UAE, a holding company engaging in the supply of metals, wood, cable accessories and electrical wires field. • From 2003G to 2005G, HR Group Manager – Procter & Gamble (P&G), a joint stock company listed in the US Market engaging in the consumer goods industry field.
Previous Memberships:	N/A

5.2.1.5 Ahmad Misfer Saleh Al Ghamdi

Age:	43 years
Nationality:	Saudi
Current Position:	Member of the Nominations and Remunerations Committee
Appointment Date:	10/02/2021G
Academic Qualifications:	• Master of Business Administration (MBA) from Hull University, UK, 2009G. • Bachelor of Industrial Engineering from King Fahd University of Petroleum & Minerals, KSA, 2004G.
Current Positions:	• Since 2022G, Executive Officer of the HR Unit, Saudi Telecommunication Company (STC), a listed joint stock company engaging in the telecommunication services field.
Current Memberships:	• Since 2022G, Member of the Nominations and Remunerations Committee, ACWA POWER, a listed joint stock company engaging in the public utilities field. • Since 2021G, Member of the Nominations and Remunerations Committee, GOSI, a government entity engaging in the implementation of social insurance law, its branches and executive regulations, and the civil and military retirement laws in the Kingdom of Saudi Arabia. • Since 2016G, Chairman of the Board of Directors, CCC by STC, a closed joint stock company engaging in field of providing services to public and private sector. • Since 2016G, Chairman of the Nominations and Remunerations Committee, CCC by STC, a closed joint stock company engaging in field of providing services to public and private sector. • Since 2020G, Executive Committee Member, Channels by STC, a limited liability company engaging in the retail field. • Since 2020G, Member of the Nominations and Remunerations Committee, ECZA, a government entity engaging in the organization of regions and cities economic businesses field. • Since 2020G, Member of the Nominations and Remunerations Committee, SPIMACO Addwaeih, a listed joint stock company engaging in the pharmaceutical industry and medical supplies field. • Since 2019G, Member of the Nominations and Remunerations Committee, t Saudi Arabian Military Industries (SAMI), a limited liability company engaging in the development and support of defense industries field.
Previous Positions:	• From 2016G to 2022G, HR Vise-President, STC, a listed joint stock company engaging in the telecommunications field. • From 2014G to 2017G, HR Planning General Manager, STC, a listed joint stock company engaging in the telecommunications field. • From 2011G to 2014G, Senior Associate, Mercer Consulting, a limited liability company engaging in the field of providing consultations and solutions in human recourses. • From 2008G to 2011G, HR Head, NUPCO, a limited liability company engaging in the unification of supply chain activities in the public healthcare field. • From 2005G to 2008G, Recruitment Manager, Al Safi Danone, a limited liability company engaging in the dairy products field. • From 2004G to 2005G, HR Officer, NAS Holding, a holding company engaging in economic aviation and jet aircraft field.
Previous Memberships:	N/A

5.2.2 Audit Committee

Ensuring that an effective internal control system is in place is one of the responsibilities entrusted to the Board of Directors. The main task of the Audit Committee is to 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 reduction plans before presenting the same to the Board of Directors. The Committee is responsible for ensuring compliance with the Company's Corporate Governance Regulations and Practices issued by the CMA and the Company's Corporate Governance Manual and Policy. The amended Charter of the Audit Committee was approved by the General Assembly on 10/03/1444H (corresponding to 06/10/2022G). The scope of the Committee's work shall include all actions that enable it to fulfil its functions, including:

- With the Company's Management and internal and external auditors, review the Company's general policies and procedures to reasonably assure the adequacy of financial accounting principles and practices applied by the Company.
- Review and consider the effectiveness of the Company's internal control and financial systems, including information technology security and control.
- Monitor and oversee the performance and activities of the internal auditor and the internal audit department in the Company to ensure the availability of the necessary resources and their effectiveness in performing the tasks assigned to them.
- Review and comment on significant additions or changes to existing policies and procedures adopted by the Management.
- Review and analyze the internal controls system and prepare a report about the adequacy of the Company's internal controls 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.
- On an annual basis, the Audit Committee shall recommend to the Board the appointment, dismissal, and remuneration of the Company's external auditors as well as report its independence and any other relevant matter.
- Review and confirm the independence of external auditors by obtaining statements from the external auditors on relationships between the external auditors and the Company, including non-audit services, and discussing the relationships with the external auditors.
- Review external auditors reports; work with and support the external auditors where practicable and provide an alternative communication link between the external auditors and the Board as and when needed; and review the actions taken in relation to what the external auditors report included.
- Oversee the arrangements for the completion of the year-end financial statements and compare them with the financial audit plan of the external auditor (proposed audit scope and approach) including coordination of the financial statements' audit effort with the internal auditor.
- Review with the external auditors the audited financial statements covering the audit approach and accounting adjustments and recommend for improving the internal controls and any other significant audit findings to the Board.
- Examine the adopted accounting policies and provide opinions and recommendations to the Board.
- Annually review and evaluate the external auditor's qualifications, performance, independence, objectivity, fairness, and effectiveness of the annual audit activities 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. The Audit Committee shall assure the regular rotation of the external auditor as required under applicable laws and shall consider the regular rotation of the lead audit partner to assure continuing auditor independence that should be present.

- Review the terms and specifications and the remuneration and provide feedback regarding any special audit / consultancy assignment performed by the external auditors.
- On a regular basis, meet with the external auditors to discuss specific matters in private or to discuss any other matters that the auditors deem necessary to discuss in private and in a confidential manner.
- Respond to the queries of the Company's external auditor.
- Review and monitor the external auditor's comments on the financial statements and monitor the actions taken regarding them.
- Review the interim and annual financial statements prior to presenting them to the Board of Directors; and to give opinions and recommendations with respect thereto. In addition, study any significant and extraordinary matter included in the financial statements.
- Review with Management and the external auditor the effect of regulatory and accounting initiatives on First Milling' financial statements.
- Review and check the accounting predictions in significant and material matters mentioned in the financial statements.
- Regularly report 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.
- Ensure that First Milling formally sets the purpose, authority, and responsibility of the Internal Audit Department to provide and preview the ongoing assessments of the Company's operations and internal controls system in coordination with the Executive Management and Audit Committee.
- Study and review First Milling' internal controls system and prepare a written report on its opinion regarding the adequacy thereof and other activities that it conducted within its competence. The Board shall make available sufficient copies of said report at First Milling' Head Office at least 21 days prior to date set for the General Assembly meeting, in order to provide each Shareholder with a copy of said report, which shall be read during the Assembly.
- Recommend to the Board the annual compensation, performance appraisal and salary adjustment of the Chief Audit Executive in line with the Company's compensation and benefits policy.
- Recommend to the Chairman of the Board to appoint and dismiss the Chief Audit Executive.
- Oversee the Internal Audit Department and review its charter, scope, efficiency, independence, objectivity, performance, and work plan. Review with the chief audit executive the results of the internal audit on a quarterly basis, or as deemed necessary, and view periodical and annual internal audit reports.
- Review the summary of all internal audit reports; including Management replies and comments, and the exceptions noted; and pursue the implementation of corrective measures and procedures.
- Supervise the Company's Internal Audit Department to ensure its effectiveness in executing the activities and duties specified by the Board of Directors.
- Have the final authority to review and approve the annual audit plan and all major changes to the plan.
- Review and concur on the appointment, replacement, or dismissal of the Chief Audit Executive, and ensure there are no unjustified restrictions or limitations.
- At least once per year, review the performance of the internal auditor and concur on the annual compensation and salary adjustment, if required.
- Review 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 separately with the head of the Audit Department to discuss any matters that should be discussed privately.
- The head of the Audit Department shall submit to the Board an annual report that includes the views of the Audit Committee.
- Study and review the internal controls, financial, and risk management systems of the Company.

- Review the effectiveness of the internal controls system for monitoring and extent of compliance with laws and regulations, and the results of investigating and following-up (including any disciplinary action) on any instances of non-compliance.
- Review the findings of any examinations done by regulatory authorities and any auditor observations, and verify that the Company has taken the necessary measures in this regard.
- Review the process for communicating and publishing the Code of Business Conduct to Company personnel, and for monitoring compliance therewith.
- Ensure First Milling' compliance with relevant laws, regulations, policies, and instructions and report to the Board any issues in connection with what it deems necessary to take action on and providing recommendations as to the steps that should be taken.
- Review the contracts and proposed Related Party transactions and provide its recommendations to the Board in connection therewith.
- Obtain regular updates from Management and the Company's general counsel/advisor regarding compliance matters.
- Raise issues to the Board of Directors where action is deemed necessary, and make recommendations for the actions to be taken.
- Periodically report to the Board.
- Prepare and publish its annual report to the Board of Directors and the General Assembly of Shareholders, as well as other reports required under relevant laws and regulations
- Examine the effectiveness or weaknesses of the Company's cybersecurity controls and system.
- Consider 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.
- Examine the status and adequacy of management information systems and other information technologies.
- Review 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.
- Oversee the Company's risk management framework.
- Support the Board in setting up and monitoring Key Risk Indicators (referred to as "KRIs") and related threshold levels and regularly review them in light of the Company's risk tolerance.
- Ensure the adoption of a written and comprehensive strategy, policies and procedures for risk management commensurate with the size of the Company's activities, its complexity, structure, business model and risks to which it is exposed, and verify the implementation thereof.
- Ensure that the Company's risk management framework is assessed and reviewed annually or as needed, to ensure that risk management practices, design and outputs are up-to-date and reflect the reality of the Company.
- Establish an organizational structure for risk management, delegate responsibilities, update them when needed and submit recommendations regarding the same and present them to the Board for approval.
- Ensure the availability of adequate risk management resources and systems.
- Verify the independence of the risk management team from activities that may expose the Company to risk.
- Develop a common language for dealing with risks to ensure that all Stakeholders in the company have an understanding of the common terminology related to risks.
- Ensure continuous communication with all the Company's Stakeholders and conduct a critical assessment of the Company's business strategies and plans from a risk perspective.
- Oversee the implementation and periodical review of risk management processes and ensure the effectiveness of procedures used by the Company to identify, analyze, evaluate and treat risks.

- Review the Company's business continuity plan.
- Provide administrative oversight of all prudential reviews and follow-up on any administrative procedures required within the relevant areas of business, as well as ensure that there is room for a more comprehensive and broader analysis of future risks, taking into account trends.
- Prepare regular reports to the Board on the activities of the Audit Committee and related matters and recommendations.
- Prepare and present an annual report to Shareholders that includes the structure and responsibilities of the Committee and any other information required, including its approval of services outside the scope of reviewing the financial statements.
- Assess the matters that fall within its purview or those referred thereto by the Board and communicate its recommendations to the Board to issue decisions in connection therewith. The Audit Committee shall take decisions in regard to these matters if delegated by the Board, with the Board held liable for said decisions.
- Refer significant and emerging Risks to the Board for consideration as appropriate.
- Prepare detailed reports on the exposure to Risks and the recommended measures to manage such risks and present them to the Board.
- Review any other reports issued by the Company related to the Committee's responsibilities.
- Perform other related activities as requested by the Board.
- Follow-up on material, financial, ethical, or legal violations; and any serious violations of the Company's policies, regulatory provisions, or Code of Ethics violations, as highlighted by the internal auditor or any other employee.
- Oversee and direct any special investigations, as needed, concerning matters relating to the Company's financial statements, internal controls, compliance with laws or business ethics.
- Review with Management and the external auditors, all significant issues within the scope of the Committee's Charter, including any changes in accounting principles, prior to any decision being reached on reporting and practices to be followed by the Company, and report thereon to the Board.
- Annually review and evaluate the adequacy of the Audit Committee's Charter and request the recommendation of the Board of Directors to facilitate its General Assembly approval of proposed changes and ensure appropriate disclosure as required under laws or regulations.
- Review with Management the status of zakat returns and tax issues.
- Review the Company's interim and annual financial statements, including the impact of any unusual items.
- Confirm annually that all responsibilities outlined in this Charter have been carried out.
- Evaluate the Audit Committee's and its members' performance on a regular basis.
- The Audit Committee has the power to appoint an independent lawyer and other advisors as it deems necessary to perform its duties.
- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, including procedures for the submission by Company employees of concerns regarding questionable accounting, auditing, or any other matters.
- The Audit Committee shall always be available to receive suggestions, questions or recommendations from the external auditors, internal auditor, and Executive Management.
- At the request of the Board of Directors, provide opinion as to whether the Board of Directors' report and financial statements are fair, balanced, and understandable and include information that allow shareholders and investors to evaluate the Company's financial position, performance, business model and strategy.
- Investigate any issues raised by the Company's CFO or whomever assumed the duties thereof, or the Company's compliance officer, or external auditor, etc.

The Audit Committee shall consist of at least three (3) and at most five (5) non-executive Board members to be appointed by the Ordinary General Assembly for a period of three (3) years, provided that the Committee shall include at least one (1) independent member and a competent member in financial and accounting affairs.

Subject to the requirements to be met by members of the Audit Committee, the Committee shall be formed pursuant to a resolution passed by the Ordinary General Assembly for a period of three (3) years. The Board shall take the necessary measures to enable the Committee to carry out its functions, including informing the Committee, without any restrictions, of all data, information, reports, records, correspondences or other matters which the Committee deems necessary.

The following members were appointed to the Audit Committee during the meetings of the Extraordinary General Assembly held on 08/08/1442H (corresponding to 21/03/2021G) and 10/03/1444H (corresponding to 06/10/2022G)*.

Table (5.5): Audit Committee Members

Number	Name	Position
1	Abdulrahman Sulaiman Hammoud Al-Tariqi	Chairman of the Audit Committee
2	Bassem Muhammad Bandari Hussein	Member
3	Muhammad Abdullah Saleh Al-Wabel	Member
4	Murad Ahmed AlKhatib	Member

Source: the Company

* On 06/03/2023G, Muhammad Abdullah Saleh Al-Wabel was appointed as a member of the Audit Committee, to replace a former member who resigned and to complete the term of his predecessor for the current cycle of the Audit Committee, which expires on 20/03/2024G.

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

5.2.2.1 Abdulrahman Sulaiman Hammoud Al-Tariqi

Age:	60 years
Nationality:	Saudi
Current Position:	Chairman of the Audit Committee
Appointment Date:	21/03/2021G
Academic Qualifications:	• Bachelor's Degree in Industrial Engineering from King Saud University, KSA, 1986G. • Bachelor's Degree in Industrial Management from the University of Missouri, USA, 1994G. • Master's Degree in Industrial Systems Engineering from the University of Michigan, USA, 1990G. • PhD in Industrial Management from the University of Missouri, USA, 1997G.
Current Executive Positions:	N/A

Current Memberships:	• Since 2021G, Member of the Nomination and Remuneration Committee at SACO, a listed joint stock company operating in the retail sector of luxury goods. • Since 2021G, Member of the Nomination and Remuneration Committee of El-Ajou Group, a closed joint stock company operating in the sector of integrated business solutions; furniture solutions; and space and storage solutions. • Since 2015G, Member of the Board of Directors of Dr. Sulaiman Al-Habib Medical Group, a listed joint stock company operating in the healthcare services sector. • Since 2015G, Chairman of the Audit Committee at Dr. Sulaiman Al-Habib Medical Group, a listed joint stock company operating in the healthcare services sector. • Since 2013G, Member of the Audit and Risk Committee of Almarai, a listed joint stock company operating in the food industry. • Since 2021G, Member of the Nomination and Remuneration Committee of the Cultural Development Fund (CDF), a development fund that is organizationally linked to the National Development Fund, and operating in the field of cultural sector development. • Since 2018G, Member of the Nomination and Remuneration Committee of the Arabian Agricultural Services Company (ARASCO), a closed joint stock company operating in the food production sector. • Since 2018G, Chairman of the Nomination and Remuneration Committee of the Saudi Investment Recycling Company (SIRC), a limited liability company operating in the investment and recycling management sector. • Since 2017G, Member of the Audit Committee at King Abdullah University of Science and Technology (KAUST), an educational institution operating in the field of research and post-graduate studies. • Since 2015G, Member of the Audit and Risk Committee of the Agricultural Development Fund, a governmental entity operating in the agricultural financing sector.
Previous Executive Positions:	• From 2015G to 2020G, Advisor to His Excellency, the Minister of Environment, Water, and Agriculture, a governmental body operating in the environment, water and agriculture sector. • From 2004G to 2018G, Secretary of the Board of Directors of Almarai, a listed joint stock company operating in the food industry. • From 2007G to 2010G, General Manager of the Support Services Department at Almarai, a listed joint stock company operating in the food industry. • From 2004G to 2007G, General Manager of HR Department at Almarai, a listed joint stock company operating in the food industry.
Previous Memberships:	• From 2009G to 2020G, Chairman of the Board of Directors of the General Authority of Meteorology and Environmental Protection, a governmental entity operating in the environmental protection sector. • From 2016G to 2018G, Member of the Audit Committee of the Arabian Agricultural Services Company (ARASCO), a closed joint stock company operating in the food production sector. • From 2015G to 2018G, Member of the Audit Committee of the Saudi Electricity Company (SEC), a listed joint stock company operating in the electricity production, transmission and distribution sector. • From 2016G to 2018G, Member of the Board of Directors of Almarai, a listed joint stock company operating in the agricultural, dairy products and food distribution sectors.

5.2.2.2 Bassem Muhammad Bandari Hussein

Age:	52 years
Nationality:	Egyptian
Current Position:	Member of the Audit Committee
Appointment Date:	21/03/2021G
Academic Qualifications:	• Bachelor's Degree in Commerce from Zagazig University, Egypt, 1991G. • Chartered Certified Accountant from the Ministry of Finance in Egypt, 1997G, and a fellow of the Egyptian Society of Accountants & Auditors.

Current Executive Positions:	• Since 2018G, Chief Operating Officer at Al Faisaliah Group (AFG), a closed joint-stock investment company whose investments are concentrated in KSA and Middle East. AFG companies operate in the dairy and retail sectors; the retail sector for electronic devices and games; the production and distribution of medicines; healthcare-related projects and services; the restaurant sector; venture capital companies, in addition to local partnerships in the services and real estate development sectors, and joint venture companies with international companies operating in the fields of technology, consultancy, and medical laboratories, since 2017G.
Current Memberships:	• Since 2018G, Chairman of the Audit Committee of Al Safi Danone, a limited liability company operating in the dairy products, retail trade and farm operation sectors. • Since 2021G, Member of the Board of Directors of the Arabian International Healthcare Holding Co.(Tibbiyah), a listed joint stock company operating in the healthcare sector, handling turnkey projects and providing integrated healthcare solutions in the fields of medical equipment, medical consumables, specialized clinics and laboratories. • Since 2021G, Chairman of the Audit Committee of the Arabian International Healthcare Holding co.(Tibbiyah), a listed joint stock company operating in the healthcare sector, handling turnkey projects and providing integrated healthcare solutions in the fields of medical equipment, medical consumables, specialized clinics and laboratories. • Since 2019G, Member of the Board of Directors of Xantia Cayman Holdings Limited, a limited liability company operating in the production and distribution of medicines across the Middle East. • Since 2019G, Chairman of the Audit Committee of Xantia Cayman Holdings Limited, a limited liability company operating in the production and distribution of medicines across the Middle East. • Since 2020G, Member of the Remuneration, Nomination and Human Resources Committee of Al Safi Danone, a limited liability company operating in the dairy products, retail trade and farm operation sector.
Previous Executive Positions:	• From 2011G to 2018G, CFO of PepsiCo GCC Iraq and Levant, a listed joint stock company operating in the production, retail and distribution of snacks in GCC, the Levant and Iraq. • From 2007G to 2011G, CFO of Pepsi-Cola Egypt, a joint-stock company, subsidiary of PepsiCo International USA, operating in the production, retail sale and distribution of soft drinks, water and bottled juices. • From 1999G to 2006G, Financial Controller for PepsiCo companies in Egypt and North Africa, a listed joint stock company operating in the production, sale and distribution of snacks and beverages. • From 1994G to 1999G, Auditor at KPMG, a limited liability company operating in auditing and consulting services.
Previous Memberships:	N/A

5.2.2.3 Muhammad Abdullah Saleh Al-Wabel

Age:	60 years
Nationality:	Saudi
Current Position:	Member of the Audit Committee
Appointment Date:	06/03/2023G
Academic Qualifications:	• Bachelor's Degree in Accounting from King Saud University, Saudi Arabia, 1988G.
Current Executive Positions:	NA
Current Memberships:	• Since 2017G, Member of the Board of Directors of Almutlaq Real Estate Investment Company, a limited liability company, operating in the development and management of real estate and real estate projects. • Since 2019G, Member of the Board of Directors of National Finance House in Bahrain, a closed joint stock company, operating in the finance sector. • Since 2020G, Member of the Audit Committee of Alkhorayef Water & Power, a listed joint stock company, operating in the water and wastewater project management sector.

Previous Executive Positions:	• From 2002G to 2015G, Chief Financial Officer at Almutlaq Group, a closed joint stock company, operating in the industrial, commercial and real estate investment industry. • From 2015G to 2019G, CEO at Almutlaq Group, a closed joint stock company, operating in the industrial, commercial and real estate investment industry. • From 2000G to 2002G, Director at Advanced Computer Company, a limited liability company, operating in the field of computer programming, analysis, operation and maintenance. • From 1990G to 2000G, Audit Manager at Ernst & Young, a professional services firm, operating in the audit and professional consultation services sector. • From 1988G to 1990G, Accountant at Riyad Bank, a listed joint stock company, operating in the banking sector.
Previous Memberships:	• From 2013G to 2017G, Member of the Board of Fund Management at Yaqeen Capital (formerly FALCOM Financial Services), a closed joint stock company, operating in the financial sector. • From 2015G to 2017G, Member of the Audit Committee of Nayifat Finance Company, a listed joint stock company, operating in the financial sector. • From 2014G to 2021G, Member of the Board of Directors of Almutlaq Group, a closed joint stock company, operating in the field of industrial, commercial and real estate investment. • From 2014G to 2021G, Member of the Investment Committee of Almutlaq Group, a closed joint stock company, operating in the field of industrial, commercial and real estate investment. • From 2012G to 2021G, Member of the Audit Committee of Middle East Battery Company, a limited liability company, operating in the automotive battery industry. • From 2011G to 2015G, Member of the Audit Committee of the National Installment Company, a closed joint stock company, operating in the financial sector.

5.2.2.4 Murad Ahmed AlKhatib

Please refer to Section 5.1.4.7 for more details about Murad Ahmed AlKhatib's experiences as well as current and previous positions.

5.2.3 Transformation Committee

The Transformation Committee (hereinafter referred as the "**TRC**" or the "**TRC Committee**") is a standing committee of the Board of Directors. The directions, rules and approvals given by the Committee shall be in accordance with its Charter. The Transformation Committee shall consist of at least three (3) members and at most five (5) non-executive Board members, to be appointed by the Board of Directors, provided that the Committee shall include at least one (1) independent member. The Chairman of the Board of Directors shall be the Chairman of the Transformation Committee if he is appointed as a member thereto. In the event that the Chairman of the Board of Directors is not appointed to the Committee, the Committee may, by a majority vote, appoint a chairman from amongst its members.

Committee Responsibilities

The scope of the Committee's work shall include all actions that enable it to fulfil the functions delegated thereto by the Board of Directors, including:

- Review and recommend for approval of the Board of Directors the five-year business plans, transformation plans, capital expenditure programs, and other studies or plans that will have a significant impact upon the Company's operations.
- Review and recommend for approval to the Board of Directors the Annual Business Development Plans, Strategic Development Plan, and Strategic Risk Review (SRR) proposed by the Management including the annual budget report.
- Review and approve any Vertical integration or Horizontal integration plans and investments related to geographical expansion or Business growth plans in new business segments. In addition to review and approve go-to-market strategies, pricing strategies, and market share takeover plans.
- Review and approve the automation and standardization initiatives that may impact the overall organization performance (i.e., ERP systems). Besides, give the final approval for the production facilities development and Capacity maximization decision; in line with the overall Company strategy and after the review and analyze of the Optimization Committee.

Reporting Responsibilities

- After each meeting, the Chairman of the Committee shall report formally to the Board in the next Board Meeting following the TRC meeting on its proceedings on all matters within its duties and responsibilities i.e. to provide the Board with copy of the meeting minutes.
- The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

TRC Powers

In discharging its duties according to the business plans, investment principles and guidelines approved by the Board of Directors, the Transformation Committee shall be vested with full powers to:

- Approve investments / acquisitions / submittal of Vertical integration options and expansions, Horizontal integration options and expansions, growth staircase for KSA or GCC.
- Review and approve any other matters as delegated from the Board from time to time.
- Delegate to the Management any authority of the TRC it deems fit on a case by case basis.

Board Obligations vis-à-vis the TRC

- The Board of Directors shall regularly inform the TRC of potential new vertical integration, horizontal integration, distribution and retailers engagement/deals, progress on capital expenditures plans and key initiatives and shall share its analysis thereon with the TRC within sufficient time prior to any request for approval.
- The Board of Directors shall routinely present or update the TRC with the key account demands and performance by geography & products line and keep the Committee informed of any progress in this regard.

The following Members were appointed to the Transformation Committee pursuant to a Board Resolution dated 28/05/1442H (corresponding to 12/01/2021G) for a period not exceeding three (3) years.

Table (5.6): Transformation Committee Members

	Name	Position
1	Tariq Mutlaq Abdullah AlMutlaq	Chairman of the Committee
2	Abdullah Ahmed Sultan AlKenany	Member
3	Massimo Ambrosio	Member
4	Abdullah Abdulaziz Abdullah Ababtain	Member
5	Talal Kamal Mohammed El-Khalil	Member

Source: the Company

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

5.2.3.1 Tariq Mutlaq Abdullah AlMutlaq

Please refer to Section 5.1.4.1 for more details about Tariq Mutlaq Abdullah AlMutlaq's experiences as well as current and previous positions.

5.2.3.2 Abdullah Ahmed Sultan AlKenany

Please refer to Section 5.1.4.2 for more details about Abdullah Ahmed Sultan AlKenany's experiences as well as current and previous positions.

5.2.3.3 Massimo Ambrosio

Please refer to Section 5.1.4.6 for more details about Massimo Ambrosio's experiences as well as current and previous positions.

5.2.3.4 Abdullah Abdulaziz Abdullah Ababtain

Age:	57 years
Nationality:	Saudi
Current Position:	CEO
Appointment Date:	01/01/2017G
Academic Qualifications:	• Bachelor's Degree in Mechanical Engineering from the Riyadh College of Technology - Department of Mechanical Technology, Riyadh, 2012G. • Master's Degree in Business Administration from Sulaiman Al Rajhi University, Riyadh, 2021G. • Certificate in mill technology, operation, and maintenance from the National Association of British and Irish Millers, 1997G.
Current Executive Positions:	• N/A
Current Memberships:	• Since 2013G, Member of the Saudi Council of Engineers (SCE), a scientific professional authority operating in the engineering sector. • Since 2012G, Member of the International Association of Operative Millers (IOAM), an international association operating in the flour, grain and seeds sector, allied commercial representatives and their related companies. • Since 2015G, Member of the Education Committee of the International Association of Operative Millers (IOAM), an international association operating in the flour, grain and seeds sector, allied commercial representatives and their related companies.
Previous Executive Positions:	• From 2008G to 2014G, Director of Operations and Maintenance at the General Food Security Authority (GFSA), a governmental authority operating in the mills and feed sector. • From 2012G to 2014G, Project Implementation Manager at the GFSA, a governmental authority operating in the mills and feed sector. • From 2015G to 2016G, Deputy Governor at the GFSA, a governmental authority operating in the mills and feed sector.
Previous Memberships:	• From 2009G to 2014G, Chairman of the Foreign Employees Interview Committee at the GFSA, a governmental entity operating in the mills and feed sector. • From 2000G to 2007G, Member of the Education Centre Committee at the GFSA, a governmental entity operating in the mills and feed sector.

5.2.3.5 Talal Kamal Mohammed El-Khalil

Age:	59 years
Nationality:	Canadian
Current Position:	Member of the Transformation Committee
Appointment Date:	12/01/2021G
Academic Qualifications:	• Bachelor of Science (BS) – Liberal Studies from the University of the State of New York USA, 1984G. • Master of Business Administration (MBA) - Marketing and Corporate Finance, Colombia University Graduate School OF Business, USA, 1988G.
Current Positions:	• Since 2020G, CEO, Alfaisaliah Foods Holding Company, a closed joint stock company concentrated in the Kingdom of Saudi Arabia and the Middle East region investments and engaging in the fields of dairy products, retail, electronic devices and games retail, production and distribution of medicines, healthcare projects and services, restaurants, venture capital companies, in addition to local partnerships in the real estate services and development, and joint venture companies with technology, consulting, and medical laboratories international companies.
Current Memberships:	• Since 2021G, Member of the Board of Directors, Al Safi Danone, a limited liability company engaging in the dairy products field. • Since 2019G, Member of the Board of Directors, Cafe Younes, a closed joint stock company engaging in the food and beverage services field.

Previous Positions:	• From 2017G to 2020G, Executive Director at MenaBev, PepsiCo International agent, a closed joint stock company engaging in the food services and beverage bottling field. • From 2014G to 2016G, General Manager & Senior Vice President, PepsiCo Middle East and North Africa, a listed joint stock company engaging in the food and beverage services field. • From 2013G to 2014G, Senior Vice President, PepsiCo Gulf Company Iraq and Levant Market Unit, a listed joint stock company engaging in the food and beverage services field.
Previous Memberships:	N/A

5.2.4 Optimization Committee

The Optimization Committee is a standing committee of the Board of Directors. The directions, rules and approvals given by the Committee in accordance with this Charter will be mandatory on the Executive Management of the Company. The Committee shall be composed of at least three (3) and at most five (5) non-executive Board members to be appointed by the Company's Board of Directors, provided that it includes at least one (1) independent member. The Chairman of the Board of Directors shall be the chairman of the Optimization Committee if appointed as a member therein. Otherwise, the Optimization Committee may appoint any of its members as its chairman by a majority vote.

Committee's Responsibilities:

The Committee's scope of work as delegated by the Board includes the following:

- Review and recommend for approval of the Board of Directors the five-year development plans and guiding policies related to maintaining, optimizing, or developing production facilities, i.e., "mixing facility", "germs stabilization facility", and "Feed manufacturing facility" or any other facilities as specified by the Board of directors.
- Review and recommend for approval of the Board all annual plans / Budget for factory update, supply chain activates, materials sourcing or processing, including the performance optimization of all production facilities and supply chain activities and its related systems and people capabilities.
- Review and recommend to the Board of Directors any vertical integration or horizontal integration plans and investments related to all production facilities and supply chain activities and its related systems and people capabilities, including the acquiring of new factory or updating exiting ones, and the detailed implementation timeline.
- Review and recommend the automation, standardization, streamlining or maintaining on-going operational activates that may impact the production facilities' performance or the supply chain / procurement process. This include but not limited to the revision of existing systems and people capability.

Reporting Responsibilities

- After each meeting, the Chairman of the Committee shall report formally to the Board in the next Board Meeting following the Optimization Committee meeting on its proceedings on all matters within its duties and responsibilities i.e. to provide the Board with copy of the meeting minutes.
- The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

Board of Directors Obligations towards the Committee

- The Board shall regularly inform the Optimization Committee of potential new vertical integration, horizontal integration, factory acquiring opportunities, key optimization initiatives and shall share its analysis thereon with the Optimization Committee within sufficient time prior to any request for review and inputs
- The Board shall routinely present or update the Optimization Committee with the factory performance and supply chain activities performance to give full visibility by, but not limited to, geography and products line and keep the Committee informed of any progress / key event in the relation.

The following Members were appointed to the Optimization Committee pursuant to a Board Resolution dated 28/05/1442H (corresponding to 12/01/2021G) for a period not exceeding three (3) years. The Optimization Committee was reconstituted under a Board Resolution dated 14/03/1444H (corresponding to 10/10/2022G).

Table (5.7): Optimization Committee Members

	Name	Position
1	Essa Abdullah Ahmed AlGhurair	Chairman of the Committee
2	Rakan Abdullah Rashed Abunayan	Member
3	Murad Ahmed AlKhatib	Member

Source: the Company

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

5.2.4.1 Essa Abdullah Ahmed AlGhurair

Please refer to Section 5.1.4.3 for more details about Essa Abdullah Ahmed AlGhurair's experiences as well as current and previous positions.

5.2.4.2 Rakan Abdullah Rashed Abunayan

Please refer to Section 5.1.4.5 for more details about Rakan Abdullah Rashed Abunayan's experiences as well as current and previous positions.

5.2.4.3 Murad Ahmed AlKhatib

Please refer to Section 5.1.4.7 for more details about Murad Ahmed AlKhatib's experiences as well as current and previous positions.

5.3 Senior Management

5.3.1 An 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 seven (7) members, as set out in the table below:

Table (5.8): Senior Management Details

Name	Position	Appointment Date to the Current Position	Nationality	Age	Number of Shares held Pre-Offering	Number of Shares Post-Offering	Indirect Ownership Ratios	
							Pre-Offering	Post-Offering
Abdullah Abdulaziz Abdullah Ababtain	Chief Executive Officer	01/07/2021G	Saudi	57	-	-	-	-
Manwel Bou Hamdan	Chief Financial Officer	26/12/2021G	Lebanese	41				
Michael Joachim Albers	Chief Operating Officer	02/04/2022	German	39				
Ahmed Elmorsi Kadous	Chief Commercial Officer	01/11/2021G	Egyptian	38	-	-	-	-
Mohammed Kotah	Chief Transformation Officer	01/09/2021G	Saudi	37	-	-	-	-
Thamir Mohammed Saleh Al-Sheikh	Chief Human Capital Officer	01/10/2021G	Saudi	42	-	-	-	-
Ismail Mohammed Albadri	Chief Quality Assurance & Safety Officer	01/10/2021G	Saudi	43	-	-	-	-
Vacant*	Chief Governance, Risk, and Compliance Officer	-	-	-	-	-	-	-

Source: the Company

* The Company is in the process of conducting interviews with candidates and aims to fill that vacant position by the end of the first half of the year 2023G.

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 Abdullah Abdulaziz Abdullah Ababtain

Please refer to Section 5.2.3.4 for more details about Murad Abdullah Abdulaziz Abdullah Ababtain's experiences as well as current and previous positions.

5.3.2.2 Manwel Bou Hamdan

Age:	41 years
Nationality:	Lebanese
Current Position:	Chief Financial Officer
Appointment Date:	26/12/2021G
Academic Qualifications:	• Bachelor of Arts in Accounting & Finance, Lebanese University, Lebanon, 2003G • Master's in business administration (Post Graduate Diploma), University of Wales, Wales, UK, 2012G
Current Positions:	• N/A
Current Memberships:	• N/A
Previous Positions:	• From 2019G to 2020G, Finance Director of FrieslandCampina, Company in the DACH region, a limited liability company engaging in the field of dairy and cheese industry, packaging solutions, food retail and commercial activities. • From 2018G to 2019G, Finance Director of FrieslandCampina, Company in the Middle East region specifically the DMCC, UAE, a limited liability company engaging in the field of dairy and cheese industry, packaging solutions, food retail and commercial activities. • From 2015G to 2018G, Head of Finance/Business Controller, FrieslandCampina Company in Nigeria and UAE, a limited liability company engaging in the field of dairy and cheese industry, packaging solutions, food retail and commercial activities. • From 2011G to 2015G, Reporting and planning manager of FrieslandCampina Company, UAE, a limited liability company engaging in the field of dairy and cheese industry, packaging solutions, food retail and commercial activities. • From 2004G to 2011G, Finance Director of Nestle Company in the Middle East, a limited liability company engaging in the field of production of canned foods, infant foods, coffee derivatives and milk products
Previous Memberships:	• From 2018G to 2020G, Board member of FrieslandCampina, Company in the Middle East region in DMCC, UAE, a limited liability company engaging in the field of dairy and cheese industry, packaging solutions, food retail and commercial activities. • From 2020G to 2021G, Member of the Supervisory Council of FrieslandCampina, Company in Germany, DACH region, UAE, a limited liability company engaging in the field of dairy and cheese industry, packaging solutions, food retail and commercial activities.

5.3.2.3 Michael Joachim Albers

Age:	39 years
Nationality:	Germany
Current Position:	Chief Operations Officer
Appointment Date:	02/04/2022G
Academic Qualifications:	• Milling Technologist, Master in Milling from Deutsche Mullerschule Braunschweig, Germany, 2010G
Current Positions:	• N/A
Current Memberships:	• N/A
Previous Positions:	• From 2017G to 2022G, Head of Training Centre of Bühler Group, a listed joint stock company engaging in the field of manufacturing machines used in various businesses.
Previous Memberships:	• N/A

5.3.2.4 Ahmed Elmorsi Hussain Kadous

Age:	39 years
Nationality:	Egyptian
Current Position:	Chief Commercial Officer
Appointment Date:	01/11/2021G
Academic Qualifications:	• Bachelor of Accounting & BA, Faculty of commerce at Tanta University, Egypt, 2004G • Master of Business Administration (Marketing) at ESLSCA France Business School, France, 2013G
Current Positions:	• N/A
Current Memberships:	• N/A
Previous Positions:	• From 2019G to 2021G, Executive Sales & Distribution Director of Savola-KSA Company, a listed joint stock company engaging in the field of Fast Moving Consumer Goods. • From 2017G to 2018G, Food Oils Commercial Director of Savola-KSA Company, a listed joint stock company engaging in the field of Fast Moving Consumer Goods. • From 2015G to 2016G, Group Business Development Senior Manager of Savola-Iran&Turkey Company, a listed joint stock company engaging in the field of Fast Moving Consumer Goods. • From 2013G to 2014G, National Sales Manager of Savol-Egypt Company, a listed joint stock company engaging in the field of Fast Moving Consumer Goods. • From 2008G to 2012G, Regional Sales Manager of Savol-Egypt Company, a listed joint stock company engaging in the field of Fast Moving Consumer Goods. • From 2006G to 2007G, Sales Supervisor of Savol-Egypt Company, a listed joint stock company engaging in the field of Fast Moving Consumer Goods. • From 2004G to 2005G, Team Leader of Unilever-Egypt Company, a listed joint stock company engaging in the field of Fast Moving Consumer Goods.
Previous Memberships:	• N/A

5.3.2.5 Mohammed Bakar Nouri Kotah

Age:	37 years
Nationality:	Saudi
Current Position:	Chief Transformation Officer
Appointment Date:	01/09/2021G
Academic Qualifications:	• Bachelor of Manufacturing Engineering and Management, University of Nottingham, UK, 2007G • Master of Entrepreneurship University of Nottingham business School, UK, 2008G
Current Positions:	• N/A
Current Memberships:	• N/A
Previous Positions:	• From 2021G to 2021G, Head of Strategic Management Office of Halwani Brothers Company, a joint stock company engaging in the field of basic consumer goods and the production, manufacture and distribution of food. • From 2018G to 2021G, Senior Consulting Manager of Kafaa Company, a limited liability company engaging in the field of management consulting. • From 2015G to 2018G, Head of Technical Support Department of Procter & Gamble Company, a joint stock company engaging in the field of basic consumer goods and the production, manufacture and distribution of food.
Previous Memberships:	• N/A

5.3.2.6 Thamir Mohammed Saleh Hamdan Al-Sheikh

Age:	42 years
Nationality:	Saudi
Current Position:	Head of Human Capital
Appointment Date:	01/10/2021G
Academic Qualifications:	• Bachelor of Arts and Humanities from King Abdulaziz University, KSA, 2011G. • Intermediate University Degree (Diploma in Mechanical Technology and Production) from College of Technology, Jeddah, KSA, 2001G. • Certificate of accreditation as human resources professional (SHRM) from the American Human Resources Association, Jeddah, KSA, 2022G.
Current Positions:	N/A
Current Memberships:	N/A
Previous Positions:	• From 2018G to 2020G, General Manager of Human Resources, Headquarters of First Milling Company, a closed joint stock company engaging in the food and animal feed fields. • From 2017G to 2018G, Head of Human Resources Department, Jeddah production facility, First Milling Company, a branch of a closed joint stock company engaging in the food and animal feed fields. • From 2014G to 2016G, Head of Maintenance Department and Liaison Officer, Jeddah production facility, at the GFSA, a government authority engaging in the mills and animal feed fields. • From 2010G to 2013G, Maintenance Supervisor, Jeddah production facility, at the GFSA, a government authority engaging in the mills and animal feed fields.
Previous Memberships:	• From 2021G to 2021G, Member of the management team participating in the Executive Committee for Business Development, First Milling Company, a closed joint stock company engaging in the food and animal feed fields. • From 2021G to 2021G, Member of the Joint Committee of Human Resources of the Interview Committee of Investors, Consultants and Privatization Team, First Milling Company, a closed joint stock company engaging in the food and animal feed fields. • From 2017G to 2020G, Member and Company's Representative of the Interview Committee of Investors, Consultants and Privatization Team, First Milling Company, a closed joint stock company engaging in the food and animal feed fields. • From 2018G to 2020G, Member and Coordinator of the Privatization Team Inquiries Respond Committee, First Milling Company, a closed joint stock company engaging in the food and animal feed fields. • From 2015G to 2016G, Member of the International Association of Operative Millers in the Middle East and North Africa, a regional association engaging in the mills and animal feed fields. • From 2010G to 2012G, Chairman of the Internal and External Purchases Committee, Jeddah production facility, General Food Security Authority (GFSA), a government authority engaging in mills and animal feed. • From 2009G to 2013G, Member of the Development and Improvement Committee, Jeddah production facility, General Food Security Authority (GFSA), a government authority engaging in mills and animal feed.

5.3.2.7 Ismail Mohammed Ali Albadri

Age:	43 years
Nationality:	Saudi
Current Position:	Head of Quality and Safety
Appointment Date:	01/10/2021G
Academic Qualifications:	• Bachelor of General Administration, Organization and Administrative Development from King Abdulaziz University, KSA 2016G. • Bachelor of General Chemistry from American World University, USA, 2011G. • Diploma of General Chemistry, Chemical Laboratories from King Abdulaziz University, KSA 2002G. • Master in Small Business Administration from Canada in cooperation with Ain Shams University, Egypt, 2017G.

Current Positions:	N/A
Current Memberships:	N/A
Previous Positions:	• From 2017G to 2020G, Head of Quality Assurance and Industrial Safety, First Milling Company, a closed joint stock company engaging in the food and animal feed fields. • From 2013G to 2017G, Director Quality Assurance Department, the GFSA, a government authority engaging in the mills and animal feed fields. • From 2009G to 2013G, Head of Food Laboratories, General Food Security Authority (GFSA), a government authority working in the Fast-Moving Consumer Goods (FMCG) field.
Previous Memberships:	• From 2021G to 2021G, Member of the management team participating in the Executive Committee for Business Development, First Milling Company, a closed joint stock company engaging in the food and animal feed fields. • From 2018G to 2021G, Member of the International Association of Operative Millers in the Middle East and North Africa, a regional association engaging in the mills and animal feed fields. • From 2017G to 2020G, Member and company's Quality Assurance and Industrial Safety representative of the Interview Committee of Investors, Consultants and Privatization Team, First Milling Company, a closed joint stock company engaging in the food and animal feed fields. • From 2018G to 2020G, Chairman of the Privatization Team Inquiries Respond Committee, First Milling Company, a closed joint stock company engaging in the food and animal feed fields. • From 2009G to 2013G, Member of the Development and Improvement Committee, Jeddah production facility, General Food Security Authority (GFSA), a government authority engaging in mills and animal feed.

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 (5.9): Summary of Employment Contracts with Senior Management

	Name	Position	Appointment Date	Contract Date	Contract Termination Date
1-	Abdullah Abdulaziz Abdullah Ababtain	Chief Executive Officer	01/07/2021G	01/07/2021G	30/06/2022G, automatically renewed
2-	Manwel Bou Hamdan	Chief Financial Officer	26/12/2021G	19/09/2021G	25/12/2022 G, automatically renewed
3-	Michael Joachim Albers	Chief Operating Officer	02/04/2022G	02/08/2021G	01/04/2025G, automatically renewed
4-	Ahmed Elmorsi Kadous	Chief Commercial Officer	01/11/2021G	29/08/2021G	31/10/2022G, automatically renewed
5-	Mohammed Kotah	Chief Transformation Officer	01/09/2021G	29/08/2021G	31/08/2022G, automatically renewed
6-	Thamir Mohammed Saleh Al-Sheikh	Chief Human Capital Officer	01/10/2021G	30/09/2021G	30/09/2022G, automatically renewed
7-	Ismail Mohammed Albadri	Chief Quality Assurance & Safety Officer	01/10/2021G	30/09/2021G	30/09/2022G, automatically renewed

Source: the Company

5.4 Remuneration of Directors and Senior Executives

Subject to the Company's Bylaws, remunerations of the Board of Directors shall be determined by the Ordinary General Assembly in accordance with the relevant official decisions and instructions issued by the Ministry of Commerce, and within the provisions of the Companies Law and any other relevant supplementary laws, as well as the Bylaws of the Company. The attendance and transportation allowances shall be determined by the Board according to the applicable laws, decisions and directions identified by the competent entities in the Kingdom.

Pursuant to the Company's Bylaws, neither the Directors nor the Senior Executives have the authority to vote on their remuneration or indemnities. The remuneration of Senior Executives shall be determined by virtue of each respective employment contract in accordance with the Company's remuneration policy.

Furthermore, neither the Directors nor the Senior Executives have powers to borrow from the Company or vote on a contract or an arrangement in which they have a material interest.

It should be noted that no in-kind benefits have been paid to the Board members and Senior Management. The following table shows the remunerations of the Board of Directors and the top five Senior Executives (including the CEO, the CFO and the Director of Operations) for the financial years ended 31 December 2019G, 2020G, and 2021G and the period ended 30 September 2022G.

Table (5.10): Remuneration of Board Members and Senior Executives

SAR	31 December 2019G	31 December 2020G	31 December 2021G	30 September 2022G
Board Members	557,725	561,250	2,014,050	1,477,500
Audit Committee	277,000	295,821	396,000	270,000
Nomination and Remuneration committee	10,000	6,000	169.500	52,500
Senior Executives (5 employees)	4,122,647	3,964,535	5,284,234	7,587,864

Source: the Company

5.5 Corporate Governance

5.5.1 Overview

The key sources of corporate governance for the Company are the Corporate Governance Regulations issued by the CMA, certain provisions of the Companies Law, and corporate governance best practice in the Kingdom.

The framework under the Corporate Governance Regulations regulates the various relationships between the Board, Executive Directors, shareholders and other stakeholders, by establishing rules and procedures to facilitate decision making processes with the objective of protecting the rights of shareholders and other stakeholders and promoting the values of credibility, fairness, competitiveness and transparency in the Company's conduct on the Exchange and in the business environment.

These regulations, which entail the implementation of a clear and transparent disclosure process, ensure that the Board acts in the best interests of the Shareholders and presents a clear and fair view of the financial condition of the Company and the results of its operations.

The Company's policy is to adopt high standards of corporate governance. 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 Policies

On 14/08/1444H (corresponding to 06/03/2023G), the Company's General Assembly approved the revised Company's Corporate Governance Manual and the following revised internal policies and charters:

- Audit Committee Charter;
- Nomination and Remuneration Committee Charter;
- Board of Directors Charter;
- Code of Conduct and Ethics;
- Disclosure Policy;
- Conflict of Interest Policy;
- Insider Trading Policy;
- Dividend Policy;
- Remuneration Policy;
- Competition standards; and
- Policies, standards and procedures for membership on the Board of Directors.

5.5.4 Corporate Governance Compliance

The Board of Directors declare that the Company is currently complying with the majority of the Corporate Governance Regulations and will fully comply with the Corporate Governance Regulations from the date of Listing.

In particular, a majority of the Company's Board of Directors, which currently consists of seven (7) Directors, are non-executive members and amongst the Board members are three (3) independent Directors. In addition, the Shareholders adopted the cumulative voting method in relation to the appointment of Directors. This method of voting gives each Shareholder voting rights equivalent to the number of Shares he/she holds. Each Shareholder has the right to use all of his/her voting rights for one nominee or to divide their voting rights between his/her selected nominees without any duplication of votes. 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 Extraordinary General Assembly of the Company formed the Audit Committee on 08/08/1442H (corresponding to 21/03/2021G), and the Extraordinary General Assembly of the Company then restructured the Audit Committee on 10/03/1444H (corresponding to 10/06/2022G). Notably, the Audit Committee consists of four (4) non-executive members, The Board of Directors formed the Nomination and Remuneration Committee on 28/05/1442H (corresponding to 12/01/2021G), and the Board of Directors restructured the Nomination and Remuneration Committee on 14/03/1444H (corresponding to 10/10/2022G). Notably, the Nomination and Remuneration Committee consists of five (5) members. The Extraordinary General Assembly of the Company approved the amended charters of the Audit Committee and the Nomination and Remuneration Committee in its session held on 14/08/1444H (corresponding to 06/03/2023G). Furthermore, on 28/05/1442H (corresponding to 12/01/2021G), the Board of Directors formed additional committees, among them the Transformation Committee and the Optimization Committee, and the Optimization Committee was reformed on 14/03/1444H (corresponding to 10/10/2022G) pursuant to a Board Resolution.

Furthermore, the Company has put in place measures to comply with provisions that deal with conflicts of interest and competing interests (Article 71 of the Companies Law, Article 12 of the Implementing Regulations to the Companies Law and Articles 42 and 44 of the Corporate Governance Regulations). The Company has obtained the approval of the General Assembly for transactions with Related Parties, as set out in Section 12.6 ("**Transactions and Contracts with Related Parties**").

Pursuant to the Corporate Governance Regulations, each Board Member is prohibited from voting on a decision taken by the Board or the General Assembly with respect to transactions and contracts that are executed for the Company's account, if he/she has a direct or indirect interest in those transactions or contracts (Article 42(a)(2)). The Companies Law sets out similar requirements to the effect that a Director, without prior consent from the Ordinary General Assembly may not have any direct or indirect interest in transactions or contracts made for the account of the Company. The Director also has an obligation to inform the Board of Directors of any personal interest he may have in such transactions or contracts and may not participate in voting on resolutions to be adopted in this respect by the Board of Directors or shareholder assemblies. The Chairman of the Board of Directors must inform the General Assembly of any transactions and contracts in which any Director has a direct or indirect personal interest and accompany that with a special report from the Company's external auditor.

The Corporate Governance Regulations also provide that if a Board Member wishes to engage in a business that may compete with the Company or any of its activities, he/she must notify the Board of any project that could compete with the Company's business, and abstain from voting on the related decision in the board meeting and general assemblies; the Chairman of the Board must inform the Ordinary General Assembly of the competing businesses that the Board Member of the proposes to be engaged in; and the authorization of the Company's General Assembly must be obtained for the Board Member to engage in the competing business. The Companies Law sets out similar requirements.

The Company currently complies with the mandatory governance requirements that apply to Saudi public joint stock companies, excluding some provisions mandatory only with respect to listed companies, which the Company is not currently in compliance as the Company's shares are not currently listed on the Exchange, as follows:

- Paragraph (a) of Article 8 providing that upon calling for the General Assembly, the Company shall announce on the Exchange's website information about the nominees for the membership of the Board.
- Paragraph (b) of Article 8 providing that voting in the General Assembly shall be confined to the Board nominees whose information have been announced as per paragraph (a) of Article 8.
- Paragraph (d) of Article 13 providing that the invitation to the General Assembly shall be published on the Exchange's, the Company's websites and in a daily newspaper published in the area where the Company's head office is located.
- Paragraph (c) of Article 14 providing that the shareholders shall be allowed through the Company's website and the Exchange's website to obtain the information related to the items of the General Assembly's agenda, and to obtain the information related to the items of the General Assembly's agenda, particularly the reports of the Board and the external auditor, the financial statements and the Audit Committee's Report.
- Paragraph (e) of Article 15 providing that the Company shall announce to the public and inform the Authority and the Exchange of the results of a General Assembly meeting immediately following its conclusion.
- Paragraph (d) of Article 17 providing that the Company shall notify the Authority of the names of the Board members and description of their memberships, as well as any changes that may affect their membership, within 5 Business Days from such changes.

- Article 54 providing that Audit Committee shall convene periodically, provided that at least four (4) meetings are held during the Company's financial year.
- Article 65 providing that the Company shall publish the nomination announcement on the websites of the Company and the Exchange to invite persons wishing to be nominated to the membership of the Board, 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 or contracts conducted on behalf of Company, except with the authorization of the Ordinary General Assembly.

Pursuant to Article 71 of the Companies Law, a Board Member must inform the Board of Directors of any interest he may have in the transactions or contracts made on behalf of the Company. The Chairman of the Board of Directors shall inform the Ordinary General Assembly, when it convenes, of the transactions and contracts in which any Board Member has an 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 Articles 42 and 44 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 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, Senior Executives, and Board Secretary, nor any of their Relatives hold or may hold direct or indirect interests a in the shares and debt instruments of the Company and its subsidiaries, if any, or otherwise any interest in another matter that may affect the operations of the Company, except as disclosed in Section 12.6 ("**Transactions and Contracts with Related Parties**") of this Prospectus. All transactions are conducted on an arm's length basis. Additionally, as of 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 dealings with Related Parties in which any of the Board Members has an interest.

As of 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 10/03/1444H (corresponding to 06/10/2022G) in accordance with the requirements of Article 71 of the Companies Law.

Table (5.11): Details of Related Parties' Agreements and Dealings in which a Board Member has an Interest

Related Party	Nature of Agreement / Dealing	Interested Party	Nature of Relationship	(SAR)			Value of Transactions during the period ended 30 September 2022 (SAR)*
				Value of Transactions during FY2019G	Value of Transactions during FY2020G	Value of Transactions during FY2021G	
Ehata Financial Company	Engagement Letter with Ehata Financial Company for Consultancy Services	Rakan Abdullah Rashid Abunayyan	Relationship with a company in which a Director holds a direct shareholding	-	-	330,000	264,500
Essa Alghurair Investment L.L.C.	Consultancy Agreement with Essa Alghurair Investment L.L.C.	Essa Abdulla Ahmed Alghurair	Relationship with a company in which a Director holds a direct shareholding	-	-	1,298,788	1,175,802
Al Mutlaq Real Estate Investment Company	Project Management Services Agreement	Tariq Mutlaq Abdullah AlMutlaq	Relationship with a company in which the Chairman holds an indirect shareholding	-	-	-	153,908

Source: the Company

* It is important to note that as at the period ended on 30 September 2022G, Al Mutlaq Group Industrial Investment Company, Abdullah Abunayyan Trading Company, Al Safi Advanced Investments Company and Essa Alghurair Investment L.L.C. each paid SAR 411,950; SAR 353,100; SAR 294,250 and SAR 117,700 to the Company, respectively. This is considered part of the Offering Expenses, which will be deducted from the Offering Proceeds. The Company has also paid SAR 50,000 to Al Mutlaq Group Industrial Investment Company in return for administrative expenses incurred by Al Mutlaq Group Industrial Investment Company on behalf of the Company.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

6.1 Introduction

The following Management's Discussion and Analysis of the financial results of the Company for the years ended 31 December 2019G, 2020G and 2021G, in addition to the interim nine-month period ended 30 September 2021G and 2022G is based on the audited financial statements for the years ended 31 December 2020G ("**2020G**") and 2021G ("**2021G**") and the reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G.

The financial information presented in this section has been derived from the audited financial statements for the years ended 31 December 2020G and 2021G prepared by the Company and audited in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia by the Company's independent auditors Ernst & Young Professional Services ("**EY**") and the reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G reviewed by the Company's independent auditors KPMG Professional Services ("**KPMG**") in accordance with the International Standard on Review Engagements 2410 "**Review of Interim Financial Information**" that are endorsed in the Kingdom of Saudi Arabia.

The financial information for the financial year ended 31 December 2019G was extracted from the comparative financial information presented in the Company's audited financial statements for the year ended 31 December 2020G. The financial information for the financial year ended 31 December 2020G was extracted from the comparative financial information presented in the Company's audited financial statements for the financial year ended 31 December 2021G. The financial information for the nine-month period ended 30 September 2021G was extracted from the financial information presented in the Company's reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G.

The Company has applied the International Financial Reporting Standards ("**IFRS**") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("**SOCPA**") for the preparation of the financial statements for the years ended 31 December 2020G and 2021G, in addition to the nine months periods ended 30 September 2021G and 2022G.

Neither the Auditors (EY and KPMG), their partners or employees (as part of the team working for the Company) nor any of their employees' relatives own any shares or stock of any kind in the Company that would impair their independence. The Auditors have given their written consent to refer in this prospectus to their role as the Company's auditors for the financial years ended 31 December, 2020G, 2021G and for the nine months periods ended 30 September 2021G and 2022G.

The above-mentioned financial statements are an integral part of this section, and it should be read in conjunction with these financial statements and their supplementary notes, and these financial statements are contained in Section 2 and 3 ("**Financial Statements and Auditor's Reports**") of this Prospectus.

The figures in this section have been rounded to the nearest SAR in thousands. Therefore, if summed, the numbers may differ to those which are stated in the tables. Annual percentages, margins and CAGRs are based on the rounded figures.

This section might include forward-looking statements related to the Company's future capabilities, based on management's plans and prospects as to its growth, results of operations and financial condition that could involve prospective risks and uncertainties. The Company's actual results could differ materially from those anticipated as a result of numerous factors, risks, and future events, including those discussed in this section of the Prospectus or elsewhere thereof, particularly Section 2 ("**Risk Factors**").

6.1.1 Directors' Declaration for Financial Information

- The Directors declare that the financial information presented in this section is extracted without material adjustment from the audited financial statements for the years ended 31 December 2020G and 2021G and the accompanying notes, which were prepared by the Company in accordance with International Financial Reporting Standards (IFRS) as endorsed in KSA and the reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G and the accompanying notes, which were prepared by the Company in accordance with IAS 34 Interim Financial Reporting that is endorsed in the Kingdom of Saudi Arabia.
- The Directors declare that the Company has working capital sufficient for a period of at least 12 months from the date of this Prospectus.
- The Directors declare that there has been no restructuring in the Company in the three financial years directly preceding the date of the application for the registration and offer of securities subject to this Prospectus, in addition to the end of period covered in the Auditors report until the date of this Prospectus.
- The Directors declare that no material change has been made in the Company's accounting policies.
- The Directors declare that there have been no material adverse changes to the Company's financial or business position in the three financial years directly preceding the date of the application for the registration and offer of securities subject to this Prospectus, in addition to the end of period covered in the Auditors report until the date of issuing this Prospectus.
- The directors declare that the external auditors' report on the consolidated financial statements of the issuer for any of the last three financial years immediately preceding the application for registration and offer of securities that are subject to this prospectus has not been qualified
- The Directors declare that there is no intention to introduce any material changes to the nature of the Company's activity.
- The Directors confirm that operations have not discontinued in a way that could affect or has affected the Company's financial position materially during the past 12 months.
- The Directors declare 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, the omission of which would make any statement herein misleading.
- The Directors declare that the Company has provided comprehensive details in this section of all fixed assets and investments, including contractual financial securities or other assets, which may be subject to fluctuations in value or may be difficult to estimate.
- The Directors confirm that the Company has not granted any commissions, discounts, brokerage fees or other non-cash compensation during the three years directly preceding the date the application for admission and offering of the securities subject to this Prospectus was submitted.
- The Directors confirm that the Company's capital is not under option right.
- The Directors confirm that the Company's capital is not under option contract.
- The Directors declare that the properties of the Company are not subject to any mortgages, rights, or encumbrances as at 30 September 2022G, except what has been disclosed in Section 6.3.2.6 ("**Capital Commitments and Contingencies**"), and section 6.3.2.4.1 ("**Long Term Loans**") of this Prospectus.
- The Directors declare that they do not have any shareholding or interest of any kind in the Company, and nor does any relatives of theirs, except what's has been disclosed in Section 5.1.1("**Composition of the Board of Directors**").
- The Directors declare that the Company does not have any loans or any other liabilities either covered by personal guarantee or non-personal guarantee or covered by mortgage or not including overdraft from bank accounts, nor guaranteed liabilities, liabilities under acceptance, acceptance credits, or any hire purchase commitments except what has been disclosed in section 6.3.2.6 ("**Capital Commitments and Contingencies**"), and section 6.3.2.4.1 ("**Long Term Loans**") of this Prospectus.

- The Directors declare that there are no mortgages, rights, burdens, or costs on the Company properties as of the date of this Prospectus, except for what has been disclosed in section 6.3.2.6 ("**Capital Commitments and Contingencies**"), and section 6.3.2.4.1 ("**Long Term Loans**").
- The Directors acknowledge that the Company have not made any capital adjustments within the three years immediately preceding the date of this Prospectus, with the exception of (1) the transfer of SAR 538,736,780 from other reserves based on the General Assembly's decision dated October 2019G which increased the Company's capital, (2) the sale of all the Company's shares owned by the National Center for Privatization to Al-Raha Al-Safi Food Company on 31 December 2020G, (3) the reducing of the Company's capital from SAR 539,236,780 to SAR 5,000,000 by transferring SAR 534.2 million to the merger reserve on 12 May 2022G, and (4) the merger of Al-Raha Al-Safi Food Company, which is a limited liability company with all its assets, rights, liabilities and obligations, as a company merged into the First Milling Company which is the merging Company based on the amended bylaws issued by the Ministry of Commerce on 08 September 2022G, and (5) increasing the Company's capital from SAR 5,000,000 to SAR 555,000,000, through a cash deposit in the Company's bank account, and based on the amended bylaws issued by the Ministry of Commerce on 06 November 2022G. For further information please refer to Section 4.6 ("**Overview of the Company and its Capital Growth**") and Section 6.3.2.3.1 ("**Capital**") of this Prospectus.
- The Directors declare that the Company has no information about any governmental, macro-economic, financial, monetary, or political policies or any other factors that have affected or could materially affect (directly or indirectly) the operations of the Company except as disclosed in Section 2 "**Risk Factors**" of this Prospectus.

6.1.2 Key Factors Affecting the Company's operations

Below is a discussion of the most important factors that have affected or are expected to affect the Company's business, its financial position and the results of operations thereof. These factors are based upon the information currently available to the Company and may not represent all the factors that could affect the Company's business. For further information please refer to section 2 ("**Risk Factors**") and section ("**Important Notice**") in page (i) of this Prospectus.

6.1.2.1 Government subsidies

The Company purchases its principal raw material, wheat, from its Key Supplier, the General Food Security Authority, which is the competent regulator in KSA that sells wheat to milling companies at a subsidized price. Under the terms of the Company's purchase arrangements with GFSA, the Company can buy the wheat at subsidized prices on better terms than would be available for wheat purchases on the open market.

The Company cannot predict whether any restrictions or reforms related to these subsidies would be introduced that will reduce the Company's margins or adversely affect its ability to introduce new products profitably. Changes in the market could also force the Company to alter its approach to selling, marketing, distributing, and servicing the Company's customer base. Any of the factors above would have a material adverse effect on the Company's business, results of operations, financial condition, and prospects.

For more details about the risks related to government subsidies, please refer to Section 2.1.1 ("**Risks related to Government Subsidies and the Company's Reliance on GFSA for the Supply of Wheat**") of this Prospectus.

6.1.2.2 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 Strategy**") of this Prospectus. However, there can be no assurance the Company will be successful in this regard. The successful implementation of the Company's plans will depend on several factors including, most importantly, 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 the competition that the Company faces from incumbent and new players in its product segments among other factors. As a result of the above factors, the Company's revenues may not grow at the same rate as in the past, or the Company may incur costs without benefiting from the expected revenues of expansion plans. Accordingly, the Company's results of operations may be negatively affected if any of these factors significantly delay, prevent, or hinder the Company from achieving its strategy.

For further information please refer to Section 2.1.16 ("**Risks Related to the Company's Strategy**") of this Prospectus.

6.1.2.3 Covid-19 pandemic and the threat of pandemics

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

For further information please refer to Section 2.2.10 ("**Risks Relating to the Outbreak of Infectious Diseases or Other Serious Public Health Concerns, including the Continuing Global Spread of Covid-19**") of this Prospectus.

6.1.2.4 Risks Related to the Seasonality of Revenues

The revenues of the Company, in Mecca area and Jeddah Governorate, are subject to seasonal variations. In general, flour sales are highest in the period leading up to Ramadan, back-to-school, and Hajj seasons, and lowest in the period after Ramadan and the summer. The Company will not be able to anticipate such seasonal variations in sales, which may affect the consistency of 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.) may affect the production process and cost of such products. Accordingly, the Company may have difficulty planning its business, which in turn could limit the Company's ability to accurately forecast its future revenues or set an accurate budget for its operational costs, which would adversely and materially affect the Company's business, results of operations, financial condition, and prospects.

For further information please refer to Section 2.2.17 ("**Risks Related to the Seasonality of Revenues**") of this Prospectus.

6.1.3 Company Overview

6.1.3.1 Company incorporation and background

First Milling Company - A one person closed joint stock company was incorporated in Jeddah in the Kingdom of Saudi Arabia under Commercial Registration number 4030291813 issued on 10 Safar 1438H (corresponding to 10 November 2016G). The registered office is located at Jeddah Islamic Port, Jeddah between gates 7 and 8. 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 signing any contract or any related arrangement.

6.1.3.2 The relationship with GFSA

The Company has entered into a subsidized wheat purchase agreement with the Saudi Grains Organization (now known as the General Food Security Authority or GFSA) which imports wheat to 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 PIF sells its shares in the Company. The agreement stipulates that the purchase price of the subsidized wheat is calculated according to the monetary value per metric ton of subsidized wheat currently specified by the Government of the Kingdom of Saudi Arabia at SAR 180 per metric ton. The Company also has an option to directly import the wheat or to source it from the open market.

The Company is selling various products of flour, feed, and bran out of which the selling prices of only the flour products weighing more than 10 KGs and above are determined by GFSA.

On 15 Rabi' al-Thani 1442H (corresponding to 30 November 2020G) the wheat purchase agreement was extended, and it will be in force until the date of expiry of the Company's milling operating license, subject to an automatic extension of the contract term to match the term of the Company's license. This license shall remain valid for a period of twenty-five (25) Gregorian years, starting the date of completion of the transfer of ownership of all shares of the licensee to the private sector that was completed on 31 December 2020G (corresponding to 16 Jumada I 1442H), this license will be renewed based on certain terms and conditions.

6.1.3.3 Overview of Al-Raha Al-Safi Food Company's Acquisition of the Company, Merger Therewith, and Changes in the Company's Ownership Structure

On 16/05/1442H (corresponding to 31/12/2020G), the National Center for Privatization (the "**NCP**") transferred all of its shares in the Company amounting to fifty-three million nine hundred twenty-three thousand six hundred seventy-eight (53,923,678) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, to Al-Raha Al-Safi Food Company under a share purchase agreement entered into by and between the NCP and Al-Raha Al-Safi Food Company executed on 29/01/1442H (corresponding to 17/09/2020G). It should be noted that Al-Raha Al-Safi Food Company was established as a Special Purpose Entity (SPE) to meet one of the privatization requirements, namely that each qualified bidder shall undertake to establish a legal entity in Saudi Arabia to acquire First Milling Company

Al-Raha Al-Safi Food Company's acquisition of the Company was financed through bank facilities from Alinma Bank and Gulf International Bank, amounting to SAR 1.85 billion and SAR 550 million, respectively.

During the year 2021G, the Company distributed dividends amounting to SAR 614.4 million in favor of Al-Raha Al-Safi Food Company, which used the dividend proceeds to paying off part of the existing loans and related interest, in addition to paying the outstanding amounts to the NCP in connection with the acquisition (for more information, please refer to Section 7 ("**Dividend Distribution Policy**") of this Prospectus).

On 16/07/1443H (corresponding to 17/02/2022G), the Company's General Assembly approved the reduction of the Company's capital from five hundred thirty-nine million two hundred thirty-six thousand seven hundred eighty Saudi Riyals (SAR 539,236,780), divided into fifty-three million nine hundred twenty-three thousand six hundred seventy-eight (53,923,678) ordinary shares, to five million Saudi Riyals (SAR 5,000,000), divided into five hundred thousand (500,000) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, through the cancellation of the shares proportionate to such share capital reduction, and the transfer of the value of such canceled shares to the merger reserve. The amended bylaws issued by the Ministry of Commerce were approved on 11/10/1443H (corresponding to 12/05/2022G).

On 30/11/1443H (corresponding to 29/06/2022G), the Company's General Assembly approved the merger of Al-Raha Al-Safi Food Company (the merged entity), with all its assets, rights, liabilities and obligations, as a company merged with the Company; whereby the Company is deemed the surviving entity. The new ownership structure of the Company became as follows: AlMutlaq Group Industrial Investment Company Limited (35%), Abdullah Abunayyan Trading Company (30%), AlSafi Advanced Investment (25%), and Essa Al-Ghurair Investment L.L.C. (10%). The amended bylaws were approved by the Ministry of Commerce on 12/02/1444H (corresponding to 08/09/2022G). As of 15/09/2022G (corresponding to 19/02/1444H), the merger of Al-Raha Al-Safi Food Company into the Company was completed, and the Company became the surviving and continuing entity. Under this merger, all the assets and liabilities of Al-Raha Al-Safi Food Company were transferred to the Company (for more information, please refer to Section 6.1.3.4 ("**The Merger of the Company with the Parent Company (Al-Raha Al-Safi Food Company)**") of this Prospectus).

On 03/03/1444H (corresponding to 29/09/2022G), the Company's Board of Directors proposed increasing its capital from five million Saudi Riyals (SAR 5,000,000) to five hundred and fifty-five million Saudi riyals (SAR 555,000,000). The Company's shareholders transferred an amount of five hundred fifty million Saudi riyals (SAR 550,000,000) to the Company's account in preparation for the proposed capital increase, and this transfer was recorded as additional contributions from the shareholders in the Company's accounts as of 30/09/2022G. It is worth noting that this amount was used to pay an equity bridge loan ("**EBL**") of the same value with Gulf International Bank (for more information, please refer to Section 6.3.2.3 ("**Equity**") of this Prospectus).

On 10/03/1444H (corresponding to 06/10/2022G), the General Assembly approved the increase of the Company's capital from five million Saudi Riyals (SAR 5,000,000), divided into five hundred thousand (500,000) ordinary shares, to five hundred fifty-five million Saudi Riyals (SAR 555,000,000), divided into fifty-five million five hundred thousand (55,500,000) ordinary shares, with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, through the deposit of cash, which was converted from an account of additional contributions from the shareholders into capital.

6.1.3.4 The Merger of the Company with the Parent Company (Al-Raha Al-Safi Food Company)

The shareholders of Al-Raha Al-Safi Food Company ("the Parent Company") agreed during the year ended 31 December 2021G to merge the Parent Company with the First Milling Company (the "merger") provided that the First Milling Company will be the surviving entity after the merger. On 30 Dhu al-Qi'dah 1443H (corresponding to 29 June 2022G), the General Assembly of the Company approved the merger of Al-Raha Al-Safi Food Company, which is a limited liability company registered with Commercial Registration No. 1010652130 and dated 20 Muharram 1442H (corresponding to 8 September 2020G), with all its assets, rights and liabilities and commitments, as a merged company in the Company which is the merging company. The new ownership structure of the Company became as follows: Al-Mutlaq Group Company (35%), Abdullah Abunayyan Trading Company (30%), Al-Safi for Trade and Investment Ltd. (25%), and Essa Al-Ghurair Investment LLC (10%), based on the amended bylaws issued by The Ministry of Commerce on 12 Safar 1444H (corresponding to 8 September 2022G). It is worth noting that Al-Raha Al-Safi Food Company was established as a special purpose entity with the aim of fulfilling the privatization requirements, whereby each qualified bidder is required to establish a legal entity in the Kingdom to acquire First Milling Company.

The registered address of the Company is as follows:

Jeddah Islamic Port

Between gates 7 and 8

Jeddah 22312

Kingdom of Saudi Arabia

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

Branch Name	Date	Commercial Registration Number
Head Office (Jeddah)	10 Safar 1438H (corresponding to 11 November 2016G)	4030291813
Jeddah	10 Safar 1438H (corresponding to 11 November 2016G)	4030294014
AlQassim	29 Jumada Althani 1438H (corresponding to 28 March 2017G)	1131057624
AlAhsa	29 Jumada Althani 1438H (corresponding to 28 March 2017G)	2250067938
Tabuk	29 Jumada Althani 1438H (corresponding to 28 March 2017G)	3550038652

Effective 15 September 2022G (corresponding to 19 Safar 1444H), the Company completed a statutory merger with Al-Raha Al-Safi Food 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 Al-Raha Al-Safi Food Company has been accounted for as a capital reorganization, or a transfer of assets from the parent company to the subsidiary a "**hive down**", whereby all the assets and liabilities of the Company and Al-Raha Al-Safi Food Company have been combined using their pre-merger book value as stated in Al-Raha Al-Safi Food Company's consolidated financial statements. Additionally, all Al-Raha Al-Safi Food Company's equity has been recorded as part of the Company's equity, with the exception of the share capital and the statutory reserve. The net assets of Al-Raha Al-Safi Food Company (i.e. the net value resulting from the transfer of the assets, liabilities and equity balances of Al-Raha Al-Safi Food Company) have been recorded within the Company's equity as a merger reserve. The breakdown of the net assets transferred to the Company upon the merger, as set out in Al-Raha Al-Safi Food Company's financial statements, is as follows:

Item	SAR
Goodwill	1,090,669,302
Cash and cash equivalents	81,541,989
Derivative financial instruments	55,905,238
Property, plant and equipment	18,976,176
Inventories	4,548,065
Prepayments and other current assets	1,747,310
Long term loans	(1,685,019,806)
Current portion of long-term loans	(58,886,931)
Cash flow hedge reserve	(42,519,997)
Accrued expenses and other liabilities	(19,523,199)

Item	SAR
Retained earnings	(19,229,430)
Net assets of Al-Raha Al-Safi Food Company (a)	(571,791,283)
Reduced capital (b)	534,236,780
Merger reserve (a) + (b)	**(37,554,503)**

It is worth noting that there has been no change in the accounting treatment of the merger, or related amounts mentioned above, according to the audited financial statements of the fiscal year ending on 31 December 2022G.

6.1.4 Basis of preparation

6.1.4.1 Statement of compliance

The audited financial statements of the Company for the years ended 31 December 2019G, 2020G and 2021G have been prepared in accordance with the International Financial Reporting Standards, interpretations issued by the International Accounting Standards Board approved in the Kingdom of Saudi Arabia, and other standards and issuances approved by the Saudi Organization for Certified Public Accountants (together referred to as "International Financial Reporting Standards approved in the Kingdom of Saudi Arabia"). These audited financial statements have been prepared under the historical cost convention.

The reviewed interim condensed financial statements for the nine-month period ended 30 September 2022G have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are issued by the Saudi Organization for Chartered and professional Accountants ("SOCPA") and should be read in conjunction with the Company's last annual financial statements as at and for the year ended 31 December 2021G ("last annual financial statements").

The interim condensed financial statements do not include all the information required to prepare a complete set of financial statements in accordance with the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia, however some accounting policies and explanatory notes have been included to explain the events and transactions that are important to understand the changes in the financial position and financial performance of the Company from the financial statements of the previous year. In addition, the results for the nine-month period ended 30 September 2022G are not necessarily indicative of the results that may be expected for the year ending 31 December 2022G.

These reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G are prepared by the management for internal reporting and to be used as the latest financial information for filing an application to the Capital Market Authority requesting approval for an Initial Public Offering.

6.1.4.2 Basis of measurement of the reviewed condensed interim financial statements for the nine-month period ended 30 September 2021G and 2022G

The reviewed condensed interim financial statements for the nine-month period ended 30 September 2021G and 2022G have been prepared using accrual basis of accounting, going concern concept and under the historical cost basis, except employee benefits which are recognized at the present value of future obligation using the Projected Unit Credit Method and derivative financial instruments which are recognized at fair value through other comprehensive income.

The reviewed condensed interim financial statements have been prepared using the economic approach of the legal merger between Al-Raha Al-Safi Food Company (the Parent Company) and the First 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 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 parent, as a contribution from the parent in equity.

Under the legal approach, the financial statements after the legal merger reflect the legal form of the transaction from the perspective of the subsidiary. There are two methods (fair value method and book value method) with respect to recognizing the identifiable assets acquired of the parent or liabilities assumed from the parent; regardless of which is used, amounts recognized previously in the consolidated financial statements with respect to the parent's acquisition of the surviving subsidiary (e.g., goodwill, intangible assets, fair value purchase price adjustments) are not recognized by the subsidiary. The surviving subsidiary does not recognize any change in the basis of subsidiaries, associates, and joint ventures that it held before the legal merger.

Functional and presentation currency

The audited and the reviewed condensed interim financial statements are presented in Saudi Arabian Riyals (SAR) which is the functional and presentation currency of the Company. All amounts have been rounded to the nearest SAR, unless otherwise stated.

6.1.5 Significant accounting judgements, estimates and assumptions related to the reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G

The preparation of the Company's reviewed condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of revenues, expenses, assets, liabilities and accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The Company based its assumptions and estimates on parameters available when the condensed interim financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The significant judgments exercised in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements for the year ended 31 December 2021G.

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

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

6.1.6 Significant Accounting Policies

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, assuming that market participants act in their economic best interest.

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

The Company uses valuation methods that are appropriate in the circumstances, and for which sufficient data are available to measure fair value, increase the use of observable inputs and reduce the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the 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 recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

C- 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
Buildings	25-50 years
Plant and machinery	10-25 years
Furniture and fittings	6.67-10 years
Computers and software	3 - 4 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.

D- Leases

Right of use Assets

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

E- Financial instruments - Initial recognition and subsequent measurement

1- Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at 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 Company 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 of 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- 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 are classified as "held for trading" if they are acquired for the purpose of selling in the near future. This category includes derivative financial instruments entered by the company that are not designated as hedging instruments as stated in IFRS 9. Derivatives included in other separate financial instruments are also classified as "held for trading" unless they are designated as effective hedging instruments.

Loans

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 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.

F- Inventory

Cost is measured as follows:

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

G- Cash and balances at banks

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

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

H- 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 labor curtailment, or
- the date on which the Company recognizes related restructuring costs; whichever comes first

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.

With reference to the administrative resolutions No. 11890 dated 8 Safar 1438H (corresponding to 8 November 2016G) and No. 14003 dated 8 Rabie Al Awal 1438H (corresponding to 7 December 2016G) and No. 27094 and 27096 on 9 Rajab 1438H (corresponding to 6 April 2017G) and No. 18009 dated 8 Rajab 1439H (corresponding to 25 March 2018G), and No. 10472 dated 10 Rabie Al Akhar 1440H (corresponding to 17 December 2018G), and No. 10396 dated 13 Jumada Al-Awwal (corresponding to 28 December 2020G) concerning the secondment of employees of the Saudi Grains Organization (now General Food Security Authority or GFSA) to the Company for a secondment extending from 1 January 2017G until 12 December 2021G (prior to the transfer of the seconded employees to the Company, their contract ends, or they return to the GFSA, as per the status of each employee) and the GFSA bears the costs of end of service benefits payable to the employees seconded to the Company in accordance with the law applicable to the employees seconded to the Company.

I- Impairment of non-financial assets

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

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

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 and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

J- 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.

1- Variable consideration

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

2- 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.

K- General 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.

L- Zakat and taxes

Zakat

Zakat provision is calculated and recorded based on the zakat base in the consolidated financial statements of Al-Raha Al-Safi Food Company and its wholly owned subsidiary according to the regulations of the Zakat, Tax and Customs Authority ("ZATCA"), The Company's share of its provision is charged to the statement of profit and loss and other comprehensive income.

Withholding tax

The Company withhold taxes on transactions with non-resident 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.

M- Statutory reserve

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

N- 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.

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.

O- 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 nonoperating expenses.

P- 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.

6.1.6.1 Business combination

1- Acquisitions from entities under common control

Business combinations including entities or business under common control are measured and accounted for using book value. The assets and liabilities acquired are recognized at the carrying amounts as transferred from the controlling company's books of accounts. The components of equity of the acquired entities are added to the same components within the Company's equity and any gain/loss arising is recognized directly in equity.

2- 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.

6.1.6.2 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 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 6.67 to 10 years.

6.1.7 New, Amended Standards and Interpretations

6.1.7.1 New standards, interpretations and amendments adopted

The accounting policies applied in these condensed interim financial statements are the same as those applied in the Company's audited financial statements for the year ended 31 December 2021G. Few amendments to standards became effective from 1 January 2022G which do not have a material effect on these condensed interim financial statements.

The Company has not early adopted any standards, interpretations, or amendments.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the inconsistency between IFRS 10 and IAS 28 when dealing with loss of control over a subsidiary that has been sold or contributed to an associate or joint venture. The amendments clarify that all gains or losses resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, are recognized between the investor and its associate or joint venture. However, any gain or loss arising from the sale or contribution of assets that is not a business, is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The International Accounting Standards Board has postponed the effective date of these amendments indefinitely, but an entity that applies these amendments early must comply with them in the future. There is no material impact on the financial statements.

Amendments to IFRS 3: Business Definition

In October 2018G, the International Standards Board issued amendments to the definition of a business in IFRS 3 "Business combinations" to help entities determine whether a satisfied Company of activities and assets is a business. The amendments clarify the minimum requirements for any business, exclude assessment of whether market participants are able to replace any missing items, add guidance to assist entities in assessing whether an acquisition is material, narrow the definitions of business and output, and provide an optional test of fair value concentration. New illustrations have been introduced with these modifications.

The amendments apply to annual periods beginning on or after January 1, 2021G, with early application permitted. There is no material impact on the financial statements

The accounting policies applied in these condensed interim financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended 31 December 2021G. Few amendments to standards became effective from 01 January 2022G which do not have a material effect on these condensed interim financial statements.

Standard / Interpretation	Description	Effective from periods beginning on or after the following date
IAS 37	Onerous contracts – cost of fulfilling a contract (Amendments to IAS 37)	01 January 2022G
Annual Improvements	Annual Improvements to IFRS Standards 2018G–2020G	01 January 2022G
IAS 16	Property, plant and equipment proceeds before intended use (Amendments to IAS 16)	01 January 2022G
IFRS 3	Reference to the conceptual framework (Amendments to IFRS 3)	01 January 2022G
IFRS 16	Covid-19 related rent concessions (Amendments to IFRS 16)	01 April 2021G

6.1.7.2 Standards, interpretations, and amendments issued but not yet effective

Standard / Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 17	Insurance contracts	01 January 2023G
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	01 January 2023G
IAS 8	Definition of accounting estimates	01 January 2023G
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction`	01 January 2023G
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	01 January 2023G
IFRS 16	Lease liability in a sale and leaseback (amendments to IFRS 16)	01 January 2024G
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

The standards, interpretations, and amendments with effective date of 01 January 2023G will not have any material impact on the Company's condensed interim financial statements, whereas for other above-mentioned standards, interpretations and amendments, the Company is currently assessing the implications on the Company's condensed interim financial statements on adoption.

6.1.8 Summary of New Accounting Policies

6.1.8.1 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's financial statements for the year ended 31 December 2019G, 2020G and 2021G and condensed interim financial statements for the nine-month period ended 30 September 2022G requires management to make Judgments, 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.

The Company based its assumptions and estimates on parameters available when the condensed interim financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The significant judgments exercised in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements for the year ended 31 December 2021G.

6.1.8.2 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.

6.1.8.3 Determining lease term for leases with termination option - Company as lessee

The Company determines the term of the lease as non-cancellable in any periods covered by the option to terminate the lease if the Company is certain of the reasonableness of exercising that option.

The Company has several lease contracts that include termination options. The Company decides through its evaluation of the lease whether it is reasonable to exercise the option to terminate the lease. This means that the Company considers all relevant factors that constitute an economic incentive to exercise the option to terminate the lease. After the lease commencement date, the Company reassesses the lease term if there is an event or change in circumstances within the Company's control that affects the Company's ability to exercise the option to terminate (such as: making material improvements to the lease or a material restructuring of the lease).

6.1.8.4 Defined benefit plans

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

6.1.8.5 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.

6.1.9 Summary of financial information and key performance indicators

The financial information for the financial year ended 31 December 2019G were extracted from the comparative financial information presented in the Company's audited financial statements for the year ended 31 December 2020G. The financial information for the financial year ended 31 December 2020G was extracted from the comparative financial information presented in the Company's audited financial statements for the financial year ended 31 December 2021G. The financial information for the nine-month period ended 30 September 2021G was extracted from the financial information presented in the Company's reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G.

The selected financial information and the Company's KPIs below should be read in conjunction with the information presented in section 2 "Risk Factors", and section 6 "Management Discussion, Analysis of the Financial Position and Results of Operations" section and the audited financial statements for the financial years ended 31 December 2020G and 2021G and from the reviewed condensed interim financial statements for the nine-month period ended 30 September 2021G and 30 September 2022G, prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia and the standards and other issuances issued by the Saudi Organization for Certified and Public Accountants, which were included in the section ("Financial statements and the auditor's report") and other financial statements contained in any other part of this prospectus.

Table (6.1): Summary of income statement and key performance indicators for the Company for the financial years ended 31 December 2019G, 2020G and 2021G, and the nine-month period ended 30 September 2021G and 2022G

Income Statement									
SAR in 000's	2019G	2020G	2021G	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G	Nine-month period ended 30 September 2021G	Nine-month period ended 30 September 2022G	Variance 30 September 2020G -30 September 2021G
Sales	643,894	716,056	801,009	11.2%	11.9%	11.5%	565,532	687,051	21.5%
Gross Profit	202,624	258,416	331,468	27.5%	28.3%	27.9%	226,982	310,008	36.6%
Operating Profit	134,546	199,305	213,302	48.1%	7.0%	25.9%	151,295	218,452	44.4%
Profit of the Year	125,780	190,686	198,475	51.6%	4.1%	25.6%	140,729	197,196	40.1%
KPIs									
Profitability (as a% of sales)									
Gross margin	31.5%	36.1%	41.4%	4.6	5.3	9.9	40.1%	45.1%	5.0
Profit of the Year	19.5%	26.6%	24.8%	7.1	(1.9)	5.2	24.9%	28.7%	3.8
Total Utilization*	84.4%	87.6%	94.0%	3.1	6.5	9.6	90.0%	102.1%	11.1
Flour									
Tons sold	810,999	855,270	907,471	5.5%	6.1%	5.8%	661,580	726,333	9.8%
Average selling price per ton	540	549	546	2%	(1%)	0.5%	547	549	0.3%
Feed									
Tons sold	179,703	224,497	246,435	24.9%	9.8%	17.1%	181,721	170,934	(5.9%)
Average selling price per ton	702	793	903	13.0%	13.9%	13.4%	854	1,158	35.6%
Animal Bran									
Tons sold	160,775	123,193	121,282	(23.4%)	(1.6%)	(13.1%)	76,691	113,522	48.0%
Average selling price per ton	495	555	690	12.1%	24.2%	18.0%	633	948	49.8%

* Utilization is computed based on the number of days previously followed by the GFSA which are 300 days. It should be noted that the Company calculates utilization based on 321 days following the allocation.

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G and reviewed condensed interim financial statements for the financial period Q3 2021G and Q3 2022G

Table (6.2): Summary of balance sheet position and key performance indicators for the Company as at 31 December 2019G, 2020G and 2021G, and the nine-month period ended 30 September 2022G

Balance sheet								
SAR in 000's	31 December 2019G	31 December 2020G	31 December 2021G	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G	30 September 2022G	Var. 31 December 2021G -30 September 2022G
Property, plant and equipment	510,180	519,877	519,783	1.9%	(0.0%)	0.9%	539,313	3.8%
Right of use assets	253,829	310,557	333,658	22.3%	7.4%	14.7%	323,562	(3.0%)
Intangible assets	-	286	4,333	na	1,415.9%	na	5,179	19.5%
Derivative financial instruments	-	-	-	na	na	na	64,171	na
Goodwill	-	-	-	na	na	na	1,090,669	na
Total non-current assets	**764,009**	**830,719**	**857,774**	**8.7%**	**3.3%**	**6.0%**	**2,023,440**	**135.9%**
Total assets	**1,241,401**	**1,481,617**	**1,156,424**	**19.4%**	**(21.9%)**	**(3.5%)**	**2,502,190**	**116.4%**
Total Equity	**890,565**	**1,081,251**	**665,194**	**21.4%**	**(38.5%)**	**(13.6%)**	**828,412**	**24.5%**
Total Liabilities	**350,836**	**400,365**	**491,230**	**14.1%**	**22.7%**	**18.3%**	**1,673,778**	**240.7%**
Balance Sheet Ratios								
DIO * – Raw materials	50	41	45	(18.0%)	9.8%	(5.1%)	46	2.2%
DPO **	27	21	39	(22.2%)	85.7%	20.2%	40	2.6%
DSO ***	-	-	1	na	na	0.0%	2	100.0%
CCC	23	20	7	(13.0%)	(65.0%)	(44.8%)	8	14.3%
Return on average assets	10.7%	14.0%	15.0%	3.3	1.0	4.3	14.4%	0.6
Return on average equity	15.2%	19.3%	22.7%	4.1	3.4	7.5	35.3%	12.5

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G and reviewed condensed interim financial statements for the nine-month period ended 30 September 2021G and 2022G, Management information

* Days Inventory Outstanding – raw materials is computed based on the raw material balance at period end / cost of raw materials * number of days

** Days Payable Outstanding is computed based on the average payable balance over the period / cost of sales (excluding salaries) * number of days

*** Days Sale Outstanding is computed based on the average receivable balance over the period / sales * number of days

Table (6.3): Summary of cash flow results and key performance indicators for the Company as at 31 December 2019G, 2020G and 2021G, and the nine-month periods ended 30 September 2021G and 2022G

Cash flow results									
SAR in 000's	2019G	2020G	2021G	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G	Nine-month period ended 30 September 2021G	Nine-month period ended 30 September 2022G	Variance 30 September 2020G -30 September 2021G
Net cash flows from operating activities	140,221	255,019	315,039	81.9%	23.5%	49.9%	166,649	210,286	26.2%
Net cash flows used in investing activities	(49,092)	(35,151)	(38,689)	(28.4%)	10.1%	(11.2%)	(28,593)	(23,056)	(19.4%)
Net cash flows used in financing activities	(51,034)	(21,450)	(637,620)	(58.0%)	2872.6%	253.5%	(541,335)	(107,327)	(80.2%)
Cash at banks at the end of the year	320,336	518,754	157,485	61.9%	(69.6%)	(29.9%)	115,475	318,930	176.2%

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G and reviewed condensed interim financial statements for the financial periods Q3 2021G and Q3 2022G

6.2 The Results of FIRST MILLING COMPANY's Operations for the Financial Years ended 31 December 2019G, 2020G and 2021G

6.2.1 Statement of Profit or Loss and Other Comprehensive Income

Table (6.4): Statements of Profit or Loss and Other Comprehensive Income for the Financial Years Ended 31 December 2019G, 2020G, and 2021G

SAR in 000's	2019G	2020G	2021G	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Sales	643,894	716,056	801,009	11.2%	11.9%	11.5%
Cost of sales	(441,270)	(457,640)	(469,541)	3.7%	2.6%	3.2%
Gross Profit	**202,624**	**258,416**	**331,468**	**27.5%**	**28.3%**	**27.9%**
Selling and distribution expenses	(11,122)	(9,154)	(17,760)	(17.7%)	94.0%	26.4%
General and administrative expenses	(56,956)	(49,957)	(93,940)	(12.3%)	88.0%	28.4%
Impairment loss for assets held for sale	-	-	(6,466)	na	na	0.0%
Total expenses	**(68,078)**	**(59,111)**	**(118,166)**	**(13.2%)**	**99.9%**	**31.7%**
Operating Profit	**134,545**	**199,305**	**213,302**	**48.1%**	**7.0%**	**25.9%**
Finance Cost	(13,499)	(13,289)	(11,819)	(1.6%)	(11.1%)	(6.4%)
Finance Income	3,985	3,674	110	(7.8%)	(97.0%)	(83.4%)
Other Income	748	996	1,625	33.1%	63.3%	47.4%
Profit Before Zakat	**125,780**	**190,686**	**203,219**	**51.6%**	**6.6%**	**27.1%**
Zakat Expense	-	-	(4,744)	na	na	0.00%
Profit of the Year	125,780	190,686	198,475	51.6%	4.1%	25.6%
Other comprehensive income (loss)						
Revaluation loss of end of service obligation	-	-	(116)	na	na	na
Total comprehensive income for the year	**125,780**	**190,686**	**198,360**	**51.6%**	**4.0%**	**25.6%**
Profitability (as a% of sales)				**percentage point**		
Gross margin	31.5%	36.1%	41.4%	4.6	5.3	9.9
Operating Profit	20.9%	27.8%	26.6%	6.9	(1.2)	5.7
Profit Before Zakat	19.5%	26.6%	25.4%	7.1	(1.3)	5.8
Profit of the Year	19.5%	26.6%	24.8%	7.1	(1.9)	5.2

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

Sales

Sales were mainly generated from flour, feed, and animal bran products of the Company, which represented on average 61.8%, 27.8%, and 10.4% of total sales in 2021G.

Flour sales included the sales of four types of flour, Bakery 80.0%, Superior 70%, Wholewheat 95%, and "others flour", representing 71.6 %, 18.7 %, 9.4 %, and 0.3 % of the total flour sales, respectively in 2021G.

Feed sales included mainly four types of feed products, Livestock and Pigeon, and "others feed" products, representing 90.5 %, 8.0 %,0.4% and 1.1 % of the total feed sales, respectively in 2021G.

The Company's animal bran sales are related bulk and packed products, representing 81.8 % and 18.2 % respectively of total animal bran sales in 2021G.

Sales increased by 11.2 % from SAR 643.9 million in 2019G to SAR 716.1 million in 2020G as a result of the increase in the demand for wheat related products by the flour and feed sales which increased by SAR 31.7 million and SAR 51.9 million respectively, due to (1) the increase in demand for all kind of wheat products, following the curfew imposed to address the emerging Corona virus (Covid-19), which led consumers to hoard wheat products of all kinds. In addition to (2) an increase in the average selling price of feed products by 13.0% during the same period. This increase was partially offset by the decrease of SAR 11.2 million in animal bran sales due to the correlation between feed and bran, where the Company was meeting the increased feed demand at the expense of bran sales.

Sales further increased by 11.9 % from SAR 716.1 million in 2020G to 801.1 million in 2021G due to a new strategy implemented by Management in order to attract new customers and increase retail sales. The increase in sales was both volume and price driven across all of the Company's product suite as sales from feed grew by SAR 44.5 million followed by flour sales of SAR 24.6 million and animal bran sales of SAR 15.2 million.

Cost of sales

Cost of sales mainly comprised of raw material consumed, salaries and other benefits, depreciation, other industrial expenses, fuel and power, maintenance, provision for slow moving inventory of spare parts and raw materials, rent, and finished goods, net.

Cost of sales increased by 3.7% from SAR 441.3 million in 2019G to SAR 457.6 million in 2020G mainly driven by the increase of SAR 28.7 million in raw material consumed in line with the increase in sales, increase of SAR 3.0 million of other industrial expenses due to increase in raw material transportation costs, the increase of SAR 2.9 million of depreciation. This was offset by a (i) decrease of SAR 9.4 million in fuel and power which was due to the change in the hourly KW rate since the ownership of the Company shifted from governmental sector to the private one, (ii) decrease of SAR 3.8 million in salaries and other benefits, (iii) decrease of SAR 3.3 million in provision for slow moving inventory of spare parts and raw materials, and (iv) a decrease of SAR 2.2 million in rent expense.

Cost of sales increased by 2.6 % from SAR 457.6 million in 2020G to SAR 469.5 million in 2021G mainly in connection with the increase in raw material consumed amounting to 19.1 million in line with the increase in sales, the increase of other industrial expenses amounting to SAR 9.5 million, and the increase of depreciation expense amounting to SAR 2.2 million. This increase was partially offset by a decrease of SAR 11.7 million in salaries and other benefits, a decrease of SAR 3.0 million in the provision for slow moving inventory related to the spare parts and raw materials, decrease of 2.3 million of fuel and power cost following the reversal of the accrued power cost in FY21 and the implementation of the new meters in Tabuk in FY20.

Gross Profit

Gross Profit increased by 27.5 % from SAR 202.6 million in 2019G to SAR 258.4 million in 2020G mainly driven by the increase in sales by 11.2 % from SAR 643.9 million in 2019G to SAR 716.1 million in 2020G as a result of the increase in volume sold from 1.15 million tons in 2019G to 1,202 million tons in 2020G, coupled with an increase in average selling price of feed products by 13.0 % during the same period. Cost of sales has increased by 3.7 % from SAR 441.3 million in 2019G to SAR 457.6 million in 2020G driven by the increase in raw material consumed in line with the increase in sales.

Gross Profit increased by 28.3 % from SAR 258.4 million in 2020G to SAR 331.5 million in 2021G. This increase is mainly driven by the increase in the sales by 11.9 % from SAR 716.1 million in 2020G to SAR 801.0 million in 2021G due to a new strategy implemented by Management in order to attract new customers and increase retail sales. This is coupled with an increase in the cost of sales by 2.6 % from SAR 457.6 million in 2020G to SAR 469.5 million in 2021G as a result of the increase in the raw materials consumed and other industrial expenses linked to the increase in raw materials transportation and insurance costs as well as the milling license costs.

Selling and distribution expenses:

Selling and distribution expenses are mainly comprised of salaries and other benefits, transportation and distribution, advertising and marketing and other expenses.

Selling and Distribution expenses decreased by 17.7 % from SAR 11.1 million in 2019G to SAR 9.2 million in 2020G mainly driven by a decrease in advertising and marketing by 69.6 % to reach SAR 0.4 million in 2020G as Management limited marketing campaigns due to Covid-19 implications, in addition to the decrease in the impairment of receivables by SAR 0.9 million due to an exceptional impairment in 2019G, decrease in salaries and other benefits by 7.3 % from SAR 7.5 million in 2019G to SAR 7.0 million in 2020G following the retirement of some employees.

Selling and distribution expenses increased by 94 % from SAR 9.2 million in 2020G to 17.8 million in 2021G in line with Management's efforts to increase brand awareness through further investments in advertising and marketing. This increase is driven mainly by the increase of the salaries and other benefits by 20.4 % from SAR 7.0 million in 2020G to SAR 8.4 million in 2021G; and the increase in the transportation and distribution from SAR 0.05 million in 2020G to SAR 4.6 million in 2021G.

General and administrative expenses:

General and Administrative expenses are mainly comprised of salaries and other benefits, professional and consulting fees, claims, depreciation, board and committees' expenses rewards and allowances among others.

General and administrative expenses decreased by 12.3% from SAR 57.0 million in 2019G to SAR 50.0 million in 2020G mainly driven by the decrease of SAR 6.2 million in the professional and consulting fees as a result of finalization of privatization procedures, decrease of SAR 0.6 million of other expenses.

General and administrative expenses increased by 88 % from SAR 50.0 million in 2020G to SAR 93.9 million in 2021G due to an increase of SAR 18.8 million in the salaries and other benefits as a result of the increase in average staff cost from SAR 0.2 million in 2020G to SAR 0.3 million in 2021G, increase of SAR 12.6 million in professional and consulting fees in line with Management's efforts to set a new strategy to the Company (value creation plan) post privatization, increase of SAR 7.6 million in the claims expenses related to the provision booked in connection with a legal case against the Company (one-off expense), increase of SAR 2.2 million in depreciation in line with the increase in the Company's fixed assets, increase of SAR 1.7 million in board and committees' expenses, rewards and allowances to match that of the industry's average.

Impairment loss for assets held for sale

Impairment loss for assets held for sales is related to an impairment booked for Flour Mill F in Jeddah that is not operational and got decommissioned during 2014 due to its high maintenance costs.

The impairment loss for assets held for sale balance amounted to nil in 2019G and 2020G, and -SAR 6.5 million in 2021G.

Finance cost

Finance cost pertains to the finance charges related to lease liabilities. The finance cost decreased by 1.6 % from SAR 13.5 million in 2019G to SAR 13.3 million in 2020G due to the decrease in global and local interest rates as a result of the Covid-19 pandemic.

Finance cost further decreased from SAR 13.3 million in 2020G to SAR 11.8 million in 2021G as a result of the decrease in interest rates from 4.4 % for lands and 5.7 % for silos in 2020G to 3.5 % in 2021G.

Finance income

Finance income pertain to interest earned on short term bank deposits.

Finance income decreased by 7.8 % from SAR 4.0 million in 2019G to SAR 3.7 million in 2020G due to the increase in the interest rates on cash deposits.

Finance income decreased by 97.0 % from SAR 3.7 million in 2020G to SAR 0.1 million in 2021G as a result of the withdrawal of the short-term deposit.

Other income

Other income are mainly comprised of penalties and fines for suppliers, rents, and other.

Other income increased by 33.1 % from SAR 0.7 million in 2019G to SAR 1.0 million in 2020G driven mainly by the increase of 155.5 %, from SAR 0.2 million in 2019G to SAR0.6 million in 2020G, and the increase in rent income from nil in 2019G to SAR 0.3 million in 2020G following the reversal of the employee accommodation cost. This was offset by a decrease in other income by 80.5%, from SAR 0.5 million in 2019G to SAR 0.1 million in 2020G.

Other income increased by 63.3 % from SAR 1.0 million in 2020G to SAR 1.6 million in 2021G, mainly as a result of the increase in the penalties and fines for suppliers by 2.3 % from SAR 0.6 million in 2020G to SAR 0.65 million in 2021G and the increase in other income by 901.6 % from SAR 0.1 million in 2020G to SAR 1.0 million in 2021G, due to the reversals related to previous periods (2017G and 2018G) amounting to c. SAR 0.5 million, in addition to the reversal of the end of service indemnities related to the employees seconded from GFSA, this was partially offset by the decrease in rent income amounting to nil in 2021G.

Zakat:

The Company in not subject to Zakat since its share capital is from public funds on which Zakat is not applicable between 2019G and 2020G. During the year ended 31 December 2021G, the Company obtained the final zakat assessment for 2021G from the Zakat, Tax and Customs Authority “ZATCA” for the amount of SAR 4.7 million.

For the year ended 31 December 2021, Al-Raha Al-Safi Food Company submitted the consolidated Zakat declaration to the Zakat, Tax and Customs Authority (“ZATCA”), with the respective share of the zakat expense.

Net Income:

Net Income increased by 51.6 % from SAR 125.8 million in 2019G to SAR 190.7 million in 2020G as a result of an increase in gross profit by 27.5 % led by a top line volume (flour and feed) growth due to the increase in market demand on wheat products following the curfew imposed to address the emerging Covid-19, which led consumers to stock wheat products of all kinds, in addition to an increase in the average feed selling prices, coupled with the partial decrease in direct costs as a result of the decrease in salaries and other benefits and the electricity expenses over the same period.

Net income also increased by 4.1 % from SAR 190.7 million in 2020G to SAR 198.5 million in 2021G mainly driven by the increase in gross profit by 28.3 % as a result of increase in sales, partially offset by the increase in general and administrative expenses along with selling and distribution expenses.

6.2.1.1 Sales:

Table (6.5): Sales by Product for the Financial Years Ended 2019G, 2020G and 2021G.

SAR in 000's	2019G Audited	2020G Audited	2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Flour	438,165	469,879	495,151	7.20%	5.40%	6.3%
Feed	126,102	178,011	222,499	41.20%	25.00%	32.8%
Animal Bran	79,627	68,407	83,649	(14.10%)	22.30%	2.5%
Less: free sale	-	(241.00)	(290.00)	na	20.20%	0.0%
Total	643,894	716,056	801,009	11.20%	11.90%	11.50%
Volumes sold (in tons)						
Flour	810,999	855,270	907,471	5.5%	6.1%	5.8%
Feed	179,703	224,498	246,435	24.9%	9.8%	17.1%
Animal Bran	160,775	123,193	121,282	(23.4%)	(1.6%)	(13.1%)
Total	1,151,477	1,202,961	1,275,188	4.5%	6.0%	5.2%
Average selling price (SAR per ton)						
Flour	540	549	546	1.7%	(0.7%)	0.5%
Feed	702	793	903	13.0%	13.9%	13.4%
Animal Bran	495	555	690	12.1%	24.2%	18.0%
Total	**559**	**595**	**628**	**6.4%**	**5.5%**	**6.0%**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

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

The sale of the goods is recognized by the Company at a point in time, and the performance obligation is fulfilled when the goods are removed from the warehouses.

Total sales increased by 11.2 % from SAR 643.9 million in 2019G to SAR 716.1 million in 2020G. Total sales also increased by 11.9 % from 2020G reaching SAR 801.0 million in 2021G.

Flour sales

- the increase in flour sales by 7.2 % from SAR 438.2 million in 2019G to SAR 469.9 million in 2020G driven by increased consumer demand as a response to Covid-19 lockdown implications which was only normal across all fast-moving consumer goods ("**FMCG**") companies. This led to an increase in quantities sold from 811.0k tons in 2019G to 855.3k tons in 2020G.
- During 2021G, the volume of flour sales increased by 5.4 % from SAR 469.9 million in 2020G to SAR 495.2 million in 2021G, which driven by the new strategy that the Company is adopting in terms of targeting new customers that lead to increases in sales quantities from 855.3 thousand tons in 2020G to 907.5 thousand in 2021G.

Feed sales

- Feed sales increased by 41.2 % from SAR 126.1 million in 2019G to SAR 178.0 million in 2020G driven by the increase in the quantities sold from 179.7 thousand tons at an average selling price of SAR 702 per ton in 2019G to 224.5 thousand tons at an average selling price of SAR 793 per ton in 2020G primarily related to the increase of livestock feed sales due to the rise in demand on industrial feed products. This increase was slightly offset by a decrease of SAR 4.4 million in layer breeder and a decrease of SAR 2.5 million of poultry feed sales.
- The volume of feed sales increased in 2021G by 25.0 %, from SAR 178.0 million in 2020G to SAR 222.5 million in 2021G, due to the increase on feed demand. This increase was partially offset by a slight decrease in the volume of pigeon feed sales amounting to SAR 3.1 million, as well as a slight decrease in the volume of poultry feed sales amounting to SAR 2.7 million. The volume of feed sales increased as a result of the price and demand factor, as the quantities sold increased from 224.5 thousand tons, at an average selling price of SAR 793 per ton, to 246.4 thousand tons, at an average selling price of SAR 903 per ton.

Bran sales

- Animal bran sales decreased by 14.1 % from SAR 79.6 million in 2019G to SAR 68.4 million in 2020G due to the negative correlation between feed sales and animal bran sales which was translated in a decrease in quantities sold from 160.8 thousand tons in 2019G to 123.2 thousand tons in 2020G.
- Animal bran sales by 22.3 % from SAR 68.4 million in 2020G to SAR 83.6 million in 2021G. The increase is only price driven as the average selling price of animal bran grew by 24.2 % from SAR 555 per ton to SAR 690 per ton over the same period, while the volume of animal bran sold decreased from 123.2 thousand tons in 2020G to 121.3 thousand ton in 2021G.

Table (6.6): Sales by Branch for the Financial Years Ended 2019G, 2020G and 2021G

SAR in 000's	2019G Audited	2020G Audited	2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Jeddah	344,249	357,736	366,398	3.9%	2.4%	3.2%
Al Qassim	168,659	222,360	255,968	31.8%	15.1%	23.2%
Al Ahsa	76,313	78,085	100,570	2.3%	28.8%	14.8%
Tabuk	54,673	57,875	78,074	5.9%	34.9%	19.5%
Total	**643,894**	**716,056**	**801,009**	**11.2%**	**11.9%**	**11.5%**
Volume Sold (in tons)						
Jeddah	630,579	618,790	603,599	(1.9%)	(2.5%)	(2.2%)
Al Qassim	275,346	327,698	351,368	19.0%	7.2%	13.0%
Al Ahsa	138,239	148,426	182,086	7.4%	22.7%	14.8%
Tabuk	107,313	108,048	138,134	0.7%	27.8%	13.5%
TOTAL	1,151,477	1,202,961	1,275,187	4.5%	6.0%	5.2%
Utilization	**Percentages Points**					
Jeddah	94.9%	93.0%	95.5%	(1.9)	2.5	0.6
Al Qassim	77.8%	94.2%	96.9%	16.4	2.7	19.1
AL Ahsa	82.9%	85.1%	96.2%	2.2	11.1	13.3
Tabuk	59.5%	61.3%	82.3%	1.8	21.0	22.8
Total Utilization	**84.4%**	**87.6%**	**94.0%**	**3.20**	**6.40**	**9.60**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

Sales are generated from 4 branches: Jeddah, Al Qassim, Al Ahsa, and Tabuk

Jeddah branch:

- Jeddah sales increased by 3.9% from SAR 344.2 million in 2019G to SAR 357.6 million in 2020G mainly to due to the increase in the flour average selling price over the period.
- Jeddah sales increased by 2.4 % from SAR 357.6 million in 2020G to 366.4 million in 2021G as a result of the increase in demand due to the growth of religious tourism in Makkah and the expansion of the small packages market share.

Al Qassim branch:

- Al Qassim branch sales increased by 31.8% from SAR 168.7 million in 2019G to SAR 222.4 million in 2020G driven by the increase in feed sales that contribute 60 % of Al Qassim's sales which resulted in the increase of the utilization of the branch from 77.8% in 2019G to 94.2% in 2020G, coupled with the complete absence of bran sales due to the allocation of the bran to feed production to reduce the bran transportation cost.
- Al Qassim's branch sales increased by 15.1 % from SAR 222.4 million in 2020G to SAR 256.0 million in 2021G as a result of the expansion to cover Riyadh, with a special focus on industrial customers as well as a strategic partnership with several key customers.

Al Ahsa branch

- Al Ahsa branch sales increased by 2.3% from SAR 76.3 million in 2019G to SAR 78.1 million in 2020G due to Dammam clients' attraction to Al Ahsa branch given the proximity between both branches.
- Al Ahsa branch sales increased by 28.8 % from SAR 78.1 million in 2020G to SAR 100.6 million in 2021G due to Dammam clients' attraction to Al Ahsa as well and in line with the market growth. According to Management, long port check procedures in Dammam (due to excessive security) have driven some of Dammam's clientele to source flour from Al Ahsa.

Tabuk branch

- Tabuk's branch sales increased by 5.9% from SAR 54.7 million in 2019G to SAR 57.9 million in 2020G translated in increase in utilization from 59.5% in 2019G to 61.3 % in 2020G following Management's decision to supply other branches from Tabuk.
- Increase in Tabuk branch sales by 34.9 % from SAR 57.9 million 2020G to SAR 78.1 million in 2021G. Tabuk's utilization increased from 61.3 % in 2020G to 82.3 % in 2021G driven by Management's decision to supply other branches from Tabuk.

6.2.1.2 Cost of sales

Table (6.7): Cost of Sales for the Financial Years Ended 2019G, 2020G and 2021G

SAR in 000's	2019G Audited	2020G Audited	2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Raw material consumed	279,230	307,966	327,106	10.3%	6.2%	8.2%
Salaries and other benefits	75,678	71,871	60,187	(5.0%)	(16.3%)	(10.8%)
Depreciation of property, plant and equipment and right of use assets	33,052	35,906	38,079	8.6%	6.1%	7.3%
Raw material consumed	279,230	307,966	327,106	10.3%	6.2%	8.2%
Salaries and other benefits	75,678	71,871	60,187	(5.0%)	(16.3%)	(10.8%)
Depreciation of property, plant and equipment and right of use assets	33,052	35,906	38,079	8.6%	6.1%	7.3%
Fuel and power	30,083	20,635	18,385	(31.4%)	(10.9%)	(21.8%)
Maintenance	3,722	3,281	3,329	(11.8%)	1.5%	(5.4%)
Provision for slow moving inventory of spare parts and raw materials	7,325	4,073	1,095	(44.4%)	(73.1%)	(61.3%)
Rent	2,289	65	-	(97.2%)	na	na
Other industrial expenses	6,342	9,317	18,865	46.9%	102.5%	72.5%
Finished goods, net	3,549	4,526	2,495	27.5%	(44.9%)	(16.2%)
Total	**441,270**	**457,640**	**469,541**	**3.7%**	**2.6%**	**3.2%**
As a% of sales			**Percentage Points**			
Raw material consumed	43.4%	43.0%	40.8%	(0.4)	(2.2)	(2.5)
Salaries and other benefits	11.8%	10.0%	7.5%	(1.7)	(2.5)	(4.2)
Depreciation of property, plant and equipment and right of use assets	5.1%	5.0%	4.8%	(0.1)	(0.3)	(0.4)
Fuel and power	4.7%	2.9%	2.3%	(1.8)	(0.6)	(2.4)
Maintenance	0.6%	0.5%	0.4%	(0.1)	(0.0)	(0.2)
Provision for slow moving inventory of spare parts and raw materials	1.1%	0.6%	0.1%	(0.6)	(0.4)	(1.0)
Rent	0.4%	0.0%	0.0%	(0.3)	(0.0)	(0.4)
Other expenses	1.0%	1.3%	2.4%	0.3	1.1	1.4
Finished goods, net	0.6%	0.6%	0.3%	0.1	(0.3)	(0.2)
Total	**68.5%**	**63.9%**	**58.6%**	**(4.6)**	**(5.3)**	**(9.9)**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

Cost of sales increased by 3.7 %. from SAR 441.3 million in 2019G to SAR 457.6 million in 2020G mainly driven by the increase in raw material consumed, other industrial expenses due to increase in raw material transportation costs, and depreciation over the same period.

Cost of sales increased by 2.6 % from SAR 457.6 million in 2020G to SAR 469.5 million in 2021G as a result of increase in raw material consumed, other industrial expenses, depreciation. This increase was partially offset by a decrease in salaries and other benefits, provision for slow moving inventory of spare parts and raw materials, and fuel and power.

Raw material consumed

Raw material consumed consists of costs related to production of the Company's products which include wheat, soybean, corn, and other feed ingredients along with packing material.

Raw material consumed increased by 10.3 % from SAR 279.2 million in 2019G to SAR 308.0 million in 2020G. The increase is driven by the increase of SAR 4.2 million in the cost of wheat in line with the increase in flour and bran produced from 830.9 thousand tons and 213.3 thousand tons respectively in 2019G to 857.2 thousand tons and 224.9 thousand tons respectively in 2020G. The increase was further amplified in a significant increase in the cost of soybean and corn by SAR 10.4 million and SAR 19.8 million respectively as a result of the increase in feed produced from 177.0 thousand tons in 2019G to 224.2 thousand tons in 2020G. This increase is partially offset by a decrease of SAR 3.8 million in the cost of other feed ingredients along with a decrease of SAR 1.8 million in packaging materials.

Raw material consumed increased by 6.2 % from SAR 308.0 million in 2020G to SAR 327.1 million in 2021G. The increase is mainly driven by the increase of SAR 11.0 million in wheat costs in line with the increase in quantity of flour and bran produced reaching 903.8 thousand tons and 259.9 thousand tons respectively in 2021G. The increase is also accompanied by an increase of SAR 8.7 million in the cost of corn in line with the increase in global prices of this commodity as well as the increase in feed produced by 24.4 thousand tons in 2021G. The increase was partially offset by the slight decrease of SAR 2 million in the cost of soybean due to the decrease in poultry feed production which consumes higher soybean and corn than livestock feed in 2021G.

Salaries and other benefits

Salaries and other benefits included within cost of sales pertain to the costs of direct production related employees.

Salaries and other benefits decreased by 5.0 % from 75.7 million in 2019G to SAR 71.9 million in 2020G in line with the decrease in the average headcount from 605 employees to 599 employees coupled with the decrease in average monthly cost per employee from SAR 10,420 to SAR 9,995 over the same period.

Salaries and other benefits decreased by 16.3 % from SAR 71.9 million in 2020G to SAR 60.2 million in 2021G following the return of the seconded employees (GFSA's employees were seconded to the Company according to administrative decisions by GFSA, whereby a number of the seconded Saudi employees will fall within the category of civil servants and therefore will have the option to remain as public employees instead of moving to the Company at the end of the secondment contract, and the remaining seconded Saudi and non-Saudi employees are subject to social insurance, and the Company has the right to terminate their employment contracts at any time) to replace the retired employees with new employees with relatively lower average monthly salary, which resulted in the decrease of average monthly cost.

Depreciation of property, plant and equipment and right of use assets

The Company's depreciation charges are calculated based on the straight-line method over the estimated useful lives of the assets. The depreciation of plant is calculated on the useful lives of the components of the principal asset.

Depreciation expense increased by 8.6 % from SAR 33.1 million in 2019G to SAR 35.9 million in 2020G and to SAR 38.1 million in 2021G in line with the increase in the Company's fixed assets.

Fuel and power

Fuel and power expenses relates to electricity expenses incurred on the Company's production facilities. Fuel and power decreased by 31.4 % from SAR 30.1 million in 2019G to SAR 20.6 million in 2020G driven by subsidies received from the government post-privatization that is granted to the manufacturing and industrial sector, where electricity is charged at SAR 0.18 per KW in comparison to 2019G and a portion of 2020G charged at SAR 0.32 per KW.

The Fuel and power expenses decreased by 10.9 % from SAR 20.6 million in 2020G to SAR 18.4 million in 2021G mainly driven by same reason mentioned above coupled with a reversal of previously accrued electricity charges during 2021G during the upgrades of the electricity meter reader in Tabuk branch during 2020G.

Maintenance

Maintenance costs are associated with planned and unplanned downtime for maintenance purposes

Maintenance expenses decreased slightly from SAR 3.7 million in 2019G to SAR 3.3 million in 2020G and 2021G due to the decrease of the value of some maintenance contracts.

Provision for slow moving inventory of spare parts and raw materials

Provision for slow moving inventory of spare parts and raw materials decreased by 44.4 % from SAR 7.3 million in 2019G to SAR 4.1 million in 2020G driven by major provisions booked against spare parts that were obsolete in 2019G during the privatization process and transfer of ownership.

Provision for slow moving inventory of spare parts and raw materials decreased by 73.1 % from SAR 4.1 million in 2020G to SAR 1.1 million in 2021G given that the provision made during 2020G is sufficient to cover the obsolete spare parts.

Rent

Rent mainly pertains to warehousing facilities at the Jeddah Sea port for 2019G.

Rent expenses decreased by 97.2 % from SAR 2.3 million in 2019G to SAR 0.07 million in 2020G and then further to nil in 2021G due to the implementation of IFRS 16 standard relates to leases which requires the Company to report a right-of-use asset on the balance sheet and depreciate it accordingly.

Other expenses

Other industrial expenses comprise of raw materials transportation costs, insurance costs, licensing and other service costs.

Other industrial expenses increased by 46.9 % from SAR 6.3 million in 2019G to SAR 9.3 million in 2020G were due to growth in the Company's operations as it increased capacity in all its plants resulting in increases across all supporting expenses.

Other industrial expenses increased by 102.5 % from SAR 9.3 million in 2019G to SAR 18.9 million in 2021G in line with the further increase in Company's production, in addition to the increase in the insurance cost from SAR 947 thousand in 2020G to SAR 6.1 million in 2021G.

Finished goods, net

Finished goods, is attributed to the difference between sales and production which reflects the actual cost of goods sold as a result of the company's use of the periodic inventory accounting system. Finished goods increased by 27.5 % from SAR 3.5 million in 2019G to SAR 4.5 million in 2020G and then decreased by 44.9% back to SAR 2.5 million in 2021G.

6.2.1.3 Selling and distribution expenses:

Table (6.8): Selling and distribution expenses for the Financial Years 2019G, 2020G and 2021G

SAR in 000's	2019G Audited	2020G Audited	2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Salaries and other benefits	7,554	7,000	8,426	(7.3%)	20.4%	5.6%
Transportation and distribution	-	50	4,631	na	9162.0%	na
Advertising and marketing	1,333	406	2,271	(69.5%)	459.4%	30.5%
Depreciation of property, plant and equipment and right of use assets	515	664	946	28.9%	42.5%	35.5%
Professional and consulting fees	-	50	317	na	534.0%	na
Customer incentives	-	-	239	na	na	na
Rent	-	-	222	na	na	na
Fuel and power	310	463	213	49.5%	(54.0%)	(17.1%)
Material and supplies	102	186	94	82.4%	(49.4%)	(4.0%)
Exhibitions and seminars	-	303	-	na	na	na
Impairment of receivables	882	-	-	(100.0%)	na	na
Other expenses	426	32	401	(92.5%)	1,153.1%	(3.0%)
Total	**11,122**	**9,154**	**17,760**	**(17.7%)**	**94.0%**	**26.4%**
As a% of sales				**Percentage points**		
Salaries and other benefits	1.2%	1.0%	1.1%	(0.2)	0.1	(0.1)
Transportation and distribution	0.0%	0.0%	0.6%	0.0	0.6	0.6
Advertising and marketing	0.2%	0.1%	0.3%	(0.2)	0.2	0.1
Depreciation of property, plant and equipment and right of use assets	0.1%	0.1%	0.1%	0.0	0.0	0.0
Others	0.3%	0.1%	0.2%	(0.2)	0.1	(0.1)
Total	**1.7%**	**1.3%**	**2.2%**	**(0.4)**	**0.9**	**0.5**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

Selling and distribution expenses include the salaries and other benefits, transportation and distribution, advertising and marketing, depreciation, professional and consulting fees, among others.

Selling and distribution expenses decreased by 17.7 % from SAR 11.1 million in 2019G to SAR 9.2 million in 2020G mainly driven by the decrease in advertising and marketing expenses as Management limited its marketing campaigns due to Covid-19 curfew and other implications and the decrease in the provisions for doubtful receivables due to an exceptional impairment in 2019G.

Selling and distribution expenses increased by 94.0 % from SAR 9.2 million in 2020G to SAR 17.8 million in 2021G mainly driven by the increase in transportation and distribution due to the Company's new strategy deliver its products to the customers' premises, the increase in the advertising and marketing expenses following the marketing campaigns related to the Company's brand in line with Management's new strategy, and the salaries and other benefits related to new employees hired to implement the new strategy of delivering to customers (linked to the transportation and distribution expense).

Salaries and Other Benefits

Salaries and other benefits consist of total remuneration for all selling distribution staff (basic salary, bonus, transportation allowance, among others).

Salaries and other benefits decreased by 7.3 % from SAR 7.6 million in 2019G to SAR 7.0 million in 2020G mainly driven by the decrease in bonus distribution during the year.

Salaries and other benefits increased by 20.4 % from SAR 7.0 million in 2020G to SAR 8.4 million in 2021G as a result of increase in average staff cost post privatization from SAR 0.2 million to SAR 0.3 million per employee as salaries for key positions were aligned with the private sector which was determined higher than the average salaries previously paid by GFSA pre-privatization.

Transportation and distribution

Transportation and distribution consist of costs of delivery and distribution of goods and is calculated based on the processes taken by the Company.

Transportation and distribution expenses increased from nil in 2019G to SAR 0.05 million in 2020G and then further to SAR 4.6 million in 2021G as a result of the new model established by Management where the Company started delivering to its customers in order to increase sales.

Advertising and marketing

Advertising and marketing expenses decreased by 69.5 % from SAR 1.3 million in 2019G to SAR 0.4 million in 2020G as a result of the impact of Covid-19 on social activities like shows and exhibitions.

Advertising and marketing expenses increased by 459.4 % from SAR 0.4 million in 2020G to SAR 2.3 million in 2021G following the marketing campaigns related to the Company's brand in line with Management's new strategy.

Depreciation of property, plant and equipment and right of use assets

Depreciation expense increased by 29.0 % from SAR 0.5 million in 2019G to SAR 0.7 million in 2020G and then further increased by 42.5% reaching SAR 0.9 million in 2021G driven by the increase in Company's fixed assets and in particular due to the purchase of new trucks.

Professional and consulting fees

Professional and consulting fees increased from nil in 2019G to SAR 0.05 million in 2020 due to various external professional services.

Professional and consulting fees further increased by 534.0 % from SAR 0.05 million in 2020G to SAR 0.3 million in 2021G due to the increased cost of consulting as Management was in the process of adopting a new strategy with the help of external consultants.

Customer incentives

The Company grants its customers incentives based on several criterions determined by Management such as, but not limited to, the expected trade volume, or the variety of products that the customer purchases, and others. Customer incentives increased from nil in 2019G and 2020G to SAR 0.2 million in 2021G, as a result of adopting the incentive program set by Management.

Rent

Rent increased from nil in 2019G and 2020G to SAR 0.2 million in 2021G as a result of a of warehouse rent in Riyadh.

Fuel and Power

Fuel and Power expenses increased by 49.4 % from SAR 0.3 million in 2019G to SAR 0.5 million in 2020G as a result of increase in the Company's operations.

Fuel and Power expenses decreased by 54.0 % from SAR 0.5 million in 2020G to SAR 0.2 million in 2021G as a result of decrease of the hourly KW rate following the change of the Company's legal status post privatization from the Governmental sector to the private sector (from SAR 0.32 per KW to SAR 0.18 per KW) in addition to reclassifying some expenses to another account.

Material and supplies

Material and supplies consist of office supplies and buildings enhancements cost. Materials and supplies increased by 82.4 % from SAR 0.1 million in 2019G to SAR 0.2 million in 2020G following the improvement made to the sales premises and outlets.

Materials and supplies expenses decreased by 49.5 % from SAR 0.2 million in 2020G to SAR 0.1 million in 2021G given that the Company has already secured its material and supplies from previous year.

Exhibitions and Seminars

Exhibitions and seminars pertain to sales events where it increased from nil in 2019G to SAR 0.3 million during 2020G as a result of anticipated seminars for 2020G yet not attended due to Covid-19.

The balance decreased back to nil in 2021G due to the non-existence of such events.

Impairment of receivables

Impairment of receivables relates to provisions booked on receivables of one customer. The balance decreased from SAR 0.9 million in 2019G to nil in 2020G and 2021G as Management does not expect any default on its receivables, which are immaterial for the mentioned periods.

Other expenses

Other expenses consist of hospitality, cleaning, gifts and services cost among others.

Other expenses decreased by 92.5 % from SAR 0.4 million in 2019G to SAR 0.03 million in 2020G mainly due to the reclassifications made to several accounts in the financial statements like transportation and distribution expenses.

Other expenses increased by 1,153.1 % from SAR 0.03 million in 2020G to SAR 0.4 million in 2021G as a result of the increase in Company's operations.

6.2.1.4 General and Administrative expenses:

Table (6.9): General and Administrative Expenses for the Ended Financial Years 2019G, 2020G and 2021G:

SAR in 000's	2019G Audited	2020G Audited	2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Salaries and other benefits	33,369	33,506	52,315	0.4%	56.1%	25.2%
Professional and consulting fees	14,784	8,537	21,108	(42.3%)	147.3%	19.5%
Claims expenses	-	-	7,560	na	na	0.0%
Depreciation of property, plant and equipment and right of use assets	1,692	1,942	4,106	14.8%	111.4%	55.8%
Board and committees' expenses, rewards and allowances	845	863	2,580	2.1%	199.0%	74.7%
Telecommunication fees	1,110	1,203	1,795	8.4%	49.2%	27.2%
Materials and supplies	668	662	926	(0.9%)	39.9%	17.7%
Maintenance	676	276	731	(59.1%)	164.9%	4.0%
Amortization of Intangible assets	-	67	482	na	619.4%	0.0%
Fuel and power	619	414	382	(33.1%)	(7.7%)	(21.4%)
Rent	138	65	101	(52.9%)	55.4%	(14.4%)
Other expenses	3,055	2,422	1,854	(20.7%)	(23.5%)	(22.1%)
Total	**56,956**	**49,957**	**93,940**	**(12.3%)**	**88.0%**	**28.4%**

As a% of sales	**ppt.**					
Salaries and other benefits	5.2%	4.7%	6.5%	(0.5)	1.9	1.3
Professional and consulting fees	2.3%	1.2%	2.6%	(1.1)	1.4	0.3
Claims expenses	0.0%	0.0%	0.9%	-	0.9	0.9
Depreciation of property, plant and equipment and right of use assets	0.3%	0.3%	0.5%	0.0	0.2	0.2
Board and committees' expenses, rewards and allowances	0.1%	0.1%	0.3%	(0.0)	0.2	0.2
Telecommunication fees	0.2%	0.2%	0.2%	(0.0)	0.1	0.1
Materials and supplies	0.1%	0.1%	0.1%	(0.0)	0.0	0.0
Maintenance	0.1%	0.0%	0.1%	(0.1)	0.1	(0.0)
Amortization of Intangible assets	0.0%	0.0%	0.1%	0.0	0.1	0.1
Fuel and power	0.1%	0.1%	0.0%	(0.0)	(0.0)	(0.0)
Rent	0.0%	0.0%	0.0%	(0.0)	0.0	(0.0)
Other expenses	0.5%	0.3%	0.2%	(0.1)	(0.1)	(0.2)
Total	**8.8%**	**7.0%**	**11.7%**	**(1.9)**	**4.8**	**2.9**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

General and administrative expenses include salaries and other benefits, professional and consulting fees, claims expenses, depreciation, board and committees 'expenses, rewards and allowances, telecommunication fees, and others.

General and administrative expenses decreased by 12.3 % from SAR 57.0 million in 2019G to SAR 50.0 million in 2020G mostly driven by the significant decrease in the professional and consulting fees over the same period.

General and administrative expenses increased by 88.0 % from SAR 49.9 million in 2020G to 93.9 million in 2021G mainly driven by the increase in salaries and other benefits, professional and consulting fees, claims expenses, depreciation, and board and committees' expenses, rewards and allowances.

Salaries and other Benefits

Salaries and other benefits consist of total remuneration for all general and administrative staff.

Salaries and other benefits increased by 0.4 % from SAR 33.4 million in 2019G to SAR 33.5 million in 2020G in line with the increase in the average headcount from 171 employees to 173 employees over the same period.

Salaries and other benefits increased by 56.1 % from SAR 33.5 million in 2020G to SAR 52.3 million in 2021G as a result of hiring new executive employees during the first half of 2021G and adjusting their salaries to align them with the market pay scale.

Professional and consulting fees

Professional and consulting fees decreased by 42.3 % from SAR 14.8 million in 2019G to SAR 8.5 million in 2020G mainly due to the privatization expenses recorded in 2019G (PPA, legal, audit, FA valuation, HR benchmark).

Professional and consulting fees increased by 147.3 % from SAR 8.5 million in 2020G to SAR 21.1 million in 2021G as a result of increased cost of consulting since Management was in the process of adopting a value creation plan with the help of external consultants, that is referred to as Management's value creation plan amounting alone to SAR 11 million.

Claims expenses

Claims expenses are a one-time expense that occurred in 2021G relating to a legal case from the General authority for Competition amounting to SAR 7.6 million.

Depreciation of property, plant and equipment and right of use assets

Depreciation expense increased by 14.8 % from SAR 1.7 million in 2019G to SAR 1.9 million in 2020G and by 111.4 % to SAR 4.1 million in 2021G mainly driven by the increase in the Company's fixed assets and in particular due to the increase in right of use assets mainly caused by lease contracts related to GFSA.

Board and committee's fees, rewards and allowances

Board and Committee's fees, rewards and allowances increased by 2.1 % from SAR 0.8 million in 2019G to SAR 0.9 million in 2020G due to increase in committees' numbers after privatization.

Board and Committee's fees, rewards and allowances increased by 199.0 % from SAR 0.9 million in 2020G to SAR 2.6 million in 2021G due to the reasons mentioned above along with the alignment of board allowances with that of the industry.

Telecommunication fees

Telecommunication fees increased by 8.4 % from SAR 1.1 million in 2019G to SAR 1.2 million in 2020G in line with the increase in the operations of the business.

Telecommunication fees increased by 49.2 % from SAR 1.2 million in 2020G to SAR 1.8 million in 2021G due to the increase in the tariffs of the phone service provider.

Materials and Supplies

Materials and supplies consist of various office materials and equipment that are not capitalised due to their low cost.

Materials and supplies remained stable at around SAR 0.7 million in 2019G.

Materials and supplies increased by 39.9 % from SAR 0.7 million in 2020G to SAR 1.0 million in 2021G as a result of increase in average number of staff from 805 in 2020G to 836 in 2021G and the expansion of the Company.

Maintenance

Maintenance expenses decreased by 59.2 % from SAR 0.7 million in 2019G to SAR 0.3 million in 2020G mainly driven by the halt of the head quarter related activities as a result of Covid-19 restrictions.

Maintenance expenses increased by 164.9 % from SAR 0.3 million in 2020G to SAR 0.7 million in 2021G due to carrying out some maintenance work in the Company's buildings to prepare them for the post-privatization.

Amortization of Intangible assets

Amortization of intangible assets relates to the amortization of SAP software that was installed in 2021.

Amortization of intangible assets increased from nil in 2019G to SAR 0.07 million in 2020G.

Amortization of intangible assets increased by 619.4 % from SAR 0.07 million in 2020G to SAR 0.5 million in 2021G due to the installation of the software in the same year.

Fuel and Power

Fuel and Power expenses decreased by 33.1 % from SAR 0.6 million in 2019G to SAR 0.4 million in 2020G due to the decrease of the hourly KW rate from the governmental sector to the private sector (from SAR 0.32 to SAR 0.18 per KW).

Fuel and Power expenses decreased also by 7.7 % from, SAR 0.4 million in 2020G to SAR 0.4 million in 2021G due to the decrease of the hourly KW rate from the governmental sector to the private sector.

Rent

Rent expenses decreased by 52.9 % from SAR 0.1 million in 2019G to SAR 0.07 million in 2020G due to the decrease in the rent fees related to the labors' accommodation in Al Ahsa and Tabuk.

Rent expenses increased by 55.4 % from SAR 0.07 million in 2020G to SAR 0.1 million in 2021G following the new lease contracts related to one of the executive's accommodations.

Other expenses

Other expenses consisting of Iqama renewal, hotels, hospitality cleaning, business travel and office supplies insurance, among others.

Other expenses decreased by 20.7 % from SAR 3.1 million in 2019G to SAR 2.4 million in 2020G due to the decrease of SAR 0.5 million in various other expenses, 0.2 million in withholding tax, 0.1 million in Iqama and visa related expenses. This was partially offset by an increase of SAR 0.1 million in subscription fees and cleaning services each in 2020G.

Other expenses decreased by 23.5 % from SAR 2.4 million in 2020G to SAR 1.9 million in 2021G due to a decrease in miscellaneous expenses by SAR 0.2 million, travel and transportation expenses by SAR 0.1 million, and cleaning expenses by SAR 0.1 million.

6.2.2 Other income:

Table (6.10): Other Income for the Financial Years 2019G, 2020G and 2021G:

SAR in 000's	2019G Audited	2020G Audited	2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Penalties and fines for suppliers	248	633	647	155.2%	2.2%	61.5%
Rents	-	265	-	na	(100.0%)	0.0%
Other	500	98	978	(80.4%)	899.0%	39.9%
Total	748	996	1,625	33.2%	63.3%	47.4%
As a% of sales				**ppt.**		
Penalties and fines for suppliers	0.0%	0.1%	0.1%	0.1	(0.0)	0.1
Rents	0.0%	0.0%	0.0%	0.0	(0.0)	-
Other	0.1%	0.0%	0.2%	(0.1)	0.1	0.1
Total	**0.1%**	**0.2%**	**0.3%**	**0.0**	**0.1**	**0.1**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

Other income are mainly comprised of penalties and fines for suppliers, rents, and other. Penalties are calculated based on 6% of the purchase order value.

Other income increased by 33.1% from SAR 0.7 million in 2019G to SAR 1.0 million in 2020G driven mainly by the increase of SAR 0.4 million of penalties and fines for suppliers related to penalties on late deliveries, as well as the increase of SAR 0.3 million in rent due to a reversal suggested by the auditor. This increase was partially offset by a decrease of SAR 0.4 million in other.

Other income increased by 63.3 % from SAR 1.0 million in 2020G to SAR 1.6 million in 2021G, mainly as a result of the increase in the penalties and fines for suppliers by 2.3% from SAR 0.6 million in 2020G to SAR 0.65 million in 2021G and the increase in other income by 901.6 % from SAR 0.1 million in 2020G to SAR 1.0 million in 2021G, despite the significant decrease in rent to nil in 2021G.

6.2.3 Balance Sheet

Table (6.11): Statement of financial position as at 31 December 2019G, 2020G and 2021G

SAR in 000's	31 December 2019G Audited	31 December 2020G Audited	31 December 2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Assets						
Non - current Assets						
Property, plant and equipment and right of use assets	764,009	830,433	853,441	8.7%	2.8%	5.7%
Intangible assets	-	286	4,333	na	1,415.0%	na
Total non-current assets	**764,009**	**830,719**	**857,774**	**8.7%**	**3.3%**	**6.0%**
Current assets						
Inventories	111,482	118,804	115,818	6.6%	(2.5%)	1.9%
Amounts due from related parties	21	-	-	(100.0%)	na	(100.0%)
Trade receivables	-	20	2,376	na	1,1780.0%	na
Prepayments and other current assets	45,553	13,320	22,587	(70.8%)	69.6%	(29.6%)
Cash and cash equivalents	320,336	518,754	157,485	61.9%	(69.6%)	(29.9%)
Assets available for sale	-	-	384	na	na	na

SAR in 000's	31 December 2019G Audited	31 December 2020G Audited	31 December 2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Total current Assets	**477,392**	**650,898**	**298,650**	**36.3%**	**(54.1%)**	**(20.9%)**
Total assets	**1,241,401**	**1,481,617**	**1,156,424**	**19.4%**	**(21.9%)**	**(3.5%)**
Equity and liabilities						
Equity						
Capital	500	539,237	539,237	107,747.4%	0.0%	3184.0%
Statutory reserve	150	19,219	39,055	12,712.7%	103.2%	1513.6%
Proposed increase in capital	538,737	-	-	(100.0%)	na	(100.0%)
Retained earnings	351,178	522,795	86,902	48.9%	(83.4%)	(50.3%)
Total Equity	**890,565**	**1,081,251**	**665,194**	**21.4%**	**(38.5%)**	**(13.6%)**
Liabilities						
Non-Current Liabilities						
Lease liabilities	261,453	321,815	347,999	23.1%	8.1%	15.4%
Employees' defined Benefits liabilities	490	773	698	57.8%	(9.7%)	19.3%
Total non-current Liabilities	**261,943**	**322,589**	**348,697**	**23.2%**	**8.1%**	**15.4%**
Current Liabilities						
Trade payables and other current liabilities	34,032	49,647	104,570	45.9%	110.6%	75.3%
Lease liabilities	8,162	9,767	10,723	19.7%	9.8%	14.6%
Advances from customers	14,021	18,363	22,496	31.0%	22.5%	26.7%
Amounts due to related parties	32,678	-	-	(100.0%)	na	(100.0%)
Zakat payable	-	-	4,744	na	na	na
Total Current Liabilities	**88,893**	**77,777**	**142,533**	**(12.5%)**	**83.3%**	**26.6%**
Total Liabilities	**350,836**	**400,366**	**491,230**	**14.1%**	**22.7%**	**18.3%**
Total Equity and liabilities	**1,241,401**	**1,481,617**	**1,156,424**	**19.4%**	**(21.9%)**	**(3.5%)**
Key performance indicators						
Average days of inventory (day)-Raw materials	50	41	45	(18.0%)	9.8%	(5.1%)
Average accounts payable days (Day)	27	21	39	(22.2%)	85.7%	20.2%
Average days of accounts receivable (days)***	-	-	1	na	na	na
Cash turnover rate	23	20	7	(13.0%)	(65.0%)	(44.8%)
Return on average assets	10.7%	14.0%	15.0%	3.3	1.0	4.3
Return on average equity	15.2%	19.3%	22.7%	4.1	3.4	7.5

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

* DIO – raw materials is computed based on the raw material balance at period end / cost of raw materials * number of days

** DPO is computed based on the average payable balance over the period / cost of sales (excluding salaries) * number of days

*** DSO is computed based on the average receivable balance over the period / sales * number of days

6.2.3.1 Non-current assets

Table (6.12): Non-current assets as at 31 December 2019G, 2020G, and 2021G

SAR in 000's	31 December 2019G Audited	31 December 2020G Audited	31 December 2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Property, plant and equipment and right of use assets	764,009	830,433	853,441	8.7%	2.8%	5.7%
Intangible assets	-	286	4,333	Na	1415.0%	Na
Total non-current assets	**764,009**	**830,719**	**857,774**	**8.7%**	**3.3%**	**6.0%**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

Non-current assets increased from SAR 764.0 million as at 31 December 2019G to SAR 830.7 million as at 31 December 2020G mainly driven by the increase in right-of-use asset (increase of SAR 56.7 million) due to the addition of leased operational silos in Jeddah, Al Qassim, and Al Ahsa branches (increase of SAR 57.2 million) and lands lease contracts (increase of SAR 12.9 million) following the renewal of these lease contracts with GFSA, coupled with the increase in property plant and equipment (increase of SAR 9.7 million) due to the additions (increase of SAR 35.2 million) mainly to projects under progress (increase of SAR 17.5 million), plant and equipment (increase of SAR 7.5 million) and motor vehicles (increase of SAR 6.8 million).

Non-current assets increased from SAR 830.7 million as at 31 December 2020G to SAR 857.8 million as at 31 December 2021G as a result of the increase in right-of-use asset (increase of SAR 23.1 million) due to the additions (increase of SAR 41.3 million) in relation to lands lease contracts (increase of SAR 28.1 million) driven by the increase in rent fees in relation to Jeddah land, and building and warehouses (increase of SAR 13.2 million) in connection with the worker's residence building in Jeddah, coupled with the increase in intangible assets (increase of SAR 4.0 million) following the implementation of SAP.

6.2.3.1.1 Property, Plant and Equipment, and Right of use assets

Table (6.13): Properties, plant and equipment and right of use assets as at 31 December 2019G, 2020G, and 2021G

SAR in 000's	31 December 2019G Audited	31 December 2020G Audited	31 December 2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Property, plant and equipment	510,180	519,877	519,783	1.9%	(0.0%)	0.9%
Right of use assets	253,829	310,556	333,658	22.3%	7.4%	14.7%
Total property, plant and equipment and right of use assets	**764,009**	**830, 433**	**853,441**	**8.7%**	**2.8%**	**5.7%**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

6.2.3.1.1.1 Property, Plant and Equipment

Table (6.14): Property, plant and equipment as at 31 December 2019G, 2020G, and 2021G

SAR in 000s	Building	Plant and equipment	Assets under finance lease	Furniture and fittings	Computer equipment	Motor Vehicles	Projects under progress	Total
Cost:								
At 31 December 2018	196,293	326,346	204,919	2,423	1,843	1,228	1,891	734,942
Additions	279	7,143	-	317	910	11	40,432	49,092
Adoption of IFRS16	-	-	(204,919)	-	-	-	-	(204,919)
At 31 December 2019	196,572	333,489	-	2,740	2,753	1,239	42,323	578,667
Additions	1,147	7,513	-	471	1,824	6,760	17,493	35,208
Disposals	-	(13)	-	-	-	(61)	-	(74)
Transfers	38,899	7,324	-	1,150	49	-	(47,422)	-
At 31 December 2020	236,618	348,313	-	4,361	4,177	7,938	12,395	613,801
Additions	1,915	12,968	-	341	339	134	18,476	34,174
Disposals	(2)	(7)	-	-	-	-	-	(9)
Transfers	889	2,726	-	-	-	-	(3,616)	-
Transfers of assets held for sale	(1,181)	(9,780)	-	-	-	-	-	(10,961)
At 31 December 2021	238,239	354,220	-	4,702	4,517	8,072	27,254	637,004
Depreciation:								
At 31 December 2018	12,596	31,023	16,394	1,346	665	198	-	62,223
Charge for the year	6,357	15,826	-	333	339	250	-	23,105
Adoption of IFRS16	-	-	(16,394)	-	-	-	-	(16,394)
At 31 December 2019	18,954	6,849	-	1,679	1,004	449	-	68,934
Charge for the year	7,197	16,499	-	347	493	640	-	25,178
Disposals during the year	-	-	-	-	-	(30)	-	(30)
Transfers to intangible assets	-	-	-	-	(162)	-	-	(162)
At 31 December 2020	26,151	63,351	-	2,027	1,336	1,059	-	93,924
Charge for the year	8,046	16,795	-	357	600	1,610	-	27,408
Transfers of assets held for sale	(151)	(3,959)	-	-	-	-	-	(4,111)
At 31 December 2021	34,045	76,186	-	2,383	1,936	2,670	-	117,221
Net Book Value								
At 31 December 2019	177,618	286,640	-	1,060	1,749	790	42,323	510,180
At 31 December 2020	210,466	284,962	-	2,334	2,842	6,878	12,395	519,877
At 31 December 2021	204,194	278,034	-	2,318	2,581	5,402	27,254	519,783

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

Buildings

The buildings are built on land leased from the General Food Security Authority with an annual rental value of SAR 2.0 million. The term of the lease is 25 calendar years commencing from 1 January 2017G and is automatically renewable for a similar period. During the year 2020G, the leases term was extended during 2020G, by which the contract duration became 25 years starting 2020G.

Buildings comprised of buildings and facilities mainly silos, warehouses and storage, and offices and labor buildings, in addition to technical civil works. The buildings value increased from SAR 177.6 million at 31 December 2019G to SAR 210.5 million at 31 December 2020G following the construction of the wheat silos in Tabuk at a value of SAR 26 million, and to the construction of 2 warehouses in Jeddah and Al Qassim at a total value of SAR 11 million, in addition to the renovation works related to the Company's buildings and facilities during 2020G as these were transferred from the projects under progress related to leasehold improvement to the Company's various facilities.

The net book value of the buildings decreased to SAR 204.2 million as oat 31 December 2021G, mainly as a result of the depreciation charges of the year.

Plant and equipment

Plant and equipment comprise of technical mechanical assets and technical 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.

The plant and equipment net book value has decreased over the historical period from SAR 286.6 million at 31 December 2019G to SAR 285.0 as at 31 December 2020G as a result of the depreciation costs incurred by the Company during that period. This decrease was partly offset by additions estimated at SAR 7.5 million during 2020G, as the Company replaced old devices and machines with new ones and carried out improvements to its production facilities in order to improve efficiency and increase production capacity. The plant and equipment value further decreased from SAR 285.0 million to SAR 278.0 million at 31 December 2021G, mainly driven by depreciation charges during the historical period, coupled with the transfer of assets held for sale (decrease of SAR 6.8 million) in 2021G as a result of the decision taken by the board of directors to sell one of the mills that has not been in use since 2014, this was offset by additions amounted to SAR 12.3 million over the same period.

Furniture and fixtures

Furniture and fixtures amounted to SAR 1.1 million at 31 December 2019G and increased to SAR 2.3 million at 31 December 2020G and 31 December 2021G as result of the additions during 2020G amounting to SAR 0.5 million related to various improvements of the Company's facilities, out of which SAR 1.2 million was transferred from projects under progress.

Computer equipment

Computer equipment amounted to SAR 1.7 million at 31 December 2019G and increased to SAR 2.8 million at 31 December 2020G as result of the additions during 2020G amounting to SAR 1.9 million in relation to the replacement of aged computer equipment with new one. The balance then decreased to SAR 2.6 million at 31 December 2021G as result of the depreciation charges during the period.

Motor vehicles

Motor vehicles amounted to SAR 0.8 million as at 31 December 2019G and increased to SAR 6.9 million at 31 December 2020G driven by additions amounting to SAR 6.8 million as the Company started delivering its products to customers as opposed to having customers receive their order "at the gate", in addition to being used in transporting raw materials from the Company's warehousing silos to operational silos. The balance then decreased to SAR 5.4 million at 31 December 2021G following the depreciation charges during the year.

Projects under progress

Projects under progress amounted to SAR 27.3 million as at 31 December 2021G and mainly consists of:

- Chemical warehouses project in Al Qassim, Jeddah, Tabuk and Al Ahsa;
- The project of installing the product conveying line from the Jeddah silo;
- The project to replace the grinding cylinder control unit in Al Ahsa;
- Whole wheat mill construction project in Jeddah; and
- Replacing a wheat mill in Jeddah and milling cylinders in Al Qassim.

The capital commitments relating to this amount to SAR 69 million (SAR 43.3 million as at 31 December 2021G).

The balance constantly fluctuated over the historical period as the Company continues to revamp its buildings, facilities, and technical assets, recognizing and transferring the balance to the relevant asset class upon capitalization.

6.2.3.1.1.2 Right of use assets

Table (6.15): Movement in right of use assets as at 31 December 2019G, 2020G and 2021G:

SAR in 000s	Silos	Lands	Buildings, warehouses, and equipment	Total
Cost:				
At 31 December 2018	**-**	**-**	**-**	**-**
Initial recognition of IFRS16	-	69,562	-	69,562
Transfer from assets under finance lease	204,919	-	-	204,919
Additions during the year	-	-	7,894	7,894
At 31 December 2019	**204,919**	**69,562**	**7,894**	**282,376**
Additions during the year	57,228	12,901	-	70,129
At 31 December 2020	**262,148**	**82,464**	**7,894**	**352,505**
Additions during the year	-	28,132	13,206	41,338
Disposals during the year	-	-	(2,514)	(2,514)
At 31 December 2021	**262,148**	**110,595**	**18,587**	**391,330**
Accumulated depreciation:				
At 31 December 2018	**-**	**-**	**-**	**-**
Charge for the year	8,197	3,018	938	12,153
Transfer from assets under finance lease	16,394	-	-	16,394
At 31 December 2019	**24,590**	**3,018**	**938**	**28,547**
Charge for the year	8,296	3,037	2,068	13,402
Disposals	**-**	**-**	**-**	**-**
At 31 December 2020	32,887	6,056	3,006	41,949
Charge for the year	9,544	4,084	2,096	15,724
At 31 December 2021	**42,431**	**10,139**	**5,102**	**57,672**
Net book value:				
At 31 December 2019	**180,329**	**66,544**	**6,956**	**253,829**
At 31 December 2020	**229,261**	**76,408**	**4,888**	**310,557**
At 31 December 2021	**219,717**	**100,456**	**13,485**	**333,658**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

Table (6.16): Depreciation charge on right of use assets as at 31 December 2019G, 2020G and 2021G

SAR in 000's	31 December 2019G Audited	31 December 2020G Audited	31 December 2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Direct Costs	12,108	13,356	14,818	10.3%	10.9%	10.6%
General and administrative expenses	30	30	889	0.0%	2863.3%	444.4%
Selling and distribution expenses	15	15	16	0.0%	6.7%	3.3%
TOTAL	**12,153**	**13,402**	**15,724**	**10.3%**	**17.3%**	**13.7%**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

Silos

The Company entered into a lease agreement with GFSA to rent grain silos for the purpose of storing wheat (for further information please refer to Section 12 ("**Legal Information**") of this Prospectus. The lease term is for 25 Gregorian years, starting from 1 January 2017G, and it is automatically renewable for a similar period. The estimated useful life of the leased assets for the purposes of the amortization calculation is 25 years. During 2020, the duration of the contracts was extended by an additional 3 years. Right of use related to the leased silos increased from SAR 180.3 million at 31 December 2019G to SAR 229.3 million at 31 December 2020G due to the addition of leased operational silos in Jeddah, Al Qassim, and Al Ahsa branches (increase of SAR 57.2 million) following the renewal of the lease contracts with GFSA, partially offset by the depreciation expense recognized during the year (decrease of SAR 8.3 million). The balance then decreased to SAR 219.7 million at 31 December 2021G as result of the depreciation expense recognized during the year (decrease of SAR 9.5 million).

Lands

The Company has entered into land lease contracts related to the 4 branches Jeddah, Al Qassim, Tabuk and Al Ahsa. The term of these contracts is 25 years. These lease contracts do not transfer ownership of the assets to the lessor at the end of the contract. The estimated useful life of these assets for the purposes of amortization calculation is 23 years. Right of use related to the leased lands from GFSA increased from SAR 66.5 million at 31 December 2019G to SAR 76.4 million at 31 December 2020G due to the addition made (increase of SAR 12.9 million) following the renewal of the lease contracts of Jeddah, Al Qassim and Al Ahsa with GFSA, partially offset by the depreciation expense recognized during the year (decrease of SAR 3.0 million). The balance then increased further to SAR 100.5 million at 31 December 2021G due to the additions in relation to Lands (increase of SAR 28.1 million) following the amendment of Jeddah branch contract value, partially offset by the depreciation expense recognized during the year (decrease of SAR 4.1 million).

Buildings, warehouses, and equipment

Buildings, warehouses and equipment relate to leasing buildings for labor's accommodation and warehouses leased from Modon. The net book value of the buildings, warehouses, and equipment related to leased buildings, warehouses, and equipment decreased from SAR 7.0 million at 31 December 2019G to SAR 4.9 million at 31 December 2020G as result of the depreciation charges during the period (decrease of SAR 2.1 million). The balance then increased to SAR 13.5 million at 31 December 2021G mainly due to the addition (increase of SAR 13.2 million) in connection with the worker's residence building in Jeddah, partially offset by disposals (decrease of SAR 2.5 million) and depreciation expense recognized during the year (decrease of SAR 2.1 million).

6.2.3.1.2 Intangible assets

Table (6.17): Movement in intangible assets during the financial years ended 31 December 2019G, 2020G and 2021G.

SAR in 000's	31 December 2019G Audited	31 December 2020G Audited	31 December 2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Costs:						
Beginning of the year	-	448	448	na	na	na
Transfer from property plant and equipment	-	-	-	na	na	na
Additions	-	-	1,104	na	na	na
Transfer from projects in progress	-	-	3,426	na	na	na
At the end of the year	-	448	4,977	na	1,011.2%	na
Accumulated amortization:						
Beginning of the year	-	95	162	na	71.0%	na
Amortization	-	67	482	na	619.4%	na
At the end of the year	-	162	644	na	297.5%	na
Net book value:						
At the end of the year	-	286	4,333	na	1415.0%	na

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

Intangible assets consisted of computer programs and ERP system and increased from nil at 31 December 2019G to SAR 0.3 million at 31 December 2020G following the transfer of computer programs from property plant and equipment to intangible assets that increased by SAR 0.4 million, partially offset by the amortization charges during the year which decreased by SAR 0.07 million. The balance then increased to SAR 4.3 million as at 31 December 2021G following the addition of SAR 4.5 million in relation to SAP, partially offset by the amortization charges of SAR 0.5 million during the year.

6.2.3.2 Current assets

Table (6.18): Current assets as of 31 December 2019G, 2020G, 2021G.

SAR in 000's	31 December 2019G Audited	31 December 2020G Audited	31 December 2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Inventories	111,482	118,804	115,818	6.6%	(2.5%)	1.9%
Amounts due from related parties	21	-	-	(100%)	na	(100%)
Trade receivables	-	20	2,376	na	11,780.0%	na
Prepayments and other current assets	45,553	13,320	22,587	(70.8%)	69.6%	(29.6%)
Cash and cash equivalents	320,336	518,754	157,485	61.9%	(69.6%)	(29.9%)
Assets available for sale	-	-	384	na	na	na
Total current Assets	**477,392**	**650,898**	**298,650**	**36.3%**	**(54.1%**	**(20.9%)**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

Current assets increased from SAR 477.4 million as at 31 December 2019G to SAR 650.9 million as at 31 December 2020G mainly driven by the increase in cash and cash equivalents generated from the Company's operations amounting to SAR 198.4 million, partially offset by the decrease in prepayments and other current assets SAR 32.2 million following the reversal of the cash margin of a letter of credit amounting to SAR 40.0 million in 2020G in connection with the purchase of corn from an international supplier as the shipment was cancelled due to the Covid-19 travel restrictions.

Current assets decreased from SAR 650.9 million as at 31 December 2020G to SAR 298.7 million as at 31 December 2021G as a result of the decrease in cash and cash equivalents of SAR 361.3 million due to dividends payment during the year amounting to SAR 614.4 million.

6.2.3.2.1 Inventories

Table (6.19): Inventories breakdown as at 31 December 2019G, 2020G and 2021G

SAR in 000's	31 December 2019G Audited	31 December 2020G Audited	31 December 2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Spare parts	89,004	92,108	93,494	3.5%	1.5%	2.5%
Raw materials	33,370	35,310	45,571	5.8%	29.1%	16.9%
Goods in transit	1,381	12,221	1,209	785.0%	(90.1%)	(6.4%)
Finished goods	15,210	10,683	8,188	(29.8%)	(23.4%)	(26.6%)
Others	1,050	1,088	1,057	3.6%	(2.8%)	0.3%
Less: allowance for slow moving inventory of spare parts and raw materials	(28,533)	(32,606)	(33,701)	14.3%	3.4%	8.7%
Total	**111,482**	**118,804**	**115,818**	**6.6%**	**(2.5%)**	**1.9%**
Key Performance Indicators						
Raw materials consumed	279,230	307,966	327,106	10.3%	6.2%	8.2%
DIO-Raw materials (days)	50	41	45	(18.0%)	9.8%	(5.1%)

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

6.2.3.2.1.1 Spare parts

Spare parts comprised of spare parts used for the Company's machineries and production facilities maintenance. Spare parts increased from SAR 89.0 million at 31 December 2019G to SAR 92.1 million and SAR 93.5 million at 31 December 2020G and 31 December 2021G respectively, following the increase in purchases to meet the high utilization of the mills over the period under review.

6.2.3.2.1.2 Raw materials

Raw materials comprised of five different materials used in the production across all product groups:

Table (6.20): Raw materials as at 31 December 2019G, 2020G and 2021G

SAR in 000's	31 December 2019G Management information	31 December 2020G Management information	31 December 2021G Management information	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Corn	1,615	4,530	18,784	180.6%	314.6%	240.0%
Packing materials	16,536	14,050	11,281	(15.0%)	(19.7%)	(17.4%)
Wheat	6,001	11,275	12,795	87.9%	13.5%	46.0%
Feed materials	6,945	2,771	1,734	(60.1%)	(37.4%)	(50.0%)
Additives	2,273	2,683	977	18.0%	(63.6%)	(34.4%)
Total raw materials	**33,370**	**35,310**	**45,571**	**5.8%**	**29.1%**	**16.9%**

Source: Management information

Corn is one of the main feed ingredients and is purchased from third party suppliers at international market prices. Corn increased from SAR 1.6 million at 31 December 2019G SAR 4.5 million at 31 December 2020G due to major increases in prices of corn in addition to higher market demand driven by Covid-19 pandemic. The balance further increased to SAR 18.8 million at 31 December 2021G due to a significant order of corn received during December 2021G which was meant to cover the production plans for the upcoming three months, coupled with the increase in prices of corn and high market demand driven by Covid-19 pandemic.

Packing materials amounted to SAR 16.5 million at 31 December 2019G and are mainly used in the packing of finished goods. The balance then decreased to SAR 14.1 million and SAR 11.3 million at 31 December 2020G and 31 December 2021G respectively due to shift in procurement to suppliers with a lower costs of packing materials.

Wheat increased from SAR 6.0 million at 31 December 2019G to SAR 11.3 million and SAR 12.8 million at 31 December 2020G and 31 December 2021G respectively due to the increased demand and consumption of flour products (i.e.: flour and bran among others) driven by Covid-19 pandemic.

Feed materials pertains to raw feed ingredients which decreased from SAR 6.9 million at 31 December 2019G to SAR 11.3 million and SAR 12.8 million at 31 December 2020G and 31 December 2021G as the Company is shifting a majority of its production towards feed products using less other feed materials.

Additives are the vitamins and enzymes that are added to the flour and amounted to SAR 2.3 million and SAR 2.7 million at 31 December 2019G and 31 December 2020G respectively. The balance then decreased to SAR 1.0 million at 31 December 2021G following the increase in the floor production.

6.2.3.2.1.3 Goods in transit

Goods in transit increased from SAR 1.4 million at 31 December 2019G to SAR 12.2 million at 31 December 2020G stemming from 4 spare parts shipments for Jeddah, Al Qassim, and Tabuk branches. The balance then decreased to normal levels at SAR 1.2 million at 31 December 2021G.

Finished goods

Table (6.21): Finished Goods by type as at 31 December 2019G, 2020G and 2021G.

SAR in 000's	31 December 2019G Management information	31 December 2020G Management information	31 December 2021G Management information	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Flour	13,629	9,131	5,426	(33.0%)	(40.6%)	(36.9%)
Feed	1,201	925	2,252	(23.0%)	143.5%	36.9%
Bran	380	627	510	64.8%	(18.7%)	15.8%
Total	**15,210**	**10,683**	**8,188**	**(29.8%)**	**(23.4%)**	**(26.6%)**
Key Performance Indicators						
Actual quantities (in tons)						
Flour	36,810	26,746	17,548	(27.3%)	(34.4%)	(31.0%)
Feed	1,768	1,368	3,304	(22.6%)	141.5%	36.7%
Bran	720	1,595	1,700	121.5%	6.6%	53.7%
Total	**39,298**	**29,709**	**22,552**	**(24.4%)**	**(24.1%)**	**(24.2%)**
Average cost per ton (in SAR)						
Flour	370	341	309	(7.8%)	(9.4%)	(8.6%)
Feed	679	676	682	(0.4%)	0.8%	0.2%
Bran	528	394	301	(25.4%)	(23.6)	(24.6%)
Total	**387**	**360**	**363**	**(7.0%)**	**1.0%**	**(3.1%)**

Source: Management Information

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

Flour amounted to SAR 13.6 million at 31 December 2019G and decreased to SAR 9.1 million and SAR 5.4 million at 31 December 2020G and 31 December 2021G respectively, as result of the increase in sales over the same period driven by increased consumer demand as a response to Covid-19 lockdown implications

Feed amounted to at SAR 1.2 million and SAR 0.9 million at 31 December 2019G and 31 December 2020G respectively. The balance then increased to SAR 2.3 million at 31 December 2021G due to the increased demand in the local market.

Bran is a by-product of flour production and is either sold to the market in bulk or packs or used in the production of various feed products. The balance remained relatively low in comparison to flour and feed finished goods balance at SAR 0.4 million, SAR 0.6 million, and SAR 0.5 million as at 31 December 2019G, 31 December 2020G, and 31 December 2021G respectively, as result of using the majority of bran quantities in feed production.

6.2.3.2.1.4 Others

Others include chemicals and other inventory items used in production and remained relatively stable at approximately SAR 1.1 million as at 31 December 2019G, 2020G and 2021G.

6.2.3.2.1.5 Allowance for slow moving inventory of spare parts and raw materials

Table (6.22): Movement in allowance for slow moving inventory of spare parts and raw materials as at 31 December 2019G, 2020G and 2021G

SAR in 000's	31 December 2019G Audited	31 December 2020G Audited	31 December 2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
At the beginning of the year	21,208	28,533	32,606	34.5%	14.3	24.0%
Provision during the year	7,325	4,073	1,095	(44.4%)	(73.1%)	(61.3%)
At the end of the year	**28,533**	**32,606**	**33,701**	**14.3%**	**3.4%**	**8.7%**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

Allowance for slow moving inventory increased from SAR 28.5 million at 31 December 2019G to SAR 32.6 million at 31 December 2020G as a result of the additional provision recorded during 2020G amounting to SAR 4.1 million in relation to spare parts. The balance increased further to SAR 33.7 million at 31 December 2021G stemming from the additional provision recorded during 2021G amounting to SAR 1.1 million in relation to the packaging materials not expected to be used during the period.

6.2.3.2.2 Amounts due from related parties

Table (6.23): Amounts due from related parties as at 31 December 2019G, 2020G and 2021G.

SAR in 000's	31 December 2019G	31 December 2020G	31 December 2021G	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Amount due from related Parties						
Third Milling Company	21	-	-	(100.0%)	na	na
Total	**21**	**-**	**-**	**(100.0%)**	**na**	**na**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

Amount due from related parties amounted to SAR 0.02 million at 31 December 2019G and related to payables to Third Milling Company for minor expenses paid on behalf of the Company. The balance then decreased to nil from 31 December 2020G onwards after reclassifying the balance to suppliers / customers balance as relevant, as the Third Milling Company is no longer considered as a related party post-privatization of the Company.

6.2.3.2.3 Trade receivables

Table (6.24): Trade receivables for the financial years ended 31 December 2019G, 2020G and 2021G.

SAR in 000's	31 December 2019G	31 December 2020G	31 December 2021G	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Gross Trade receivables	882	902	3,258	2.3%	261.2%	92.2%
Less: Provision or bad and doubtful receivables	-882	(882)	(882)	0.0%	0.0%	0.0%
Net trade receivables	-	20	2,376	na	11,780.0%	na

Source: Management Information

Net trade receivables amounting to SAR 0.02 million at 31 December 2020G and related to credit sales, as the Company started to offer credit limit to various key accounts and significant customers. The balance then increased to SAR 2.4 million at 31 December 2021G following Management's decision to extend credit sales and expand the list of customers.

6.2.3.2.4 Prepayments and other current assets

Table (6.25): Prepayments and other current assets as at 31 December 2019G, 2020G and 2021G.

SAR in 000's	31 December 2019G	31 December 2020G	31 December 2021G	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Advances to contractors	-	448	11,963	na	2570.3%	na
Prepayments	1,851	1,918	3,148	3.6%	64.1%	30.4%
Letter of guarantee a letter of credit	39,993	7,689	1,127	(80.8%)	(85.3%)	(83.2%)
VAT receivable	-	-	1,809	na	na	na
Accrued revenue	1,215	310	-	(74.5%)	(100.0%)	(100.0%)
Other receivables	2,494	2,955	4,541	18.4%	53.7%	34.9%
Total	**45,553**	**13,320**	**22,587**	**(70.8%)**	**69.6%**	**(29.6%)**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

6.2.3.2.4.1 Advances to contractors

Advances to contractors increased from SAR 0.4 million at 31 December 2020G to SAR 12.0 million at 31 December 2021G mainly driven by advance payments made to Buhler amounting SAR 10.5 million and other contractors in connection with capex projects.

6.2.3.2.4.2 Prepayments

Prepayments increased from SAR 1.9 million at 31 December 2019G and 31 December 2020G to SAR 3.1 million at 31 December 2021G mainly driven by increases in prepaid rent expenses SAR 0.8 million and prepaid insurance expenses of SAR 0.7 million and SAR 0.2 million respectively.

6.2.3.2.4.3 Letter of guarantee a letter of credit

Letter of guarantee a letter of credit amounted to SAR 40.0 million at 31 December 2019G and related to cash margin in connection with letter of credits issued by local banks and used by the Company to import goods from foreign suppliers. The balance then decreased to SAR 7.7 million and SAR 1.1 million at 31 December 2020G and 31 December 2021G respectively, mainly driven by the reversal of cash margin LC amounting to SAR 40.0 million in 2020G in connection with the purchase of corn from an international supplier as the shipment was impacted by Covid-19 pandemic and the corn was not delivered to the Company.

6.2.3.2.4.4 VAT receivable

VAT receivable increased from nil at 31 December 2019G and 31 December 2020G to SAR 1.8 million at 31 December 2021G as result of an input VAT paid by the Company higher than the output VAT charged due to high purchases during the year which resulted in a VAT receivable position.

6.2.3.2.4.5 Accrued revenue

Accrued revenue amounted to SAR 1.2 million and SAR 0.3 million at 31 December 2019G and 31 December 2020G respectively and represents accrued interest on short-term deposits that were outstanding at the same reporting periods. The balance then decreased to nil at 31 December 2021G as the short-term deposits were withdrawn.

6.2.3.2.4.6 Other receivables

Other receivables amounted to SAR 2.5 million and SAR 3.0 million at 31 December 2019G and 31 December 2020G respectively and mainly comprised of a letter of guarantee amounting to SAR 2.5 million in connection with the leased contracts with GFSA. The balance then increased to SAR 4.5 million at 31 December 2021G mainly driven by an advance payment to ZATCA amounting to SAR 1.7 million following a VAT assessment that was conducted for the Company.

6.2.3.2.5 Cash and cash equivalents

Table (6.26): Cash and cash equivalents as at 31 December 2019G, 2020G and 2021G

SAR in 000's	31 December 2019G	31 December 2020G	31 December 2021G	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Cash at banks	40,336	208,754	157,485	417.5%	(24.6%)	97.6%
Short term deposits	280,000	310,000	-	10.7%	(100.0%)	(100.0%)
Total	**320,336**	**518,754**	**157,485**	**61.9%**	**(69.6%)**	**(29.9%)**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

Cash and cash equivalents amounted to SAR 320.3 million at 31 December 2019G and comprised of cash at banks and short-term deposits. The balance increased to SAR 518.8 million as at 31 December 2020G mainly driven by the significant increase in cash at banks in connection with the increase in the operations. The balance then decreased to reach SAR 157.5 million at 31 December 2021G mainly driven by the SAR 614.4 million dividends paid to the shareholders.

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

6.2.3.2.6 Assets available for sale

Table (6.27): Assets available for sale as at 31 December 2019G, 2020G and 2021G

SAR in 000's	31 December 2019G Audited	31 December 2020G Audited	31 December 2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Asset available for sale	-	-	384	na	na	na
Total	**-**	**-**	**384**	**na**	**na**	**na**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

Assets available for sale related to Mill F in Jeddah that has not been in use since 2014G and amounted to SAR 0.4 million at 31 December 2021G, which represents the recoverable value of the mill. During the year ending 31 December 2021G, the Board of Directors decided to sell the mill. Accordingly, it was reclassified as available for sale. The estimated disposal loss amounting to SAR 6.5 million representing the difference between the recoverable value SAR 0.4 million and the net book value of the disposed fixed assets SAR 6.9 million.

6.2.3.3 Equity

Table (6.28): Equity as at 31 December 2019G, 2020G and 2021G

SAR in 000's	31 December 2019G Audited	31 December 2020G Audited	31 December 2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Capital	500	539,237	539,237	107,747.4%	0.0%	3184.0%
Statutory reserve	150	19,219	39,055	12,712.7%	103.2%	1513.6%
Proposed increase in capital	538,737	-	-	(100.0%)	na	na
Retained earnings	351,178	522,795	86,902	48.9%	(83.4%)	(50.3%)
Total	**890,565**	**1,081,251**	**665,194**	**21.4%**	**(38.5%)**	**(13.6%)**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

Total equity increased from SAR 890.6 million as at 31 December 2019G to SAR 1,081.3 million as at 31 December 2020G as a result of the increase in retained earnings SAR 171.6 million over the same period, in addition to the increase in statutory reserves SAR 19.1 million over the same period.

Total equity decreased from SAR 1,081.3 million as at 31 December 2020G to SAR 665.2 million as at 31 December 2021G as a result of a SAR 435.9 million decrease in retained earnings following the dividend distribution during the year, partially offset by the increase in statutory reserves amounting SAR 19.8 million.

6.2.3.3.1 Capital

The Company's capital consists of 53,923,678 shares, the nominal value of each share is 10 Saudi riyals as at 31 December 2021G and 2020G (50,000 shares, the value of each share is 10 Saudi riyals as at 31 December 2019G). As at 9 June 2020G, the Council of Ministers issued a decision 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.

As at 31 December 2020G, the owner sold all of the company's shares to the Al-Raha Al-Safi Food Company. The sale and transfer of ownership of the Company was completed after fulfilling the legal requirements on that date.

As at 2 October 2019G, the Extraordinary General Assembly decided to increase the Company's capital from SAR 500,000 to SAR 539,236,780, by transferring an amount of SAR 538,736,780 from the account of other reserves, bringing the total shares to 53,923,678 shares. The legal procedures related to the capital increase were completed during the year ending 31 December 2021G.

6.2.3.3.2 Statutory reserve

Statutory reserve was created in accordance with the Saudi Companies Law and the Company's bylaws, the Company must transfer 10% of its net income in each year (after covering accumulated losses), until the reserve amounts to 30% of the capital. During 2021G, a transfer of SAR 19.8 million was made from retained earnings to statutory reserves that reached SAR 39.1 million at 31 December 2021G.

Proposed increase in capital

Proposed increase in capital amounting to SAR 538.7 million at 31 December 2019G and corresponding to the net book value of the fixed assets and the spare parts inventory transferred from GFSA to the Company at 1 January 2017G. The total amount was transferred to share capital in 2020G.

6.2.3.3.3 Retained earnings

Retained earnings increased from SAR 351.2 million at 31 December 2019G to SAR 522.8 million at 31 December 2020G, mainly driven by the net profit for the year amounting SAR 190.7 million, partially offset by transfers made to statutory reserves of SAR 19.1 million.

The balance then decreased to SAR 86.9 million at 31 December 2021G, mainly driven by the SAR 614.4 million dividends paid to shareholders and SAR 19.8 million in transfers made to statutory reserves, partially offset by the net profits for the year amounting SAR 198.5 million.

6.2.3.4 Non-current liabilities

Table (6.29): Non-current liabilities as at 31 December 2019G, 2020G and 2021G

SAR in 000's	31 December 2019G Audited	31 December 2020G Audited	31 December 2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Lease liabilities	261,453	321,816	347,999	23.1%	8.1%	15.4%
Employees' defined Benefits liabilities	490	773	698	57.8%	(9.7%)	19.3%
Total non-current Liabilities	**261,943**	**322,589**	**348,697**	**23.2%**	**8.1%**	**15.4%**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

Non-current liabilities increased from SAR 261.9 million as at 31 December 2019G to SAR 322.6 million as at 31 December 2020G mainly driven by an increase of SAR 60.7 million in lease liabilities due to the renewal of the lease contracts with the GFSA for three additional years.

Non-current liabilities increased from SAR 322.6 million as at 31 December 2020G to SAR 348.7 million as at 31 December 2021G mainly driven by the increase in lease liabilities amounting SAR 26.2 million due to the additions of SAR 41.3 million in relation to lands, and SAR 28.1 million related to the new lease contracts and extending the term of the lease contracts with the GFSA for an additional 3 years and amending the value of Jeddah's land lease contract, and SAR 13.2 million in connection with the worker's residence building in Jeddah.

6.2.3.4.1 Lease liabilities

Table (6.30): Movement in lease liabilities as at 31 December 2019G, 2020G and 2021G

SAR in 000's	31 December 2019G Audited	31 December 2020G Audited	31 December 2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
At the beginning of the year	228,882	269,615	331,583	17.8%	23.0%	20.4%
Initial recognition of IFRS 16	70,374	-	-	(100.0%)	na	(100.0%)
Additions	7,894	70,129	41,338	788.4%	(41.1%)	128.8%
Finance charges on lease liabilities	13,499	13,289	11,818	(1.6%)	(11.1%)	(6.4%)
Disposals during the year	-	-	(2,864)	na	na	na
Payments	(51,034)	(21,450)	(23,152)	(58.0%)	7.9%	(32.6%)
Total	**269,615**	**331,583**	**358,722**	**23.0%**	**8.2%**	**15.3%**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

Table (6.31): Current and non-current lease liabilities as at 31 December 2019G, 2020G and 2021G

SAR in 000's	31 December 2019G Audited	31 December 2020G Audited	31 December 2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Current	8,162	9,767	10,723	19.7%	9.8%	14.6%
Non - Current	261,453	321,816	347,999	23.1%	8.1%	15.4%
Total	**269,615**	**331,583**	**358,722**	**23.0%**	**8.2%**	**15.3%**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

Lease liabilities relate to the estimated present value of payments for the Company's operating leases. Lease liabilities increased from SAR 269.6 million at 31 December 2019G to SAR 331.6 million at 31 December 2020G due to the addition of SAR 70.1 million in relation to the leased operational silos in Jeddah, Al Qassim, and Al Ahsa SAR 57.2 million and lands SAR 12.9 million following the renewal of the lease contracts with the GFSA for three additional years, coupled with finance cost incurred in 2020G amounting to SAR 13.3 million, partially offset by the payments of lease costs SAR 21.5 million.

The balance then increased further to SAR 358.7 million as at 31 December 2021G due to the additions amounting to SAR 41.3 million in relation to lands, SAR 28.1 million driven by new lease contracts, extending the term of the lease contracts with the GFSA for an additional 3 years and amending the value of Jeddah's land lease contract , SAR 13.2 million in connection with the worker's residence building in Jeddah, coupled with finance cost incurred in 2021G SAR 11.8 million, partially offset by the payments of lease costs SAR 23.2 million and disposals of SAR 2.9 million.

6.2.3.4.2 Employee's defined benefit liability

Table (6.32): Movement in Net Defined Benefit liability for the financial years ended 31 December 2019G, 2020G and 2021G

SAR in 000's	31 December 2019G Management information	31 December 2020G Audited	31 December 2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Net defined benefit obligation at 1 January	70	490	773	600.0%	57.6%	232.1%
Service cost	435	286	(193)	(34.3%)	(167.5%)	na
Interest expense	-	-	17	na	na	na
Paid during the year	(15)	(4)	(15)	(73.3%)	275.0%	2.5%
Remeasurement of the net defined benefit liability	-	-	116	na	na	na
Present value of the defined benefit obligation at year end	**490**	**773**	**698**	**57.6%**	**(9.7%)**	**19.3%**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

The Company has defined benefit plans with GOSI where the Company and the employees contribute fixed percentage of their salary toward the retirement of the Company's employees. The Company operates defined benefit plans, under the Labor Law based on employees' accumulated periods of service at the statement of financial position date.

The balance increased from SAR 0.5 million at 31 December 2019G to SAR 0.8 million at 31 December 2020G due to the service cost charged during the year (increase of SAR 0.3 million).

The employee's defined benefit balance decreased to SAR 0.7 million as at 31 December 2021G, after returning part of balance related to the employees seconded to the Company between 2017G and 2021G to the GFSA and who left the Company after the issuance of Administrative Decision No. (2219) dated 27 Muharram 1422H (corresponding to 15 September 2020G) by the GFSA to bear the liability due for the expatriate workers who were seconded to the Company from 2017G to 2021G.

6.2.3.5 Current liabilities

Table (6.33): Current liabilities as at 31 December 2019G, 2020G and 2021G

SAR in 000's	31 December 2019G Audited	31 December 2020G Audited	31 December 2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Trade payables and other current liabilities	34,032	49,647	104,570	45.9%	110.6%	75.3%
Lease liabilities	8,162	9,767	10,723	19.7%	9.8%	14.6%
Advances from customers	14,021	18,363	22,496	31.0%	22.5%	26.7%
Amounts due to related parties	32,678	-	-	(100.0%)	na	(100.0%)
Zakat payable	-	-	4,743	na	na	na
Total Current Liabilities	**88,893**	**77,777**	**142,533**	**(12.5%)**	**83.3%**	**26.6%**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

Current liabilities decreased from SAR 88.9 million as at 31 December 2019G to SAR 77.8 million as at 31 December 2020G mainly driven by the decrease in amounts due to related parties SAR 32.7 million as GFSA and other milling companies were no longer considered as related parties' post-privatization and therefore were reclassified to suppliers / customers as relevant. The decrease was offset by the increase in trade payables and other current liabilities of SAR 15.6 million and advances from customers amounting SAR 4.3 million.

Current liabilities increased from SAR 77.8 million as at 31 December 2020G to SAR 142.5 million as at 31 December 2021G mainly driven by the increase in trade payables and other current liabilities of SAR 54.9 million stemming from (i) the increase in trade payables amounting SAR 33.7 million as a result of purchases of yellow corn that was received in the fourth quarter of 2021G amounting to SAR 29.0 million, coupled with (ii) the increase in accrued expenses amounting SAR 22.8 million as result of the increase in accrued salaries and bonuses by SAR 14.6 million in relation to bonuses amounting to SAR 10.0 million and claim expenses for SAR 7.6 million related to accrued judicial expenses for the General Authority for Competition.

6.2.3.5.1 Trade payables and other current liabilities

Table (6.34): Trade payables and other current liabilities as at 31 December 2019G, 2020G and 2021G.

SAR in 000's	31 December 2019G Audited	31 December 2020G Audited	31 December 2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Trade payables	17,101	27,054	60,738	58.2%	124.5%	88.5%
Accrued expenses	14,095	18,487	41,277	31.2%	123.3%	71.1%
VAT payable	526	2,886	-	448.7%	(100.0%)	na
Other payables	2,310	1,220	2,556	(47.2%)	109.4%	5.2%
Total	**34,032**	**49,647**	**104,571**	**45.9%**	**110.6%**	**75.3%**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

6.2.3.5.1.1 Trade payables

Trade payables amounted to SAR 17.1 million at 31 December 2019G and comprised of payables to suppliers mostly related to the purchases of raw materials, packaging, and suppliers of services. The balance increased to SAR 27.1 million as at 31 December 2020G mainly due to the shift of GFSA balance from due to related parties to trade payables as a result of the Company's privatization by end of 2020G. The balance then increased further to SAR 60.7 million as at 31 December 2021G following the receipt of a yellow corn shipment (corn is a main feed ingredient) in the fourth quarter of 2021G amounting to SAR 29.0 million not yet settled at year end; the amount was settled during the nine-month period ending 30 September 2022G.

6.2.3.5.1.2 Accrued expenses

Accrued expenses amounted to SAR 14.1 million at 31 December 2019G and comprises of accrued salaries and bonuses, claim expenses, professional cost, and electricity expenses. The balance increased to SAR 18.5 million at 31 December 2020G, mainly driven by the increase in vacation allowance (increase of SAR 2.2 million) and accrued electricity expenses (increase of SAR 2.6 million). The balance significantly increased to SAR 41.3 million at 31 December 2021G, as result of the increase in accrued salaries and bonuses amounting SAR 14.6 million following the increase in salaries and claim expenses amounting SAR 7.6 million relating to a legal case from the General Authority for Competition.

6.2.3.5.1.3 VAT payable

VAT payables increased from SAR 0.5 million as at 31 December 2019G to SAR 2.9 million at 31 December 2020G mainly driven by the increase in VAT rate in KSA from 5% to 15% effective as of the beginning of July 2020G. The balance then decreased to nil at 31 December 2021G as result of a payment to VAT that was higher than the due balance during the year which resulted in a VAT receivable position.

6.2.3.5.1.4 Other payables

Other payables amounted to SAR 2.6 million at 31 December 2021G and comprised mainly of payables to the General Organization for Social insurance ("**GOSI**").

6.2.3.5.2 Advances from Customers

Advances from customers amounted to SAR 14.0 million at 31 December 2019G and related to payments made by the customers for future purchases of finished goods. The balance increased to SAR 18.4 million and SAR 22.5 million at 31 December 2020G and 31 December 2021G respectively, in line with the increase in sales over the same period.

6.2.3.5.3 Due to related parties

Table (6.35): Amounts due to related parties as at 31 December 2019G, 2020G and 2021G

SAR in 000's	31 December 2019G Audited	31 December 2020G Audited	31 December 2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Amounts due to related parties						
GFSA	21,257	-	-	(100.0%)	na	na
Second milling Company	11,420	-	-	(100.0%)	na	na
Total amounts due to related parties	**32,677**	**-**	**-**	**(100.0%)**	**na**	**na**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

Balances due to related parties amounted to SAR 32.7 million at 31 December 2019G and related to GFSA amounting SAR 21.3 million and Second Milling Company amounting SAR 11.4 million. The majority of the payable to GFSA is attributed to the purchases of wheat in addition to rental of land, silos and warehousing facilities owned by GFSA, while the payable to Second Milling Company is attributed to expenses paid on behalf of the Company which were not settled by year-end. The balance then decreased to nil from 31 December 2020G onwards as GFSA and Second milling Company were no longer considered as related parties' post-privatization and therefore were reclassified to suppliers / customers as relevant.

6.2.3.5.4 Zakat payable

Table (6.36): Zakat payable as at ended 31 December 2019G, 2020G and 2021G

SAR in 000's	31 December 2019G Audited	31 December 2020G Audited	31 December 2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
At the beginning of the year	-	-	-	na	na	na
Charged during the year	-	-	4,744	na	na	na
Paid during the year	-	-	-	na	na	na
At the end of the year	**-**	**-**	**4,744**	**na**	**na**	**na**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

Starting January 2021G, the parent company "**Al-Raha Al-Safi Food Company**" submits consolidated Zakat declaration to the Zakat, Tax and Customs Authority ("**ZATCA**"), which was later distributed to the subsidiaries, setting out the respective shares of each of the subsidiaries in relation to the zakat expense.

Before 2021G, the Company was not subject to Zakat since its share capital was from public funds on which Zakat is not applicable to 2020G. During the year ended 31 December 2021G, the Company obtained the final zakat assessments for 2021G from the ZATCA.

6.2.3.6 Capital commitments and contingencies

Contingencies

As of 31 December 2021G, the Company had contingent liabilities arose during its normal business cycle and related to letters of credit of SAR 1.1 million (SAR 7.7 million as at 31 December 2020G, SAR 40.0 million as at 31 December 2019G). The amount paid during the year SAR 1.2 million (SAR 7.7 million as at 31 December 2020G, SAR 40.0 million as at 31 December 2019G)

6.2.4 Cash Flow

Table (6.37): Cash Flow for the financial years ended 31 December 2019G, 2020G and 2021G

SAR in 000s	31 December 2019G Audited	31 December 2020G Audited	31 December 2021G Audited	Var. 2019G-2020G	Var. 2020G-2021G	CAGR 2019G-2021G
Profit before zakat	125,780	190,686	203,219	51.6%	6.6%	27.1%
Adjustments:			**Percentage Points**			
Depreciation for property, plant and equipment and right of use assets	35,260	38,512	43,131	9.2%	12.0%	10.6%
Amortization for intangible assets	-	67	482	na	619.4%	na
Interest cost on lease liabilities	13,499	13,289	11,828	(1.6%)	(11.0%)	(6.4%)
Provision for slow moving inventory	7,325	4,073	1,095	(44.4%)	(73.1%)	(61.3%)
Impairment of trade receivables	882	-	-	(100.0%)	0.0%	(100.0%)
Provision for employee defined benefit obligations	435	335	(95)	(23.0%)	(128.3%)	Na
Gain on sale of property, plant and equipment	-	(11)	-	Na	(100.0%)	Na
Impairment loss for assets held for sale	-	-	6,461	Na	Na	Na
	183,181	**246,951**	**266,121**	**34.8%**	**7.8%**	**20.5%**
Changes in operating assets and liabilities			**Percentage Points**			
Inventories	6,441	(11,418)	1,891	(277.3%)	(116.6%)	(45.8%)
Amounts due from related parties	11,778	-	-	(100.0%)	0.0%	(100.0%)
Prepayments and other current assets	(34,401)	32,213	(9,268)	(193.6%)	(128.8%)	(48.1%)
Amounts due to related parties	(31,778)	(9,303)	(23,374)	(70.7%)	151.3%	(14.2%)
Trade payables and other current liabilities	4,176	(7,264)	78,298	(273.9%)	(1177.9%)	333.0%
Advances from customers	838	3,892	4,133	364.4%	6.2%	122.1%
Available for sale assets	-	-	(384)	na	na	0.0%
Trade receivables	-	-	(2,356)	na	na	0.0%
Cash from Operation	**140,235**	**255,071**	**315,061**	**81.9%**	**23.5%**	**49.9%**
Obligation of defined benefits to employees paid	(14)	(52)	(22)	246.7%	(57.7%)	23.0%
Net cash flows from operating activities	140,221	255,019	315,039	81.9%	23.5%	49.9%
Investing activities			**Percentage Points**			
Purchase of property, plant and equipment	(49,092)	(35,208)	(37,600)	(28.3%)	6.8%	(12.5%)
Addition of intangible assets	-	-	(1,104)	na	na	0.0%
Proceeds from sale of property, plant and equipment	-	57	14	na	(75.4%)	0.0%
Net cash flows used in investing activities	**(49,092)**	**(35,151)**	**(38,689)**	**(28.4%)**	**10.1%**	**(11.2%)**
Financing Activities			**Percentage Points**			
Dividends paid	-	-	(614,416)	na	na	0.0%
Payment of lease liabilities	(51,034)	(21,450)	(23,204)	(58.0%)	8.2%	(32.6%)
Net cash flows used in financing activities	**(51,034)**	**(21,450)**	**(637,620)**	**(58.0%)**	**2,872.6%**	**253.5%**
Net increase / (decrease) in cash at banks	**40,095**	**198,418**	**(361,270)**	**394.9%**	**(282.1%)**	**na**
Cash at banks at the beginning of the year	280,241	320,336	518,754	14.3%	61.9%	36.1%
Cash at banks at the end of the year	**320,336**	**518,754**	**157,485**	**61.9%**	**(69.6%)**	**(29.9%)**

Source: Audited financial statements for the financial years ended 31 December 2020G and 2021G, Management information

Net cash flows from operating activities

Net cash flows from operating activities increased from SAR 140.2 million in 2019G to SAR 255.0 million in 2020G, mainly driven by the increase in profit before zakat of SAR 64.9 million in line with the increase in sales over the same period, coupled with the increase in working capital changes amounting SAR 51.1 million as a result of the increase in prepayments and other current assets amounting SAR 66.6 million following the reversal of the cash margin of the letter of credit amounting to SAR 40.0 million in 2020G in connection with the purchase of corn from an international supplier as the shipment was cancelled due to the Covid-19 travel restrictions.

Net cash flows from operating activities increased from SAR 255.0 million in 2020G to SAR 315.0 million in 2021G mainly driven by (i) the increase in working capital changes amounting SAR 40.8 million as a result of the increase in trade payables and other current liabilities due to the increase in trade payables as a result of purchases of yellow corn that was received in the fourth quarter of 2021G amounting to SAR 29.0 million, coupled with an increase in accrued expenses of SAR 22.8 million as result of an increase in accrued salaries and bonuses and claim expenses, coupled with (ii) the increase in profit before zakat of SAR 12.5 million as a result of the increase in gross profit over the same period.

Net cash flows used in investing activities

Net cash flows used in investing activities decreased from a cash outflow of SAR 49.1 million in 2019G to a cash outflow of SAR 35.2 million in 2020G as a result of the decrease in the purchases of property plant and equipment.

Net cash flows used in investing activities increased from a cash outflow of SAR 35.2 million in 2020G to a cash outflow of SAR 38.7 million in 2021G driven by the increase in purchases of property plant and equipment and intangible assets (SAP).

Net cash flows used in financing activities

Net cash flows used in financing activities decreased from a cash outflow of SAR 51.0 million in 2019G to a cash outflow of SAR 21.5 million in 2020G as a result of decrease in payment of lease liability.

Net cash flows used in financing activities increased significantly from a cash outflow of SAR 21.5 million in 2020G to a cash outflow of SAR 637.6 million in 2021G driven by the dividends paid in 2021G amounted to SAR 614.4 million.

6.3 The results of the operations for the nine-month period ended 30 September 2021G and 2022G

6.3.1 Statement of Profit or Loss and Other Comprehensive Income

Table (6.38): Statements of Profit or Loss and Other Comprehensive Income for the nine-month period ended 30 September 2021G and 2022G

SAR in 000's	Nine-month period ended 30 September 2021G	Nine-month period ended 30 September 2022G	Var. 30 September 2021G -30 September 2022G
Sales	565,532	687,051	21.5%
Cost of sales	(338,550)	(377,043)	11.4%
Gross Profit	**226,982**	**310,008**	**36.6%**
Selling and distribution expenses	(10,173)	(25,876)	154.3%
General and administrative expenses	(65,514)	(65,541)	0.0%
Expected credit loss on trade receivables	-	(139)	na
Operating Profit	**151,295**	**218,452**	**44.4%**
Finance Cost	(8,656)	(16,731)	93.3%

SAR in 000's	Nine-month period ended 30 September 2021G	Nine-month period ended 30 September 2022G	Var. 30 September 2021G -30 September 2022G
Other Income	1,296	154	(88.2%)
Profit Before Zakat	**143,935**	**201,875**	**40.2%**
Zakat Expense	(3,206)	(4,679)	45.9%
Profit of the Period	**140,729**	**197,196**	**40.1%**
Other comprehensive income for the period			
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedge	-	10,536	na
Other comprehensive income for the period	-	10,536	na
Total comprehensive income for the period	**140,729**	**207,732**	**47.6%**
KPIs			
Profitability (as a% of sales)			
Gross margin	40.1%	45.1%	5.0
Operating Profit	26.8%	31.8%	5.0
Profit Before Zakat	25.5%	29.4%	3.9
Profit of the Period	24.9%	28.7%	3.8

Source: Reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G, Management information

Sales

Sales were mainly generated from flour, feed, and animal bran products of the Company, which represented on average 56.6%, 28.1%, and 15.3% of total sales in 30 September 2022G.

Flour sales included the sales of flour, Bakery 80%, Superior 70%, Wholewheat 95%, and "others flour", representing 72.5%, 14.2%, 9.3%, and 4.2% of the total flour sales, respectively in 30 September 2022G.

Feed sales included Livestock and Pigeon, among other products, representing 92.7%, 7.0%, and 0.3% of the total feed sales, respectively in 30 September 2022G.

The Company's animal bran sales are related bulk and packed products, representing 63.9% and 36.1% respectively of total animal bran sales in 30 September 2022G.

Sales further increased by 21.5% From SAR 565.5 million in 30 September 2021G to SAR 687.1 million in 30 September 2022G due to the new strategy implemented by Management in order to attract new customers and increase in retail sales along with the increased demand due to the Hajj and Umrah seasons. The increase in sales was both volume and price driven across all of the Company's product suite as sales from bran grew between 30 September 2021G and 30 September 2022G by SAR 59.1 million followed by feed sales of SAR 42.8 million and flour sales of SAR 36.7 million.

Cost of sales

Cost of sales mainly comprised of raw material consumed, salaries and other benefits, depreciation, fuel and power, maintenance, provision for slow moving inventory of spare parts and raw materials, other expenses, among others.

Cost of raw materials increased by 11.4% from SAR 338.6 million in 30 September 2021G to SAR 377.0 million in 30 September 2022G driven by the increase in the cost of wheat by SAR 26.7 million, SAR 6.1 million in provision of slow moving inventory of spare parts and raw materials, SAR 2.0 million in salaries and other benefits by, SAR 2.0 million in cost of fuel and power, and SAR 1.8 million in depreciation. This increase is in line with the overall increase in sales.

Gross Profit:

Gross Profit increased by 36.6% from SAR 227.0 million in 30 September 2021 to SAR 310.0 million in 30 September 2022G. This increase is mainly driven by the increase in sales due to the new strategy implemented by Management in order to attract new customers and increase in retail sales along with the increased demand over the same period translated in the increase in the volume sold from 920 thousand tons in 30 September 2021G to 1,010 million tons 30 September 2022G, coupled with an increase in average selling price of all products by an average of 10.6% during the same period driven by the increase in the prices of feed and animal bran. Cost of sales has increased by 11.4% from SAR 338.6 million in 30 September 2021G to SAR 377.0 million in 30 September 2022G driven by SAR 26.7 million increase in raw material consumed in line with the increase in sales.

Selling and distribution expenses:

Selling and distribution expenses are mainly comprised of salaries and other benefits, transportation and distribution, advertising and marketing and depreciation among other expenses.

Selling and distribution expenses increased by 154.3% from SAR 10.2 million in 30 September 2021G to SAR 25.9 million in 30 September 2022G. This increase was driven by an increase of SAR 7.9 million in advertising and marketing expenses reflecting Management's efforts to increase brand awareness through further investments in advertising and marketing. Selling and distribution also increased due an increase of SAR 4.9 million in transportation and distribution as a result of the new model established by Management where the Company started delivering to its customers in order to increase sales, as well as an increase of SAR 2.2 million in salaries and other benefits.

General and administrative expenses:

General and Administrative expenses are mainly comprised of salaries and other benefits, professional and consulting fees, depreciation, fuel and power among others.

General and administrative expenses remained stable at SAR 65.5 million in 30 September 2022G due an increase of SAR 6.8 million in salaries and other benefits offset by a decrease of SAR 3.4 million in professional and consulting fees and SAR 2.9 million in other expenses.

Expected credit loss on trade receivables

Management has put into effect a new provisioning policy for trade receivables that follows the ECL model as per IFRS9. This resulted in a recognition of SAR 0.1 million of expected credit loss on trade receivables for the period ended 30 September 2022G.

Other income

Other income are mainly comprised of penalties and fines for suppliers, rents, and other.

Other income decreased from SAR 1.3 million in 30 September 2021G to SAR 0.2 million in 30 September 2022G, mainly due to non-occurrence of penalties and fines for suppliers during the first nine months of 2022G.

Finance cost

Finance cost are mainly comprised of finance cost on lease liabilities, on long term loans, and amortization of loan transaction cost.

Finance cost increased by 93.3% from SAR 8.7 million in 30 September 2021G to SAR 16.7 million in 30 September 2022 G as a result of increase of finance cost on long term loans by SAR 8.0 million following the transfer of the loans to the Company after the merger with Al-Raha Al-Safi Food Company.

Zakat:

The Company's zakat expense increased by 45.9% from SAR 3.2 million in 30 September 2021G to SAR 4.7 million in 30 September 2022G following the increase in the Company's profits.

Net Income:

Net income increased by 40.1% from SAR 140.7 million in 30 September 2021G to SAR 197.2 million in 30 September 2022G mainly driven by the increase in the Company's gross profit by 36.6% partially offset by increase in selling and distribution expenses by 154.3%, and finance cost by 93.3%.

Other comprehensive income – effective portion of changes in fair value of cash flow hedge:

In order to hedge for the changes in the interest rates on long term loans, Al-Raha Al-Safi Food Company, that merged with the Company on 15 September 2022G, entered in interest rate swap. The hedge has been assessed and considered to be effective in 30 September 2022G which resulted in an unearned gain of SAR 10.5 million recorded under other comprehensive income.

6.3.1.1 Sales:

Table (6.39): Sales by Product for the nine-month period ended 30 September 2021G and 2022G

SAR in 000's	Nine-month period ended 30 September 2021G	Nine-month period ended 30 September 2022G	Var. 30 September 2021G -30 September 2022G
Flour	361,817	398,531	10.1%
Feed	155,168	197,941	27.6%
Animal Bran	48,547	107,653	121.8%
Less: free sale	-	(17,074)	na
Total	**565,532**	**687,051**	**21.5%**
Volumes sold (in tons)			
Flour	661,580	726,333	9.8%
Feed	181,721	170,934	(5.9%)
Animal Bran	76,691	113,522	48.0%
Total	**919,992**	**1,010,789**	**9.9%**
Average selling price (SAR per ton)			
Flour	547	549	0.3%
Feed	854	1,158	35.6%
Animal Bran	633	948	49.8%
Total	**615**	**680**	**10.6%**

Source: Reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G, Management information

Total sales increased by 21.5% from SAR 565.5 million in 30 September 2021G to SAR 687.1 million in 30 September 2022G mainly driven by:

- the increase in flour sales by 10.1% from SAR 361.8 million in 30 September 2021G to SAR 398.5 million in 2022G which was driven by the new strategy that the Company is adopting in terms of targeting new customers as well as the Hajj and Umrah seasons that increased demand and led to increases in sales quantities from 661.6 thousand tons to 726.3 thousand tons over the same period.

- the increase in the feed sales by 27.6 % from SAR 155.2 million in 30 September 2021G to SAR 197.9 million in 2021G driven by further increase in livestock feed sales. Feed sales increase was price driven where the average selling price of increased from SAR 823 per ton to SAR 1,135 per ton with a decline in quantities sold by 7.1 thousand tons over the same period.
- the increase in animal bran sales by 121.7% from SAR 48.5 million in 30 September 2021G to SAR 107.7 million in 30 September 2022G. The increase is both demand and price driven as the average selling price of animal bran grew by 49.8% from SAR 633 per ton to SAR 948 per ton over the same period, with the volume of animal bran sold increased from 76.7 thousand tons in 30 September 2021G to 113.5 thousand tons in 30 September 2022G due to rain fall during this period as well as non-usage of animal bran in feed production in Al Qassim branch for a period of one month, which led to more animal bran being available for sale.

Table (6.40): Sales by Branch for the nine-month period ended 30 September 2021G and 2022G

SAR in 000's	Nine-month period ended 30 September 2021G	Nine-month period ended 30 September 2022G	Var. 30 September 2021G -30 September 2022G
Jeddah	263,545	308,100	16.9%
Al Qassim	179,457	215,734	20.2%
Al Ahsa	72,736	81,707	12.3%
Tabuk	49,794	81,510	63.7%
Net Sales	565,532	687,051	21.5%
Volume Sold (in tons)			
Jeddah	442,220	470,047	6.3%
Al Qassim	253,456	274,118	8.2%
Al Ahsa	133,495	132,939	(0.4%)
Tabuk	90,821	133,686	47.2%
Total	**919,992**	**1,010,790**	**9.9%**
Utilization*			
Jeddah	92.1%	103.0%	11.9
Al Qassim	93.9%	96.9%	3.2
Al Ahsa	96.5%	107.3%	11.2
Tabuk	77.1%	100.4%	31.4
Total Utilization	**91.0%**	**102.1%**	**11.1**

Source: Reviewed condensed interim financial statements for the nine-month period ended 30 September 2021G and 2022G, Management information

* Utilization is computed based on the number of days previously followed by the GFSA which are 300 days. It should be noted that the Company calculates utilization based on 321 days following the allocation.

Total sales increased by 21.5% from SAR 565.5 million in 30 September 2021G to SAR 687.1 million in 30 September 2022G.

This increase was witnessed across the 4 branches:

- Increase in Jeddah sales by 16.9% from SAR 263.5 million in 30 September 2021G to 308.1 million in 30 September 2022G in line with the increase in utilization of 92.1 % to 103.3% over the same period following the increased demand as a result of the religious tourism in Mecca and the increase in the Company's market share in small packs.
- Increase in Al Qassim branch sales by 20.2% from SAR 179.5 million in 30 September 2021G to SAR 215.7 million in 30 September 2022G driven by the increase in feed sales that contribute 60% of Al Qassim's sales. This is demonstrated as well in the increase in the utilization of Al Qassim from 93.9% in 30 September 2021G to 96.9% in 30 September 2022G as a result of increase in coverage of Riyadh area, with special attention to industrial customers along with strategic partnerships with some key customers.

- Increase in Al Ahsa branch sales by 12.3% from SAR 72.7 million in 30 September 2021G to SAR 81.7 million in 30 September 2022G due to attracting clients from Dammam by Al Ahsa branch.
- Increase in Tabuk's branch sales by 63.8% from SAR 49.8 million in 30 September 2021G to SAR 81.5 million in 30 September 2022G translated in increase in utilization from 77.1 % in 30 September 2021G to 101.4 % in 30 September 2022G following Management's decision to supply other branches from Tabuk as well as covering Madinah area.

6.3.1.2 Cost of sales

Table (6.41): Cost of Sales for the nine-month period ended 30 September 2021G and 2022G

SAR in 000's	Nine-month period ended 30 September 2021G	Nine-month period ended 30 September 2022G	Var. 30 September 2021G -30 September 2022G
Raw material consumed	233,127	259,804	11.4%
Salaries and other benefits	45,423	47,463	4.5%
Depreciation of property, plant and equipment and right of use assets and amortization	28,318	30,134	6.4%
Fuel and power	16,410	18,364	11.9%
Transportation & Distribution	6,130	4,717	(23.1%)
Maintenance	2,638	2,361	(10.5%)
Professional and consulting fees	1,529	1,452	(5.0%)
Provision for slow moving inventory of spare parts and raw materials	-	6,146	Na
Rent	153	625	308.5%
Other expenses	6,453	7,993	23.8%
Finished goods, net	(1,631)	(2,016)	23.6%
Total	**338,550**	**377,043**	**11.4%**
As a% of sales			
Raw material consumed	41.2%	37.8%	(3.4)
Salaries and other benefits	8.0%	6.9%	(1.1)
Depreciation and amortization	5.0%	4.4%	(0.6)
Fuel and power	2.9%	2.7%	(0.5)
Transportation & Distribution	1.1%	0.7%	(0.4)
Maintenance	0.5%	0.3%	(0.2)
Professional and consulting fees	0.3%	0.2%	(0.1)
Provision for slow moving inventory of spare parts and raw materials	0.0%	0.9%	0.9
Rent	0.0%	0.1%	0.1
Other expenses	1.1%	1.2%	0.1
Finished goods, net	(0.3%)	(0.3%)	0.0
Total	**59.9%**	**54.9%**	**(5.0)**

Source: Reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G, Management information

Cost of sales increased by 11.4% from SAR 338.6 million in 30 September 2021G to SAR 377.0 million in 30 September 2022G as a result of increase of SAR 26.7 million of raw material consumed, SAR 6.2 million of provision for slow moving inventory of spare parts and raw materials, SAR 1.4 million of other industrial expenses, SAR 2.0 million of fuel and power, and SAR 1.8 million of depreciation.

Raw material consumed

Raw material consumed increased by 11.4% from SAR 233.1 million in 30 September 2021G to SAR 259.8 million in 30 September 2022G in line with the overall increase in sales. This was also coupled with an increase in the global prices of corn, as well as increase in packaging materials due to the increase in small packs sales from one side and increase in the average selling price of packing materials from another side.

Salaries and other benefits

Salaries and other benefits increased by 4.5% from SAR 45.4 million in 30 September 2021G to SAR 47.4 million in 30 September 2022G as result of increase in the average employee cost under direct costs as well as increase in iqama fees.

Depreciation of property, plant and equipment and right of use assets and amortization

Depreciation expense increased by 6.4% from SAR 28.3 million in 30 September 2021G to SAR 30.1 million in 30 September 2022G following the expansion in the Company's fixed assets and right of use assets.

Fuel and power

The Fuel and power expenses increased by 11.9% from SAR 16.4 million in 30 September 2021G to SAR 18.4 million in 30 September 2022G mainly driven by the increase in the Company's operations in line with the increase in sales.

Transportation and distribution

Transportation and distribution expenses decreased from SAR 6.1 million in 30 September 2021G to SAR 4.7 million in 30 September 2022G due to the decrease in the transportation of animal bran between Jeddah and Al Qassim branches.

Maintenance

Maintenance expenses decreased slightly from SAR 2.6 million in 30 September 2021 to SAR 2.4 million in 30 September 2022G following the completion of maintenance performed in 2021G.

Professional and consulting fees

Professional and consulting fees decreased by 5.0% from SAR 1.52 million in 30 September 2021G to SAR 1.45 million in 30 September 2022G mainly due to the finalization of consultancy services related to maintenance.

Provision for slow moving inventory of spare parts and raw materials

The Provision for slow moving inventory of spare parts and raw materials increased from nil in 30 September 2021G to SAR 6.1 million in 30 September 2022G according to Management's estimations.

Rent

Rent expenses increased from SAR 0.2 million in 30 September 2021G to SAR 0.6 million in 30 September 2022G following the rental of two new warehouses in Jeddah and Riyadh.

Other expenses

Other industrial expenses increased by 23.8% from SAR 6.5 million in 30 September 2021G to SAR 8.0 million in 30 September 2022G in line with the further increase in Company's production.

Finished goods, net

Finished goods, net pertain to sales and production efficiencies; finished goods expenses increased by 23.6% from (SAR 1.6) million in 30 September 2021G to (SAR 2.0) million in 30 September 2022G.

6.3.1.3 Selling and distribution expenses:

Table (6.42): Selling and distribution expenses for the nine-month period ended 30 September 2021G and 2022G

SAR in 000's	Nine-month period ended 30 September 2021G	Nine-month period ended 30 September 2022G	Var. 30 September 2021G - 30 September 2022G
Salaries and other benefits	5,678	7,920	39.5%
Transportation and distribution	2,390	7,305	205.6%
Advertising and marketing	952	8,904	835.3%
Depreciation of property, plant and equipment and right of use assets	616	672	9.1%
Rent	-	258	na
Fuel and power	163	180	10.4%
Material and supplies	65	46	(29.2%)
Other expenses	309	591	89.7%
Total	**10,173**	**25,876**	**154.3%**
As a% of sales			**Percentage Points**
Salaries and other benefits	1.0%	1.2%	0.2
Transportation and distribution	0.4%	1.1%	0.7
Advertising and marketing	0.2%	1.3%	1.1
Depreciation	0.1%	0.1%	-
Others	0.1%	0.2%	0.1
Total	**1.8%**	**3.8%**	**2.0**

Source: Reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G, Management information

Selling and distribution expenses increased by 154.3% from SAR 10.2 million in 30 September 2021G to SAR 25.9 million in 30 September 2022G. This increase was driven by an increase of SAR 8.0 million in advertising and marketing expenses reflecting Management's efforts to increase brand awareness. Selling and distribution also increased due an increase of SAR 4.9 million in transportation and distribution as a result of Management's efforts to increase its customer base, coupled with an increase of SAR 2.2 million in salaries and other benefits.

Salaries and Other Benefits

Salaries and other benefits increased by 39.5% from SAR 5.7 million in 30 September 2021G to SAR 7.9 million in 30 September 2022G as a result of the increase in the average cost per employee for the sales department.

Transportation and distribution

Transportation and distribution expenses increased by 205.6% from SAR 2.4 million in 30 September 2021G to SAR 7.3 million in 30 September 2022G as a result of Management's efforts to increase sales by distributing the Company's products to the customers directly.

Advertising and marketing

Advertising and marketing expenses increased by 835.1% from SAR 1.0 million in 30 September 2021G to SAR 8.9 million in 30 September 2022G as a result of Management's efforts to increase brand awareness through further investments in advertising and marketing.

Depreciation of property, plant and equipment and right of use assets

Depreciation expense increased by 9.1% from SAR 0.6 million in 30 September 2021G to SAR 0.7 million in 30 September 2022G due to the Company's increase in fixed assets.

Rent

Rent increased from nil in 30 September 2021G to SAR 0.3 million in 30 September 2022G following the rental of an office in Riyadh dedicated for selling operations.

Fuel and Power

Fuel and Power expenses increased by 10.4% from SAR 0.16 million in 30 September 2021G to SAR 0.18 million in 30 September 2022G as a result of increase in the Company's operations.

Material and supplies

Materials and supplies expenses decreased by 29.2 % from SAR 0.06 million in 30 September 2021G to SAR 0.05 million in 30 September 2022G following new procurement policy set by the Company.

Other expenses

Other expenses increased by 89.7 % from SAR 0.3 million in 30 September 2021G to SAR 0.6 million in 30 September 2022G as a result of an increase of SAR 0.3 million in insurance costs, SAR 0.1 million in computer expenses, partially offset by decrease in maintenance expenses given that it was presented in a separate account.

6.3.1.4 General and Administrative expenses:

Table (6.43): General and Administrative Expenses for the nine-month period ended 30 September 2021G and 2022G

SAR in 000's	Nine-month period ended 30 September 2021G	Nine-month period ended 30 September 2022G	Var. 30 September 2021G -30 September 2022G
Salaries and other benefits	34,487	41,249	19.6%
Professional and consulting fees	13,385	9,994	(25.3%)
Depreciation of property, plant and equipment and right of use assets and amortization	3,385	3,189	(5.8%)
Fuel and power	709	764	7.8%
Materials and supplies	867	528	(39.1%)
Maintenance	448	172	(61.6%)
Transportation and distribution	354	9	(97.5%)
Rent	55	-	na
Other expenses	11,823	9,636	(18.5%)
Total	**65,514**	**65,541**	**0.0%**
As a% of sales		**Percentage Points**	
Salaries and other benefits	6.1%	6.0%	(0.1)
Professional and consulting fees	2.4%	1.5%	(0.9)
Depreciation of property, plant and equipment and right of use assets and amortization	0.6%	0.5%	(0.1)
Fuel and power	0.1%	0.1%	-
Materials and supplies	0.2%	0.1%	(0.1)
Maintenance	0.1%	0.0%	(0.1)
Transportation and distribution	0.1%	0.0%	0.1
Rent	0.0%	0.0%	-
Other expenses	2.1%	1.4%	(0.7)
Total	**11.6%**	**9.5%**	**(2.0)**

Source: Reviewed condensed interim financial statements for the nine-month period ended 30 September 2021G and 2022G, Management information

General and administrative expenses remained stable at SAR 65.5 million in 30 September 2022G due to an increase of SAR 6.8 million in salaries and other benefits, offset by a decrease of SAR 3.4 million in professional and consulting fees and SAR 2.2 million in other expenses.

Salaries and other benefits

Salaries and other benefits increased by 19.6% from SAR 34.5 million in 30 September 2021G to SAR 41.2 million in 30 September 2022G as a result of the increase in the average staff cost per administrative employee.

Professional and consulting fees

Professional and consulting fees decreased by 25.3% from SAR 13.4 million in 30 September 2021G to SAR 10.0 million in 30 September 2022G as a result of the finalization several consultancy services.

Depreciation of property, plant and equipment and right of use assets and amortization

Depreciation expense decreased by 5.8% from SAR 3.4 million in 30 September 2021G to SAR 3.2 million in 30 September 2022G due to the complete depreciation of certain fixed assets in the head office.

Amortization of intangible assets increased by 59.2% from SAR 0.2 million in 30 September 2021G to SAR 0.4 million in 30 September 2022G due to the increase in the Company's intangibles.

Fuel and Power

Fuel and Power expenses increased by 7.8% from SAR 0.7 million in 30 September 2021G to SAR 0.8 million in 30 September 2022G due to the increase in the Company's operations.

Materials and Supplies

Materials and supplies decreased by 39.1% from SAR 0.9 million in 30 September 2021G to SAR 0.5 million in 30 September 2022G as a result following new procurement policy set by the Company.

Maintenance

Maintenance expenses decreased by 61.6% from SAR 0.4 million in 30 September 2021G to SAR 0.2 million in 30 September 2022G due to the fact that the Company is preparing to move its head office outside of Jeddah's branch.

Transportation and distribution

Transportation decreased by 97.5% from SAR 0.04 million in 30 September 2021G to SAR 0.009 million in 30 September 2022G due to the reclassification of this account to selling and distribution expenses.

Rent

Rent decreased from SAR 0.05 million in 30 September 2021G to nil in 30 September 2022G due to the termination of Al Ahsa's labor camp contract.

Other expenses

Other expenses decreased by 18.5% from SAR 11.8 million in 30 September 2021G to SAR 9.6 million in 30 September 2022G due to the lower recognition by SAR 5.1 million in relation to a legal case from the General authority for Competition. This was partially offset by an increase of SAR 1.3 million in banking fees, SAR 1.1 million in computer expenses, and SAR 1.1 million in network costs.

6.3.2 Balance sheet

Table (6.44): Statement of financial position as at 31 December 2021G and 30 September 2022G

SAR in 000's	31 December 2021G	30 September 2022G	Var. 31 December 2021G - 30 September 2022G
Assets			
Non - current Assets			
Property, plant and equipment	519,783	539,313	3.8%
Right-to-use assets	333,658	323,562	(3.0%)
Intangible assets	4,333	5,179	19.5%
Derivative financial instruments	-	64,717	na
Goodwill	-	1,090,669	na
Total non-current assets	**857,774**	**2,023,440**	**135.9%**
Current assets			
Inventories	115,818	112,648	(2.7%)
Trade receivables	2,376	5,204	119.0%
Prepayments and other current assets	22,587	40,407	78.9%
Due from related parties	-	1,177	na
Cash and cash equivalents	157,485	318,930	102.5%
Non-current assets held for sale	384	384	0.0%
Total current Assets	**298,650**	**478,750**	**60.3%**
Total assets	**1,156,424**	**2,502,190**	**116.4%**
Equity and liabilities			
Equity			
Share capital	539,237	5,000	(99.1%)
Additional Shareholders' Contributions	-	550,000	na
Merger reserve	-	(37,555)	na
Statutory reserve	39,055	39,055	0.0%
Retained earnings	86,902	218,856	151.8%
Cash flow hedge reserve	-	53,056	na
Total Equity	**665,194**	**828,412**	**24.5%**
Liabilities			
Non-Current Liabilities			
Long term loans	-	1,139,582	na
Lease liabilities	347,999	335,172	(3.7%)
Employees' defined Benefits obligations	698	2,939	321.2%
Total non-current Liabilities	**348,697**	**1,477,693**	**323.8%**
Current Liabilities			
Trade payables	60,737	36,550	(39.8%)
Accrued expenses and other liabilities	43,833	63,342	44.5%
Current portion of long-term loans	-	57,550	na
Lease liabilities	10,723	11,702	9.1%
Advances from customers	22,496	22,270	(1.0%)
Due to related parties	-	50	na
Zakat payable	4,744	4,621	(2.6%)
Total Current Liabilities	**142,533**	**196,085**	**37.6%**
Total Liabilities	**491,230**	**1,673,778**	**240.7%**

SAR in 000's	31 December 2021G	30 September 2022G	Var. 31 December 2021G - 30 September 2022G
Total Equity and liabilities	**1,156,424**	**2,502,190**	**116.4%**
Key performance indicators			
Average days of inventory (days)-Raw materials*	45	46	2.2%
Average accounts payable days (days)**	39	40	2.6%
Average days of accounts receivable (days)***	1	2	100.0%
Cash turnover rate	7	8	14.3%
Return on average assets	15.0%	14.4%	(0.6)
Return on average equity	22.7%	35.2%	12.5

Source: Reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G, Management information

* DIO – raw materials is computed based on the raw material balance at period end / cost of raw materials * number of days

** DPO is computed based on the average payable balance over the period / cost of sales (excluding salaries) * number of days

*** DSO is computed based on the average receivable balance over the period / sales * number of days

6.3.2.1 Non-current assets

Table (6.45): Non-current assets as at 31 December 2021G and 30 September 2022G

SAR in 000's	31 December 2021G	30 September 2022G	Var. 31 December 2021G - 30 September 2022G
Non - current Assets			
Property, plant and equipment	519,783	539,313	3.8%
Right-to-use assets	333,658	323,562	(3.0%)
Intangible assets	4,333	5,179	19.5%
Derivative financial instruments	-	64,717	na
Goodwill	-	1,090,669	na
Total non-current assets	**857,774**	**2,023,440**	**135.9%**

Source: Reviewed condensed Interim financial statements for the nine-month period ended 30 September 2022G, management information

Non-current assets increased by 135.9% from SAR 857.8 million as at 31 December 2021G to SAR 2,023.4 million as at 30 September 2022G as a result of goodwill amounting to SAR 1,090.7 million after the merger.

6.3.2.1.1 Property, plant and equipment

Table (6.46): Property, plant and equipment as at 31 December 2021G and 30 September 2022G

SAR in 000's	31 December 2021G	30 September 2022G	Var. 31 December 2021G - 30 September 2022G
Buildings	204,194	336,679	64.9%
Plant and equipment	278,034	172,375	(38%)
Furniture and fittings	2,318	361	(84.4%)
Computer software	2,581	1,634	(36.7%)
Motor vehicles	5,402	4,860	(10%)
Projects under construction	27,254	23,404	(14.1%)
Total	**519,783**	**539,313**	**3.8%**

Source: Reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G, Management information

Property, plant and equipment increased from SAR 519.8 million as at 31 December 2021G to SAR 539.3 million as at 30 September 2022G following the merger of First Milling Company with its ultimate parent Al-Raha Al-Safi Food Company which resulted in a net uplift of SAR 22.4 million to Property, plant and equipment, coupled with additions amounting to SAR 22.8 million during the period, slightly offset by depreciation charges during the period amounting to SAR 21.3 million. For more information, please refer to Section 6.1.3.4 ("**The Merger of the Company with the Parent Company (Al-Raha Al-Safi Food Company)**") of this Prospectus. The Company does not intend to purchase or lease any significant fixed assets in at least the next twelve (12) months.

It should be noted that the Company has property, plant and equipment that are pledged to Alinma Bank in accordance with a Murabaha agreement (mainly related to furniture and fixtures, machinery and equipment, computers and accessories, and vehicles with a total value amounting to SAR 16 million) (for more information, please see section 12.7 ("**Credit Facilities and Loans**") and Section 2.1.22 ("Risks Related to Financing Facilities, Liquidity and Obtaining Additional Loans ") of this Prospectus).

Buildings

Buildings comprise mainly of buildings and facilities in addition to technical civil works. The balance increased from SAR 204.2 million as at 31 December 2021G to SAR 336.7 million as at 30 September 2022G following the merger, coupled with transfers from projects under progress amounting to SAR 10.5 million related to the completion of projects and further upgrades and additions amounting to SAR 1.2 million, slightly offset by depreciation charges during the period.

Plant and equipment

Plant and equipment comprised of technical mechanical assets, technical 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. The balance decreased from SAR 278.0 million as at 31 December 2021G to SAR 172.4 million as at 30 September 2022G as a result of the merger, slightly offset by transfers from projects under projects amounting to SAR 11.2 million and additions amounting to SAR 2.3 million as the Company replaced old machineries and made improvements to its production facilities to increase capacity and improve efficiencies.

Furniture and fittings

Furniture and fittings balance amounted to SAR 2.3 million at 31 December 2021G, and decreased to SAR 0.4 million as at 30 September 2022G as a result of the merger and to additions, slightly offset by depreciation charges.

Computer equipment

Computer equipment balance amounted to SAR 2.6 million as at 31 December 2021G and decreased to SAR 1.6 million as at 30 September 2022G mainly as a result of the merger (net devaluation of SAR 0.8 million) , coupled with depreciation charges during the year.

Motor vehicles

Motor vehicles balance amounted to SAR 5.4 million as at 31 December 2021G, and decreased to SAR 4.9 million as at 30 September 2022G due to the depreciation charges during the period, slightly offset by a revaluation of SAR 1.0 million following the merger.

Projects under progress

As at 30 September 2022G, projects under progress mainly consist of the following projects:

1- Rehabilitation project of alarm and firefighting systems in Jeddah;
2- Chemical warehouses project in Al Qassim, Jeddah, Tabuk and Al Ahsa;
3- Installation of metal detectors equipment at Al Qassim, Jeddah, Tabuk and Al Ahsa;
4- Premix plant for Jeddah; and
5- New Pesa Mill Integration in Mill E Jeddah.

Capital commitments relating to these projects amounted to SAR 89.5 million at 30 September 2022G (31 December 2021G: SAR 69 million)

Projects under progress decreased from SAR 27.3 million as at 31 December 2021G to SAR 23.4 million as at 30 September 2022G following transfers to the relevant asset class upon capitalization amounting to SAR 21.9 million, partially offset by additions amounting to SAR 19.0 million mainly in relation to the transfer of advances to contractors amounting to SAR10.4m related to projects under development.

6.3.2.1.2 Right-to-use assets

Table (6.47): Right-to-use assets as at 31 December 2021G and 30 September 2022G

SAR in 000s	Silos	Lands	Buildings, ware-houses, and equip-ment	Total
Cost:				
At 31 December 2021G	**262,147**	**110,595**	**18,586**	**391,339**
Additions during the year	-	-	2,243	2,243
At 30 September 2022G	**262,147**	**110,595**	**20,839**	**393,582**
Accumulated depreciation:				
At 31 December 2021G	**42,431**	**10,139**	**5,102**	**57,672**
Charge for the period	7,027	3,718	1,593	12,338
At 30 September 2022G	**49,458**	**13,858**	**6,704**	**70,019**
Net book value:				
At 31 December 2021G	**219,717**	**100,456**	**13,485**	**333,658**
At 30 September 2022G	**212,690**	**96,738**	**14,135**	**323,562**

Source: Reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G, Management information

Silos

Right of use related to the leased silos decreased from SAR 219.7 million as at 31 December 2021G to SAR 212.7 million as at 30 September 2022G due to depreciation charges over the period.

Lands

Right of use related to the leased lands from GFSA decreased from SAR 100.5 million as at 31 December 2021G to SAR 96.7 million as at 30 September 2022G due to depreciation charges over the period.

Buildings, warehouse, and equipment

Right of use balance related to buildings, warehouses, and equipment from external parties increased from SAR 13.5 million as at 31 December 2021G to SAR 14.1 million as at 30 September 2022G. This pertains to the additions of a new leased head office in Jeddah amounting to SAR 2.2 million.

6.3.2.1.3 Intangible assets

Table (6.48): Intangible assets as at 31 December 2021G and 30 September 2022G

SAR in 000s	Computer software
Cost:	
At 31 December 2021G	4,977
Additions during the year	295
Transferred from projects under progress	916
At 30 September 2022G	6,188
Accumulated depreciation:	
At 31 December 2021G	644
Charge for the year	365
At 30 September 2022G	1,009
Net book value:	
At 31 December 2021G	4,333
At 30 September 2022G	5,179

Source: Audited financial statements for the financial years ended 31 December 2021G and reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G, Management information

Computer software

Computer software balance increased from SAR 4.3 million as at 31 December 2021G to SAR 5.2 million as at 30 September 2022G driven by additions amounting to SAR 0.3 million and transfers from projects under construction amounting to SAR 0.9 million relating to upgrades on the SAP system and computer software in use, slightly offset by depreciation charges during the year.

6.3.2.1.4 Derivative financial instruments

Table (6.49): Derivative financial instruments as at 31 December 2021G and 30 September 2022G

SAR in 000's	31 December 2021G	30 September 2022G	Var. 31 December 2021G - 30 September 2022G
Profit cap rate			
Positive fair value	-	64,717	na
Notional amount	-	771,016	na

Source: Reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G, Management information

To hedge the variability in interest rate on equity bridge loan and term murabaha facility, the Parent Company that is merged into the Company on 15 September 2022G (corresponding to 19 Safar 1444H) had entered into an interest rate swap (IRS) agreement and profit rate cap agreement with Gulf International Bank and Alinma Bank respectively.

The IRS agreement required the Company to pay a fixed rate of interest at 3.23 % in exchange for floating rate interest payments based on Saudi Inter Bank Offer Rate (SIBOR) and a pre-determined margin. This arrangement has been closed as on 13 September 2022G (corresponding to 17 Safar 1444H) before the legal date on which the merger has taken place and accordingly has been de-recognized from the books.

The profit rate cap agreement requires the Company to pay floating rate interest payment of SIBOR until it reaches to 2 %, post which the Company will pay only the cap rate of 2 % in addition to the pre-determined margin. The maturity date of the agreements is 29 March 2026G.

For the purpose of hedge accounting, hedging instrument is classified as cash flow hedge. Derivative financial instruments amounted to SAR 64.7 million as at 30 September 2022G, with a notional amount amounting to SAR 771.0 million.

6.3.2.1.5 Goodwill

Pursuant to privatization program by the GFSA, the Parent Company entered into an agreement with NCP & PPP on 17 September 2020G to acquire 100 % equity stake in the Company. The transaction was completed by 31 December 2020G.

The Parent Company paid a consideration of SAR 2,198 million to acquire the Company with book value of net assets of SAR 1,081 million. 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. The following adjustment has been recorded by the Parent Company:

- Net uplift of SAR 22.4 million to property, plant and equipment; and
- Uplift of SAR 4.54 million to spare parts under inventories.

Table (6.50): Break-up of net assets of the Company at the time of acquisition

SAR in 000s	Balance at the time of acquisition
Property, plant and equipment, with right of use assets	830,433
Intangible assets	286
Inventories	118,804
Trade receivables	20
Prepayments and other current assets	13,319
Bank balances	518,754
Lease liabilities - non-current liabilities	(321,816)
Employees' defined benefit obligations	(773)
Trade payables and other current liabilities	(49,647)
Lease liabilities - current liabilities	(9,767)
Advances from customers	(18,363)
Total	**1,081,251**

Source: Management information

The entire business of the Company is considered as a CGU. For impairment testing, goodwill that was acquired through business combination is compared with the net book value of the CGU. The Company has performed its impairment test for goodwill on 30 September 2022G. The Company considered the relationship between its value-in-use and its book value, among other factors. As at 30 September 2022G, the value-in-use of the CGU was above the book value of its equity, indicating no impairment of goodwill and impairment of the assets of the business.

The recoverable amount of the CGU of SAR 4,256 million as at 30 September 2022G 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 9.9%. It was concluded that the fair value less costs of disposal did not exceed the value in use.

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:

Gross margins

Gross margins are based on the margins achieved by the Company in the current year. 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.

Discount rates

Discount rates represent the current market participant's view, 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 also takes into account 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 from a market participant's view. The cost of debt is based on the market participant's view based on the Company's performance. 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 post-zakat discount rate

A rise in the post-tax discount rate to 38.9% (i.e., +29%) 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 business 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 19% market share.

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 Company for coming years.

As management does not expect new 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.

6.3.2.2 Current assets

Table (6.51): Current assets as at 31 December 2021G and 30 September 2022G

SAR in 000's	31 December 2021G	30 September 2022G	Var. 31 December 2021G - 30 September 2022G
Current assets			
Inventories	115,818	112,648	(2.7%)
Trade receivables	2,376	5,204	119.0%
Prepayments and other current assets	22,587	40,407	78.9%
Dues from related parties	-	1,177	na
Cash and cash equivalents	157,485	318,931	102.5%
Non-current assets held for sale	384	384	0.0%
Total current Assets	**298,650**	**478,750**	**60.3%**

Source: Reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G, Management information

Current assets increased by 60.3% % from SAR 298.7 million as at 31 December 2021G to SAR 478.8 million as at 30 September 2022G following the increase in cash and cash equivalents and prepayments and other current assets, slightly offset by the decrease in inventory.

6.3.2.2.1 Inventories

Table (6.52): Inventories breakdown as at 31 December 2021G and 30 September 2022G

SAR in 000's	31 December 2021G	30 September 2022G	Var. 31 December 2021G - 30 September 2022G
Spare parts	93,494	98,734	5.6%
Raw materials	45,571	41,204	(9.6%)
Finished goods	8,188	10,204	24.6%
Goods in transit	1,209	1,641	35.8%
Others	1,057	713	(32.6%)
Less: allowance for slow moving inventory	(33,701)	(39,848)	18.2%
Total	**115,818**	**112,648**	**(2.7%)**

Source: Reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G, management information

6.3.2.2.1.1 Spare parts

Gross spare parts increased from SAR 93.5 million as at 31 December 2021G to SAR 98.7 million as at 30 September 2022G following the merger that resulted in an uplift of SAR 4.5 million and the purchase of spare parts to replace parts that had been used during the period.

Provisions taken against spare parts amounted to SAR 32.6 million (35% of gross spare parts) as at 31 December 2021G and increased to SAR 37.4 million (38% of gross spare parts) as at 30 September 2022.

6.3.2.2.1.2 Raw material

Table (6.53): Raw material breakdown as at 31 December 2021G and 30 September 2022G

SAR in 000's	31 December 2021G	30 September 2022G	Var. 31 December 2021G - 30 September 2022G
Corn	18,784	14,185	(24.5%)
Packing materials	11,281	9,993	(11.4%)
Wheat	12,795	12,388	(3.2%)
Chemicals and fumigants	-	221	na
Feed materials	1,734	2,698	55.6%
Additives	977	1,719	75.9%
Total	**45,571**	**41,204**	**(9.6%)**

Source: Company information

Corn

Corn balance decreased from SAR 18.8 million as at 31 December 2021G to SAR 14.2 million as at 30 September 2022G as a result of the discrepancy in receiving the shipments as compared to the previous year.

Packing materials

Packing materials balance increased from SAR 11.3 million as at 31 December 2021G to SAR 10.0 million as at 30 September 2022G due to a better management of the inventory.

Wheat

Wheat balance decreased from SAR 12.8 million as at 31 December 2021G to SAR 12.4 million as at 30 September 2022G in line with the increase in flour sales during the period.

Chemicals and fumigants

Chemicals and fumigants are used in in the purification and disinfection of the factory and machinery. Chemicals and fumigants balance amounted to SAR 224 thousand as at 30 September 2022G.

Feed materials

Feed materials increased from SAR 1.7 million as at 31 December 2021G to SAR 2.7 million as at 30 September 2022G driven by the increase in vegetable oil and Soybean material.

Additives

Additives are mainly used in various feed products. Additives' balance increased from SAR 1.0 million as at 31 December 2021G to SAR 1.7 million as at 30 September 2022G in line with the increase in flour sales.

6.3.2.2.1.3 Finished goods

Table (6.54): Finished goods as at 31 December 2021G and 30 September 2022G

SAR in 000's	31 December 2021G	30 September 2022G	Var. 31 December 2021G - 30 September 2022G
Flour	5,426	4,038	(25.6%)
Feed	2,252	4,567	102.8%
Bran	510	1,599	212.9%
Total	**8,188**	**10,204**	**24.6%**
Key performance indicators (KPIs)			
Actual quantities (in tons)			
Flour	17,554	11,872	(32.4%)
Feed	3,304	6,487	96.3%
Bran	2,700	5,011	85.6%
Total	22,558	23,370	3.6%
Average cost per ton (in SAR)			
Flour	309	340	10.0%
Feed	682	704	3.2%
Bran	301	319	6.0%
Total	**363**	**437**	**20.4%**

Source: Management information

Flour

Flour decreased from SAR 5.4 million as at 31 December 2021G to SAR 4.0 million as at 30 September 2022G as result of the increase in flour sales.

Feed

Feed increased from SAR 2.3 million as at 31 December 2021G to SAR 4.6 million as at 30 September 2022G due to the decrease in quantities of feed sold.

Bran

Bran increased from SAR 0.5 million as at 31 December 2021G to SAR 1.6 million as at 30 September 2022G as a result of the increase in flour production during the period.

6.3.2.2.1.4 Goods in transit

Goods in transit increased from SAR 1.2 million as at 31 December 2021G to SAR 1.6 million as at 30 September 2022G in relation to spare parts shipments.

6.3.2.2.1.5 Others

Others includes chemicals and other small parts used in production and decreased from SAR 1.1 million as at 31 December 2021G to SAR 0.7 million as at 30 September 2022G driven by the increase in sales.

6.3.2.2.1.6 Allowance for slow moving inventory

Table (6.55): Movement on provision for slow moving inventories of spare parts and raw materials for the financial year ended 31 December 2021G and the nine-month period ended 30 September 2022G

SAR in 000's	31 December 2021G	30 September 2022G	Var. 31 December 2021G - 30 September 2022G
At the beginning of the period	32,606	33,701	3.4%
Provision during the period	1,095	6,146	461.3%
At the end of the period	**33,701**	**39,848**	**18.2%**

Source: Reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G

Allowance for slow moving inventory increased from SAR 33.7 million as at 31 December 2021G to SAR 39.8 million as at 30 September 2022G as the Company has provided for the slow moving inventories of spare parts and raw materials amounting SAR 6.1 million (31 December 2021G: SAR 1.1 million) during the nine-month period ended 30 September 2022G. The amount is included in the cost of revenue to anticipate for the new provisioning policy the Company wishes to adapt before the end of the year 2022G.

6.3.2.2.2 Trade receivables

Table (6.56): Trade receivables as at 31 December 2021G and 30 September 2022G

SAR in 000's	31 December 2021G	30 September 2022G	Var. 31 December 2021G - 30 September 2022G
Trade receivables	3,258	6,226	91.1%
Provision for expected credit loss on trade receivables	(882)	(1,022)	15.8%
Total	**2,376**	**5,204**	**119.0%**

Source: Reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G, management information

Trade receivables increased from SAR 2.4 million as at 31 December 2021G to SAR 5.2 million as at 30

September 2022G mainly due to the increase in credit sales.

Provision for expected credit loss on trade receivables amounted to SAR 0.9 million as at 31 December 2021G in relation to the ongoing legal case against one of the customers. The balance increased further to SAR 1.0 million as at 30 September 2022G.

6.3.2.2.3 Prepayments and other current assets

Table (6.57): Prepayments and other receivables as at 31 December 2021G and 30 September 2022G

SAR in 000's	31 December 2021G	30 September 2022G	Var. 31 December 2021G - 30 September 2022G
Letter of guarantee a letter of credit	1,127	26,785	2,277.2%
Advances to contactors	11,963	5,358	(55.2%)
Prepayments	3,148	7,836	148.9%
VAT receivable	1,809	-	(100.0%)
Other receivables	4,540	427	(90.6%)
Total	**22,587**	**40,406**	**78.9%**

Source: Company information

6.3.2.2.3.1 Letter of guarantee a letter of credit

Letter of guarantee a letter of credit related to cash margin in connection with letter of credits issued by local banks and used by the Company to import goods from foreign suppliers. The balance increased from SAR 1.1 million as at 31 December 2021G to SAR 26.8 million as at 30 September 2022G following the issuance of a letter of credit to import corn.

6.3.2.2.3.2 Advances to contractors

Advances to contractors decreased from SAR 12.0 million as at 31 December 2021G to SAR 5.4 million as at 30 September 2022G following the transfer of advances to contractors (SAR 10.4 million) from advances to contractors to projects under construction, partially offset by an advance to a contractor (SAR 2.2 million) related to the purchase of trucks to be used for shipping flour.

6.3.2.2.3.3 Prepayments

Prepayments increased from SAR 3.1 million as at 31 December 2021G to SAR 7.8 million as at 30 September 2022G mainly following an increase in prepaid medical insurance (SAR 3.7 million).

6.3.2.2.3.4 VAT receivable

VAT receivable amounted to SAR 1.8 million as at 31 December 2021G as result of an input VAT paid by the Company higher than the output VAT charged during the year which resulted in a VAT receivable position. The balance then subsequently turned into a payable balance amounting to SAR 5.6 million as at 30 September 2022G.

6.3.2.2.3.5 Other receivables

Other receivables amounted to SAR 4.5 million as at 31 December 2021 and comprised mainly of a letter of guarantee amounting to SAR 2.5 million towards GFSA in relation to leased warehousing facilities and advance payment to ZATCA amounting to SAR1.7m following a VAT assessment that was conducted for the Company. Other receivables decreased to SAR 428 thousand as at 30 September 2022G following the decrease in guarantees against GFSA lease contracts to nil as they were reclassified under Letter of guarantee a letter of credit and the decrease in prepayment to ZATCA to nil.

6.3.2.2.4 Due from related parties

Due from related parties amounted to SAR 1.2 million as at 30 September 2022 and related to consulting and financial advisory expenses related to the IPO and that were allocated to the shareholders.

6.3.2.2.5 Cash and cash equivalents

Table (6.58): Cash and cash equivalents as at 31 December 2021G and 30 September 2022G

SAR in 000's	31 December 2021G	30 September 2022G	Var. 31 December 2021G - 30 September 2022G
Cash at banks	157,485	318,931	102.5%
Total	**157,485**	**318,931**	**102.5%**

Source: Company information

Cash and cash equivalents amounted to SAR 157.5 million at 31 December 2021G and comprised of cash at banks. The balance increased to SAR 318.9 million as at 30 September 2022G. The Company does not hold any cash in hand and ensures that all the cash at branches are transferred to the banks.

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

Non-current assets held for sale

During the year ended 31 December 2021G, the Board of Directors decided to sell one of the mills that has not been in use since 2014G. Accordingly, those assets were reclassified as non-current assets held for sale. The estimated disposal loss of SAR 6.4 million was also recognized in 2021G which represents the difference between the fair value less costs to sell and the carrying amount of those non-current assets held for sale. The mill has been sold in October 2022G.

6.3.2.3 Equity

Table (6.59): Equity as at 31 December 2021G and 30 September 2022G

SAR in 000's	31 December 2021G	30 September 2022G	Var. 31 December 2021G - 30 September 2022G
Equity			
Share capital	539,237	5,000	(99.1%)
Shareholder's current account	-	550,000	na
Merger reserve	-	(37,554)	na
Statutory reserve	39,055	39,055	0.0%
Retained earnings	86,902	218,856	151.8%
Cash flow hedge reserve	-	53,056	na
Total Equity	**665,194**	**828,412**	**24.5%**

Source: Reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G, management information

Total equity increased from SAR 665.2 million as at 31 December 2021G to SAR 828.4 million as at 30 September 2022G mainly driven by the shareholder's current amounting to SAR 550.0 million as at 30 September 2022G and increase in retained earnings (+ SAR 131.9 million).

6.3.2.3.1 Share capital

The Company's Board of Directors has proposed to decrease the share capital on 24 January 2022G from SAR 539.2 million to SAR 5.0 million which was approved by the members of the Extraordinary General Assembly on 17 February 2022G.

The Company completed the legal procedures of share capital reduction, and the commercial register and the amended by-laws were issued on 15 May 2022G and 12 May 2022G respectively.

Subsequent to the condensed interim financial statements date, the Company's Board of Directors has proposed to increase the share capital on 29 September 2022G from SAR 5.0 million to SAR 555.0 million which was approved by the members of the Extraordinary General Assembly on 6 October 2022G from the additional shareholders' contributions account.

6.3.2.3.2 Shareholder's current account

Shareholder's current account amounted to SAR 550.0 million as at 30 September 2022G and represents the cash contributed by the shareholders through the bank transfers made on 29 September 2022G, as referred to in Section 6.3.2.3.1 ("**Share Capital**") of this Prospectus.

6.3.2.3.3 Merger reserve

On 17 February 2022G the shareholder of the Company through the Extraordinary General Assembly approved to decrease the Company's capital from SAR 539.2 million to SAR 5.0 million by share cancellations and maintain the capital amount reduced of SAR 534.2 million as a reserve to facilitate the merger transaction that was completed on 15 September 2022G.

The balance of SAR 37.6 million merger reserve on 30 September 2022G shows the difference between the amount of share capital reduced to facilitate the merger transaction and net assets of the Parent Company recognized in the Company.

6.3.2.3.4 Statutory reserve

In accordance with the Company's bylaws and the Companies Law, the Company is required to set aside 10% of its net income each year as a statutory reserve until such reserve reaches 30% of the share capital. The Company may resolve to discontinue such transfers when the reserve equals 30%

This minimum required reserve of 30% of share capital is not available for distribution to the shareholder of the Company.

Statutory reserve amounted to SAR 39.1 million as at 31 December 2021G and 30 September 2022G.

6.3.2.3.5 Retained earnings

Retained earnings increased from SAR 86.9 million as at 31 December 2021G to SAR 218.9 million as at 30 September 2022G driven by the increase in net profit, offset by:

- On 3 March 2022G, the Shareholder of the Company on recommendation of the Company's Board of Directors approved the distribution of the Company's net profit after taxes, zakat and the statutory reserve for the financial period 1 October 2021G to 31 December 2021G of the fiscal year 2021G of SAR 30 million. The dividend was paid on 15 March 2022G
- On 15 March 2022G, the Shareholder of the Company on recommendation of the Company's Board of Directors approved the distribution of the interim dividend amounting to SAR 11,932,210. The dividend was paid on 22 March 2022G.
- On 12 September 2022G, the Board of Directors of the Company as authorized by the revised by laws of the Company approved the distribution of the Company's net profit after taxes, zakat and the statutory reserve for the financial period 1 April 2022G to 30 September 2022G of the fiscal year 2022G as interim dividend that amounted to SAR 42.5 million. The dividend was paid on 22 September 2022G.

6.3.2.3.6 Cash flow hedge reserve

Cash flow hedge reserve amounted to SAR 53.1 million as at 30 September 2022G as a result of (1) the transfer of unrealized net profit amounting to SAR 42.5 million through equity following the merger in connection with the derivative financial instruments and hedging operations, in addition to (2) the hedge valuation to be effective as at 30 September 2022G whereby the net unrealized profit amounted to SAR 10.5 million in the statement of other comprehensive income.

The amount of SAR 53.1 million shown as cash flow hedge reserve in the condensed statement of financial position as at 30 September 2022G is expected to affect the condensed statement of profit or loss in the coming years.

6.3.2.4 Non-current liabilities

Table (6.60): Non-current liabilities as at 31 December 2021G and 30 September 2022G

SAR in 000's	31 December 2021G	30 September 2022G	Var. 31 December 2021G - 30 September 2022G
Non-Current Liabilities			
Long term loans	-	1,139,582	na
Lease liabilities	347,999	335,171	(3.7%)
Employees' defined Benefits obligations	698	2,940	321.2%
Total non-current Liabilities	**348,697**	**1,477,693**	**323.8%**

Source: Reviewed condensed Interim financial statements for the nine-month period ended 30 September 2022G, management information

Non-current liabilities increased from SAR 348.7 million as at 31 December 2021G to SAR 1,477.7 million as at 30 September 2022G mainly on the back of a long term loan that was allocated to the Group after the merger, in addition to the increase in employees' defined benefits obligations, slightly offset by a decrease in lease liabilities.

6.3.2.4.1 Long term loans

Table (6.61): Long term loans as at 31 December 2021G and 30 September 2022G

SAR in 000's	31 December 2021G	30 September 2022G	Var. 31 December 2021G - 30 September 2022G
Term Murabaha facility	-	1,215,536	na
Less: unamortized loan transaction cost	-	(18,404)	na
Total	**-**	**1,197,132**	**na**
Current portion	-	57,550	-
Non-current portion	-	1,139,582	-
Total	**-**	**1,197,132**	**-**

Source: the Condensed Interim financial statements for the nine-month period ended 30 September 2022G, management information

The Company received a term Murabaha facility with Alinma bank on 27 December 2020G, and a working capital Murabaha from Alinma bank on 1 July 2021G. The loan facility amounted to SAR 1,371.0 million of which the Company has utilized SAR 1,300.0 million as at 30 September 2022G.

This facility is secured by promissory notes, pledge over certain assets and shares of the Company and does not include personal guarantees, or any guarantee provided by legal parties, it only includes provisions related to the mortgage of assets (mainly related to furniture and fixtures, machinery and equipment, computers and accessories, and vehicles with a total value amounting to SAR16 million which is immaterial as compared to the value of the loan), and the bank accounts of the Company.

In addition, according to the facilities' agreements, the current shareholders should keep 66.6% (directly or indirectly) of the total shares of the Company starting 27 December 2022G until the listing of the Company. Following the listing, the current shareholders will have to keep 51% (directly or indirectly) of the total shares of the Company over the total period of the loan. The loan carries interest at SIBOR plus margin. The utilised facility is repayable in unequal 30 instalments starting 30 June 2021G.

Table (6.62): Movement in loan balance as at 30 September 2022G

SAR in 000s	Equity Bridge Loan	Term Murabaha Facility	Total
At the beginning of the period	**-**	**-**	**-**
Transferred as a result of merger transaction	550,000	1,215,536	1,765,536
Paid during the year	(550,000)	-	(550,000)
At the end of the period	**-**	**1,215,536**	**1,215,536**

Source: Reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G, Management information

Murabaha equity bridge loan ("EBL") with Gulf International Bank with committed funded facility of SAR 550.0 million which was fully drawn as at 31 December 2020G. The facility was secured by promissory notes and corporate guarantees signed by the shareholders of the Company. The loan carried interest at SAIBOR plus margin. The full amount of the loan was paid on 29 September 2022G.

Table (6.63): Maturity of loans as at 31 December 2021G and 30 September 2022G

SAR in 000's	31 December 2021G	30 September 2022G
Within one year	-	59,925
One to five years	-	322,681
More than five years	-	832,930
Total	**-**	**1,215,536**

Source: Reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G, Management information

6.3.2.4.2 Lease liabilities

Table (6.64): Movement in lease liabilities for the financial year ended 31 December 2021G and the nine-month period ended 30 September 2022G

SAR in 000s	30 September 2022G
At the beginning of the period	358,722
Additions	2,243
Finance charges on lease liabilities	8,764
Payments	(22,855)
At the end of the period	**346,874**

Source: Company information

Table (6.65): Current and non-current lease liabilities as at 31 December 2021G and 30 September 2022G

SAR in 000's	31 December 2021G	30 September 2022G	Var. 31 December 2021G - 30 September 2022G
Current portion	10,723	11,702	9.1%
Non-current portion	347,999	335,172	(3.7%)
Total	**358,722**	**346,874**	**(3.30%)**

Source: Reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G, Management information

Lease liabilities relate to the estimated present value of payments for the Company's operating leases. Lease liabilities decreased from SAR 358.7 million as at 31 December 2021G to SAR 346.9 million as at 30 September 2022G mainly driven by payments of lease costs (-SAR 22.9 million), partially offset by finance cost incurred during the period (+SAR 8.8 million) and addition (+SAR 2.2 million) related to a new leased head office in Jeddah during the period.

6.3.2.4.3 Employees' defined Benefits obligations

Table (6.66): Employees' defined benefits obligations as at 31 December 2021G and 30 September 2022G

SAR in 000's	31 December 2021G	30 September 2022G	Var. 31 December 2021G - 30 September 2022G
Net defined benefit obligation at 1 January	**773**	**698**	**(9.7%)**
Service cost	(193)	2,279	(1,280.8%)
Interest expense	17	-	na
Paid during the year	(15)	(37)	146.7%
Remeasurement of the net defined benefit liability	116	-	na
Present value of the defined benefit obligation at year end	**698**	**2,940**	**321.2%**

Source: Company information

Employees' defined benefits obligations related to the provision made for the estimated gratuity to employees upon termination. Employees' defined benefits obligations increased from SAR 0.7 million as at 31 December 2021G to SAR 2.9 million as at 30 September 2022G as a result of the transfer of some of GFSA's employees to the Company post privatization.

6.3.2.5 Current liabilities

Table (6.67): Current liabilities as at 31 December 2021G and 30 September 2022G

SAR in 000's	31 December 2021G	30 September 2022G	Var. 31 December 2021G - 30 September 2022G
Current Liabilities			
Trade payables	60,738	36,550	(39.8%)
Accrued expenses and other liabilities	43,833	63,342	44.5%
Current portion of long-term loans	-	57,550	na
Lease liabilities	10,723	11,702	9.1%
Advances from customers	22,496	22,270	(1.0%)
Due to related parties	-	50	na
Zakat payable	4,743	4,621	(2.6%)
Total Current Liabilities	**142,533**	**196,085**	**37.6%**

Source: Reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G, Management information

Current liabilities increased from SAR 142.5 million as at 31 December 2021G to SAR 196.1 million as at 30 September 2022G on the back of a long term loan that was allocated to the Group after the merger, in addition to the increase in accrued expenses and other liabilities (+SAR 19.5 million), slightly offset by the decrease in trade payables (-SAR 24.2 million) during the period.

6.3.2.5.1 Trade payables

Trade payables comprised of payables to suppliers mostly related to the purchases of raw materials, packaging, and suppliers of services. Trade payables decreased from SAR 60.7 million as at 31 December 2021G to SAR 36.6 million as at 30 September 2022G mainly following the settlement of balances to corn suppliers (SAR 29.4 million).

6.3.2.5.2 Accrued expenses and other liabilities

Table (6.68): Accrued expenses and other liabilities as at 31 December 2021G and 30 September 2022G

SAR in 000's	31 December 2021G	30 September 2022G	Var. 31 December 2021G - 30 September 2022G
Accrued expenses	41,277	54,382	31.7%
VAT payable	-	5,593	na
Other payables	2,556	2,445	(4.3%)
Finance cost payable	-	922	na
Total	**43,833**	**63,342**	**44.5%**

Source: Reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G, Management information

6.3.2.5.2.1 Accrued expenses

Accrued expenses increased from SAR 41.3 million as at 31 December 2021G to SAR 54.4 million as at 30 September 2022G mainly driven by (i) trade and distribution accruals (SAR 11.6 million), (ii) the increase in wage and bonus provisions (+SAR 5.0 million), (iii) and the increase in professional fees accruals (+SAR 2.8 million) driven mainly by a board of directors' remuneration amounting to SAR 1.8 million, this was partially offset by the decrease in case accruals (-SAR 7.5 million) as the legal case has been settled during the period, and a decrease in leave accruals (-SAR 2.8 million).

6.3.2.5.2.2 VAT payable

VAT payable was nil as at 31 December 2021G as result of a payment to VAT that was higher than the due balance during the year which resulted in a VAT receivable position (refer to prepayments and other receivables). The balance then subsequently turned into a payable balance amounting to SAR 5.6 million at 30 September 2022G.

6.3.2.5.2.3 Other payables

Other payables comprised of payables to the General Organization for Social Insurance. Other payables slightly decreased from SAR 2.6 million as at 31 December 2021G to SAR 2.4 million as at 30 September 2022G.

6.3.2.5.2.4 Finance cost payable

Finance cost payable amounted SAR 0.9 million as at 30 September 2022G and related to interest cost percentage.

6.3.2.5.3 Advances from customers

Advances from customers decreased by 1.0% from SAR 22.5 million as at 31 December 2021G to SAR 22.3 million as at 30 September 2022G as a result of the delivery of the products to some of its customers.

6.3.2.5.4 Due to related party

Due to related party amounted to SAR 50 thousand as at 31 September 2022G and related to a financial advice expense that was incurred by Al Mutlaq Group Industrial Investment Company on behalf of the Company.

6.3.2.5.5 Zakat payable

Table (6.69): Movement in provision for zakat during the financial year ended 31 December 2021G and the nine-month period ended 30 September 2022G

SAR in 000's	31 December 2021G	30 September 2022G	Var. 31 December 2021G - 30 September 2022G
At the beginning of the period	-	4,744	na
Charged during the period	4,744	4,678	(1.4%)
Paid during the period	-	(4,801)	na
At the end of the period	**4,744**	**4,621**	**(2.6%)**

Source: Reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G, Management information

For the year ended 31 December 2021G, the Parent Company submitted the consolidated Zakat declaration to the Zakat, Tax and Customs Authority ("ZATCA"), where the Company's share as a subsidiary appeared and amounted to SAR 4.7 million.

At 30 September 2022G, the Company submitted an independent zakat declaration which amounted to SAR 4.6 million.

6.3.2.6 Capital commitments and contingencies

As at 30 September 2022G, the Company had contingent liabilities that arose during its normal business cycle and related to letters of credit of SAR 27.0 million (31 December 2021G: SAR 1.1 million)

6.3.3 Cash flow

Table (6.70): Statement of cash flow for the financial year ended 30 September 2021G and the nine-month period ended 30 September 2022G

SAR in 000's	30 September 2021G	30 September 2022G
Cash flows from operating activities		
Profit before zakat	143,935	201,875
Adjustments:		
Depreciation for property, plant and equipment and right of use assets	32,073	33,630
Amortization for intangibles assets	247	365
Interest cost on lease liabilities	8,656	8,764
Interest cost on long-term loans	-	4,742
Provision for slow moving inventory	-	6,146
Amortization of loan transaction cost	-	3,225
Provision for employee defined benefit obligations	(202)	2,279

SAR in 000's	30 September 2021G	30 September 2022G
Expected credit loss on trade receivables	-	139
Impairment loss for assets held for sale	-	-
Gain on disposal of property, plant and equipment	(3)	-
Changes in working capital:		
Inventories	16,378	1,571
Trade receivables	(1,368)	(2,967)
Prepayments and other current assets	(63,310)	(16,072)
Due from related parties	-	(1,177)
Trade payables	13,482	(24,188)
Accrued expenses and other liabilities	18,053	18,300
Advances from customers	(1,292)	(225)
Amounts due to related parties	-	50
Available for sale assets	-	-
Paid employees' defined benefit obligations	-	(37)
Finance cost paid	-	(21,333)
Zakat paid	-	(4,801)
Net cash from operating activities	**166,649**	**210,286**
Cash flows from investing activities		
Purchase of property, plant and equipment	(28,603)	(22,761)
Additions to intangible assets	-	(295)
Proceeds from sale of property, plant and equipment	10	-
Net cash used in investing activities	**(28,593)**	**(23,056)**
Cash flows from financing activities		
Dividend paid	(519,000)	(84,472)
Shareholders' capital contribution	-	550,000
Payment of long-term loans	-	(550,000)
Payment of lease liabilities	(22,335)	(22,855)
Net cash used in financing activities	**(541,335)**	**(107,327)**
Change in cash and cash equivalents during the period	**(403,279)**	**79,903**
Cash transferred from the merger transaction	-	81,542
Cash and cash equivalents as at the beginning of the period	518,754	157,485
Cash and cash equivalents at the end of the period	**115,475**	**318,930**

Source: Reviewed condensed interim financial statements for the nine-month period ended 30 September 2022G, Management information

Net cash from operating activities

Net cash from operating activities increased from SAR 166.6 million as at 30 September 2021G to SAR 210.3 million as at 30 September 2022G, mainly driven by the increase in profit before zakat from SAR 149.3 million to SAR 201.9 million in line with the increase in sales during this period, in addition to the decrease in cash used in prepayments and other current assets, this was partially offset by finance cost paid amounting to SAR 21.3 million during the nine-month period ended 30 September 2022G and cash used to repay trade payables (SAR 24.2 million) during the same period.

Net cash used in investing activities

Net cash used in investing activities decreased from SAR 38.6 million as at 30 September 2021G to SAR 23.1 million as at 30 September 2022G as a result of the decrease in the purchases of property plant and equipment from SAR 28.6 million to SAR 22.8 million during the period.

Net cash from financing activities

Net cash used in financing activities decreased from SAR 541.3 million as at 30 September 2021G to SAR 107.3 million as at 30 September 2022G mainly as a result of the decrease in dividends paid during the period as dividends amounting to SAR 84.5 million have been paid during the year 2022G as compared to SAR 519.0 million during the year 2021G.

7. DIVIDEND DISTRIBUTION POLICY

Under Article 107 of the Companies Law, a Shareholder is vested with all rights attached to Shares, which include in particular the right to receive a share in the dividends declared for distribution. The Board of Directors shall recommend declaring and paying any dividends before approval by the Shareholders at the meeting of the General Assembly. The Company is under no obligation to declare dividends and any decision to do so will depend on, inter alia, the Company's historic and anticipated earnings and cash flow, financing and capital requirements, market and general economic conditions, the restrictions to which the dividend distribution process is subject under Financing and Debt Agreements, the Zakat, and the other legal and regulatory considerations. For example, Shares give their holders the right to receive the dividends announced by the Company from the date of this Prospectus and in the following fiscal years. Despite the Company's intention to distribute annual dividends to its shareholders, there are no guarantees that such dividends will be actually distributed, nor is there any guarantee regarding the amounts of dividends paid in any year.

Dividend distribution is also subject to the restrictions set out in the Company's Bylaws. Dividends shall be distributed in Saudi Riyals.

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

- Ten percent (10%) of the net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when said reserve totals thirty percent (30%) of the Company's paid-up capital, excluding share premium.
- The Company may, upon the Ordinary General Assembly approval, set aside 5% of the net profits to form a contractual reserve to be allocated for special purposes.
- The Ordinary General Assembly may resolve to set aside other reserves, to the extent that doing so serves the interest of the Company or ensures the distribution of as stable a dividend as possible to shareholders. Said Assembly may also deduct from the net profits amounts for the establishment of social institutions for the Company's employees or to support existing institutions.
- The Ordinary General Assembly may resolve to distribute the remainder of the above to the Shareholders at a rate of 5% of the paid-up capital of the Company.
- Subject to the provisions set forth in Article 23 of the Company's Bylaws, and Article 76 of the Companies Law, no more than 10% of the remainder of the net profits shall be set aside to remunerate the Board of Directors, provided that the entitlement of such remuneration shall be commensurate with the number of meetings attended by the member.
- The dividend distribution policy may change from time to time, as the Board of Directors may resolve, subject to the approval of the Ordinary General Assembly, to pay interim dividends to the Company's Shareholders.

The following is a summary of share dividends declared and distributed by the Company during the years ended 31 December 2019G, 31 December 2020G, 31 December 2021G and the Period Ended 30 September 2022G, respectively:

Table (7.1): Dividends declared and distributed by the Company during the years ended 31 December 2019G, 31 December 2020G, 31 December 2021G and the Period Ended 30 September 2022G, respectively:

Declared Dividends	31 December 2019G	31 December 2020G	31 December 2021G*	The nine-month period ended 30 September 2022G**
Dividends Paid for the Year	-	-	614,416,358	84,472,046
Net Profit for the period	125,780,331	190,685,950	198,475,214	197,195,616
Ratio of declared dividends to the Company's net income (%)	-	-	310%	43%

Source: the Company

* On 15/04/2021G, the General Assembly approved the distribution of interim dividends at a value of SAR 19,000,000, and on 03/06/2021G, the General Assembly also approved the distribution of interim dividends at a value of SAR 500,000,000, and on 26/09/2021G, the Company's Shareholders approved the distribution of interim dividends amounting to SAR 56,912,821, and on 26/11/2021G, the Company's Shareholders also approved the distribution of interim dividends amounting to SAR 38,503,537.

** On 03/03/2022G, the Company's Shareholders approved the distribution of interim dividends at a value of SAR 30,000,000 (for the period beginning on 01/10/2021G and ending on 31/12/2021G). Thereafter, on 15/03/2022G, the Company's Shareholders also approved the distribution of interim dividends at a value of SAR 11,932,210. On 06/03/2023G, the General Assembly approved the distribution of interim dividends amounting to SAR 42,539,836.

On 06/03/2023G, the General Assembly ratified all the above-mentioned distributions approved by the Company's Shareholders.

On 21/11/2022G, the Company Board of Directors announced the distribution of:

- Interim dividends to Shareholders holding all Shares in the Company's capital on 50% of the Company's profits for the first half of 2022G, at a value of sixty-six million eight hundred fifty-two thousand seven hundred eleven (66,852,711) Saudi riyals.
- Dividends to Shareholders holding all Shares in the Company's capital for the financial year ended 31 December 2021G, at a value of twenty-eight million one hundred forty-seven thousand two hundred ninety (28,147,290) Saudi riyals.

8. USE OF PROCEEDS

Total proceeds from the Offering are estimated at around nine hundred ninety nine million Saudi Riyals (SAR 999,000,000) of which approximately forty one million Saudi Riyals (SAR 41,000,000) will be applied towards the Offering expenses, which include the fees of the Financial Advisor, the Lead Manager, the Underwriters, the Bookrunner, the Legal Advisor, the Auditor, the Receiving Agents, and the Market Consultant, as well as marketing, printing, distribution and translation fees, and other costs and expenses related to the Offering.

The Net Proceeds from the Offering of approximately nine hundred fifty eight million Saudi Riyals (SAR 958,000,000) will be distributed to the Selling Shareholders on a pro-rata basis based on each Selling Shareholder's percentage ownership in the Offer Shares being sold. The Company will not receive any part of the net proceeds from the Offering. The Selling Shareholders shall bear all the fees, expenses and costs 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 for the financial years ended 31 December 2019G, 31 December 2020G, 31 December 2021G and the reviewed financial statements for the nine-month period ended 30 September 2022G respectively. 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 Chartered Accountant's Reports**") of this Prospectus.

Table (9.1): Capitalization and Indebtedness of the Company

SAR	FY19G	FY20G	FY21G	The nine-month period ended 30 September 2022G
Related Parties Balances	-	-	-	50,000
Short-Term Loans	-	-	-	-
Term Loans - Current Portion	-	-	-	57,549,909
Term Loans - Non-Current Portion	-	-	-	1,139,581,768
Total Interest-Bearing Loans	-	-	-	1,197,131,677
Lease Liabilities	269,615,004	331,583,033	358,722,055	346,873,746
Total Loans and Lease Obligations	**269,615,004**	**331,583,033**	**358,722,055**	**1,544,005,423**
Share Capital	500,000	539,236,780	539,236,780	5,000,000
Shareholders' Current Account	-	-	-	550,000,000
Statutory Reserve	150,000	19,218,595	39,054,503	39,054,503
Merger Reserve	-	-	-	(37,554,503)
Hedging Reserve	-	-	-	53,056,252
Proposed Capital Increase	538,736,780	-	-	-
Retained Earnings	351,178,114	522,795,469	86,902,277	218,855,277
Total Equity	890,564,894	1,081,250,844	665,193,560	828,411,529
Total capitalization (Total loans and lease obligations+ Total Shareholders' equity)	**1,160,179,898**	**1,412,833,877**	**1,023,915,615**	**2,372,416,952**
Total loans and lease obligations / Total capitalization	**23.2%**	**23.5%**	**35%**	**65%**

Source: the Company Management information, the audited financial statements for the financial years ended 31 December 2019G, 31 December 2020G, 31 December 2021G, and the reviewed financial statements for the nine-month period ended 30 September 2022G

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 Auditors listed on pages (vii), (viii) and (ix) have given and not withdrawn their written consent to the publication of their names, addresses, logos and statements attributed to them in this Prospectus as presented herein. Neither they nor any of their Advisors and employees (forming part of the team serving the Company), or relatives have any shareholding or interest of any kind in the Company as at the date of this Prospectus, which would impair their independence.

11. DECLARATIONS

The 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- Except as described in Section 12.10 ("**Litigation**") hereof, 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 described in Section 5.1 ("**Board Members and Secretary**"), Section 5.3 ("**Senior Management**") and Section 12.6 ("**Transactions and Contracts with Related Parties**") hereof, 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 described in Section 5.6 ("**Conflict of Interest**") hereof, they do not themselves, 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- Except as described in Section 12.6 ("**Transactions and Contracts with Related Parties**") hereof, 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.
9- Except as described in Section 4.8 ("**Overview of the Shareholders**") and Section 5.6 ("**Conflict of Interest**") 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 full IFRS-KSA and other standards and pronouncements that are endorsed by SOCPA, and within the deadlines set in the OSCOs. Furthermore, the Company possesses the necessary regulations and policies to prepare all the other financial and non-financial reports, as required by the OSCOs and within the timeframes set out in the OSCOs.
11- The Company has sufficient working capital for at least 12 months immediately following the date of this Prospectus.
12- Except as described in Section 12.7 ("**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 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 accountant'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' internal control measures.

17- The audited financial statements for the financial years ended 31 December 2019G, 31 December 2020G, and 31 December 2021G and the Nine Month Period ended 30 September 2022G have been prepared in accordance with full IFRS-KSA, and with other standards and pronouncements that are endorsed by SOCPA. 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 6.3.2.4.1 ("**Long Term Loans**"), Section 6.3.2.6 ("**Capital Commitments and Contingencies**"), Section 12.7 ("**Credit Facilities and Loans**"), and Section 2 ("**Risk Factors**") of this Prospectus, there is no pledge, mortgage or financial burden on any of the Company' 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- There are no research and development policies adopted by the Company, as at the date of this Prospectus.

27- No Shares of the Company are under option, as at the date of this Prospectus.

28- The Directors, Senior Executives and Secretary have not at any time been declared bankrupt or been subject to bankruptcy proceedings.

29- None of the companies in which any of the Directors, Senior Executives or Secretary was employed in a managerial or supervisory capacity, was declared insolvent or bankrupt during the past 5 years preceding the date of this Prospectus.

30- No powers exist giving any of the Directors the right to borrow money from the Company.

31- All necessary approvals were obtained for the offering of the Company's Shares in the stock market and for it to become a public joint stock company.

32- The Company is able to prepare the required reports in a timely manner, according to the implementing regulations issued by the CMA.

33- As at the date of this Prospectus, the persons whose names appear in Section 4.8 ("**Overview of the Shareholders**") of this Prospectus are the - direct and indirect - legal and beneficial owners of the Company's Shares.

The Directors further declare complying with the provisions of Articles 71, and 72 of the Companies Law and Article 40 of the Corporate Governance Regulations with respect to contracts with related parties as follows:

1- All transactions entered into by the Company with Related Parties shall be entered into on a commercial basis, and all works and contracts with Related Parties shall be subject to vote in meetings of the Board of Directors, or (if required by law), the Ordinary General Assembly. Directors may not vote on any decision related to transactions or contracts with the Company in which they have a direct or indirect interest, whether in the Board of Directors or the Ordinary General Assembly.
2- All transactions entered into with Related Parties and described in Section 12.6 (**Transactions and Contracts with Related Parties**) of this Prospectus, including determining the financial consideration for the engagement, have been carried out in a legal manner and on appropriate and fair commercial 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.

In addition to the declarations described above, the Directors and the CEO declare that:

1- 1 - The Directors, Managing Director and the CEO shall not have the right to vote on decisions relating to their fees and remuneration.

The Directors also declare:

1- That the internal control, accounting and IT systems of the Company are sufficient and adequate.
2- This Prospectus contains all the information to be included under the OSCOs requirements and does not omit any other fact that would have any impact on the application for the Securities Registration and Offering.
3- Third-party information and data included in this Prospectus, including the information obtained or derived from the market research conducted by the Market Research Consultant, is reliable and the Company has no reason to believe that such information is materially inaccurate; and the statistical information used in Section 3 (“**Overview of the Market and Industry**”) of this Prospectus, which was obtained or derived from external sources, represents the latest information available at the respective source.
4- That all terms and conditions that may affect the decisions of the Subscribers to invest in Offer Shares have been disclosed.
5- The Company currently has no intention to sign any new contracts with Related Parties except to renew contracts with the Related Parties previously concluded and referred to in this Prospectus. In the event that the Company wishes to sign new contracts with Related Parties in the future, the Company shall comply with Articles 27, 71, and 72 of the Companies Law and Article 44 of the Corporate Governance Regulations.
6- That all increases and decreases in the capital of the Company are in compliance with the laws and regulations applicable in Saudi Arabia.
7- The Company does not have any securities (contractual or otherwise) or any assets where the value is subject to fluctuation which would adversely and materially affect the assessment of the financial position.

8- Except as disclosed in Section 12.7 ("**Credit Facilities and Loans**") hereof, there are no mortgages, rights or charges on the Company's properties, as at the date of this Prospectus.

9- Except as disclosed in Section 2 ("**Risk Factors**") hereof, the Company is not aware of any information regarding any governmental, economic, financial, monetary or political policies or any other factors that have materially affected or may materially affect (directly or indirectly) its operations.

10- Except as disclosed in Section 2 ("**Risk Factors**") hereof, the Company is not aware of any seasonal information or business cycles related to its business that would affect the Company' operations or financial position.

11- The Company has insurance policies with sufficient insurance coverage to carry out its activities. The Company renews its insurance policies regularly, to ensure continued insurance coverage and it took all reasonable security measures as per applicable industry practices.

12- All agreements which the Company considers to be material or important or which have an impact on a Subscriber's decision to invest in the Offer Shares have been disclosed. There are no other material agreements or contracts that have not been disclosed.

13- Except as disclosed in Section 2 ("**Risk Factors**") hereof, and to the best of their knowledge and belief, there are no other material risks that may affect a prospective investors' decision to invest in the Offer Shares.

14- Except as disclosed in Section 12.4 ("**Material Government Consents, Licenses and Certificates**") hereof, as at the date of this Prospectus, the Company has obtained all necessary licenses and permits to carry out its business activities.

15- The Company is not a party to any litigation, claims, lawsuits or current investigations that could materially affect its business operations or financial position.

16- The audited financial statements for the financial years ended 31 December 2019G, 31 December 2020G, 31 December 2021G and the Nine Month Period ended 30 September 2022G, together with the notes thereto, have been prepared in accordance with full IFRS-KSA, and with other standards and pronouncements that are endorsed by SOCPA. No material amendments have been made thereto except for financial and statistical information which have been subject to rounding.

17- All necessary approvals have been obtained from lenders to offer 30% of the Company shares in order for the Company to be a public joint-stock company.

18- The Company is in compliance with all terms and conditions under the agreements with lenders granting loans, facilities and financing.

19- As at the date of this Prospectus, there has been no breach of the contractual terms and conditions under the agreements signed with the entities providing loans, facilities and financing, and the Company complies with all the terms and conditions thereof.

20- They shall record all Board of Directors resolutions by means of written minutes of meetings, which shall be signed by the Directors.

21- They shall disclose the details of any Related Party transactions in accordance with the Companies Law, the Corporate Governance Regulations and the Capital Market laws and regulations.

In addition, the Current Shareholders undertake and declare that they shall retain their total shareholding at 51% (directly or indirectly) of all their Shares in the Company for the duration of the finance agreement between the Company and Alinma Bank (for a period of fifteen (15) years). Furthermore, the Current Shareholders undertake not to dispose of their shares prior to obtaining the approval of the GFSA and any other required approvals, and in accordance with the relevant provisions.

12. LEGAL INFORMATION

12.1 Declarations Related to Legal Information

The Board of Directors declare that:

- The Offering does not violate the applicable laws and regulations in the Kingdom.
- The Offering does not prejudice any contracts or agreements, which the Company is a party thereof.
- All material legal information relating to the Company has been disclosed in the Prospectus.
- Except for matters disclosed in Section 12.10 ("**Litigation**") of this 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 and its Subsidiaries.
- 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 and its Subsidiaries.
- Except for matters disclosed in Section 5.6 ("**Conflict of Interests**") of this Prospectus, the members of the Board of Directors and Executive Management acknowledge that they do not jointly or severally participate in activities similar to or competing with those of the Company or its Subsidiaries, and pledge to abide by the requirements of the Companies Law.

12.2 The Company

First Milling Company is a closed joint-stock company established pursuant to commercial registration No. 4030291813, dated 10/02/1438H (corresponding to 10/11/2016G), and ministerial resolution No. G/11 dated 11/01/1438H (corresponding to 12/10/2016G). The Company operates pursuant to the Main License No. 01 issued by GFSA pursuant to Resolution of GFSA's Governor No. 9453 dated 29/04/1442H (corresponding to 14/12/2020G), based on the resolution of GFSA Board No. 189 dated 09/03/1442H (corresponding to 26/10/2020G). According to its commercial registry, the Company's head office is located in the city of Jeddah, at Zip Code No. 11452, P.O. Box No. 6847. The Company's actual head office is located in Jeddah Islamic Port, between gates 7 and 8 next to the General Food Security Authority, Zip Code No. 22312, P.O. Box No. 16165. The current share capital of the Company is five hundred fifty-five million Saudi Riyals (SAR 555,000,000) divided into fifty-five million five hundred thousand (55,500,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share.

In accordance with its commercial registration certificate, the Company's activities include the following:

- Wheat packing and milling; maize packing and milling; barley packing and milling; packing and milling of flour, meal and bulgur wheat; oats production.
- Manufacture of flour and dough for bakeries; manufacture of concentrated fodder for animal; manufacture of cattle fodder; manufacture of secondary plant products as animal feed.
- Preparation, milling and pressing of animal feed; manufacture of poultry fodder; manufacture of bird fodder; wholesale of barley; grain wholesale except for barely; wholesale of livestock feed for pharmaceutical feed additives; wholesale of feed and non-medicinal feed additives; retail sale of barley.
- Storage in warehouses of grain silos, flour and agricultural products; dry food storage; wheat packing and milling; sale of wheat products and its derivatives; maize packing and milling; barley packing and milling; packing and milling of flour, meal and bulgur wheat.
- (For more details, please refer to Section 4.1 ("**Overview of the Company and its Business Activities**") of this Prospectus).

12.3 Shareholding Structure

The following table set out the Company's shareholding structure pre and post Offering.

Table (12.1): Company's Shareholding Structure Pre and Post Offering

Shareholder Name	Shareholding			Shareholding		
	No. of Shares	Par Value (SAR)	Ownership	No. of Shares	Par Value (SAR)	Ownership
AlMutlaq Group Industrial Investment Company	19,425,000	194,250,000	35%	16,650,000	166,500,000	30%
Abdullah Abunayyan Trading Company	16,650,000	166,500,000	30%	11,655,000	116,550,000	21%
AlSafi Advanced Investment	13,875,000	138,750,000	25%	6,660,000	66,600,000	12%
Essa Al-Ghurair Investment	5,550,000	55,500,000	10%	3,885,000	38,850,000	7%
Public	-	-	-	16,650,000	166,500,000	30%
Total	**55,500,000**	**555,000,000**	**100%**	**55,500,000**	**555,000,000**	**100%**

Source: The Company

Details regarding the ownership of each of the Company's Founding 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 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 necessary licenses and approvals to conduct its business. Set out below is an overview of the regulatory authority for the activity of mills and flour production as at the date of this Prospectus.

The regulatory authority for the activity of mills and flour production

The Company has obtained a license issued by GFSA Governor's resolution No. 9453 dated 29/04/1442H, based on the resolution of the board of directors of GFSA number 189 dated 09/03/1442H pursuant to the council of ministers' resolution number 632 dated 17/10/1441H (the "Main License No. 01").

The General Food Security Authority (previously known as the General Organization for Grain Silos and Flour Mills) was established by Royal Decree No. M / 14 issued on 03/25/1392H and amended by Royal Decree No. M / 3 dated 02/12/1406H, after which decision No. 35 dated 27/1/1437H was issued by the Council of Ministers, which approved taking the necessary measures to establish four joint-stock companies for flour mills, and approved amending the name of the General Organization for Grain Silos and Flour Mills to the "General Organization for Grains" and reorganizing it. Therefore, Cabinet Resolution No. 328 dated 02/08/1437H was issued approving the organization of the General Food Security Authority, provided that the organization undertakes the management, operation, development of silos, in addition to the tasks of organizing, monitoring and supervising the activity of mills for the production of flour. On 24/06/1444H, the Council of Ministers issued its Resolution No. 440 to convert the Saudi Grains Organization (SAGO) 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. 01:

The GFSA has granted the Company the Main License No. 01 to carry out the following licensed activities:

The establishment and operation of:

- Jeddah Branch - Jeddah Islamic Port - 630 thousand tons of flour / year;
- Al-Qassim Branch - 270 thousand tons of flour / year;
- Tabuk Branch - 180 thousand tons of flour / year; and
- Al-Ahsa Branch - 180 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 byproduct.

The tables below set out the current key licenses and certifications obtained by the Company:

Table (12.2): Details of the Milling License of the Company

No	Issuer	License No	Expiration Date
1.	The GFSA	License No. 01 pursuant to Resolution No. 9453 dated 29/04/1442H (14/12/2020G) issued by GFSA Governor; Resolution No. 189 dated 09/03/1442H (corresponding to 26/10/2020G) issued by GFSA Board; and Ministerial Resolution No. 632 dated 17/10/1441H (corresponding to 09/06/2020G).	25 years since 29/04/1442H (corresponding to 14/12/2020G).
2.	The GFSA	Secondary License (No. 1-1, 1-2, 1-3, 1-4, 1-5, 1-6, 1-7, 1-8) conditional to increase the production capacity of the Company's branches in Al-Ahsa, Al-Qassim and Jeddah, according to GFSA's governor's decision No. 193, dated 13/07/1443H (corresponding to 14/02/2022G).[19]	5 years since 13/07/1443H (corresponding to 14/02/2022G). Specifically, Article 2 of the Conditional Secondary License states that the term is the earlier of: 06/09/1448H (corresponding to 13/02/2027G); or the date by which the Conditional Secondary License is replaced with a secondary license that is non-conditional pursuant to Article 1 of Conditional Secondary License's terms provided the latter is not terminated nor suspended prior to the end of its term.

Source: the Company

Table (12.3): Details of the Main Commercial Registration Certificate of the Company

Company	Location	Legal Entity	Commercial	Registration Date	Expiration Date
First Milling Company	Jeddah	Joint Stock Company	4030291813	10/02/1438H (corresponding to 10/11/2016G)	10/02/1445H (corresponding to 26/08/2023G)

Source: the Company

19 It should be noted that as at the date of this Prospectus, the conditional secondary license is not currently effective as the Company has not met the conditions of the secondary license.

Table (12.4): Details of the Commercial Registration Certificates of the Company's Branches

No	Branch	Location	Commercial	Registration	Expiration Date
1.	First Milling Company	Al-Ahsa	2250067938	29/06/1438H (corresponding to 28/03/2017G)	29/06/1445H (corresponding to 11/01/2024G)
2.	First Milling Company	Jeddah	4030294014	29/06/1438H (corresponding to 28/03/2017G)	29/06/1447H (corresponding to 20/12/2025G)
3.	First Milling Company	Al-Qassim (Buraidah)	1131057624	29/06/1438H (corresponding to 28/03/2017G)	29/06/1445H (corresponding to 11/01/2024G)
4.	First Milling Company	Tabuk	3550038652	29/06/1438H (corresponding to 28/03/2017G)	29/06/1449H (corresponding to 28/11/2027G)
5.	First Milling Company	Riyadh	1010864007	06/08/1444H (corresponding to 26/02/2023G)	06/08/1445H (corresponding to 16/02/2024G)

Source: the Company

Table (12.5): Details of the Certificates of Membership on the Chambers of Commerce Obtained by the Company

Company	Issuer	Identification No.	Issuance Date	Expiration Date
First Milling Company	Jeddah Chamber	7003698904 (Unified Number) 4030291813 (CR)	10/02/1438H (corresponding to 10/11/2016G)	10/02/1445H (corresponding to 26/08/2023G)

Source: the Company

Table (12.6): Details of the Certificates of Membership on the Chambers of Commerce Obtained by the Company's branches

No	Branch	Issuer	Membership No.	Issuance Date	Expiration Date
1.	First Milling Company	Al-Ahsa Chamber	302001142085	30/06/1440H (corresponding to 07/03/2019G)	29/06/1445H (corresponding to 11/01/2024G)
2.	First Milling Company	Al-Qassim Chamber	601001185320	04/07/1440H (corresponding to 11/03/2019G)	29/06/1445H (corresponding to 11/01/2024G)
3.	First Milling Company	Tabuk Chamber	401001132879	20/04/1444H (corresponding to 14/11/2022G)	29/06/1449H (corresponding to 28/11/2027G)

Source: the Company

Table (12.7): Details of the Municipality Licenses Obtained by the Company's Branches[20]

No	Branch	Location	License No.	Expiration Date
1.	First Milling Company	Al-Ahsa	42044809159	25/04/1444H (corresponding to 19/11/2022G)*
2.	First Milling Company	Al-Qassim	42044800382	25/04/1445H (corresponding to 09/11/2023G)
3.	First Milling Company	Tabuk	42044754974	24/04/1445H (corresponding to 08/11/2023G)

Source: the Company

*The Company is currently taking the necessary measures to renew the expired license.

20 Please note that the Jeddah Head Office and the Jeddah branch share the same building and are exempt from obtaining municipality and civil defense licenses under the letter from the Saudi Ports Authority in Jeddah dated 12/06/1440H (corresponding to 17/02/2019G).

Table (12.8): Detail of the Civil Defense Licenses Obtained by the Company[21]

No	Branch	Location	License No.	Issuance Date	Expiration Date
1.	First Milling Company	Al-Ahsa	2-000457893-43	04/08/1443H (corresponding to 07/03/2022G)	04/08/1444H (corresponding to 24/02/2023G)
2.	First Milling Company	Al-Qasim	2-000647705-44	14/08/1444H (corresponding to 06/03/2023G)	14/08/1445H (corresponding to 24/02/2024G)
3.	First Milling Company	Tabuk	2-000457893-43	08/11/1443H (corresponding to 07/06/2022G)	08/11/1444H (corresponding to 28/05/2023G)

Source: the Company

Table (12.9): Details of the Industrial Licenses Obtained by the Company's Branches

No	Branch	Location	License No.	Issuance Date	Expiration Date
1.	First Milling Company	Jeddah	281694	05/05/1442H (corresponding to 20/12/2020G)	07/06/1445H (corresponding to 20/12/2023G)
2.	First Milling Company	Tabuk	2811192	05/05/1442H (corresponding to 20/12/2020G)	17/06/1445H (corresponding to 30/12/2023G)
3.	First Milling Company	Al-Qasim	2811333	05/05/1442H (corresponding to 20/12/2020G)	07/06/1445H (corresponding to 20/12/2023G)
4.	First Milling Company	Al-Ahsa	72795	18/01/1444H (corresponding to 16/08/2022G)	14/03/1449H (corresponding to 16/08/2027G)

Source: the Company

Table (12.10): Details of the SFDA Licenses Obtained by the Company's Branches

No	Branch	Location	License No.	Issuance Date	Expiration Date
1.	First Milling Company	Jeddah	AFEE/42/0067	06/05/1442H (corresponding to 21/12/2020G)	08/06/1445H (corresponding to 21/12/2023G)
2.	First Milling Company	Tabuk	AFEE/42/00072	21/05/1442H (corresponding to 09/01/2021G)	16/07/1447H (corresponding to 05/01/2026G)
3.	First Milling Company	Al-Qasim	AFEE/42/0067	06/05/1442H (corresponding to 21/12/2020G)	08/06/1445H (corresponding to 21/12/2023G)
4.	First Milling Company	Al-Ahsa	AFEE/42/00072	15/05/1442H (corresponding to 30/12/2020G)	17/06/1445H (corresponding to 30/12/2023G)

Source: the Company

21 Please note that the Jeddah Head Office and the Jeddah branch share the same building and are exempt from obtaining municipality and civil defense licenses under the letter from the Saudi Ports Authority in Jeddah dated 12/06/1440H (corresponding to 17/02/2019G).

Table (12.11): Details of the Environmental Permits Obtained by the Company's Branches

No	Branch	Location	License No.	Issuance Date	Expiration Date
1.	First Milling Company	Jeddah	8444	08/06/1444H (corresponding to 01/01/2023G)	27/05/1447H (corresponding to 18/11/2025G)
2.	First Milling Company	Tabuk	8413	08/06/1444H (corresponding to 01/01/2023G)	21/05/1447H (corresponding to 12/11/2025G)
3.	First Milling Company	Al-Qasim	8466	09/06/1444H (corresponding to 02/01/2023G)	18/05/1447H (corresponding to 09/11/2025G)
4.	First Milling Company	Al-Ahsa	8265	05/06/1444H (corresponding to 29/12/2022G)	25/05/1447H (corresponding to 16/11/2025G)

Source: the Company

Table (12.12): Details of ISO Certifications Obtained by the Company

No	Company	ISO Number	Certificate Number	Issuance Date	Expiration Date
1.	First Milling Company*	ISO 45001:2018	SA0028522	25/07/1444H (corresponding to 16/02/2023G)	27/08/1447H (corresponding to 15/02/2026G)
2.	First Milling Company*	ISO 14001:2015	SA0028522	25/07/1444H (corresponding to 16/02/2023G)	27/08/1447H (corresponding to 15/02/2026G)
3.	First Milling Company*	IEC/ISO 9001:2015	SA0028522	25/07/1444H (corresponding to 16/02/2023G)	27/08/1447H (corresponding to 15/02/2026G)
4.	First Milling Company (Tabuk Branch)	ISO 22000:2018	IND.23.0177/FM/U	25/07/1444H (corresponding to 16/02/2023G)	27/08/1447H (corresponding to 15/02/2026G)
5.	First Milling Company (Jeddah Branch)	ISO 22000:2018	IND.23.0174/FM/U	25/07/1444H (corresponding to 16/02/2023G)	27/08/1447H (corresponding to 15/02/2026G)
6.	First Milling Company (Al-Qassim Branch)	ISO 22000:2018	IND.23.0176/FM/U	25/07/1444H (corresponding to 16/02/2023G)	27/08/1447H (corresponding to 15/02/2026G)
7.	First Milling Company (Al-Ahsa Branch)	ISO 22000:2018	IND.23.0175/FM/U	25/07/1444H (corresponding to 16/02/2023G)	27/08/1447H (corresponding to 15/02/2026G)

Source: the Company

*These certificates include the Company's Branches in Jeddah, Al-Qassim, Tabuk and Al-Ahsa.

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, 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 Shareholders Agreement

On 24/12/2020G, the shareholders of Al-Raha Al-Safi Food Company entered into a Shareholders Agreement. Following the merger of the Company with Al-Raha Al-Safi Food Company, this Shareholders Agreement applies to the Company and Al-Raha Al-Safi Food Company in matters related to the Company. The main purpose of this Shareholders Agreement is to regulate the Company's management affairs (formation of the Board of Directors, quorum, and majority in Shareholders' General Assemblies, as well as matters requiring a certain quorum and majority) and to determine the obligations relating to the transfer of Shares. Under a Termination Agreement executed on 30/11/2022G, the Shareholders Agreement shall be automatically terminated upon the listing of the Company's Shares, with such termination having no effect on the Company. As at the date of this Prospectus, no other agreement is entered into among the Company's Shareholders.

12.5.2 Supply Contracts with Key Suppliers

As at 30 September 2022G, the Company has two Key Suppliers (in terms of total purchase volume) providing wheat products, products used in the manufacture of feed, and packaging products. The value of the Company's transactions with Key Suppliers accounted for about 73%, 69%, 73%, and 80% of the Company's total purchases for the financial years ended 31 December 2019G, 31 December 2020G, 31 December 2021G, and the Period Ended 30 September 2022G, respectively. The total value of contracts concluded with Key Suppliers amounted to SAR 282,940,241, SAR 294,022,556, SAR 304,973,280, and SAR 274,667,219 for the financial years ended 31 December 2019G, 31 December 2020G, 31 December 2021G, and the Period Ended 30 September 2022G, respectively.

The Company's business depends on the production and sale of flour products. The Company purchases its principal raw material, wheat, from the GFSA pursuant to a Wheat Supply Agreement ("WSA") concluded between the Company and GFSA. To the best of our knowledge and in order to purchase some products, the Company, when needed, deals with other (non-key) suppliers pursuant to purchase orders. These transactions are also limited to certain terms and conditions and are not subject to formal supply contracts concluded between the Company and its Key Suppliers.

In addition, on 04/04/1443H (corresponding to 09/11/2021G), the Company entered into a contract with Bühler AG ("Bühler ") for the supply of certain milling equipment by Bühler. This contract was first amended on 21/01/1444H (corresponding to 19/08/2022G) and subsequently on 16/02/1444H (corresponding to 12/09/2022G).

Moreover, under a RemoteCare Agreement entered into between the Company and Bühler, whereby Bühler provide the necessary support to the Company regarding the safe and reliable operation of its machinery and equipment, via telecommunication and/or internet connection. The services provided to the Company include remote support to resolve any equipment malfunction. This agreement aims to improve the Company's operation of its equipment by providing quick solutions and not incurring excessive costs in maintaining equipment and machinery.

Set out below are the summaries of the Company's agreements with its Key Suppliers:

Table (12.13): 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).
Date	15/04/1442H (corresponding to 30/11/2020G)
Subject Matter	Sale and purchase of subsidized and unsubsidized wheat
Term	Effective from its execution until the expiration of the Milling License (and any extension thereof).
Pricing and Payment	The price of wheat shall be calculated in accordance with the pricing policy issued by the GFSA's board resolution (as the regulator of the wheat flour sector in the Kingdom) number 46 dated 15/10/1441H (corresponding to 07/06/2020G). The Company must pay the price set out in each invoice, in addition to applicable VAT, to GFSA by way of a bank transfer within 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 Milling License (as amended from time to time); and • produce sufficient flour to meet the demand of its subsidized flour customers at the times agreed between the Company and its customers. Title, risk of loss, and cost of insurance to the wheat pass from GFSA to the Company at the point of delivery free of liens and encumbrances. In the event GFSA delivered wheat order that is non-compliant with the specification, GFSA shall remedy as soon as possible (within 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 5 business days) provided that such deficit is notified to GFSA at the earliest of: i) 24 hours of receipt, or ii) before 2:00 pm in the next business day following the receipt.
Company Obligations	Payment of purchase price and applicable VAT. Weights the delivered wheat upon receipt and record the weight in the delivery certificate. Maintains a list of the subsidized wheat customers approved by GFSA, refers requests from non-listed customers who want to purchase subsidized flour to GFSA, and inspects such customers' sites to ensure compliance with applicable flour milling regulation. Immediately notifies GFSA in writing if the Company was not able to fulfil any orders of subsidized flour and return the subsidized wheat or flour (as applicable) to GFSA or a third-party designated by GFSA. The Company shall be paid for returned wheat or flour within 30 days of the delivery. As long as the government subsidizes: • Within the first 5 days of each Gregorian month, provide a monthly report to GFSA about its subsidized wheat and flour sales. • Within the first 15 days of each Gregorian year, provide a yearly report to GFSA about its subsidized wheat and flour sales.
Indemnities	Parties are not responsible to indemnify each other for any types of indirect 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.

Parties	GFSA (as Seller) and the Company (as Purchaser).
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 a case of a material breach by one party that is not remedied within 30 days from a notice by the non-breaching party. If the material breach was caused by reasons beyond the control of the breaching party although the reasonable efforts to remedy the breach, the breaching party will be given an additional 30-day period to remedy the breach; • if 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, is wound-up 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 Milling License.
Force Majeure	A party is not required to perform its obligations under the agreement to the extent that it is prevented from doing so by a force majeure event for the duration 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 delivered wheat prior the occurrence of the force majeure event.
Assignment	Neither party may assign, with or without consideration, the agreement partially or entirely without the prior written consent of the other party.
Governing Law	Laws of the Kingdom.
Dispute Resolution	Any dispute arising under the agreement 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 judgment shall be final. In all cases, no dispute shall prevent the parties from undertaking their obligations under the agreement.

Source: the Company

Table (12.14): Supply Agreement between the Company and Bühler dated 09/11/2021G

Date	09/11/2021G
Purpose	For the supply of New Pesa Mill, Durum Mill, New Wheat Mill C, Premix Plant, and New Flour Bulk Outload, from Bühler (the "**Supplier**") to the Company (the "**Purchaser**").
Products Covered	Annexes 1A to 1E set out the Scope of Supply, including: • New Pesa Mill 130-150T/24H integration in Mill E • Premix Plant for Jeddah (up to 5 to 6 batch/hour of 2T each) • New Flour Bulk Outload & Flour Blending • New Wheat Mill C 550T/24H plus Roller Stand MDDZ for Al Qassim Plant • Durum Mill 300T/24H & Harees (4-8T/hr) / Jareesh (4T/hr) processing
Purchase Price	CHF 15,238,043
Terms of Payment	100% of the Purchase Price shall be paid by the Purchaser to the Supplier, net free from any deductions, set-off, retentions, withholdings and Taxes etc. in freely transferable and effective Swiss Francs as follows: • CHF 2,487,500 (i.e. 15% of the Equipment Price plus the SERV charges) are payable as a down payment; within 15 (fifteen) days after the date of signing of the Contract by both Parties; • CHF 12,750,543 (i.e. 85% of the Equipment plus facility fees) are payable as deferred payment in 10 semi-annual instalments with the 1st payment due 6 months after the Bill of Lading date of the last main shipment, however not later than 9 (nine) months after the last partial delivery date as per contractual Time Schedule (Annex 2) and the 10th payment due 60 (sixty) months after the Bill of Lading date of the last main shipment, however not later than 63 (sixty-three) months after the last partial delivery date as per contractual Time Schedule (Annex 2). This amount of CHF 12,750,543 shall be covered by an irrevocable Standby Letter of Credit (according to Annex 3) to be opened by Saudi Fransi Bank within 15 (fifteen) days after the date of signing the Contract by both Parties and shall be valid for the whole manufacturing, transport and repayment period plus at least 60 (sixty) days.

Key Terms	Time Schedule: • The Supplier shall deliver the Equipment according to the Time Schedule (as per Annex 2). The Time Schedule laid down in Annex 2 uses Milestones, listed as "MS" and/or . A Milestone is a most crucial date which decides over the following steps of the Time Schedule. If a Milestone is delayed, all related consecutive activities will be delayed by an equal length of time, and accordingly, the Time Schedule must be re-scheduled from the delayed Milestone onwards. • The dates and deadlines are conditional on the due and timely fulfilment of all contractual obligations and commitments by the Purchaser. Purchaser's Failure: • If the Purchaser fails to fulfil, correctly and in time, its obligations, the Supplier may inform the Purchaser in writing of such failure and ask it to fulfil its obligations within a reasonable period of time. If, after expiry of such grace period, the Purchaser has still not fulfilled its obligations, the Supplier may at its discretion avail itself of any or all of the following remedies: • the Supplier may at its own discretion choose to carry out or employ a third-party to carry out the Purchaser's obligations, or otherwise take such measures as under the circumstances are appropriate in order to avoid or alleviate the effects of the Purchaser's default; and/or • the Supplier may suspend in whole or in part its performance of the Contract. It shall notify the Purchaser in writing of the suspension; and/or • if the Equipment has not been delivered to the site, the Supplier may arrange for storage of the Equipment at the Purchaser's risk and cost. The Supplier may but shall not be obliged to insure the Equipment at the Purchaser's cost. • Notwithstanding any delay in the performance of the Contract by any Party due to (directly or indirectly) the Purchaser's default, the Purchaser shall nevertheless be obliged to perform its obligations under clause 5 of the Contract and pay any part of the Purchase Price which, but for such delay, had become due. • The Purchaser shall reimburse the Supplier for any damages, costs and expenses, which are reasonably incurred by the Supplier as a result of the Purchaser's failure to duly fulfil its obligations. Supplier's Delay: • In the event that the Supplier is unable to observe 'readiness for dispatch ex works' as defined in the Timetable (Milestone "Packing List Prepared") due to reasons solely attributable to the Supplier and without an event according to clause 6 (Force Majeure), and such delay is not remedied within a grace period of 30 (thirty) days thereafter, the Purchaser shall be entitled to a liquidated damage amounting to 0.5% of the Purchase Price for the delayed part of the Equipment per exceeded delivery deadline for each completed week (7 days, starting the day after the deadline) of delay, not to exceed 5% of the Purchase Price in total. These liquidated damages shall be the sole remedy of the Purchaser if the Supplier is in delay. Warranty for Defects in Equipment: • The Purchaser's exclusive remedy for any defect in the Equipment is as set forth in the Contract. The remedies provided by law are hereby expressly excluded. • The Warranty Period for each portion of the Equipment shall be 12 (twelve) months from the start update of the Equipment but no longer than 18 (eighteen) months from the date of the respective transport document of the last delivery of its portion negotiated under the Standby Letter of Credit. • If any part of the Equipment is not in compliance with the technical specification set forth in Annexes demonstrably as a result of the Supplier's faulty material, construction, or workmanship within the Warranty Period, the Supplier shall, at its own expense and at its choice, repair or replace such defective part in a correct manner, and within the aforesaid Warranty Period. The notice shall contain a description of the defect. • The Purchaser shall not be entitled to rescind the Contract or to reduce the Purchase Price due to a defect.
Indemnities	• To the maximum extent permitted by the applicable law, in no event will the Supplier be liable to the Purchaser for any loss of profits, loss of use, loss of production, loss of contracts or for any other indirect, punitive or consequential damages of any kind. • The Supplier is only liable for direct damages caused by it to the Equipment and only on condition that the Purchaser makes use of the Equipment according to the contractually agreed purpose and in accordance with the Supplier's operating instructions.

Force Majeure	• "Force Majeure" are contingencies beyond the control of the Parties which were unforeseeable at the time of conclusion of the Contract and which render the further performance of the contractual obligations impossible or unreasonably onerous, as for instance, fire, explosion, natural disasters, epidemics, mobilization, requisition, war, acts of piracy, insurrection, embargoes, boycott, lack of transportation and the like. • Such contingencies shall also be considered Force Majeure in the sense of this Contract if a sub-supplier of the Supplier and its respective supplies are affected thereby.
Termination Rights	In case of Force Majeure lasting continuously 6 (six) months, each Party is entitled to terminate the Contract by written notice to the other Party. In the event of Force Majeure termination of the Contract, the Parties shall mutually agree on the allocation of the accrued costs. No liquidated damages nor any indemnity shall be claimed by either Party in case of Force Majeure. However, the Purchaser shall reimburse the Supplier for the cost of all Equipment and/or other activities rendered up to that date under the Contract, and for expenses incurred by the Supplier, in securing and protecting the Equipment.
Governing Law / Dispute Resolution	• If at any time any questions, disputes or differences arising between the Purchaser and the Supplier in connection with or arising out of the Contract cannot be settled amicably, either Party of the Contract shall be entitled to refer the matter to be finally settled by arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce (ICC). The arbitration award shall be final and binding on both Parties. • The place of the arbitration shall be: Singapore • The applicable law shall be: Singaporean substantive law to the exclusion of the United Nations Convention on Contracts for the International Sale of Goods (1980).

Source: the Company

Table (12.15): Amendment No. 01 to the Supply Contract between the Company and Bühler dated 19/08/2022G

Date	19/08/2022G
Purpose	Amendment No. 01 to the Original Contract for the supply of New Pesa Mill, Durum Mill, New Wheat Mill C, Premix Plant, and New Flour Bulk Outload, from Bühler (the "Supplier") to the Company (the "Purchaser"). Articles of the Original Supply Contract which are not amended shall remain binding on both Parties.
Products Covered	Annexes 1A to 1E set out the Scope of Supply, including: • New Pesa Mill 130-150T/24H integration in Mill E • Premix Plant for Jeddah (up to 5 to 6 batch/hour of 2T each) • New Flour Bulk Outload & Flour Blending • New Wheat Mill C 550T/24H plus Roller Stand MDDZ for Al Qassim Plant • Durum Mill 300T/24H & Harees (4-8T/hr) / Jareesh (4T/hr) processing
Purchase Price	CHF 15,101,407
Terms of Payment	100% of the Purchase Price shall be paid by the Purchaser to the Supplier, net free from any deductions, set-off, retentions, withholdings and Taxes etc. in freely transferable and effective Swiss Francs as follows: • CHF 2,487,500 (i.e. 15.145% of the Equipment Price plus the SERV charges) are payable as a down payment; within 15 (fifteen) days after the date of signing of the Contract by both Parties; • CHF 12,613,907 (i.e. 84.855% of the Equipment plus facility fees) are payable as deferred payment in 10 semi-annual instalments with the 1st payment due 6 months after the Bill of Lading date of the last main shipment, however not later than 9 (nine) months after the last partial delivery date as per contractual Time Schedule (Annex 2) and the 10th payment due 60 (sixty) months after the Bill of Lading date of the last main shipment, however not later than 63 (sixty-three) months after the last partial delivery date as per contractual Time Schedule (Annex 2). This amount of CHF 12,613,907 shall be covered by an irrevocable Standby Letter of Credit (according to Annex 3) to be opened by Alinma Bank within 15 (fifteen) days after the date of signing the Contract by both Parties and shall be valid for the whole manufacturing, transport and repayment period plus at least 60 (sixty) days.

Source: the Company

Table (12.16): Amendment No. 02 to the Supply Contract between the Company and Bühler dated 12/09/2022G

Date	12/09/2022G
Purpose	Amendment No. 02 to the Original Contract for the Supply of New Pesa Mill, Durum Mill, New Wheat Mill C, Premix Plant, and New Flour Bulk Outload, from Bühler (the "Supplier") to the Company (the "Purchaser"). Articles of the Original Supply Contract which are not amended shall remain binding on both Parties.
Products Covered	Annexes 1A to 1E set out the Scope of Supply, including: • New Pesa Mill 130-150T/24H integration in Mill E • Premix Plant for Jeddah (up to 5 to 6 batch/hour of 2T each) • New Flour Bulk Outload & Flour Blending • New Wheat Mill C 550T/24H plus Roller Stand MDDZ for Al Qassim Plant • Durum Mill 300T/24H & Harees (4-8T/hr) / Jareesh (4T/hr) processing
Purchase Price	CHF 15,016,595
Terms of Payment	100% of the Purchase Price shall be paid by the Purchaser to the Supplier, net free from any deductions, set-off, retentions, withholdings and taxes etc. in freely transferable and effective Swiss Francs as follows: • CHF 2,487,500 (i.e. 15.237% of the Equipment Price plus the SERV charges) are payable as a down payment; within 15 (fifteen) days after the date of signing of the Contract by both Parties; • CHF 12,750,543 (i.e. 84.763% of the Equipment plus facility fees) are payable as deferred payment in 10 semi-annual instalments with the 1st payment due 6 months after the Bill of Lading date of the last main shipment, however not later than 9 (nine) months after the last partial delivery date as per contractual Time Schedule (Annex 2) and the 10th payment due 60 (sixty) months after the Bill of Lading date of the last main shipment, however not later than 63 (sixty-three) months after the last partial delivery date as per contractual Time Schedule (Annex 2). This amount of CHF 12,529,095 shall be covered by an irrevocable Standby Letter of Credit (according to Annex 3) to be opened by Alinma Bank within 15 (fifteen) days after the date of signing the Contract by both Parties and shall be valid for the whole manufacturing, transport and repayment period plus at least 60 (sixty) days.

Source: the Company

Table (12.17): RemoteCare Agreement between the Company and Bühler dated 01/03/2022G

Term	1 Gregorian year starting 1 March 2022G until 1 March 2023G. The Agreement is automatically renewed for another one-year period, unless it is terminated under the terms and conditions stipulated therein.
Purpose	Bühler to provide remote support services for the Bühler milling equipment purchased by the Company.
Products Covered	Annex 1 of the Agreement details the covered equipment / production facility including mills, silos, carousel flour packing, palletizers, robotic arms, flour packing machines, small bags packing, and carousel edible bran packing for all of the Company's four branches.
Terms of Payment	Company to pay a yearly fee which amounts to USD 39,800.00 plus applicable VAT. The service fee will be invoiced on an annual basis and the Company must make payments without any deduction for cash discount expenses and the like within 30 (thirty) days of the invoice date. The service fee is adjusted pursuant to the Index set forth in Annex 2 of the Agreement.
Termination Rights	• Either Party may terminate this Agreement by giving a one-month prior written notice per the end of the first year or a one-year renewal thereafter. • If one Party commits a material breach, the non-breaching Party may (i) serve written notice on the breaching Party describing the breach and requiring the breaching Party to remedy the breach within 30 working days from receipt of the written notice and (ii) if the breach is not remedied within the 30 working days grace period terminate the Agreement by submitting a written notice. • Either Party may terminate the Agreement with written notice at any time if the other Party ceases or threatens to cease to carry on business or becomes unable to pay its debts or if bankruptcy or composition or similar proceedings are opening against that Party.
Applicable Law and Jurisdiction	Exclusive place of jurisdiction: 9240 Uzwil, Switzerland. Applicable law: exclusively substantive Swiss law to the exclusion of the United Nations Convention on Contracts for the International Sale of Goods (1980).

Source: the Company

12.5.3 Compensation and Claims Agreement between the Company and the Ministry of Finance

The Company entered into a Compensation and Claims Agreement (the "**CCA**") with the Ministry of Finance ("**MoF**") dated 15/05/1442H (corresponding to 30/12/2020G), in connection with the privatization of the Company. As the price of wheat sold to, and the price of flour sold by, the Company are subsidized, net production revenues for each ton of regulated flour sold by the Company are effectively fixed based on a price differential between wheat purchased and flour sold of SAR 320 per ton. 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 (12.18): Compensation and Claims Agreement between the Company and the Ministry of Finance dated 15/05/1442H (corresponding to 30/12/2020G).

Parties	The Ministry of Finance of the Kingdom of Saudi Arabia and the Company.
Date	15/05/1442H (corresponding to 30/12/2020G).
Subject Matter	The MOF undertakes to compensate the Company for 'Minimum Revenue Shortfalls'. The MOF also undertakes to compensate the Company for any 'License Fee Excess', and to purchase the 'Total Assets' of the Company following a 'Government Risk Event' or 'Company Breach', or in an 'Excess Purchase Scenario'.
Term	The Agreement and any liability of the MOF in connection with the 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 mean 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, (iii) the Pricing Policy, or (iv) the Cap Period. Minimum Revenue Shortfall means, in any financial year or relevant period, the shortfall between: (a) the aggregate reasonably and efficiently incurred direct raw materials costs (excluding any exceptional, extraordinary, non-recurring or one-off costs) actually utilized during the period for the production of Regulated Flour, and (b) the aggregate gross revenues (excluding discounts) actually received by the Company during the period from the sale of Regulated Flour. The Company must provide notice to the MOF of any Minimum Revenue Shortfall not later than 30 days after the Company becomes aware or should reasonably have become aware of such Minimum Revenue Shortfall. It is also a condition precedent to recovering any Minimum Revenue Shortfall that the Company serve a valid Compensation Notice on MOF within 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 the CCA. It is a condition precedent to recovering 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 Risk Event, the MOF is required to purchase the Total Assets for an 'Initial Actual Loss Payment' - being the Calculated Internal Value as at the date of the Government Risk Event. Total Assets means both 'Owned Assets' (assets owned by the Company and used predominantly for the purpose of the Business) and Leased Assets (subject to certain conditions). MOF is subsequently required to use all reasonable endeavors within 24 months of the Purchase Date to tender and sell the Total Assets on an arms' length basis, and must account to the Company for the Tender Price Excess - being the delta between (i) the Tender Price, and (ii) the Initial Actual Loss Payment plus any costs and expensed incurred by the Government Party in relation to the Tender Process (provided (i) is higher than (ii)). The Initial Actual Loss Payment and the Tender Price Excess together constitute the Actual Loss. Government Risk Events means any of the following events: • 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; • the termination of the Milling License by GFSA for reasons other than in accordance with the terms of the Milling License or Applicable Law, or for public interest, provided that the proper exercise of any rights of an Authority in response to any breach of any Applicable Law by the Company shall not constitute a Government Risk Event; • any action by GFSA which results in the Milling License ceasing to remain in force, provided that the proper exercise of any rights of an Authority in response to any breach of any Applicable Law by the Company shall not constitute a Government Risk Event; • the termination of any Ancillary Agreement (which includes the WSA, the Silo Lease Agreements, the Land Lease Agreements, and the Jeddah Sub-Lease) by GFSA for reasons not attributable to the Company, with the exception of a Qualifying WSA Termination; or • 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: • it is not caused or contributed to by a Company Breach or any other action, omission, negligence or circumstance for the Company or Al-Raha Al-Safi Food Company is responsible; • it is not caused by or contributed to by a Force Majeure Event; • it has not been agreed by the parties; • 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 • the Company (or, where applicable, Al-Raha Al-Safi Food 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: • the Milling License or any Ancillary Agreement is terminated by GFSA for reasons attributable to the Company; • the termination of the Milling License or any Ancillary Agreement is caused by or contributed to by a Force Majeure Event; or • a financial institution commences the process of enforcing a share pledge over any or all of the Company's share capital in connection with the Transaction Financing.
Purchase of Total Assets following an Excess Purchase	If the aggregate of all Minimum Revenue Shortfall Compensation Claims and License Fee Compensation Claims exceed 25% of the Final Consideration, the MOF has the right (but not the obligation) to purchase the Total Assets for an amount equal to the Reference Price.

Calculated Internal Value, Fair Market Value and the Reference Price	The Calculated Internal Value means the Final Consideration (as defined in the Share Purchase Agreement), plus Cumulated Capital expenditures, less Cumulated Depreciation, less Impairment of Owned Assets, less Disposals (each as defined in the CCA). The Fair Market Value is defined as the fair market value of the Owned Assets (based on a discounted cash flow approach or a market approach) and the Leased Assets (with specific requirements for capital leases and operating leases), in a sale between a willing seller and a willing purchaser with no compulsion to sell, and for the purposes of calculating the Fair Market Value following a Government Risk Event or Excess Purchase, assuming the relevant Government Risk Event or Excess Purchase never occurred. The Reference Price is the lower of the Calculated Internal Value and the Fair Market Value.
Savings	Any Minimum Revenue Shortfall, Actual Loss, Company Breach Payment or Excess Purchase Payment shall be reduced by the amount of Savings realized by the Company between the Completion Date (as defined in the Share Purchase Agreement) and the date of the relevant Compensation Notice, Government Risk Event, Company Breach or Excess Purchase (as applicable).
Force Majeure	In order for an event or circumstance to qualify as a Force Majeure Event, it must satisfy the conditions set out in the definition, and "directly cause a party to be unable to comply with all or a material part of its obligations under the Ancillary Agreements and or the Milling License." The Company is not entitled to compensation for any Actual Loss, Minimum Revenue Shortfall or License Fee Excess suffered if a Government Risk Event or Change in Framework is caused by or contributed to by a Force Majeure Event.
Limitations of Liability	The aggregate liability of the MOF in respect of all Minimum Revenue Shortfall Compensation Claims or License Fee Compensation Claims shall not exceed the lower of: (a) 80% of the Final Consideration (as defined in the Share Purchase Agreement); and (b) the Transaction Financing Amount. The MOF's aggregate liability for any Minimum Revenue Shortfall or License Fee Excess in any calendar year shall not exceed 20% of the Final Consideration. Amounts in excess of the 20% cap will be payable in the following calendar year, subject again to the 20% cap.
Assignment	Neither party may assign, transfer, charge or otherwise deal with any of its rights under the CCA without prior written consent. Notwithstanding, the MOF may assign, transfer or novate its rights and obligations under the CCA (in whole or part) to any Authority, and the Company may assign, transfer, charge, or pledge all of its rights and benefits to a single financial institution in connection with the Transaction Financing.
Governing Law	Laws of the Kingdom.
Dispute Resolution	Other than any disputes with respect to the 'Payment Determination Process' (which are to be referred to an Independent Expert as set out in Schedules 2 and 3), disputes shall be referred to the competent court in the Kingdom and its judgment shall be conclusive and binding.

Source: the Company

12.5.4 Contracts with Key Customers

As at 30 September 2022G, the Company has five key distributors (in terms of total revenues) dedicated to distributing the Company's products across the Kingdom. The value of the Company's revenues from its five Key Customers represented about SAR 64,400,000, SAR 67,304,000, SAR 68,886,000, and SAR 79,692,000, which accounted for about 10%, 9.4%, 8.6%, and 11.6% of the Company's total revenues for the financial years ended 31 December 2019G, 31 December 2020G, 31 December 2021G, and the Period Ended 30 September 2022G, respectively.

The Company negotiates the terms and conditions of transactions with its Key Customers. Once agreement is reached, the Company enters into a contract with each of its Key Customers. The Company's relationships with its customers are regulated in most cases under standardized distribution agreements.

In general, agreements with Key Customers include:

- The agreement's term and duration;
- The purchaser's undertakings and the Company's obligations;
- Particulars to be included in purchase orders; and
- Payment terms of amounts due, termination reasons and consequences.

Set out below are the summaries of the Company's agreements with its Key Customers:

Table (12.19): Non-Exclusive Distribution Agreement with Soheim Ahmad Mohammad AlFadel AlGhamdi Association dated 01/01/2022G

Term	1 Gregorian year starting 1 January 2022G until 1 January 2023G*.
Product Categories	Product categories were not specified in the agreement. Under this agreement, the Company distributes flour and feed products through Soheim Ahmad Mohammad AlFadel AlGhamdi Association.
Payment Terms	Advanced payment is to be made by the purchaser.
Renewal	The contract may be renewed by mutual written agreement between the parties within a period not exceeding 60 days prior to the term expiring.
Termination Rights	Any party may terminate the agreement at any time by giving notice to the breaching party whereby: • the breaching party has not satisfied any of its financial obligations under this agreement within 15 days starting on the consecutive day following the day of receipt of a detailed notice of breach • the breaching party having made any settlements with its creditors or having submitted a claim with a competent court specialized in resolving creditors' claims The Company may terminate this agreement with an immediate effect if the purchaser has: • breached its payment obligations after they have become due • changed its legal structure and personality in a manner perceived by the Company as having a negative impact on the purchaser's responsiveness and compliance with this agreement • incurred a change of control • incurred a merger or acquisition • been subject to the occurrence of an event or the lack thereof related to the purchaser's affiliates which would constitute a breach of this agreement.
Rights of Return	The cost of any returned or damaged products will be the Company's responsibility provided that the purchaser gives the Company notice of such products within 3 days since receiving the shipment.

Source: the Company

*The Company is currently negotiating with Soheim Ahmad Mohammad AlFadel AlGhamdi Association to renew this agreement.

Table (12.20): Non-Exclusive Distribution Agreement with Saad Dakhnan Rumeih AlRashidi Association dated 01/01/2022G

Term	1 Gregorian year starting 1 January 2022G until 1 January 2023G*.
Product Categories	Product categories were not specified in the agreement. Under this agreement, the Company distributes flour and feed products through Saad Dakhnan Rumeih AlRashidi Association.
Payment Terms	Advanced payment is to be made by the purchaser.
Renewal	The contract may be renewed by mutual written agreement between the parties within a period not exceeding 60 days prior to the term expiring.
Termination Rights	Any party may terminate the agreement at any time by giving notice to the breaching party whereby: • the breaching party has not satisfied any of its financial obligations under this agreement within 15 days starting on the consecutive day following the day of receipt of a detailed notice of breach • the breaching party having made any settlements with its creditors or having submitted a claim with a competent court specialized in resolving creditors' claims The Company may terminate this agreement with an immediate effect if the purchaser has: • breached its payment obligations after they have become due • changed its legal structure and personality in a manner perceived by the Company as having a negative impact on the purchaser's responsiveness and compliance with this agreement • incurred a change of control • incurred a merger or acquisition • been subject to the occurrence of an event or the lack thereof related to the purchaser's affiliates which would constitute a breach of this agreement.
Rights of Return	The cost of any returned or damaged products will be the Company's responsibility provided that the purchaser gives the Company notice of such products within 3 days since receiving the shipment.

Source: the Company

*The Company is currently negotiating with Saad Dakhnan Rumeih AlRashidi Association to renew this agreement.

Table (12.21): Non-Exclusive Distribution Agreement with Mohammad Ibrahim Nafeh for Commerce Company dated 01/01/2022G

Term	1 Gregorian year starting 1 January 2022G until 1 January 2023G*.
Product Categories	Product categories were not specified in the agreement. Under this agreement, the Company distributes flour and bran products through Mohammad Ibrahim Nafeh for Commerce Company.
Payment Terms	Advanced payment is to be made by the purchaser.
Renewal	The contract may be renewed by mutual written agreement between the parties within a period not exceeding 60 days prior to the term expiring.
Termination Rights	Any party may terminate the agreement at any time by giving notice to the breaching party whereby: • the breaching party has not satisfied any of its financial obligations under this agreement within 15 days starting on the consecutive day following the day of receipt of a detailed notice of breach • the breaching party having made any settlements with its creditors or having submitted a claim with a competent court specialized in resolving creditors' claims The Company may terminate this agreement with an immediate effect if the purchaser has: • breached its payment obligations after they have become due • changed its legal structure and personality in a manner perceived by the Company as having a negative impact on the purchaser's responsiveness and compliance with this agreement • incurred a change of control • incurred a merger or acquisition Been subject to the occurrence of an event or the lack thereof related to the purchaser's affiliates which would constitute a breach of this agreement.
Rights of Return	The cost of any returned or damaged products will be the Company's responsibility provided that the purchaser gives the Company notice of such products within 3 days since receiving the shipment.

Source: the Company

*The Company is currently negotiating with Mohammad Ibrahim Nafeh for Commerce Company to renew this agreement.

Table (12.22): Non-Exclusive Distribution Agreement with Ahmad Hussein AlKharshi AlAmri Association dated 01/02/2022G

Term	1 year starting 1 February 2022G until 1 February 2023G*.
Product Categories	Product categories were not specified in the agreement. Under this agreement, the Company distributes flour and bran products through Ahmad Hussein AlKharshi AlAmri Association.
Payment Terms	Advanced payment is to be made by the purchaser.
Renewal	The contract may be renewed by mutual written agreement between the parties within a period not exceeding 60 days prior to the term expiring.
Termination Rights	Any party may terminate the agreement at any time by giving notice to the breaching party whereby: • the breaching party has not satisfied any of its financial obligations under this agreement within 15 days starting on the consecutive day following the day of receipt of a detailed notice of breach; • a decision by the breaching party to liquidate or a court order to liquidate or dissolve the breaching party; • the issuance of an order appointing a judicial trustee, or the acquisition of possession by a secured creditor on an asset of the breaching party; or • the breaching party having made any settlements with its creditors or having submitted a claim with a competent court specialized in resolving creditors' claims. The Company may terminate this agreement with an immediate effect if the purchaser has: • breached its payment obligations after they have become due; • changed its legal structure and personality in a manner perceived by the Company as having a negative impact on the purchaser's responsiveness and compliance with this agreement; • incurred a change of control; • incurred a merger or acquisition; or • been subject to the occurrence of an event or the lack thereof related to the purchaser's affiliates which would constitute a breach of this agreement.
Rights of Return	The cost of any returned or damaged products will be the Company's responsibility provided that the purchaser gives the Company notice of such products within 3 days since receiving the shipment.

Source: the Company

*The Company is currently negotiating with Ahmad Hussein AlKharshi AlAmri Association to renew this agreement.

12.5.5 Lease Agreements

12.5.5.1 Operational Silo Lease Agreements

The tables below show a summary of the main Lease Agreements provisions concluded by the Company in relation to the Operational Silo Leases in Al-Ahsa, Jeddah and Al-Qassim.

Table (12.23): Operational Silo Lease Agreement - Al-Ahsa

Parties	GFSA (as Lessor) and the Company (Al-Ahsa Branch) (as Lessee)
Execution Date	13/04/1440H (corresponding to 20/12/2018G)
Term	From the Agreement's commencement date on 03/04/1438H (corresponding to 01/01/2017G) up until the date of expiration of the Milling License (25 years commencing on 29/04/1442H (corresponding to 14/12/2020G)). In the event the term of the Milling License is extended, the term of the Operational Silo Lease shall automatically be extended by the same period.
Use	The Company shall use the silos for: • the import, storage and milling of wheat; • the production, packaging, distribution and sale of flour, compound feed and bran. • any other purpose or authorized works as licensed to the lessee.
Other Material Provisions	• The Company shall provide GFSA an unconditional and irrevocable bank guarantee equivalent to 15% of the annual rent at least 15 days before the commencement of the relevant contractual year. This guarantee is to continue for the term of the Operational Silo Lease. • The Company may not make any additions or modifications to the silos without the prior written consent of GFSA. Title to any additions or modifications shall vest with GFSA at the end of the lease period. • The Company must, at its cost, obtain and maintain comprehensive general liability insurance to cover legal liability to third parties for loss of and damage to property including associated loss of revenues, death and bodily injury arising out of the Company's performance of its obligations under the lease, and such other insurance normal commercial practice and prudence dictate for the performance of its obligations under the lease. The Company shall procure that GFSA is named as an additional insured party on all insurance policies. • The Company undertakes to regularly maintain the operate silos and related equipment.
Termination	GFSA 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 15 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 GFSA's prior written consent; • 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 is materially inaccurate at the beginning of each year. • A party breaches any of its material obligations under the Operational Silo Lease agreement and such breach is not remedied within 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 Milling License expires, is cancelled or terminated in accordance with terms. • A force majeure event continues beyond the grace period.
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.
Amendments	GFSA letter number 9919 dated 06/05/1442H (corresponding to 21/12/2020G) clarifying and correcting cross-references in the Operational Silo Lease agreement.

Source: the Company

Table (12.24): Operational Silo Lease Agreement - Jeddah

Parties	GFSA (as Lessor) and the Company (Jeddah Branch) (as Lessee)
Execution Date	13/04/1440H (corresponding to 20/12/2018G)
Term	From the Agreement's commencement date on 03/04/1438H (corresponding to 01/01/2017G) up until the date of expiration of the Milling License (25 years commencing on 29/04/1442H (corresponding to 14/12/2020G)). In the event the term of the Milling License is extended, the term of the Operational Silo Lease shall automatically be extended by the same period.
Use	The Company shall use the silos for: • The import, storage and milling of wheat. • The production, packaging, distribution and sale of flour, compound feed and bran. • Any other purpose or authorized works as licensed to the lessee.
Other Material Provisions	• The Company shall provide GFSA 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 GFSA. Title to any additions or modifications shall vest with GFSA at the end of the lease period. • The Company must, at its cost, obtain and maintain comprehensive general liability insurance to cover legal liability to third parties for loss of and damage to property including associated loss of revenues, death and bodily injury arising out of the Company's performance of its obligations under the lease, and such other insurance normal commercial practice and prudence dictate for the performance of its obligations under the lease. The Company shall procure that GFSA is named as an additional insured party on all insurance policies. • The Company undertakes to regularly maintain the operating silos and related equipment.

Termination	• GFSA 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 15 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 GFSA's prior written consent. • The Company becomes insolvent or initiates insolvency proceedings, is placed under administration or is liquidated. • Any party may terminate the Operational Silo Lease at any time prior to the expiry of the term thereof provided a written notice is given and in the following situations: • it is proven that any of the covenants and warranties provided by the other party are materially inaccurate at the beginning of each year; • A party breaches any of its material obligations under the Operational Silo Lease agreement and such breach is not remedied within 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 Milling License expires, is cancelled or terminated in accordance with its terms. • A force majeure event continues beyond the grace period.
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.
Amendments	GFSA letter number 9924 dated 06/05/1442H (corresponding to 21/12/2020G) clarifying and correcting cross-references in the Operational Silo Lease agreement.

Source: the Company

Table (12.25): Operational Silo Lease Agreement -Al-Qassim

Parties	GFSA (as Lessor) and the Company (Al-Qassim Branch) (as Lessee)
Execution Date	13/04/1440H (corresponding to 20/12/2018G)
Term	• From the Agreement's commencement date on 03/04/1438H (corresponding to 01/01/2017G) up until the date of expiration of the Milling License (25 years commencing on 29/04/1442H (corresponding to 14/12/2020G)). • In the event the term of the Milling License is extended, the term of the Operational Silo Lease shall automatically be extended by the same period.
Use	The Company shall use the silos for: • The import, storage and milling of wheat. • The production, packaging, distribution and sale of flour, compound feed and bran. • Any other purpose or authorized works as licensed to the lessee.

Other Material Provisions	• The Company shall provide GFSA 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 GFSA. Title to any additions or modifications shall vest with GFSA at the end of the lease period. • The Company must, at its cost, obtain and maintain comprehensive general liability insurance to cover legal liability to third parties for loss of and damage to property including associated loss of revenues, death and bodily injury arising out of the Company's performance of its obligations under the lease, and such other insurance normal commercial practice and prudence dictate for the performance of its obligations under the lease. The Company shall procure that GFSA is named as an additional insured party on all insurance policies. • The Company undertakes to regularly maintain the operating silos and related equipment.
Termination	GFSA 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 15 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 GFSA's prior written consent. • The Company becomes insolvent or initiates insolvency proceedings, is placed under administration or is liquidated. Any party may terminate the Operational Silo Lease at any time prior to the expiry of the term thereof provided a written notice is given and in the following situations: • it is proven that any of the covenants and warranties provided by the other party are materially inaccurate at the beginning of each year; • A party breaches any of its material obligations under the Operational Silo Lease agreement and such breach is not remedied within 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 Milling License expires, is cancelled or terminated in accordance with its terms. • A force majeure event continues beyond the grace period.
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.
Amendments	GFSA letter number 9920 dated 06/05/1442H (corresponding to 21/12/2020G) clarifying and correcting cross-references in the Operational Silo Lease agreement.

Source: the Company

12.5.5.2 Flour Mill Lease Agreements

The tables below show a summary of the main Lease Agreements provisions concluded by the Company in relation to the Company's Mills in different regions of the Kingdom.

Table (12.26): Flour Mill Lease Agreements

No	Description of Leased Premises	Location	Total Area (SQM)	Lessor	Lessee	Rent Commencement Date	Duration	Renewal
1.	Al-Ahsa Flour Mill Lease	Al-Jarn District, P.O. Box 4246, Al-Ahsa (close to Nada AlOthman Factory)	389,854 sqm	GFSA	First Milling Company	03/4/1438H (corresponding to 01/01/2017G)	Same duration as the relevant license issued in respect of the leased premises.	Lease is automatically renewable in accordance with the term of the license issued to operate the flour mills in the leased premises.
2.	Al-Qassim Flour Mill Lease	Buraidah, Buraidah road P.O. Box 8025 Al-Qassim	197,455 sqm	GFSA	First Milling Company	03/4/1438H (corresponding to 01/01/2017G)	Same duration as the relevant license issued in respect of the leased premises.	Lease is automatically renewable in accordance with the term of the license issued to operate the flour mills in the leased premises.
3.	Tabuk Flour Mill Lease	Northeast King Faisal Road, P.O. Box 4496, Tabuk (close to Civil Defense Training Center)	175,763 sqm	GFSA	First Milling Company	03/4/1438H (corresponding to 01/01/2017G)	Same duration as the relevant license issued in respect of the leased premises.	Lease is automatically renewable in accordance with the term of the license issued to operate the flour mills in the leased premises.

Source: the Company

12.5.5.3 Residential Lease Agreement

The table below shows a summary of the main Lease Agreements concluded by the Company in relation to the accommodation of its staff.

Table (12.27): Residential Lease Agreement

Parties	Saudi Authority for Industrial Cities and Technology Zones - Modon (as Lessor) and the Company (as Lessee)
Description	This is an investment lease agreement between the Company and Modon for the lease of plot number 0030V00074 with an area of 20,702 sqm in the first industrial city in Jeddah for the purpose of building a residential building for employees.
Date	05/01/1441H (corresponding to 04/09/2019G)
Term	Two years since 05/01/1441H (corresponding to 04/09/2019G) The agreement has been renewed for a term of 18 Gregorian years starting on 05/01/1443H (corresponding to 13/08/2021G)
Use	Residential building

Other Material Provisions	• The Company is subject to a penalty clause mandating it to pay a financial penalty amounting to 10% of the yearly rent in addition to the rent due if: (i) the Company does not satisfy the obligation to start operating and undertaking the investment activity within 30 months since the date of the agreement. In this case, the penalty has to be paid at the beginning of every month starting from the 31st month since the date of this agreement, up until the end of the month during which the Company starts operating and undertaking the investment activity, and (ii) the Company has stopped the investment activity for a period exceeding 3 months. In this case, the penalty has to be paid at the beginning of every month starting from the 4th month since the date of this agreement, up until the end of the month during which the Company resumes the investment activity. • In the event of the agreement's termination or expiry, the Company undertakes to exit the premises within a period of 30 days. If the Company does not timely exit, Modon reserves the right to repossess the property. The Company is liable to cover any costs and expenses incurred by Modon during the repossession. Additionally, the Company does not have the right to request any compensation from Modon in this regard. • The Company must prepare the initial plans and construction designs with a Modon licensed contractor and submit these designs to Modon within 9 months since the date of signing this agreement. • The Company must obtain a construction permit from Modon and begin construction within 12 months since the date of signing this agreement. • The Company must obtain a written approval from Modon should the Company use the premises for a purpose other than the permitted purpose under the agreement. • The Company is mandated to provide its employees with adequate medical health insurance as well as obtain motor vehicle insurance and insurance for any equipment used. • The Company undertakes to be in compliance with all the rules, laws and implementing regulations published on Modon's website. • Modon employees and licensed Modon personnel are permitted to enter the leased premises at any time for the purpose of conducting searches or complying with any third-party contracts.
Termination	The Agreement terminates upon expiry of its term. The Agreement is also considered as terminated upon: • The Company's failure to pay rent or any other financial dues within 30 days of such amount becoming due. • The Company's failure to meet its obligations and undertakings under this agreement within 30 days since the receipt of notice to remedy the breach. • The Company becomes insolvent or initiates insolvency proceedings, is placed under administration or is liquidated. The Company may terminate this agreement at any time provided it provides Modon with a written notice evidencing such an intent to terminate 6 months prior to the termination date. Such right to terminate depends on the Company having met all of its obligations under the agreement.
Assignment	• The Company may not sub-lease nor assign any of its obligations under this agreement without prior written approval by Modon. • The Company is not allowed to share the use of the premises without prior written approval by Modon.
Governing Law	• Modon rules, laws and implementing regulations. • Laws of the Kingdom of Saudi Arabia.
Dispute Resolution	Any dispute arising which cannot be resolved amicably shall be referred to the dispute resolution committee in Modon which shall issue a judgement in this regard. The Company then has 60 days to appeal this judgement with a competent court in the Kingdom of Saudi Arabia.

Source: the Company

12.5.5.4 Warehouses

The table below shows a summary of the main Lease Agreements' provisions concluded by the Company in relation to the company's Warehouses.

Table (12.28): Warehouses' Lease Agreements

No.	Description of Leased Premises	Location	Total Area (SQM)	Lessor	Lessee	Rent Commencement Date	Duration	Renewal
1-	A portion of land in Jeddah containing silos and Warehouse No. 13	Jeddah Islamic Port	4,776.66	GFSA	First Milling Company	From 01/01/2017G	Up to the expiration date of the Head-lease. Term of the Head-lease is 1 Hijri Year extendable in accordance with the renewal section.	According to the head lease - renewable automatically unless one of the parties notifies the other of its intention not to renew 3 months prior to the expiry of the lease.
2-	Land designated for warehouse use	Jeddah Islamic Port	18,100	GFSA	First Milling Company	From 01/01/2017G	Up to the expiration date of the Head-lease. Term of the Head-lease is 1 Hijri Year extendable in accordance with the renewal section.	According to the head lease - renewable automatically unless one of the parties notifies the other of its intention not to renew 3 months prior to the expiry of the lease.
3-	Commercial Warehouse no. (1)	Jeddah Islamic Port	6,186.48	GFSA	First Milling Company	From 01/01/2017G	Up to the expiration date of the Head-lease. Term of the Head-lease is 1 Hijri Year extendable in accordance with the renewal section.	According to the head lease - renewable automatically unless one of the parties notifies the other of its intention not to renew 3 months prior to the expiry of the lease.
4-	Commercial Warehouse no. (2)	Jeddah Islamic Port	24,927.76	GFSA	First Milling Company	From 01/01/2017G	Up to the expiration date of the Head-lease. Term of the Head-lease is 1 Hijri Year extendable in accordance with the renewal section.	According to the head lease - renewable automatically unless one of the parties notifies the other of its intention not to renew 3 months prior to the expiry of the lease.
5-	Commercial Warehouses no. (2) and no. (3)	Al Haeer Road, Riyadh	379.88 and 380.71	Mohammed Saeed Mohammed Balubaid	First Milling Company	From 25/7/1444H (corresponding to 16/2/2023G)	From 25/7/1444H (corresponding to 16/06/2023G) until 24/7/1445H (corresponding to 5/2/2024G)	Lease does not automatically renew. The parties must enter into a new Lease Agreement.

12.5.5.5 Head Offices Agreements

Table (12.29): The Company (Head Offices)

No	Description of Leased Premises	Location	Lessor	Lessee	Rent Commencement Date	Duration	Renewal
1.	**Commercial Office Lease** Commercial office lease composed of six units with a total area of 983 sq. meters	Abu Baker Al-Sideeq Road in Riyadh.	Awfa Investment	First Milling Company	12/11/1443H (corresponding to 11/6/2022)	Lease commences on 02/11/1443H (corresponding to 1/6/2022) and ends on 25/12/1448H (corresponding to 31/5/2027)	Lease does not automatically renew. The parties must enter into a new Lease Agreement.
2.	**Commercial Office Lease (2)** Commercial office lease composed of two units with a total area of 162 sq. meters	King Abdulaziz Road in Riyadh	Abdullah Saleh Hamad Al-Shehah Real Estate Office	First Milling Company	Not specified in the lease agreement; the lease commences on 19/09/1442H (corresponding to 01/05/2021) and rent payment cycles are annual.	Lease commences on 19/09/1442H (corresponding to 01/05/2021) and ends on 13/11/1447H (corresponding to 30/04/2026)	Lease does not automatically renew. The parties must enter into a new Lease Agreement.
3.	**Commercial Office Lease (3)** Commercial office lease composed of one unit with a total area of 82 sq. meters	King Abdulaziz Road in Riyadh	Abdullah Saleh Hamad Al-Shehah	First Milling Company	Lease commences on 19/09/1442H (corresponding to 01/05/2021) and rent payment cycles are annual.	Lease commences on 19/09/1442H (corresponding to 01/05/2021G) and ends on 13/11/1447H (corresponding to 30/04/2026G)	Lease does not automatically renew. The parties must enter into a new Lease Agreement.

Source: the Company

12.6 Transactions and Contracts with Related Parties

The Directors confirm that none of the contacts with Related Parties described under this section contain preferential conditions and have been concluded in accordance with laws and regulations on an arm's length basis. Except as disclosed in this section of this Prospectus, the Directors confirm that the Company is not bound by any transactions, agreements, commercial relations or real estate transactions with a Related Party, including the Financial Advisor and the Legal Advisor in respect of the Offering.

Moreover, the Directors acknowledge their intention to comply with Articles 71 and 72 of the Companies Law and Article 41 of the Corporate Governance Regulations issued in relation to contracts with the Related Parties. The General Assembly approved all transactions and contracts with the Company's Related Parties on 10/03/1444H (corresponding to 06/10/2022G).

The total value of dealings with Related Parties amounted to SAR 1,628,788 and SAR 1,594,210 for the financial year ended 31 December 2021G and the period ended 30 September 2022G, respectively. The Company did not enter into any agreements with Related Parties for the financial years ended 31 December 2019G and 31 December 2020G. As at the date of this Prospectus, all transactions and contracts with the Company's Related Parties are subject to official contracts approved by the General Assembly on 10/03/1444H (corresponding to 06/10/2022G).

The Company's transactions with Related Parties include the provision of consultancy services relating to hedging, milling operations, mill maintenance, and project management.

12.6.1 Engagement Letter with Ehata Financial Company

On 29/05/2022, the Company appointed Ehata Financial Company to provide consultancy services. Ehata Financial Company is a Related Party, as one of its Directors, Rakan Abdullah Rashid Abunayyan, has an indirect interest of 10% therein.

Ehata Financial Company provides consultancy services relating to hedging, interest rates, and risk management. For FY2022G, the total value of the consultancy fees amounted to SAR 200,000. The Company pays the fees in two installments, each of which is paid upon the completion of the phase prescribed in the Engagement Letter. The Engagement Letter is made on an arm's length basis.

12.6.2 Consultancy Agreement with Essa Alghurair Investment L.L.C.

On 01/01/2021G, the Company entered into a consultancy agreement with Essa Alghurair Investment L.L.C., a Related Party, on the basis that one of the Directors, Essa Abdulla Ahmed Alghurair, holds a direct interest of 97% in Essa Alghurair Investment L.L.C.

Essa Al-Ghurair Investment provides consultancy services relating to milling operations, mill maintenance, quality, innovation, and food safety, for a daily consultancy fee of USD 500 per consultant or USD 800 per consultant present in the Kingdom. For FY2022G, the value of dealings with Essa Alghurair Investment L.L.C. amounted to SAR 1,800,000. The agreement with Essa Alghurair Investment L.L.C. was conducted on an arm's length basis and was terminated on 03/11/2022G. As of the date of this Prospectus, the outstanding amount to be paid by the Company to Essa Alghurair Investment L.L.C. is USD 100,850.

12.6.3 Project Management Services Agreement with Al Mutlaq Real Estate Investment Company

On 15/06/2022G, the Company entered into a project management services agreement with Al Mutlaq Real Estate Investment Company, a Related Party, on the basis that the Chairman, Tariq Mutlaq Abdullah AlMutlaq, holds an indirect interest of 2% in Al Mutlaq Real Estate Investment Company.

Al Mutlaq Real Estate Investment Company provides administrative services for the mill rehabilitation and repair project to the Company in Jeddah. For FY2022G, the value of the consultancy fees amounted to SAR 715,000, and 12% of the total Jeddah facility development contract. The agreement with Al Mutlaq Real Estate Investment Company was conducted on an arm's length basis.

12.7 Credit Facilities and Loans

Table (12.30): Facilities between Alinma Bank and the Company dated 27/12/2020G with a total value of SAR 1,371,000,000

Type of Facilities/ Purpose/Amount	SAR 1,371,000,000 term murabaha facility for the purpose of purchasing commodities
Amounts Drawn Down	SAR 1,300,000,000
Collaterals	An Accounts Pledge dated 27/12/2020G between Al-Raha Al-Safi Food Company and Alinma Bank in respect of the following Company disbursement accounts: • Company Disbursement Account • Company Disbursement Account • Company Disbursement Account - An SPA Assignment dated 27/12/2020G between Al-Raha Al-Safi Food Company and Alinma Bank in respect of the Share Purchase Agreement dated 17/09/2020G entered into, among others, the Al-Raha Al-Safi Food Company and the NCP in relation to the purchase of the entire share capital in the Company. - The Amended and Restated Share Pledge Agreement dated 28/11/2022G between the Company, Alinma Bank, Almutlaq Group Industrial Investments, Abdullah Abunayyan Trading Company, Al Safi Advanced Investments and Essa Al-Ghurair Investments LLC. - The Agreement for Release of Share Pledge dated 5/12/2022G between the Company, Alinma Bank, Almutlaq Group Industrial Investments, Abdullah Abunayyan Trading Company, Al Safi Advanced Investments and Essa Al-Ghurair Investments LLC to release a portion of the Pledgors' respective shares representing in total 30% of the Company's shares, for the purposes of the Proposed Transaction. - SAR 1,371,000,000 Order Note dated 27/12/2020G issued by Al-Raha Al-Safi Food Company - SAR 30,620,000 Order Note dated 27/12/2020G issued by Al-Raha Al-Safi Food Company - SAR 202,100,000 Order Note dated 27/12/2020G issued by Essa Al-Ghurair Investment - SAR 707,350,000 Order Note dated 27/12/2020G issued by AlMutlaq Group Industrial Investment Company - SAR 505,250,000 Order Note dated 27/12/2020G issued by AlSafi Holding - SAR 606,300,000 Order Note dated 27/12/2020G issued by Abdullah Abunayyan Trading Company - SAR 500,000,000 Order Note dated 27/12/2020G issued by Al-Raha Al-Safi Food Company - SAR 3,540,000 Order Note dated 27/12/2020G issued by Al-Raha Al-Safi Food Company - SAR 46,303,269 Order Note dated 13/06/2021G issued by the Company (in connection with the Upgrade Works Loan Agreement)

Source: the Company

Table (12.31): Facilities between Alinma Bank and the Company dated 01/07/2021G with a total value of SAR 150,000,000

Type of Facilities/ Purpose/Amount	SAR 150,000,000 working capital murabaha facility for the purpose of purchasing commodities.
Amounts Drawn Down	None (SAR 0)
Collaterals	The MC Accounts Pledge Agreement between the Company and Alinma Bank dated 13/06/2021G in respect of the following bank accounts: • MC Disbursement Account • MC Revenues Accounts • MC Liabilities Reserve Account • MC Insurance Proceeds Account • MC Compensation Account • MC Operating Costs Accounts - The Amended and Restated Share Pledge Agreement dated 28/11/2022G between the Company, Alinma Bank, Almutlaq Group Industrial Investments, Abdullah Abunayyan Trading Company, Al Safi Advanced Investments and Essa Al-Ghurair Investments LLC. - The Agreement for Release of Share Pledge dated 5/12/2022G between the Company, Alinma Bank, Almutlaq Group Industrial Investments, Abdullah Abunayyan Trading Company, Al Safi Advanced Investments and Essa Al-Ghurair Investments LLC to release a portion of the Pledgors' respective shares representing in total 30% of the Company's shares, for the purposes of the Proposed Transaction. - The MC Asset Pledge between the Company and Alinma Bank dated 13/06/2021G. - The MC Compensation and Claims Agreement Assignment Agreement between the Company and Alinma Bank dated 13/06/2021G. - The MC Insurance Assignment Agreement between the Company and Alinma Bank dated 13/06/2021G. - SAR 150,000,000 Order Note dated 01/07/2021G issued by Al-Raha Al-Safi Food Company - SAR 2,047,473 Order Note dated 01/07/2021G issued by Al-Raha Al-Safi Food Company

Source: the Company

12.8 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 (12.32): Details of Insurance Policies

Type	The Company	Insurance Policy No.	Insurance Company	Duration	Sum Insured	Coverage
Group Medical Expenses Insurance	First Milling Company - Main Branch (CR 4030291813)	A-TAWU-2-C-13-062	Tawuniya Insurance Company	9 April 2022 to 8 April 2023. Renewal date 8 April 2023.	Annual Contribution: SAR 1,810,616.35 Policy benefits schedule details sums insured based on benefit class.	Group Life Insurance for employees of First Milling Company.
Group Medical Expenses Insurance	First Milling Company - Jeddah Branch (CR 4030294014)	A-TAWU-2-C-13-062	Tawuniya Insurance Company	9 April 2022 to 8 April 2023. Renewal date 8 April 2023.	Annual Contribution: SAR 1,120,144.35 Policy benefits schedule details sums insured based on benefit class.	Group Life Insurance for employees of First Milling Company in the Jeddah branch.
Group Medical Expenses Insurance	First Milling Company - Al-Qassim Branch (CR 1131057624)	A-TAWU-2-C-13-062	Tawuniya Insurance Company	9 April 2022 to 8 April 2023. Renewal date 8 April 2023.	Annual Contribution: SAR 1,067,604.80 Policy benefits schedule details sums insured based on benefit class.	Group Life Insurance for employees of First Milling Company in the Al-Qassim branch.
Group Medical Expenses Insurance	First Milling Company - Tabuk Branch (CR 3550038652)	A-TAWU-2-C-13-062	Tawuniya Insurance Company	9 April 2022 to 8 April 2023. Renewal date 8 April 2023.	Annual Contribution: 800,393.11 Policy benefits schedule details sums insured based on benefit class.	Group Life Insurance for employees of First Milling Company in the Tabuk branch.
Group Medical Expenses Insurance	First Milling Company - Al-Ahsa Branch (CR 2250067938)	A-TAWU-2-C-13-062	Tawuniya Insurance Company	9 April 2022 to 8 April 2023. Renewal date 8 April 2023.	Annual Contribution: 948,585.55 Policy benefits schedule details sums insured based on benefit class.	Group Life Insurance for employees of First Milling Company in the Al-Ahsa branch.
Group Life Insurance Policy	First Milling Company - Main Branch (CR 4030291813)	P/22/0000035/01	Alinma Tokio Marine	1 January 2022 to 31 December 2022. Renewal date on 1 January 2023.	SAR 343,000,000 (Total sum covered).	Life insurance policy covering events such as death, accidental death, permanent total disability, permanent partial disability, actual repatriation expenses due to death and passive war risk.

Type	The Company	Insurance Policy No.	Insurance Company	Duration	Sum Insured	Coverage
Public Liability Insurance Policy	First Milling Company - Main Branch (CR 4030291813)	613723 (Code: LI/754956/CL)	Tawuniya Insurance Company	13 January 2022 to 12 January 2023.	SAR 785,000,000 (Limit of liability).	To indemnify the insured against legal liability to pay compensation consequent upon bodily injury, death, illness or disease to any person and/or loss or damage to, and loss of use consequent on such loss or damage of, any property, or interferences, trespass, loss of amenities, nuisance, infringement, obstruction.
Motor Vehicle Insurance Policy	First Milling Company - Main Branch (CR 4030291813)	P/10112/31/13101/2022/00034	Alinma Tokio Marine	23 February 2022 to 22 February 2023.	SAR 5,691,878 (Value of Vehicles). SAR 10,000,000 (Third-party Liability). SAR 100,000 (PAB- Driver and Passengers).	To insure the Company's motor vehicles.
Fidelity Guarantee Insurance Policy	First Milling Company - Main Branch (CR 4030291813)	P/10112/4/14102/2021/00040	Alinma Tokio Marine	28 November 2021 to 27 November 2022	SAR 48,000,000 (Aggregate limit of guarantee).	To indemnify Company against loss of money or other property as the direct result of any fraud or dishonest committed by an employee(s) during the term of the insurance policy.
Property All Risk Insurance Policy	First Milling Company - Main Branch (CR 4030291813)	613724 (Schedule Number)	Tawuniya Insurance Company	13 January 2022 to 12 January 2023.	SAR 2,508,347,022.41 (Material Damage and Business Interruption). SAR 1,047,242,752.87 (Machinery Breakdown and Loss of Profits).	The policy covers physical loss, destruction or damages to the Company's property resulting from accidents.
Sabotage & Terrorism Policy	First Milling Company - Main Branch (CR 4030291813)	613725 (Schedule Number)	Tawuniya Insurance Company	13 January 2022 to 12 January 2023.	SAR 2,508,347,022.41 (including SAR 1,714,227,522.41 for Material Damage and SAR 794,119,500 for Business Interruption - 18 months Indemnity). USD 100,000,000 (Loss Limit).	The policy covers material damage, loss and business interruption resulting from an act of terrorism / an act of sabotage.
Marine Cargo - Single Transit Policy	First Milling Company - Main Branch (CR 4030291813)	P/10112/1/11109/2022/00009	Alinma Tokio Marine	Issued on 21 February 2022.	SAR 26,250,000.	This is a single transit marine cargo insurance policy covering a shipment of wheat and other cereals from Brazil to the Company's warehouse in Saudi Arabia.

Source: the Company

12.9 Intellectual Property

12.9.1 Trademarks

The Company has registered a number of trademarks with the Commercial Trademarks Department of the Ministry of Commerce. As at the date of this Prospectus, "First Milling Company" and other trademarks derived therefrom have been registered. The Company relies on these trademarks to ensure the success of its businesses and support its competitive position in the market. Therefore, if the Company is unable to protect its trademarks, or if it is forced to take any legal measure to protect them, this can have an adverse and material effect on its ability to use them, which would in turn affect their businesses and results of operations. For more details, please refer to Section 2.1.19 ("**Risks Relating to Protecting Certain Trademarks on which the Company Relies**").

The following table shows the main details of all the Company's registered trademarks in the Kingdom of Saudi Arabia. The Company currently uses a number of such trademarks.

Table (12.33): Details of the Company's Registered Trademarks

No.	The Company	Country of Registration	Trademark No.	Expiration Date	Classification	Logo
1.	First Milling Company	Saudi Arabia	1443015736	04/05/1453H (corresponding to 23/08/2031G)	30	FIRST MILLS المطاحن الأولى
2.	First Milling Company	Saudi Arabia	1443016327	09/05/1453H (corresponding to 28/08/2031G)	30	الأولى ALOULA
3.	First Milling Company	Saudi Arabia	1441001813	11/01/1451H (corresponding to 24/05/2029G)	31	نفاع NAFFAA
4.	First Milling Company	Saudi Arabia	1439016477	17/07/1449H (corresponding to 16/12/2027G)	31	

Source: the Company

12.9.2 Other Intellectual Property

The Company has registered several internet domains under its name. The following table shows the details of the Company's registered internet domain names:

Table (12.34): Details of Internet Domain Name

Internet Domain Name	Expiration Date
www.firstmills.com	**26/12/2031G**

Source: the Company

12.10 Litigation

As at the date of this Prospectus, the Company is party (as plaintiff and defendant) to a number of non-material lawsuits that arose in its normal course of business. The total value of these non-material lawsuits is estimated at SAR 979,122, of which employment disputes represent an amount of SAR 95,229. Three preliminary judgments were issued requiring the Company to pay end of service benefits to a former employee, while two other preliminary judgments rejected the claims brought against the Company. On appeal, the preliminary judgments regarding claims amounting to SAR 87,910 and a claim amounting to SAR 33,575 were dismissed, and the Company was not required to pay the relevant end of service benefits. As for the claim brought for an amount of SAR 42,000, the Company is still waiting for the final decision to be issued. As at the date of this Prospectus, there are no lawsuits, claims (including actual or threatened claims), or ongoing investigations that could materially affect the Company's business or financial position.

The Public Prosecutor of GAC filed a lawsuit against the Company for an amount of SAR 10,000,000, following the Company's violation of the Competition Law with regard to the palm commodity market as GAC issued the Decision No. 335 dated 25/01/1441H (corresponding to 24/09/2019G) to search, collect evidence, and investigate the possibility that Al Mikniz Feeds Establishment, other distribution agents of animal feed products in the Kingdom and the Related Parties may have violated Articles of the Competition Law's Implementing Regulations. Based on GAC's conclusions, the Company was informed of the date of the hearing, attended said hearing and responded with a memorandum. After the case hearing, and after reviewing all the case documents, the Committee for Adjudication of Violations of the Competition Law issued Decision No. 195 dated 13/7/1443H (corresponding to 14/02/2022G), ruling that the Company had breached Article 9, Paragraph (a) (2) of the Competition Law. Accordingly, the Company paid the required amount. The Company appealed said Decision before the Administrative Court in Riyadh on 14/08/1443H (corresponding to 17/03/2022G). On 18/06/1444H (corresponding to 11/01/2023G), the Administrative Court in Riyadh issued a preliminary, appealable judgement revoking Decision No. 195 by the Committee for Adjudication of Violations of the Competition Law, further to which GAC filed an appeal against the judgment No. 5961 before the Second Tribunal at the Administrative Court of Appeal in Riyadh, On 12/09/1444H (corresponding to 03/04/2023G), the Riyadh Administrative Court of Appeal overturned the appealed judgment (issued by the Administrative Court in Riyadh) and dismissed the case. As at the date of this Prospectus, the Company is in the process of preparing and submitting an appeal to the Supreme Administrative Court in this regard.

As at the date of this Prospectus, the Company has no further penalties or fines pending at GAC. For further information on such potential future litigations, please refer to Section 2.2.4 ("**Risks Related to the Competition Law**") of this Prospectus.

In addition, the GFSA filed a lawsuit against the Company before the Committee for the Adjudication of Violations of the Provisions of the Flour Milling Law, stating that the Company violated one of the clauses of the Subsidized and Unsubsidized Flour Supply Agreement, as well as one of the clauses of the license granted thereto by the General Food Security Authority, in addition to exceeding the quantities of sales allowed by the GFSA. The Company received notification of said lawsuit on 02/04/2023G. As a result, the GFSA requested that the Company be fined a total amount of SAR 69,763,099.5 as follows:

- accepting membership requests from the new customers without GFSA's approval - fine amounting to SR 20,000,000 and financial recoveries amounting to SR 33,848,850.59;
- updating key information of customers without submitting a request to GFSA – fine amounting to SR 100,000 and financial recoveries amounting to SR 6,012,915.32; and
- exceeding allocated sale quantities approved by GFSA – fine amounting to SR 1,000,000 and financial recoveries amounting to SR 8,801,333.59.

On 30/04/2023G, the Company submitted a Reply Memorandum to the indictment filed by the GFSA. As at the date of this Prospectus, the aforementioned dispute remains ongoing. For more information, please refer to Section 2.1.29 ("**Risks Related to Litigation Involving the Company**") of this Prospectus.

12.11 The Zakat Status of the Company

The Company is subject to the laws and regulations of ZATCA. Zakat is provided on an accrual basis and is computed and charged based on Zakat base (in accordance with the Regulations of ZATCA). Adjustments, if any, are made to the Zakat provision when the final assessments are obtained from the ZATCA.

ZATCA has stated in its letters No. 30446/16/1439 and 21258/115/1442 dated 14/09/1439H (corresponding to 29/05/2018G) and 05/11/1442H (corresponding to 15/06/2021G), respectively, that the Company is exempt from paying Zakat given that its capital is derived from public funds to which Zakat is not applicable for the financial years ended 31 December 2019G and 31 December 2020G (noting that the Company was wholly owned by the PIF back then).

On 17/10/1441H (corresponding to 09/06/2020G), the Saudi Council of Ministers' Resolution No. 631 was issued declaring the transfer of the Company to the NCP. On 16/05/1442H (corresponding to 31/12/2020G), the NCP transferred all its shares in the Company to Al-Raha Al-Safi Food Company. Following this transfer, Al-Raha Al-Safi Food Company became the only shareholder of the Company and requested ZATCA to merge the Company for the purpose of filing the Zakat returns and payment, with Al-Raha Al-Safi Food Company being responsible for submitting the Zakat letter No. 35015357 dated 16/05/1443H (corresponding to 20/12/2021G).

Accordingly, Al-Raha Al-Safi Food Company filed consolidated zakat returns for the financial year ended 31 December 2021G, including the joint zakat base of Al-Raha Al-Safi Food Company and the Company. As at the date of this Prospectus, ZATCA did not issue any final Zakat assessments for the Company since its incorporation. It should be noted that the Selling Shareholders committed to settle any additional claims that may arise from Zakat assessments by ZATCA commencing from the financial year 31 December 2021G until the Company's Shares are listed on the Exchange. In the event ZATCA raises any claims relating to any financial years preceding the financial year ended 31 December 2021G, the Company will bear such claims.

Pursuant to the accounting laws, the Company allocated an adequate Zakat provision to cover any shortfall that may be detected when the final Zakat assessment is received from the ZATCA. The provision for Zakat is set aside in accordance with the ZATCA regulations and instructions. The Company's Zakat provision amounted to SAR 4.7 million, and SAR 4.7 million as at the financial years ended 31 December 2021G and the nine-month period ended 30 September 2022G, respectively.

On 15 September 2022G, the Company completed its merger with the Parent Company, Al-Raha Al-Safi Food Company, and the Company became the only remaining entity after such merger. Going forward, the Company will be solely responsible for Zakat and may also be responsible for any assessments determined by ZATCA in connection with the consolidated Zakat returns submitted by Al-Raha Al-Safi Food Company for FY21G.

The members of the Board of Directors of the Company declared that, as of the date of this Prospectus, the Company does not have any existing Zakat or tax pending with ZATCA, and that they have an adequate Zakat provision to cover any shortfall that may be detected when the final Zakat assessment is received from the ZATCA.

For more information about the risks related to Zakat, please refer to Section 2.1.37 ("**Risks Related to Zakat**") of this Prospectus, and Section 2.2.10 ("**Risks Related to Changes in the Calculation of Zakat and Income Tax**") of this Prospectus.

12.12 Summary of the Bylaws

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.

12.12.1 Company's Name

The Company's name is First Milling Company (Saudi Closed Joint Stock Company).

12.12.2 Objectives of the Company

The objectives of the Company are:

1- 106111 - Wheat packing and milling
2- 106112 - Maize packing and milling
3- 106113 - Barley packing and milling
4- 106114 - Packing and milling of flour, meal and bulgur wheat
5- 106115 - Oats production
6- 108011 - Manufacture of concentrated fodder for animal
7- 108012 - Manufacture of cattle fodder
8- 108013 - Manufacture of secondary plant products as animal feed
9- 108014 - Preparation, milling and pressing of animal feed
10- 108021 - Manufacture of poultry fodder
11- 108022 - Manufacture of bird fodder
12- 462011 - Wholesale of barley
13- 462013 - Grain wholesale except for barely
14- 462091 - Wholesale of livestock feed for pharmaceutical feed additives
15- 462092 - Wholesale of feed and non-medicinal feed additives
16- 472183 - Retail sale of livestock feed
17- 472184 - Retail sale of barley
18- 521022 - Animal food and feed stores
19- 521092 - Storage in warehouses of grain silos, flour and agricultural products
20- 521098 - Dry food storage
21- 106150 - Manufacture of flour and dough for bakeries

12.12.3 Participation and Interest in Companies

The Company may own shares and stocks in other existing companies or merge therewith and participate with others in establishing joint stock or limited liability companies, after meeting the requirements of applicable laws and directives in that regard. The Company may also dispose of such shares or stocks, provided that this does not include any brokerage.

12.12.4 Head Office of the Company

The Company's head office is located in the city of Jeddah, Kingdom of Saudi Arabia. The Company may establish branches, agencies or offices for the Company within or outside Saudi Arabia.

12.12.5 Duration of the Company

The duration of the Company shall be ninety-nine (99) Gregorian years, commencing as of 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.

12.12.6 Capital of the Company

The capital of the Company is fixed at five hundred fifty-five million Saudi Riyals (SR. 555,000,000), divided into fifty-five million five hundred thousand (55,500,000) shares of equal value, and the nominal value of each share is ten (10) Saudi Riyals. All shares are deemed as ordinary cash shares.

12.12.7 Share Subscription

The Shareholders have subscribed for the full number of capital shares equal to fifty-five million five hundred thousand (55,500,000); whereby the entire capital of the Company has already been paid in full.

12.12.8 Sale of Non-Paid-Up Shares

Each Shareholder undertakes to pay the value of the shares on the dates set for such payment. Should a Shareholder fail to pay at the due time, the Board of Directors may, after notifying of the Shareholder via e-mail or registered mail, sell the share at a public auction or through the stock market, as the case may be, in accordance with the controls set by the competent authority.

The Company shall collect the amounts due thereto from the proceeds of the sale and return the remaining to the Shareholder. If the proceeds of the sale fall short of the amounts due, the Company shall have a claim on the entire fortune of the Shareholder for the unpaid balance.

However, a defaulting Shareholder may, up to the date of sale, pay the amount owed thereby plus the expenses incurred by the Company in this regard.

The Company shall cancel the shares sold in accordance with this Article, and issue to the purchaser new shares bearing the serial numbers of the cancelled shares, and make a note to this effect in the Shares Register specifying the name of new holder.

12.12.9 Issuance of Shares

Company shares shall be nominal shares, and may not be issued at less than their nominal value, but may be issued at a value higher than said nominal value; in which case, the difference in value shall be added as a separate article relating to shareholder rights and may not be distributed as a shareholder dividend. A share shall be indivisible vis-à-vis the Company. In the event that a share is owned by several persons, they shall select one person amongst them to exercise, on their behalf, the rights pertaining to said share, and they shall be jointly responsible for the obligations arising from ownership of said share.

12.12.10 Share Trading

Shares subscribed for by the Shareholders may only be traded after publishing the financial statements for two fiscal years, each covering a period of at least 12 months from the date of the Company's incorporation. A notation shall be made on the respective share certificates, indicating their class, the date of incorporation of the Company, and the period during which their trading shall be suspended. However, during the lock-up period, the ownership of shares may be transferred in accordance with the provisions of the sale of rights from one of the shareholders to another shareholder or from the heirs of one of the shareholders in the event of his death to another or in the event of execution on the money of the insolvent or bankrupt shareholder, provided that the priority of owning those shares is for the other shareholders. The provisions of this Article shall apply to what the shareholders subscribe to in the event of an increase in the capital before the expiry of the lock-up period.

12.12.11 Shareholders' Register

The Company's shares are traded by entering the shareholder register prepared or contracted by the company, which includes the names of the shareholders, their nationalities, their places of residence, their professions, the share numbers and the paid-up amount thereof, and this entry is indicated on the share. The transfer of ownership of the nominal share against the Company or third parties shall not be considered valid except from the date of entry in the said register.

12.12.12 Capital Increase

1- The Extraordinary General Assembly may adopt a resolution to increase the Company's capital, provided that the original capital shall have been paid up in full. Said paid up provision shall not apply when the unpaid portion of capital is due to shares issued in exchange for the conversion of financing or debt instruments into shares, and the prescribed period for such conversion has not yet expired.
2- In any case, the Extraordinary General Assembly shall allocate capital increase shares or portions thereof to the employees of the Company and to the employees of all, some or none of its affiliates. Shareholders may not exercise pre-emptive rights upon the Company's issuance of shares allotted to employees.
3- Holders of shares at the time of the Extraordinary General Assembly's adoption of a resolution to increase the capital shall have pre-emptive rights to subscribe for the new shares, in exchange for cash shares. Shareholders shall be notified of their pre-emptive rights by publication in a daily newspaper or by registered mail stating the adoption of the resolution to increase capital, the terms of the offering, its duration, start and end dates.
4- The Extraordinary General Assembly may revoke the pre-emptive rights of shareholders to subscribe for the capital increase in exchange for cash shares, or vest said pre-emptive rights in non-shareholders when it deems that doing so is in the Company's best interest.
5- Shareholders may sell or assign their pre-emptive rights in the period that extends from the date upon which the General Assembly resolution is adopted to increase the capital until the last day open for subscription for the new shares associated with those rights, in accordance with the guidelines established by the competent authority.
6- Without prejudice to the provisions of paragraph 4 hereof, new shares shall be allotted to the holders of pre-emptive rights who have expressed interest to subscribe thereto, in proportion to their pre-emptive rights resulting from the capital increase; provided that their allotment does not exceed the number of new shares they have applied for. Remaining new shares shall be allotted to pre-emptive right holders who have asked for more than their proportionate stake, in proportion to their pre-emptive rights resulting from the capital increase, provided that their total allotment does not exceed the number of new shares they have asked for. Any remaining new shares shall be offered for public subscription, unless the Extraordinary General Assembly decides, or the Capital Market Law provides, otherwise.

12.12.13 Decrease of Capital

The Extraordinary General Assembly may resolve to reduce the Company's capital, if it proves to be in excess of the Company's needs, or if the Company sustains losses. In the latter case only, the Company's capital may be reduced below the limit prescribed under Article 54 of the Companies Law. A capital decrease resolution shall be issued, only after reading the auditor's special report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations. If the capital reduction is due to it being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the area where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

12.12.14 Company Buying its Shares

The Company may purchase or mortgage its ordinary or preferred shares, and the Company may purchase its shares to allocate them to the Company's employees within the employee shares program in accordance with the controls and procedures set by the competent authorities.

12.12.15 Company's Sale of its Shares

The company may sell treasury shares in one or several stages in accordance with the controls and procedures set by the competent authorities.

12.12.16 Pledging of Shares

The company may pledge its shares as security for a debt in accordance with the controls and procedures set by the competent authorities.

12.12.17 Shares Allocated to Employees

If the Company's purpose of purchasing its shares is to allocate them to its employees within the employee shares program, then, in addition to the Company's share purchase controls stipulated in Article 15, the following must be taken into account:

1- The approval of the Extraordinary General Assembly on the program of shares allocated to employees, and it may authorize the Board of Directors to determine the provisions of this program, including the allotment price for each share offered to the employee, if it is in return for not including non-executive members of the Board of Directors within the program of shares allocated to employees.

2- The non-participation of the executive members of the Board of Directors in voting on the decisions of the Board of Directors related to the program of shares allocated to employees.

12.12.18 Company's Management

The Company shall be managed by a Board of Directors composed of seven (7) members appointed by the Ordinary General Assembly for a term not exceeding three (3) years.

12.12.19 Membership Termination

Board membership shall expire by the expiration of its term, or the expiration of Board member's term, in accordance with any law or instructions applicable in the Kingdom. Notwithstanding the foregoing, the General Assembly may, at any time, dismiss one or all of the Directors, without prejudice to the terminated member's right to seek compensation from the Company, if dismissal were 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.

12.12.20 Membership Vacancy

If the position of a Board of Director's member becomes vacant, the Board of Directors may appoint a member to the vacant position, to be selected from among experienced and competent candidates. Such appointment shall be notified to the Ministry of Commerce within five (5) working days from the date of appointment. The new member shall complete the term of his predecessor. In case the number of Board members becomes less than the quorum stipulated by the Companies Law or these Bylaws, the remaining Board members shall call the Ordinary General Assembly to convene within sixty (60) days to elect the required number of members.

12.12.21 Powers of the Board of Directors

Without prejudice to the powers vested in the General Assembly, the Board of Directors shall have full powers to manage the Company, establish its policies, determine its investments, supervise its business and funds, conduct its affairs, and carry out all acts and actions, inside and outside the Kingdom, to achieve its objectives. The Board of Directors is, by way of example and without limitation, empowered to:

1- Approve contracts, tenders, the Company's Corporate Governance Manual, the Company's internal policies and regulations; establish subsidiaries and participate in other companies; sign the Articles of Association of the Company's subsidiaries or companies in which it participates along with other companies and all amendments thereof; appoint and remove the directors of these companies; and approve all acts thereof.

2- Approve the issuance of guarantees and warranties for banks, financial funds, government funding institutions; and approve all banking transactions including opening, managing, investing, and closing bank accounts and investment accounts in asset management companies on behalf of the Company and its Subsidiaries, inside and/or outside the Kingdom.

3- Purchase and accept purchases; pay the price; mortgage the Company's and its Subsidiaries' assets, properties and movables; release the mortgage; sell, assign, receive price of, and handover valuables, provided that the Board resolution shall set forth the reasons and justifications for such action, provided that it is a must to observe the following:

   a- The sale price shall be approximately equal to the asset's standard price, as determined in accordance with the applicable accounting principles;

   b- Unless absolutely necessary and with sufficient guarantees, the payment of the price shall not be deferred; and

   c- The terms of such act shall not inflict any damage on the Company, cause any suspension of its activities, or otherwise impose upon it further obligations.

4- Enter into loan agreements with any other party such as government funds and institutions, and enter into commercial loan agreements with commercial banks, public treasuries, credit companies and others, regardless of the term thereof, and within any limits determined by the Board of Directors.

5- Discharge the Company's debtors from their obligations, as the Company's interest may dictate, in accordance with the accounting standards applicable to bad debts, provided that the minutes of the Board shall stipulate the rationale of such resolution, taking into account the following:

   a- The discharge shall be at least one full year after the debt originated;

   b- The discharge shall be for a maximum amount per year for each debtor; and

   c- Discharge is a Board right and the discharge resolution may not be delegated.

6- Reconcile, waive, enter into contracts, undertake commitments, and get into engagements; collect the debts of the Company and its Subsidiaries; accept reconciliation and arbitration.

7- Form Board committees and insure the Company's fixed and movable properties.

8- Appoint the Company's CEO and determine his competencies, powers, duties, rights and remuneration. The Board of Directors may also appoint one or more deputy CEOs. The appointment resolution shall specify the competencies, powers and remuneration of such vice deputy CEO(s).

9- Delegate one or more from its members or third parties to carry out certain task(s) or to take certain actions that fall within its powers. The Board of Directors may revoke such delegations in whole or in part.

12.12.22 Remuneration of Board Members

The remuneration of the Board of Directors shall be set by the Ordinary General Assembly and the amount of the allowance for attending the Board's meetings and any other benefits in kind to be decided upon for them within the limits of the Companies Law' and Regulations thereof. The report of the Board of Directors to the Ordinary General Assembly shall include a comprehensive statement of all remuneration, expenses and other benefits received by Board members during the Fiscal Year. It shall as well contain a statement of payments made to members in their capacity as employees or executives, or in consideration for technical, administrative or consultancy assignments. The report shall also include the number of meetings held, and the number of meetings attended by each member from the date of the last Ordinary Assembly meeting.

12.12.23 Powers of the Chairman, Vice Chairman, Managing Director and Secretary

1- The Board of Directors shall appoint from among its members a Chairman and a Vice Chairman and may also appoint a Managing Director. It shall not be permissible for a member to occupy jointly the office of the Chairman and any executive position in the Company.

2- The Chairman shall call for and preside over meetings of the Board, and shall also preside over the General Assembly of shareholders.

3- The Chairman shall represent the Company in its relationship with third parties and before all government entities, companies, individuals, all courts of all levels and classes, the Board of Grievances, notary public, Boards of Arbitration, all types of offices and committees for the resolution of disputes, Civil Rights Divisions, Police Departments, all government departments, Chambers of Commerce and Industry, private commissions, all companies and establishments of all types; issue powers of attorney and appoint and remove agents and attorneys; raise, defend, plead, reconcile, and settle; exonerate; deny and acknowledge; request an oath to be taken; accept, arbitrate, accept or reject judgments on behalf of the Company; and enforce judgments. Furthermore, the Chairman may sign all kinds of agreements, contracts, and documents, including articles of association of companies that the Company establishes on its own or jointly; amend the articles of association of subsidiaries or companies in which the Company has shares or interests, as well as amendment schedules; cancel articles of association and amendment schedules; sign the articles of association and amendment schedules before the notary public; publish articles of association, amendment schedules, summaries and bylaws, as determined by the competent authority, sign shareholders' resolutions and entry and exit of partners; sell shares and interests and receive the amount thereof; assign shares and interests from the capital; transfer shares, interests, bonds, Sukuk, and sign resolutions liquidating the same, as well as resolutions pertaining to the appointment or removal of the Company's directors and representatives at Shareholders assemblies or Partners assemblies; and sign contracts, agreements, deeds, and assignments before the notary public and other competent authorities. In addition, the Chairman may sign all contracts, agreements, documents, forms, loan agreements and all financial agreements with funds, government funding institutions, banks, and public treasuries, as well as warranties, guarantees, mortgages and redemption thereof; collect the Company's entitlements and pay its dues; sell, buy, assign and accept said assignments; receive and deliver; lease; pay; participate in tenders and auctions; open and close accounts; open credits; withdraw and deposit with banks; issue notes, checks, and all commercial papers; and deal with public and private asset management institutions and investment companies within or outside the Kingdom. The Chairman may also hire, fire, contract with, and determine the remuneration of employees; apply for visas, and recruit employees and workers from abroad; obtain residency permits and work permits; transfer and assign sponsorships. He also has the right to delegate or authorize another member of the Board or third parties to perform certain task(s) that fall under his powers or to do specific acts. He may also authorize his agent to delegate others, as well as partially or wholly revoke the authorization and delegation given hereby.

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

5- The Managing Director (if appointed) shall have the powers determined by the Board and shall follow the instructions issued by the Board of Directors.

6- The Board of Directors shall, in its sole discretion and pursuant to a resolution issued thereby, determine the remuneration of the Chairman and the Managing Director.

7- The Board of Directors shall appoint a Secretary from among its members or from others. The Secretary's duties shall include having the proceedings and resolutions of the Board of Directors written in minutes recorded in a special register and other duties as determined by the Board of Directors. The Board shall determine the Secretary's remuneration.

8- The term of the Chairman, the Managing Director, the Vice-Chairman and the Secretary who is a Board member shall not exceed the term of their respective membership of the Board of Directors, and they may always be reappointed. The Board of Directors may, at all times, remove them, or any of them, without prejudice to their right to damages if the removal is made for no justifiable reason or at an improper time.

12.12.24 Meetings of the Board of Directors

The Board of Directors shall meet at least four (4) times a year, upon an invitation from the Chairman, which shall be made in writing and include a meeting agenda. The Chairman shall call the Board to convene a meeting whenever two members so request.

12.12.25 Meeting Quorum

A Board meeting shall be quorate only if attended by at least half its members. Any member of the Board may authorize another member of the Board to attend the board meeting, in accordance with the following controls:

1- A member of the Board of Directors may not act on behalf of more than one Board member during the same meeting;

2- A proxy shall be made in writing and specific to a meeting;

3- A Board member acting by proxy may not vote on resolutions on which his principal is prohibited from voting;

Board resolutions shall be adopted by a majority vote of members present or represented therein, with the Chairman casting the deciding vote in case of a tie.

12.12.26 Board Deliberations and Resolutions

1- The decisions of the Board of Directors are issued by a majority of the members present or represented in the meeting, and when the votes are equal, the side with which the chairperson voted shall prevail.

2- The Board of Directors may issue resolutions by circulation in urgent matters by presenting them to the members separately, unless one of the members requests in writing the Board meeting to deliberate on them, and these decisions are presented to the Board in the first following meeting

Deliberations and resolutions of the Board shall be recorded in minutes to be signed by the Chairman, attending members and the Secretary. Such minutes shall be entered in a special register to be signed by the Chairman and the Secretary.

12.12.27 Assembly Attendance

Each shareholder shall have the right to attend General Assembly meetings. They may also authorize a third-party, other than Board members or Company employees, to attend the General Assembly on his/its behalf. Unless shareholders agree on another location, the default location for the meeting will be the company's headquarters

12.12.28 Constituent Assembly

Constituent Assembly shall be held within forty-five (45) days from the date of the Ministry of Commerce's decision to approve the incorporation of the Company. The meeting shall be valid if attended by the shareholders or their representatives.

12.12.29 Responsibilities of the Constituent Assembly

The Constituent General Assembly shall be competent to deal with the matters set out in Article 63 of the Companies Law.

12.12.30 Responsibilities of the Ordinary General Assembly

Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be competent to deal with all Company matters. The Ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened, whenever needed.

12.12.31 Responsibilities of the Extraordinary General Assembly

The Extraordinary General Assembly shall have the power to amend the Bylaws, except for such provisions as may be impermissible to be amended under the law. Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly, under the same rules and conditions applicable thereto.

12.12.32 Convening General Assemblies

General or Special Shareholder Assemblies shall be convened by the Board of Directors. The Board of Directors shall convene an Ordinary General Assembly, if requested to do so by the auditor, the Audit Committee, or a number of shareholders representing at least five percent (5%) of the Company's capital. The auditor may call for an assembly to be convened, when the Board fails to call for such a meeting within thirty (30) days of the auditor's request to do so.

The summons shall be published in a daily newspaper circulated in the area where the Company's head office is located, at least twenty-one (21) days prior to the time set for such meeting. However, notice may be given to all shareholders via registered letters within the timeframe set above. A copy of the notice and the agenda shall be sent to the Ministry of Commerce, within the period set for publication.

Unless the shareholders agree on a different location, the default location for the Ordinary or Extraordinary General Assembly meetings shall be the Company's headquarters.

12.12.33 Assembly Record of Attendance

Shareholders or their representatives who wish to attend General Assembly meetings shall register their names at the Company's head office before the time specified for the Assembly.

12.12.34 Ordinary General Assembly Quorum

Ordinary General Assembly meetings shall be quorate only if attended by shareholders representing at least 25% of the Company's capital. If such quorum is not reached, a second assembly shall be held one hour after the time fixed for the first meeting, provided that the invitation for the first meeting provide for the possibility of holding the meeting. In all cases, the second meeting shall be valid regardless of the number of shares represented therein.

12.12.35 Extraordinary General Assembly Quorum

Extraordinary General Assembly meetings shall be quorate only if attended by shareholders or their representatives representing at least 50% of the Company's capital. If such quorum is not reached, then an invitation will be circulated after thirty (30) days, and published under the same conditions set forth in Article 33 of the Bylaws. In all cases, the second meeting shall be valid if attended by a number of shareholders representing at least 25% of the capital. If the second meeting is inquorate, then a third meeting shall be called to convene under the same conditions set forth in Article 33 of the Bylaws. The third meeting shall be valid irrespective of the number of shares represented thereat, after the approval of the competent authority.

12.12.36 General Assembly Resolutions

Resolutions of the Constituent Assembly shall be adopted by a majority of the shares representing more than 75% of the shares represented in it. Ordinary General Assembly resolutions shall be issued by a majority of the shares representing more than 50% of the shares represented at the meeting and Extraordinary General Assembly resolutions shall be issued by a majority of the shares representing more than (66%) of the shares represented at the meeting, unless the resolution to be adopted is related to increasing or reducing the capital, extending the Company's term, dissolving the Company prior to the expiry of the term specified therefor in these Bylaws or merging the Company with another company; in which case, such resolution shall be valid only if adopted by a majority of 75% of the shares represented at the meeting.

12.12.37 Assembly Deliberations

Each shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the members of the Board and the auditor. The Board or the auditor shall answer the shareholder's questions to the extent that is not detrimental to the Company's interests. If the shareholder deems the answer to the question unsatisfactory, then he/it may refer the issue to the General Assembly and the latter's decision in this regard shall be binding.

12.12.38 Voting at Assemblies

Each subscriber shall have one vote for each share he represents at the Constituent Assembly; and each shareholder shall have one vote for each share he represents at General Assembly meetings. Cumulative voting shall be employed in the election of the Board of Directors.

12.12.39 Presiding over General Assemblies and the Keeping of Minutes

The General Assembly of shareholders shall be presided over by the Chairman of the Board of Directors or, in his absence, the Vice-Chairman or, in their absence, the Board designated member. Meeting minutes shall be drafted indicating the number of attending shareholders or representatives, the number of shares represented in person or by proxy, the number of votes associated therewith, the resolutions passed, the number of votes in favor and against, as well as a comprehensive summary of the discussions that took place during the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly, the Secretary, and the Canvasser.

12.12.40 Formation of the Audit Committee

An audit committee shall be formed pursuant to a resolution passed by the Ordinary General Assembly and shall consist members, other than executive Board members, whether from among the shareholders or others. Provided that the number of members is not less than (3) and not more than (5). The resolution shall specify the Committee's responsibilities, the rules governing its activities, and the remuneration of its members.

12.12.41 Committee Quorum

Committee meetings shall be quorate if attended by the majority of its members. Its resolutions shall be adopted by a majority vote of attending members; ties shall be decided by the vote of the Committee Chairman.

12.12.42 Committee Responsibilities

The Audit Committee shall be responsible for overseeing the Company's business, and, towards that end, shall have access to Company records and documents. It shall also be entitled to request that Board members or executive directors provide it with clarifications or statements, as well as be entitled to request that the Board of Directors calls for the convening of the Company's General Assembly, if the Board hinders the performance of the Committee's duties, or when the Company suffers material damages or losses.

12.12.43 Committee Reports

The Audit Committee shall be responsible for reviewing the Company's financial statements, as well as the reports and notes submitted by the auditor, and provide an opinion in their regard, if any. It shall also draft an opinion concerning the adequacy of the Company's internal oversight control systems, and submit reports relating to other duties that fall within its purview. The Board of Directors shall ensure that a sufficient number of copies of said report be made available at the Company's head office at least twenty one (21) days prior to the General Assembly meeting date, in order to provide desirous shareholders with a copy thereof. Said report shall be read during the Assembly meeting.

12.12.44 Appointment of the Auditor

The Company shall have one or more auditors to be selected from among those licensed to work in Saudi Arabia. Such auditor shall be appointed annually and the compensation and term of office thereof shall be fixed by the Ordinary General Assembly. The Assembly may, at any time, replace said auditor without prejudice to the latter's right for compensation, if the replacement decision were unlawful or occurred at an inappropriate time.

12.12.45 Powers of the Auditor

The auditor shall, at all times, have access to the Company's books, records and any other documents. It may also request information and clarification, as it deems necessary, to verify the Company's assets, liabilities and other matters that may pertain to the scope of its activities. The Chairman of the Board of Directors shall enable the auditor to perform its duties; and when the auditor encounters difficulties in that regard, the latter shall document the same in a report to be submitted to the Board of Directors. Failure of the Board to facilitate the work of the auditor shall result in the latter requesting that the Board calls for a meeting of the Ordinary General Assembly to consider that issue.

12.12.46 Fiscal Year

The Company's Fiscal Year shall commence as of the 1st of January and expire on the 31st of December of each year. The Company's first Fiscal Year shall commence from the date of its registration in the Commercial Register and expire on 31 December of the following year. Thereafter, each subsequent fiscal year shall start from the 1st of January and end on the 31st of December.

12.12.47 Financial Documents

1- At the end of each Fiscal Year, the Board of Directors shall prepare the Company's financial statements together with a report on its business and financial position for the ended Fiscal Year. This report shall include the proposed method for distributing the profits. The Board of Directors shall place such documents at the disposal of the auditor at least forty-five (45) days prior to the date set for convening the General Assembly.
2- The Chairman of the Board, CEO and CFO shall sign the documents referred to in (1) above. A copy thereof shall be placed at the Company's Head Office at the disposal of Shareholders at least twenty-one (21) days prior to the date set for the General Assembly meeting.
3- The Chairman shall provide the Shareholders with the Company's financial statements, Board of Directors' report and the auditor's report. The Chairman shall also send a copy thereof to the Ministry of Commerce at least fifteen (15) days prior to the date set for the General Assembly meeting.

12.12.48 Distribution of Profits

The Company's annual net profits shall be allocated as follows:

1- Ten percent (10%) of the net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when said reserve totals thirty percent (30%) of the Company's paid-up capital, excluding share premium.
2- The Ordinary General Assembly may, upon recommendation by the Board of Directors, set aside five percent (5%) of the net profits to form a contractual reserve to be allocated to be allocated for special purposes.
3- The Ordinary General Assembly may decide to form other reserves to the extent that achieves the interests of the Company or guarantees steady distribution of profits to the Shareholders. Said Assembly may also deduct certain amounts from the net profits to set-up social institutions for the Company's employees or to support any existing institutions.
4- After the foregoing, the remainder shall be distributed to the Shareholders at a rate of 5% of the paid-up capital of the Company.
5- The Ordinary General Assembly may authorize the Board of Directors to distribute interim dividends to the Shareholders.
6- Subject to the provisions stipulated in Article 23 of the Bylaws and Article 76 of the Companies Law, no more than ten percent (10%) of the remainder of the net profits to members of the Board of Directors, provided that the entitlement to this remuneration is appropriate for the number of sessions attended by the member.

12.12.49 Entitlement to Profits

Shareholders shall be eligible to receive dividends pursuant to a General Assembly resolution adopted in that regard and indicating the entitlement and distribution dates. Shareholders eligible to receive dividends shall be those whose names appear on the Shareholder Registers at the end of the entitlement day.

12.12.50 Company Losses

1- If, at any time during the fiscal year, the Company's losses total half of its paid-up capital, then any Company official or auditor, upon becoming aware thereof, must inform the Chairman of the Board of Directors, who shall immediately inform the members of the Board, which, within fifteen (15) days of being informed thereof, shall call for an Extraordinary General Assembly meeting to be convened within forty five (45) days of being informed of the losses, to consider whether to increase or decrease the Company's capital, in accordance with the provisions of the Companies Law, in order to render losses equal to less than half of the paid-up capital, or dissolve the Company prior to the end of its term, as defined in the Companies Law.

2- The Company shall be deemed dissolved under the Companies Law, when its General Assembly fails to convene within the period specified above; or if it does convene, but fails to reach a decision in that regard; or when it resolves to increase the capital as per the conditions set forth in this article, but the capital increase is not subscribed to in full within ninety (90) days of the Assembly's resolution to increase the capital.

12.12.51 Liability Action

Each shareholder shall have the right to file a liability action, vested in the Company, against members of the Board who have committed a mistake that caused said shareholder to suffer damages. Such liability action may only be filed by the shareholder, if the Company's right to file such action remains valid. The shareholder shall notify the Company of his/its intention to file such action.

12.12.52 Expiry of the Company

Upon its expiry, the Company shall enter liquidation and retain its legal personality to the extent necessary for liquidation. The Extraordinary General Assembly shall adopt a resolution to voluntarily liquidate the Company, with said resolution appointing a liquidator, and defining the latter's powers, compensation, and restrictions imposed on said powers, as well as the timeframe to conclude liquidation, which, in cases of voluntary liquidation must not exceed five (5) years that cannot be extended except by court order. The powers of the Board of Directors shall cease upon the Company's dissolution. However, the Board of Directors shall remain responsible for the management of the Company and take on the capacity of liquidator, until the latter is appointed. During liquidation, shareholder assemblies shall retain such responsibilities vested in them that do not conflict with those of the liquidator.

12.13 Rights of Shareholders

12.13.1 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.

12.13.2 Rights to Dividends

Pursuant to Article 107 of the Companies Law, Shares confer on the Shareholder all rights attached to the Shares, in particular the right to receive a share of the profits to be distributed, to receive a share of the Company's assets surplus upon liquidation, to attend the General Assemblies, to participate in its deliberations, to vote on its resolutions, to dispose of the shares, to request access to the Company's books and documents, to monitor the work of the Board of Directors, to file a claim of responsibility against the Directors, and to challenge the validity of the resolutions of the General Assembly in accordance with the conditions and restrictions contained in the Companies Law and the Bylaws.

Each Shareholder shall have the right to discuss the matters stated in the agenda of the General Assembly and direct questions thereon to the Directors and the auditor. The Board of Directors or the auditor shall answer the questions of the Shareholders to the extent that it does not put the interest of the Company at risk. If a Shareholder is not satisfied with the answer, such Shareholder may refer the issue to the General Assembly whose resolution shall be binding in this regard.

12.13.3 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.

12.13.4 Rights in Surplus Assets in cases of Liquidation and Amendment to the Rights of Shareholders

The Company's Bylaws may be amended under a resolution of the Extraordinary General Assembly. Resolutions of the Extraordinary General Assembly shall be adopted by the affirmative vote of two-thirds (2/3) of the Shares represented at the meeting. However, if the resolution to be adopted is related to increasing or decreasing the capital, extending the Company's term, dissolving the Company prior to the expiry of its term specified in the Bylaws or merging the Company with another company, then such resolution shall be valid only if adopted by the affirmative vote of at least three-quarters (3/4) of the Shares represented at the meeting. The following rights are based on the Company's aw and may not be amended

- Receiving a share of the profits to be disbursed.
- Receiving a share of the company's assets upon its liquidation.
- Attending shareholder general or special assemblies, participating in deliberations and voting on the resolutions thereof.
- Disposing of his shares as stipulated in the Companies Law.
- Requesting to review the company's books and documents; monitoring Board business; file liability claims against Board members; and challenge the invalidity of general and special assembly resolutions.

13. UNDERWRITING

The Company, the Selling Shareholders and the Underwriters have entered into an Underwriting Agreement (with SNB Capital Company and GIB Capital) dated [•]H, corresponding to [•]G (the "**Underwriting Agreement**") pursuant to which the Underwriters have agreed, subject to certain conditions contained in the Underwriting Agreement, to fully underwrite the Offering of 16,650,000 Shares. The name and address of the Underwriters are set out below:

13.1 Underwriters

Underwriters
SNB Capital Company King Saud Road, SNB Regional Building P.O. Box 22216, Riyadh 11495 Kingdom of Saudi Arabia Tel: + 966 92 0000232 Fax: +966 11 4060052 Website: www.alahlicapital.com Email: snbc.cm@alahlicapital.com
GIB Capital Low Rise Building 1, Granada Business Park Eastern Ring Road P.O. Box 89589 Riyadh 11692 Kingdom of Saudi Arabia Tel: + 966 11 5112200 Fax: +966 11 5112201 Website: www.gibcapital.com Email: customercare@gibcapital.com

The agreed principal terms of the Underwriting Agreement are set out below:

13.2 Summary of the Underwriting Agreement

- Under the terms and conditions of the Underwriting Agreement:
- The Selling Shareholders undertake to the Underwriters that, on the first Business Day after the allocation of the Offer Shares following the end of the Offering Period, that they shall:
  - Sell and allocate the Offer Shares to Participating Parties or Individual Investors whose applications for Offer Shares have been accepted by the Receiving Agents.
  - Sell and allocate to the Underwriters the Offer Shares that are not purchased by Participating Parties or Individual Investors pursuant to the Offering.
- The Underwriters undertake to the Company and the Selling Shareholders that they will purchase any Offer Shares that are not subscribed for by Participating Parties or Individual Investors, as stated below:

Table (13.1): Underwritten Shares

Underwriter	No. of Offer Shares Underwritten	Percentage of Offer Shares Underwritten
SNB Capital Company	9,990,000	60%
GIB Capital	6,660,000	40%

The Company and the Selling Shareholders undertake to observe all the terms and conditions of the Underwriting Agreement.

14. UNDERWRITING COSTS

The Selling Shareholders will pay to the Underwriters, on a pro-rata basis to the number of Offer Shares sold, an underwriting fee based on the total value of the Offering and pay the Underwriters' 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, including expenses paid by the Company, which shall be compensated therefor. Expenses borne by the Selling Shareholders are estimated at around forty one million Saudi Riyals (SAR 41,000,000). Such costs shall be deducted from the Offering proceeds and include the fees of the Financial Advisor, Underwriters, Issuer's Legal Advisor, the Financial Due Diligence and Working Capital Advisor, Auditor, Market Study Consultant, and other Advisors, in addition to the fees of the Receiving Agents, marketing, printing and distribution expenses, as well as other related expenses. It should be noted that the costs paid by the Company amounted to approximately nine million Saudi Riyals (SAR 9,000,000), which include fees paid to Tadawul and the Securities Depository Center (Edaa), as well as other costs related to listing the Shares.

16. COMPANY'S POST-LISTING UNDERTAKINGS

Post-Offering, 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.
- Invite the General Assembly for a meeting immediately after listing to update the Company's Bylaws, internal governance regulations, and the charters of the Nominations and Remuneration Committee and the Audit Committee, to reflect the latest amendments to the Companies Law, the Corporate Governance Regulations, and other relevant laws and regulations.
- 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.

In addition, the Current Shareholders undertake and declare that they shall retain their total shareholding at 51% (directly or indirectly) of all their Shares in the Company for the duration of the finance agreement between the Company and Alinma Bank (for a period of fifteen (15) years).

17. WAIVERS

The Company has not applied to the CMA in order to obtain any waivers from any legal requirements.

18. SHARES AND 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 sixteen million six hundred fifty thousand (16,650,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share at an offering price of sixty Saudi Riyals (SAR 60). The offering shares represent 30% of the company's capital, and the total offering value is nine hundred and ninety nine million Saudi Riyals (SAR 999,000,000). 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 sixteen million six hundred fifty thousand (16,650,000) 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 fourteen million nine hundred eighty-five thousand (14,985,000) 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. Initially, four million nine hundred and nine five thousand (4,995,000) ordinary shares were allocated to public funds, representing 30% of the total number of Offer Shares, 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 four million four hundred and nine five thousand (4,495,000) ordinary shares as a minimum, representing 27% 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 for her own benefit in her name or in the names of her minor children, on the condition that she provides proof that she is a divorcee or widow and the mother of her minor children, in addition to 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 Agents 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. A maximum of one million six hundred sixty-five thousand (1,665,000) Offer Shares representing ten percent (10%) of the Offer Shares shall be allocated to Individual Investors. In the event that Individual Investors do not subscribe in full for the Offer Shares allocated thereto, the Lead Manager may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed for by them.

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, the Company and the Selling Shareholders.

b- Participating Parties must submit requests to participate in the book-building process by filling out Bid/Subscription Orders. Participating Parties may amend or cancel their bids at any time during the Book-Building Period, provided that said bids are amended by submitting a modified bid form or an appendix Bid Form (where applicable) before the Offer price determination process that will take place before the Offering Period ends. The number of Offer Shares for each of the Participating Parties shall not be less than fifty thousand (50,000) Share, and no more than two million seven hundred seventy-four thousand nine hundred ninety-nine (2,774,999) Shares, and in relation to public funds only, not exceeding the maximum limit for each participating public fund that is determined in accordance with the Book-Building Instructions, and the number of requested shares must be allocatable. The Lead Manager shall notify the Participating Parties regarding the Offer Price and the number of Offer Shares initially allocated thereto. Subscription by Participating Parties must begin during the Offering Period, which also includes Individual Investors, in accordance with the Subscription Terms and Conditions as detailed in the Subscription Applications Forms.

c- Once the book-building process for Participating Parties is completed, the 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 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 by 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; and
- there have been no changes to the personal information or data of the Individual Investor since his subscription in a recent Offering.

Upon signing and submitting the Individual Investor Application Form to any of the Receiving Agents, it shall be deemed a legally binding agreement between the Selling Shareholders and the relevant Individual Investor.

Individual Investors may obtain a copy of this Prospectus and Application Forms from the following Receiving Agents through the websites of CMA and the Financial Advisor:

Receiving Agents	
Saudi National Bank King Fahd Road - Al-Aqiq - King Abdullah Financial District (KAFD) P.O. Box: 3208 Unit Number: 778 Kingdom of Saudi Arabia Tel: +966 (92) 000 1000 Fax: +966 (11) 406 0052 Website: www.alahli.com Email: contactus@alahli.com	
AlRajhi Bank King Fahd Road - Al Muruj District - Al Rajhi 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	
Alinma Bank Al Anoud Tower - King Fahad Road P.O. Box: 66674, Riyadh 11586 Kingdom of Saudi Arabia Tel: +966 (11) 218 5555 Fax: +966 (11) 218 5000 Website: www.alinma.com Email: info@alinma.com	

The Receiving Agents will commence receiving Subscription Application Forms in their branches throughout the Kingdom beginning on Tuesday 17/11/1444H (corresponding to 06/06/2023G), until Wednesday 18/11/1444H (corresponding to 07/06/2023G). 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 agrees to subscribe for and purchase the number of Offer Shares specified in his/her Subscription Application Form for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of sixty Saudi Riyals (SAR 60) per Offer Share.

Subscriptions by Individual Investors for less than ten (10) Offer Shares or fractions of Offer Shares will not be accepted, noting that the maximum subscription is 250,000 Offer Shares for Individual Investors. Increments are to be made in multiples of 10.

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 civil identification card (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); and
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 name of the person signing on behalf of the Individual Investor should be stated in the Subscription Application Form. The power of attorney must be notarized by a notary public for the Individual Investors residing in the Kingdom and must be legalized through a Saudi embassy or consulate in the relevant country for Individual Investors residing outside the Kingdom. 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; and
- 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; and
- The wife subscribes in her name adding 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 husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Receiving Agent.

A Saudi female divorcee or widow who has minor children from a marriage to a non-Saudi husband can subscribe on behalf of herself and 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 sixty Saudi Riyals (SAR 60) 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 to him/her, unless the allocated shares exceed the number of Offer Shares he has applied for.

18.4 Allocation and Refunds

The Lead Manager shall open and operate escrow accounts, for the purpose of depositing and keeping subscription monies collected from Participating Parties and Receiving Agents (on behalf of Individual Investors). Subscription monies shall be transferred to the Selling Shareholders only after listing and following the deduction of certain fees and expenses. Details of the escrow account shall be specified in the subscription forms. In addition, Receiving Agents shall deposit all amounts received from the Individual Investors into the escrow accounts, the details of which shall be specified in the Retail Subscription 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 monies, if any, will be refunded to the Subscribers in whole without any deductions or fees and will be deposited in the Subscribers' account as specified in the Subscription Application Form.

The announcement of the final allocation and refund process shall be made no later than 23/11/1444H (corresponding to 12/06/2023G) (for further details, see ("**Key Dates and Subscription Procedures**") of this prospectus. Subscribers should communicate with the Lead Manager or the Receiving Agents where they submitted their Subscription 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 sixteen million six hundred fifty thousand (16,650,000) Share representing one hundred percent (100%) of the total Offer Shares, and provided that the final allocation for Participating Parties shall not be less than fourteen million nine hundred eighty-five thousand (14,985,000) Share representing (90%) of the Offer Shares. Initially, four million nine hundred and nine five thousand (4,995,000) ordinary shares were allocated to public funds, representing 30% of the total number of Offer Shares, 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 four million four hundred and nine five thousand (4,495,000) ordinary shares as a minimum, representing 27% of the total number of Offer 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 six hundred sixty-five thousand (1,665,000) 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 166,500 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

- The CMA may suspend stock trading or cancel the listing at any time as it deems fit, in any of the following circumstances:
- The CMA considers it necessary for the protection of investors or the maintenance of an orderly market.
- The Issuer fails, in a manner which the CMA considers material, to comply with the Capital Market Law and its implementing regulations.
- The Issuer does not pay any fees due to the CMA or the Exchange, or penalties due to the CMA on time.
- 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.
- When the reverse takeover announcement does not contain sufficient information about the proposed transaction. In the event that the source 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 or the reverse takeover, the CMA may decide not to suspend trading at this stage.
- 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.
- 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.
- Upon filing a request for commencing Issuer liquidation procedures or administrative liquidation procedure before the court under the Bankruptcy Law.
- 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.
- Upon issuance of a final court ruling to commence Issuer liquidation procedures or administrative liquidation procedures under the Bankruptcy Law.

Lifting of trading suspension, as per Paragraph 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 the above paragraph.
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 the above paragraph.

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.

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 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.

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.

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.

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.

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.

This paragraph shall not prejudice the suspension of trading or the cancellation of listing resulting from the Company's losses, based on the relevant implementing regulations and Listing rules.

18.5.2 Voluntary Cancellation of Listing

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 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; and
4- Names and contact information of the Financial Advisor and legal advisor appointed according to the relevant implementing regulations.

The CMA may, at its discretion, approve or reject the cancellation request

Once approval from the CMA has been obtained for the cancellation of listing, the Company must obtain the consent of its Extraordinary General Assembly.

Where 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

The Company may request the Exchange to implement a temporary trading suspension upon the occurrence of an event that occurs during trading hours 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 a case, the Exchange suspends trading of the securities of the Company as soon as it receives the request.

Where 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.

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 operation 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.

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.

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 fact the Company's accumulated losses equal 50% or more of its capital 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 publicly offered and listed:

- the Company's Board of Directors resolution approving the Offering dated 12/05/1444H (corresponding to 06/12/2022G);
- the General Assembly's resolution approving the Offering dated 10/03/1444H (corresponding to 06/10/2022G);
- the GFSA's approval of the change in shareholding resulting from the Offering dated 03/05/1444H (corresponding to 27/11/2022G), provided that no disposal of shares or change in control of the Selling Shareholders, except as described in Table 4.9 ("**The Company's Ownership Structure Pre- and Post-Offering, as of the date of this Prospectus**"), occurs prior to obtaining the required approvals, and in accordance with the relevant provisions;
- the CMA's approval of the Offering dated 05/09/1444H (corresponding to 27/03/2023G); and
- The Saudi Stock Exchange Tadawul's conditional listing approval issued on 23/07/1444H (corresponding to 14/02/2023G).

18.7 Share Restrictions

From the commencement of trading of the Shares on the Saudi Exchange, the Substantial Shareholders whose names appear on page (xiii) of this Prospectus are not able to dispose of their Shares prior to obtaining the approval of the GFSA and the CMA[22], subject to also obtaining any required approvals from other concerned government agencies.

As of the date of this Prospectus, 70% of the Shares of the Current Shareholders of the Company are pledged in favor of Alinma Bank. Post-Offering, the Current Shareholders are bound to retain not less than 51% of all their Shares in the Company (directly or indirectly), for the duration of the finance agreement between the Company and Alinma Bank (for a period of 15 years) (for more information, please refer to Section 12.7 ("**Credit Facilities and Loans**") of this Prospectus).

In addition, the Company is prohibited from listing shares of the same class as the Offer Shares for a period of six (6) months starting from the start of trading of the Offer Shares on the Exchange. The Offer Shares are also subject to the general restrictions applying on Shares in the Kingdom.

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 Subscription Application Form;
- warrants 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/herself nor any of his/her 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; and
- warrants 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 Refunds**") hereof.

18.9 Shares' 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.

22 Whereas (1) the Substantial Shareholders may not dispose of their Shares during the six (6) months following the commencement of trading of the Shares on the Saudi Exchange, in accordance with the OSCOs requirements, and (2) under the provisions of the Company's GFSA license, the Company may not make any direct change in the Company's ownership or any change of control of the owners or Shareholders of the Company holding more than 5% of the Company's Shares (directly or indirectly), except after obtaining the GFSA's approval. It should be noted that the approval of the Capital Market Authority must be also sought to lift such restriction.

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 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.

Companies are required to disclose all material decisions and information that are important for the investors via the Saudi Exchange. Surveillance and monitoring is the responsibility of the Saudi Exchange as the operator of the market to ensure fair trading and an orderly market.

Securities Depository Center (Edaa)

Securities Depository Center Company (Edaa) was established in 2016G, in accordance with the Saudi Companies Law issued by Royal Decree No. M/3 dated 28/01/1437H. It is a closed joint-stock company fully owned by the Saudi Exchange (Tadawul) Group, with a capital of SAR 400,000,000 divided into 40,000,000 shares, with a nominal value of SAR 10 per share. The establishment was based on CMA approval of Tadawul's Board of Directors request in relation to conversion of the Securities Depository Center into a joint-stock company in accordance with the Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H.

The activities of Edaa are to conduct businesses related to depositing, registering, transferring, settling and clearing securities, and recording any ownership restrictions on the deposited securities. Further, it deposits and manages the records of the issuers of securities, and organizes issuers' general assemblies, including the remote voting services (e-Voting), reporting, notifications, and information, as well as providing other related services that Edaa may provide in accordance with CML and its implementing regulations.

18.11 Trading in the Shares

It is expected that trading in the Shares will commence after the final allocation of shares and the Saudi Exchange announcement of the start date of trading of the Shares. The dates and times mentioned in this Prospectus are considered tentative dates mentioned for inference only, and they can be changed or extended with the approval of the CMA.

Furthermore, the Offer Shares can only be traded after allocated Offer Shares have been credited to Participating Parties' accounts at the Depository Center (Edaa), the Company has been registered and its Shares listed on the Exchange before trading. Participating Parties entering into any pre-trading activities will be acting at their own risk. The Company and the Current 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. If there is any conflict between the Arabic and English texts, the Arabic version is to be approved and 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 and Underwriters require all recipients of this Prospectus to inform themselves of any regulatory restrictions on the Offer Shares and the sale of Offer Shares and to observe all such restrictions.

19. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the Company's head office between 8 a.m. and 4 p.m. from 19/10/1444H (corresponding to 10/05/2023G) until 18/11/1444H (corresponding to 07/06/2023G) for a period of no less than 20 days prior to the end of the Offering Period:

- Copy of the CMA's announcement of the approval of 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 12/05/1444H (corresponding to 06/12/2022G).
- The Company's shareholders approval to offer the Company's shares for public subscription and list them on the Saudi Exchange issued on 12/05/1444H (corresponding to 06/12/2022G).
- Company's Bylaws, amendments thereto, and any other constitutional documents.
- Company's commercial registration certificate issued by MOC.
- Company's financial statements for the financial years ended 31 December 2019G, 31 December 2020G, 31 December 2021G and the Nine Month Period ended 30 September 2022G together with the notes thereto, which were prepared in accordance with IFRS and other standards and pronouncements that are endorsed by SOCPA.
- Market study prepared by the Market Study Consultant.
- Letters of consent from each of:

  1- The Financial Advisor, Lead Manager, Bookrunner (SNB Capital Company(, and Underwriters (SNB Capital Company and GIB Capital) for the inclusion of their respective name, logo and declarations, in this Prospectus.

  2- Ernst & Young Company (formerly known as Ernst & Young & Partners (Chartered Accountants)) for the inclusion in this Prospectus, of its name, logo, and declarations, or financial statements as auditor of the Company for the audited financial statements for the financial years ended 31 December 2019G, 31 December 2020G, 31 December 2021G, which were prepared in accordance with IFRS-KSA and other standards and pronouncements that are endorsed by SOCPA.

  3- KPMG, for the inclusion in this Prospectus, of its name, logo, and declarations, or financial statements as auditor of the Company for the reviewed condensed interim financial statements of the Nine Month Period ended 30 September 2022G, which were prepared in accordance with the 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.

  4- The Financial Due Diligence Advisor (PricewaterhouseCoopers Company Chartered Accountants) for the inclusion of its name, logo and declarations, if any, in this Prospectus.

  5- The Market Study Consultant (Euromonitor International Ltd.) for the inclusion of its name, logo and declarations in this Prospectus.

  6- The Legal Advisor (Legal Advisors (Abdulaziz Al Ajlan and Partners in association with Baker & McKenzie Ltd)), for the inclusion of their name, logo and declarations, if any, in this Prospectus.

  7- The Legal Advisor of the Financial Advisor, Lead Manager, Bookrunner and Underwriters (The Law Office of Salman Muteb Al-Sudairi) for the inclusion of their name, logo and declarations, if any, in this Prospectus.

- Contracts and agreements disclosed in Section 12.6 ("**Transactions and Contracts with Related Parties**") hereof.
- Underwriting Agreement.
- All reports, letters, and other documents, valuations and data prepared by any expert wholly or partly included or referred to herein.
- Document clarifying the mechanism relied upon to determine the price range used in the book-building process.

20. FINANCIAL STATEMENTS AND CHARTERED ACCOUNTANT'S REPORT

This section contains the financial statements for the financial years ended 31 December 2019G, 31 December 2020G, 31 December 2021G and notes regarding the financial statements, including a summary of the major accounting policies, and for the Nine Month Period ended 30 September 2022G, which were prepared in accordance with IFRS-KSA and other standards and pronouncements that are endorsed by SOCPA.

The First 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 2019

The First 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 2019

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INDEPENDENT AUDITOR'S REPORT
TO THE OWNER OF THE FIRST MILLING COMPANY (OWNED BY ONE PERSON)
(A SAUDI CLOSED JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of The First Milling Company (Owned by One Person) - A Saudi Closed Joint Stock Company (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, 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 is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for 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.

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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INDEPENDENT AUDITOR'S REPORT
TO THE OWNER OF THE FIRST MILLING COMPANY (OWNED BY ONE PERSON)
(A SAUDI CLOSED JOINT STOCK COMPANY) (CONTINUED)

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

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

for Ernst & Young

Yousef A. AlMubarak
Certified Public Accountant
License No. (427)

شركة ارنست ويونغ وشركاهم محاسبون قانونيون
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

Riyadh: 2 Dhu Al-Qi'dah 1441H
(23 June 2020)

The First Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	*31 December 2019 SR*	*31 December 2018 SR*
ASSETS			
NON – CURRENT ASSETS			
Property, plant and equipment and right of use assets	5	**764,009,156**	672,719,662
TOTAL NON – CURRENT ASSETS		**764,009,156**	672,719,662
CURRENT ASSETS			
Inventories	6	**111,482,003**	125,248,376
Amounts due from related parties	22	**20,781**	11,798,362
Prepayments and other current assets	7	**45,552,759**	12,034,604
Cash at banks	8	**320,335,977**	280,240,784
TOTAL CURRENT ASSETS		**477,391,520**	429,322,126
TOTAL ASSETS		**1,241,400,676**	1,102,041,788
EQUITY AND LIABILITIES			
EQUITY			
Capital	9	**500,000**	125,000
Proposed increase in capital	10	**538,736,780**	-
Statutory reserve		**150,000**	37,500
Other reserves	10	**-**	538,736,786
Retained earnings		**351,178,114**	225,885,277
TOTAL EQUITY		**890,564,894**	764,784,563
LIABILITIES			
NON-CURRENT LIABILITIES			
Leases liabilities	11, 2-3	**261,452,691**	194,707,164
Employees' defined benefits liabilities		**490,373**	69,645
TOTAL NON-CURRENT LIABILITIES		**261,943,064**	194,776,809
CURRENT LIABILITIES			
Trade payables and other current liabilities	12	**34,031,689**	30,666,676
Leases liabilities	11, 2-3	**8,162,313**	34,174,490
Advances from customers		**14,020,825**	13,182,877
Amounts due to related parties	22	**32,677,891**	64,456,373
TOTAL CURRENT LIABILITIES		**88,892,718**	142,480,416
TOTAL LIABILITIES		**350,835,782**	337,257,225
TOTAL EQUITY AND LIABILITIES		**1,241,400,676**	1,102,041,788

The attached notes 1 to 25 form an integral part of these financial statements.

The First 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 2019

	Notes	***2019 SR***	*2018 SR*
Sales	13	**643,893,703**	581,235,830
Direct costs	14	**(441,269,847)**	(409,629,796)
GROSS PROFIT		**202,623,856**	171,606,034
EXPENSES			
Selling and distribution expenses	15	**(11,153,195)**	(9,343,339)
General and administrative expenses	16	**(56,955,534)**	(46,624,602)
TOTAL EXPENSES		**(68,108,729)**	(55,967,941)
OPERATING PROFIT		**134,515,127**	115,638,093
Finance costs		**(13,498,937)**	(13,237,163)
Other income	17	**4,764,141**	1,135,099
PROFIT FOR THE YEAR		**125,780,331**	103,536,029
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**125,780,331**	103,536,029
Earnings per share (EPS)	21		
Basic and diluted earnings per share for the year		**2,516**	2,071

The attached notes 1 to 25 form an integral part of these financial statements.

The First Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY
For year ended 31 December 2019

	Notes	*Capital paid*	*Proposed increase in capital*	*Statutory reserve*	*Other reserves*	*Retained earnings*	*Total*
		SR	*SR*	*SR*	*SR*	*SR*	*SR*
As at 1 January 2019		125,000	-	37,500	538,736,786	225,885,277	764,784,563
Profit for the year		-	-	-	-	125,780,331	125,780,331
Other comprehensive income		-	-	-	-	-	-
Total comprehensive Income		**-**	**-**	**-**	**-**	**125,780,331**	**125,780,331**
Completion of the remaining capital	9	375,000	-	-	-	(375,000)	-
Transfer to statutory reserve		-	-	112,500	-	(112,500)	-
Proposed increase in capital	10	-	538,736,780	-	(538,736,786)	6	-
At 31 December 2019		**500,000**	**538,736,780**	**150,000**	**-**	**351,178,114**	**890,564,894**
As at 1 January 2018		125,000	-	37,500	538,736,786	122,349,248	661,248,534
Profit for the year		-	-	-	-	103,536,029	103,536,029
Other comprehensive income		-	-	-	-	-	-
Total comprehensive Income		-	-	-	-	103,536,029	103,536,029
At 31 December 2018		125,000	-	37,500	538,736,786	225,885,277	764,784,563

The attached notes 1 to 25 form an integral part of these financial statements.

The First Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Notes	**2019 SR**	2018 SR
OPERATING ACTIVITIES			
Profit for the year		**125,780,331**	103,536,029
Adjustments to reconcile profit to net cash flows:			
Depreciation for property, plant and equipment and right of use assets	5	**35,258,623**	31,578,336
Interest cost on lease liabilities		**13,498,937**	13,237,163
Provision for slow moving inventory	6	**7,325,176**	-
Inventory reduced to net realizable value		**-**	710,598
Allowance for doubtful debts		**882,428**	-
Provision for employee defined benefit obligation		**435,286**	69,645
		183,180,781	149,131,771
Changes in operating assets and liabilities:			
Inventories		**6,441,197**	(10,579,472)
Amounts due from related parties		**11,777,581**	4,946,020
Prepayments and other current assets		**(34,400,583)**	(9,286,086)
Amounts due to related parties		**(31,778,482)**	6,792,264
Trade payables and other current liabilities		**4,176,993**	4,680,621
Advances from customers		**837,948**	1,695,848
Cash from operations		**140,235,435**	147,380,966
Obligation of defined benefits to employees paid		**(14,558)**	-
Net cash flows (used in) from operating activities		**140,220,877**	147,380,966
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	**(49,091,779)**	(6,270,807)
Net cash flows used in investing activities		**(49,091,779)**	(6,270,807)
FINANCING ACTIVITIES			
Payment of lease liabilities		**(51,033,905)**	-
Net cash flows from financing Activities		**(51,033,905)**	-
Net (decrease) increase in cash at banks		**40,095,193**	141,110,159
Cash at banks at the beginning of the year		**280,240,784**	139,130,625
Cash at banks at the end of the year		**320,335,977**	280,240,784
Non-cash transactions:			
Initial recognition of right of use assets	2-3	**258,088,128**	-
Additions to lease contracts	5	**7,894,075**	-
Spare parts transferred from SAGO	22	**-**	(1,204,500)

The attached notes 1 to 25 form an integral part of these financial statements.

The First Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

1. CORPORATE INFORMATION

- First Milling Company – A One Person Closed Joint Stock Company (the "Company") was incorporated in Jeddah in the Kingdom of Saudi Arabia on 10 Safar 1438H (corresponding to 10 November 2016). The registered office is located at Jeddah Islamic Port, Jeddah between gates 7 and 8. 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).

- The Council of Ministers' resolution No. (118) dated 21 Safar 1440H (corresponding to 30 October 2018) states that the Specialized Committee transfers the assets, rights and obligations related to the activity of the flour mills to the Companies established by the Public Investment Fund pursuant to the Council of Ministers Resolution No. (35) dated 27 Muharram 1437H (corresponding to 9 November 2015) as decided by the Specialized Committee, while keeping lands and silos ownership with the government (General Authority for State Property).

- On 16 Rabea II 1440H (corresponding to 23 December 2018), the Specialized Committee resolution No. 11014 established in accordance with the aforementioned decision was issued to transfer ownership of all assets, rights and obligations related to the flour mills activity from the government ownership (Ministry of Finance) and SAGO to the First Milling Company as of Sunday 3 Rabea II 1438H (corresponding to 1 January 2017) as an unconditional and free gift.

- Total net assets transferred and recognized at carrying amount as at 1 January 2017 are as follows:

Assets	**SR**
Spare parts	64,916,088
Property, plant and equipment	473,820,698
	538,736,786

- In accordance with the Specialized Committee's decision, the net value of these assets was considered an unconditional gift. Accordingly, the net assets value was recorded as other reserves amounting to SR 538,736,786.

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

The First Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

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 (Jeddah)	29 Jumada Althani 1438H (corresponding to 28 March 2017)	4030291813
Jeddah	29 Jumada Althani 1438H (corresponding to 28 March 2017)	4030294014
Qassim	29 Jumada Althani 1438H (corresponding to 28 March 2017)	1131057624
Al Ahsa	29 Jumada Althani 1438H (corresponding to 28 March 2017)	2250067938
Tabuk	29 Jumada Althani 1438H (corresponding to 28 March 2017)	3550038652

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) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss and other comprehensive income.

Business combination involving entities or businesses under common control is:
- A business combination in which the same party or parties ultimately control all of the combining entities or businesses both before and after the business combination;
- the control is not transitory.

The transfer of assets between entities under common control is outside the scope of IFRS 3 and no other treatment for these transactions has been prescribed by the IFRSs. In accounting of property, plant and equipment the pooling of interest method has been used which has been prescribed by certain other standard-setting bodies.

<u>Pooling of interest method</u>
Under this method, the assets and liabilities are recorded at book value and not fair value and any expenses incurred on such combination are immediately written off to the profit or loss and other comprehensive income.

The First Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES – continued

2.2 Summary of Significant Accounting Polices – (continued)

b) 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

All other assets are classified as non-current.

c) Fair value measurement

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

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

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

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

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

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

The First Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

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 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 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	Computers and software	3-4 years
Motor Vehicles	5 years		

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

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

e) 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.

The First Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

2 SIGNIFICANT ACCOUNTING POLICIES – continued

2.2 Summary of Significant Accounting Polices – (continued)

f) Financial instruments – initial recognition and subsequent measurement – (continued)

Subsequent measurement

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss and other comprehensive income.
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

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

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

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

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.

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.

The First Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES – continued

2.2 Summary of Significant Accounting Polices – (continued)

f) Financial instruments – initial recognition and subsequent measurement (continued)

Financial liabilities (continued)

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 amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

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

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

g) Inventories

Cost is determined as follows:

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

h) Cash at banks

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

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

The First Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES – continued

2.2 Summary of Significant Accounting Polices – (continued)

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.

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

j) Impairment of non-financial assets

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

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

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.

The First Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES – continued

2.2 Summary of Significant Accounting Polices – (continued)

j) Impairment of non-financial assets – (continued)

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

k) *Revenue from contracts with customers*

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

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

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 sales are made on cash basis, there is no financing component with amounts receivable from customers.

Contract balances

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

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

The First Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES – Continued

2.2 Summary of Significant Accounting Polices – (continued)

m) Provisions

General
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.

n) Zakat and taxes

Zakat
The Company is not subject to Zakat since its share capital is from public funds on which Zakat is not applicable.

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

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

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

o) 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.

p) Foreign currencies

The Company's financial statements are presented in Saudi Riyal, which is also the Company's functional currency.

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

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

The First Milling Company (Owned by One Person)
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NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES – Continued

2.2 Summary of Significant Accounting Polices – (continued)

p) Foreign currencies (continued)

Transactions and balances (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 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.

r) 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.

s) 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 standards, interpretations or amendments that have been issued but are not yet effective. The Company applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of the new accounting standard are described below.

IFRS 16 – Leases

IFRS 16 supersedes IAS 17 leases, IFRIC 4 determining whether an arrangement contains a lease, SIC-15 operating leases-incentives and SIC-27 evaluating the substance of transactions involving the legal form of a lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of is the 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.
The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The First Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3 New and Amended Standards and Interpretations – (continued)

The effect of adoption IFRS 16 as at 1 January 2019 (increase/ (decrease)) is as follows:

	SR
Assets	
Right-of-use assets	258,088,128
Assets under finance lease	(188,525,865)
Total assets	69,562,263
Liabilities	
Leases liabilities	70,374,243
Obligations under financial lease	(811,980)
Total liabilities	69,562,263
Total adjustments on equity	-

- **Nature of the effect of adoption of IFRS 16**

The Company has various leases for lands, silos for the purpose of storing wheat, flour and feed. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. In operating leases, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and trade and other payables, respectively.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

- **Leases previously accounted for as operating leases**

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application amounted to 4.4%.

The Company also applied the following practical methods wherein it:

•Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
•Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.
•Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Based on the foregoing, as at 1 January 2019:

• Right-of -use assets of SR 258 million were recognised and presented within property, plant and equipment.
• Lease liabilities of SR 70 million and presented separately in the interim condensed financial position.
• Accrued expenses of SR 0.8 million have wew derecognised in respect of previous operating leases.
• Property, plant and equipment amounting to SR 188.5 were derecognised in respect of previous finance lease

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2. SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3 New and Amended Standards and Interpretations – (continued)

Reconciliation of leases liabilities as at 1 January 2019 and operating lease commitments as at 31 December 2018 are as follows:

	1 January 2019 SR
Net operating lease commitments as at 31 December 2018	**110,259,604**
Discounted using the incremental borrowing rate	**(39,885,362)**
	70,374,242
Plus: Finance lease liabilities recognised as at 31 December 2018	**228,881,654**
Lease liabilities as at 1 January 2019	**299,255,896**

- **Summary of new accounting policies**

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

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 right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Company 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 considered to be 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 the lease term.

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2.SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3 New and Amended Standards and Interpretations – (continued)

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

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

Amounts recognised in the statement of financial position and the statement of income

Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the year:

	Right of use assets	Lease liabilities
	SR	SR
As at 1 January 2019	**282,375,757**	299,255,896
Depreciation	**(28,546,888)**	-
Finance charges	-	12,153,334
Payments	-	(29,640,892)
As at 31 December 2019	**253,828,869**	269,615,004

SUMMARY OF NEW ACCOUNTING POLICIES
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.

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SUMMARY OF NEW ACCOUNTING POLICIES (CONTINUED)
3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

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 leases arrangements:

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

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

Defined benefit plans
The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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4.SEGMENT INFORMATION

The operations of the company are mainly in the Kingdom of Saudi Arabia. The operations of the Company are in four branches: Jeddah, Qassim, Tabuk and Al Ahsa.

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 similar to transactions with third parties.

The selected financial information for these branches is as follows.

For the year ended 31 December 2019	***Jeddah SR***	***Qassim SR***	***Tabuk SR***	***Al Ahsa SR***	***Head office SR***	***Total segments SR***
Total revenue	344,249,325	168,659,111	54,672,584	76,312,683	-	**643,893,703**
Cost of inventories	(149,270,346)	(79,831,229)	(21,929,578)	(31,747,673)	-	**(282,778,826)**
Employee benefits expenses	(35,250,973)	(37,519,731)	(16,810,450)	(13,419,469)	(14,445,309)	**(117,445,932)**
Depreciation	(15,223,681)	(3,565,472)	(2,455,026)	(13,872,024)	(142,420)	**(35,258,623)**
Other expenses	(31,462,954)	(10,709,416)	(5,373,244)	(7,060,470)	(19,289,111)	**(73,895,195)**
financing costs	(8,442,521)	(2,680,286)	(149,135)	(2,226,995)	-	**(13,498,937)**
Other income	480,735	80,790	14,872	21,723	4,166,021	**4,764,141**
Segment (loss) profit	**105,079,585**	**34,433,767**	**7,970,023**	**8,007,775**	**(29,710,819)**	**125,780,331**

For the year ended 31 December 2018	*Jeddah SR*	*Qassim SR*	*Tabuk SR*	*Al Ahsa SR*	*Head office SR*	*Total segments SR*
Total revenue	324,245,007	129,674,724	60,526,310	66,789,789	-	581,235,830
Cost of inventories	(139,307,855)	(71,360,624)	(24,713,410)	(27,113,018)	-	(262,494,907)
Employee benefits expenses	(32,418,475)	(32,221,489)	(14,629,931)	(10,762,764)	(13,341,161)	(103,373,820)
Depreciation	(12,939,543)	(3,302,464)	(2,467,872)	(12,799,239)	(69,218)	(31,578,336)
Other expenses	(30,525,576)	(12,176,268)	(4,533,604)	(7,950,231)	(12,964,995)	(68,150,674)
financing costs	(8,689,398)	(3,031,843)	-	(1,515,922)	-	(13,237,163)
Other income	246,644	215,515	87,064	3,050	582,826	1,135,099
Segment (loss) profit	100,610,804	7,797,551	14,268,557	6,651,665	(25,792,548)	103,536,029

At 31 December 2019	***Jeddah SR***	***Qassim SR***	***Tabuk SR***	***Al Ahsa SR***	***Head office SR***	***Total segments SR***
Total assets	355,582,925	119,043,498	88,491,617	328,497,112	349,785,524	**1,241,400,676**
Total liabilities	184,086,676	63,464,834	22,702,686	51,555,333	29,026,253	**350,835,782**
Other disclosures:						
Property, plant and equipment with Right of use assets	300,810,241	73,241,261	72,871,666	312,995,001	4,090,987	**764,009,156**
Inventory	46,911,611	40,430,106	11,841,202	12,299,084	-	**111,482,003**

At 31 December 2018	Jeddah SR	Qassim SR	Tabuk SR	Al Ahsa SR	Head office SR	Total segments SR
Total assets	331,296,576	117,715,011	61,428,073	311,083,276	280,518,852	1,102,041,788
Total liabilities	206,972,580	66,704,783	12,423,259	38,663,046	12,493,557	337,257,225
Other disclosures:						
Property, plant and equipment with Right of use assets	256,899,617	66,238,845	45,612,744	302,144,464	1,823,992	672,719,662
Inventory	54,869,257	46,170,652	12,442,590	7,447,954	4,317,923	125,248,376

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5. PROPERTY, PLANT AND EQUIPMENT

	Buildings (*)	*Plant and equipment*	*Assets under finance lease (****)*	*Furniture and fittings*	*Computer equipment*	*Motor vehicles*	*Right of use Assets (****)*	*Projects under progress (**)*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	
Cost									
At 1 January 2018	196.262.003	323.243.090	204,919,419	2,352,530	1,357,733	536,700	-	-	728,671,475
Additions during the year	30,500	3,102,655	-	70,452	485,132	690,800	-	1,891,268	6,270,807
At 31 December 2018	196,292,503	326,345,745	204,919,419	2,422,982	1,842,865	1,227,500	-	1,891,268	734,942,282
Additions during the year	279,250	7,143,335	-	316,614	909,841	11,000	7,894,075	40,431,739	**56,985,854**
Adoption of IFRS 16	-	-	(204,919,419)	-	-	-	274,481,682	-	**69,562,263**
At 31 December 2019	196,571,753	333,489,080	-	2,739,596	2,752,706	1,238,500	282,375,757	42,323,007	**861,490,399**
Accumulated depreciation									
At 1 January 2018	6.242.079	15.074.463	8,196,777	739.616	357,849	33,500	-	-	30,644,284
Charge for the year (***)	6,354,280	15,948,416	8,196,777	606,762	307,389	164,712	-	-	31,578,336
At 31 December 2018	12,596,359	31,022,879	16,393,554	1,346,378	665,238	198,212	-	-	62,222,620
Charge for the year (***)	6,357,498	15,825,832	-	332,752	338,812	250,395	12,153,334	-	35,258,623
Transfers to right of use assets	-	-	(16,393,554)	-	-	-	16,393,554	-	-
At 31 December 2019	**18,953,857**	**46,848,711**	**-**	**1,679,130**	**1,004,050**	**448,607**	**28,546,888**	**-**	**97,481,243**
Net book value									
At 31 December 2019	**177,617,896**	**286,640,369**	**-**	**1,060,466**	**1,748,656**	**789,893**	**253,828,869**	**42,323,007**	**764,009,156**
At 31 December 2018	183,696,144	295,322,866	188,525,865	1,076,604	1,177,627	1,029,288	-	1,891,268	672,719,662

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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 1,992,395 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 mainly consists mainly of the following projects:

1. Computer Program Project (SAP)
2. The project of constructing iron silos in Tabuk.
3. The project of establishing a medium voltage station to feed and separate the private sector from the government sector.
4. The project of establishing a flour warehouse in Jeddah.
5. Project of supplying and installing scales and modernizing the automatic control system for silos in Jeddah.
6. A project to establish a spare parts warehouse in Qassim

The expected completion date of this is 2020 and the capital commitments relating to this amount to SR 10.8 million (31 December 2018: SR 2 million).

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

	2019	*2018*
	SR	*SR*
Direct Cost (Note 14)	**33,052,398**	29,760,221
General and administrative expenses (Note 16)	**1,691,539**	1,765,523
Selling and marketing expenses (Note 15)	**514,686**	52,592
	35,258,623	31,578,336

(****) Right of use assets

	Silos (*)	**Lands (**)**	**Buildings and Warehouses (***)**	**Total**
Cost				
Initial recognition of IFRS 16	-	69,562,263	-	69,562,263
Charge on assets under finance lease	204,919,419	-	-	204,919,419
Additions during the year	-	-	7,894,075	7,894,075
As at 31 December 2019	**204,919,419**	**69,562,263**	**7,894,075**	**282,375,757**
Accumulated depreciation				
Charge for the year (2019) (***)	8,196,798	3,018,455	938,081	12,153,334
Charge on assets under finance lease	16,393,554	-	-	16,393,554
As at 31 December 2019	**24,590,352**	**3,018,455**	**938,081**	**28,546,888**
Net book Value				
As at 31 December 2019	**180,329,067**	**66,543,808**	**6,955,994**	**253,828,869**

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5. PROPERTY, PLANT AND EQUIPMENT – (continued)

(*) 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. INVENTORIES

	31 December 2019 SR	*31 December 2018 SR*
Spare parts	**89,004,370**	75,257,287
Raw materials	**33,370,142**	43,873,484
Finished goods *	**15,209,902**	18,759,015
Goods in transit	**1,380,850**	7,510,160
Others	**1,049,885**	1,056,400
Less: allowance for slow moving inventory	**(28,533,146)**	(21,207,970)
	111,482,003	125,248,376

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

Movement in allowance for slow moving inventory

	31 December 2019 SR	*31 December 2018 SR*
At the beginning of the year	**21,207,970**	21,207,970
Provision during the year	**7,325,176**	-
At end of the year	**28,533,146**	21,207,970

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7. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2019 SR	*31 December 2018 SR*
Letters of credit (note 19)	**39,992,581**	10,054,343
Prepayments (*)	**1,851,402**	1,666,348
Other receivables **	**2,493,887**	313,913
Accrued revenue	**1,214,889**	-
	45,552,759	12,034,604

(*) Prepayments mainly includes amounts prepaid rent and medical insurance and staff allowances and others.
(**) The carrying amount of other receivables is net of an impairment balance of SAR 882,428.

8. Cash and cash equivalents

	31 December 2019 SR	*31 December 2018 SR*
Cash at banks	**40,335,977**	280,240,784
Short term deposits*	**280,000,000**	-
	320,335,977	280,240,784

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

9. PAID CAPITAL

The Company's share capital is divided into 50,000 shares of SR 10 each (31 December 2018: 50,000 shares of SR 10 each). On 14 Rajab 1440 AH (corresponding to 21 March 2019), the general assembly of the company agreed to complete the nominal value of shares from SR 125,000 to SR 500,000 (31 December 2018: SR 125,000). All legal procedures regarding the completion of the nominal value of shares were completed during the year. Public Investment Fund ("PIF") has 100% holding in the Company.

10. OTHER RESERVES

As per the resolution passed by the specialized committee, due to the authority given to them in the Ministerial Order number 9851 issued by Ministry of Commerce dated 10 November 2018, in the extraordinary general meeting dated 30 October 2018 and as shown in note 1, the transferred assets has been capitalized as a separate reserve in equity under "Other Reserves".

On 3 Safar 1441H (corresponding to 2 October 2019) the extraordinary general assembly decided to increase the company's capital from SR 500,000 SAR to SR 539,236,780 by transferring the amount of SR 538,736,780 from the other reserves account to the proposed increase in capital, to bring the total shares to 53,923,678 shares. The legal procedures related to this matter were completed during the following period.

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11. LEASE LIABLITIES

Movement in lease liabilities during the year is as follows:

	31 December 2019 SR	*31 December 2018 SR*
beginning of the year	**228,881,654**	215,644,491
Initial recognition of IFRS 16	**70,374,243**	-
Additions during the year	**7,894,075**	-
Finance charges	**13,498,937**	13,237,163
Payments	**(51,033,905)**	-
	269,615,004	228,881,654
Current lease liabilities	**8,162,313**	34,174,490
Non - Current lease liabilities	**261,452,691**	194,707,164
	269,615,004	228,881,654

12. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	31 December 2019 SR	*31 December 2018 SR*
Trade payables	**17,100,962**	7,845,176
Other payables	**2,310,009**	1,883,990
Accrued expenses *	**14,095,139**	20,633,709
Vat Payable	**525,579**	303,801
	34,031,689	30,666,676

*Accrued expenses mainly comprise of accrued electricity, rent, professional services charges and employee related expenses.

13. SALES

	2019 SR	*2018 SR*
Flour	**438,164,445**	410,715,347
Bran	**126,102,022**	93,730,308
Feed	**79,627,236**	76,790,175
	643,893,703	581,235,830

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

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13. SALES - CONTINUED

13.2 Disaggregation of Revenue

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

	2019 ***SR***	*2018* *SR*
Type of sector		
Corporate sector	**506,314,028**	499,321,836
Individual sector	**133,133,007**	80,908,274
Government	**4,446,668**	1,005,720
	643,893,703	581,235,830
Type of customer		
Non-government	**4,446,668**	1,005,720
Government	**639,447,035**	580,230,110
	643,893,703	581,235,830
Duration of contracts		
Less than one year	**643,893,703**	581,235,830
	643,893,703	581,235,830

Performance commitment

The sale of the goods is recognized by the company at a point in time, and the performance obligation is fulfilled when the goods are removed from the warehouses

14. DIRECT COSTS

	2019 ***SR***	*2018* *SR*
Raw material consumed	**279,229,713**	257,031,240
Salaries and other benefits	**75,677,512**	66,678,326
Depreciation of property, plant and equipment and right of use assets (Note 5)	**33,052,398**	29,760,221
Fuel and Power	**30,082,581**	34,846,218
Provision for slow moving inventory (Note 6)	**7,325,176**	-
Maintenance	**3,721,851**	1,556,327
Rent	**2,288,607**	7,534,053
Other expenses	**6,342,896**	6,759,744
	437,720,734	404,166,129
Finished goods at the beginning of the year	**18,759,015**	24,222,682
Total production cost intended for sale during the year	**456,479,749**	428,388,811
Finished goods at the end of the year (Note 6)	**(15,209,902)**	(18,759,015)
	441,269,847	409,629,796

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15. SELLING AND DISTRIBUTION EXPENSES

	2019 *SR*	*2018* *SR*
Salaries and other benefits	**7,554,347**	6,994,470
Advertising & Marketing	**1,332,729**	1,224,349
Impairment of receivables	**882,428**	-
Depreciation of property, plant and equipment and right of use assets (Note 5)	**514,686**	52,592
Fuel and Power	**309,529**	359,239
Material and supplies	**101,932**	104,110
Rent	**19,472**	73,462
Professional and consulting fees	**-**	218,580
Other expenses	**438,072**	316,537
	11,153,195	9,343,339

16. GENERAL AND ADMINISTRATIVE EXPENSES

	2019 *SR*	*2018* *SR*
Salaries and other benefits	**33,699,906**	28,281,024
Professional and consulting fees	**14,784,492**	9,997,002
Depreciation of property, plant and equipment and right of use assets (Note 5)	**1,691,539**	1,765,523
Board and committees expenses, rewards and allowances (Note 22)	**1,109,548**	1,564,732
Phone expenses	**514,167**	1,420,000
Fuel and power	**619,058**	718,479
Material and supplies	**667,748**	584,361
Maintenance	**675,898**	331,505
Rent	**138,423**	132,404
Other expenses	**3,054,755**	1,829,572
Total	**56,955,534**	46,624,602

17. OTHER INCOME

	31 December 2019 SR	*31 December 2018 SR*
Bank deposit income	**3,985,458**	
Penalties and fines	**247,694**	355,625
Other	**530,989**	779,474
Total	**4,764,141**	1,135,099

18. CAPITAL COMMITMENTS AND CONTINGENCIES

Contingencies

As of 31 December 2019, the company had contingent liabilities that arose during its normal business cycle and related to letters of credit of SR 39,992,581 (31 December 2018: SAR 15,439,610) The amount paid was SR 39,992,581 (31 December 2018: SR10,054,343) (note 7) and internal collection bills amounting to SR 435,017 (31 December 2018: SR 85,437).

The First Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

19. FINANCIAL INSTRUMENTS

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

	31 December 2019 SR	*31 December 2018 SR*
Financial assets at amortised cost:		
Amounts due from related parties	**20,781**	11,798,362
Cash at banks	**320,335,977**	280,240,784
Total	**320,356,758**	292,039,146

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

	31 December 2019 SR	*31 December 2018 SR*
Financial liabilities at amortised cost:		
Trade payables and other current liabilities	**34,031,689**	30,666,676
Leases liabilities	**269,615,004**	228,881,654
Amounts due to related parties	**32,677,891**	64,456,373
Total	**336,324,584**	324,004,703

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 recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no transfers between levels of fair value measurements in 2019 and 2018. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.

The First Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

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 minimising the volatility of the funding costs of the Company.
There were no changes in the policies for managing these risks.

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

The Company is exposed to credit risk on its bank balances and amounts due from related parties as follows:

	31 December 2019 SR	*31 December 2018 SR*
Financial assets at amortised cost:		
Amounts due from related parties	**20,781**	11,798,362
Cash at banks	**320,335,977**	280,240,784
Total	**320,356,758**	292,039,146

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

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

Banks	***Rating***		***Rating Agency***	***31 December 2019 SR***	*31 December 2018 SR*
	Short term	***Long term***			
Saudi British Bank	**P-1**	**A-1**	Moody`s	**500,000**	125,000
Banque Saudi Fransi	**P-1**	**A1**	Moody`s	**319,835,977**	280,115,784
				320,335,977	280,240,784

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 First Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

20. FINACIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – (CONTINUED)

Credit risk (continued)

Expected credit loss assessment for accounts and other receivables (continued)

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

The loss allowance as at 31 December 2019, and 31 December 2018 was determined to be not required as the Company has a cash only business, hence no adjustment of the same has been made in these financial statements.

Liquidity risk

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

Excessive risk concentration:

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular 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 summarises the maturities of the Company's financial liabilities as at 31 December 2019 and 31 December 2018 based on contractual payment dates and current market interest rates as following.

31 December 2019

	On demand SR	*Less than 3 months SR*	*3 to 12 Months SR*	*1 to 5 years SR*	*More than 5 years SR*	*Total SR*
Trade payables and other current liabilities	-	-	**34,031,689**	-	-	**34,031,689**
Lease liabilities	-	-	**8,162,313**	**32,940,630**	**228,512,061**	**269,615,004**
Amounts due to related parties	-	-	**32,677,891**	-	-	**32,677,891**
	-	-	**74,871,893**	**32,940,630**	**228,512,061**	**336,324,584**

31 December 2018

	On demand SR	*Less than 3 months SR*	*3 to 12 Months SR*	*1 to 5 years SR*	*More than 5 years SR*	*Total SR*
Trade payables and other current liabilities	-	-	30,666,676	-	-	30,666,676
Liabilities under finance leases	-	-	34,174,490	20,294,517	174,412,647	228,881,654
Amounts due to related parties	-	-	64,456,373	-	-	64,456,373
	-	-	129,297,539	20,294,517	174,412,647	324,004,703

The First Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

20. FINACIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – (CONTINUED)

Market risk

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

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

Foreign currency risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. However, as the Company does not have any instrument carrying such risk, it is not exposed to interest rate risk.

Equity price risk

This is the susceptibility of a Company's listed and unlisted equity securities to market price risk arising from uncertainties about future values of the investment securities. The Company manages equity price risk through diversification and sets limits for each equity instrument separately and in aggregate. Reports on equity portfolio are regularly reported to Senior Management. As the Company has no such investments in the aforementioned 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 maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt trade payables and other current liabilities, amounts due to related parties and obligations under finance lease, less Cash at banks.

	31 December 2019 SR	*31 December 2018 SR*
Trade payables and other current liabilities	**34,031,689**	30,666,676
Obligations under finance lease	**269,615,004**	228,881,654
Amounts due to related parties	**32,677,891**	64,456,373
Less: Cash at banks	**(320,335,977)**	(280,240,784)
Net debt	**15,988,607**	43,763,919
Shareholders' equity	**890,564,894**	764,784,563
Total capital	**906,553,501**	808,548,482
Gearing ratio	**2%**	5%

The First Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

21. 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 period.

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

	31 December 2019 SR	*31 December 2018 SR*
Profit for the year	**125,780,331**	103,536,029
Weighted average number of ordinary shares for basic EPS	**50,000**	50,000
Earnings per share – basic and diluted	**2,516**	2,071

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.

The First Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

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 2019 and 31 December 2018, in addition to balances with the related parties as at 31 December 2019 and 31 December 2018:

		Transactions						*Balance*	
		Raw Material transfer SR	*Purchase of wheat and other raw materials SR*	*Payments made SR*	*Rents SR*	*Expenses on behalf of SR*	*Spare parts transfer SA*	*Amounts from to related parties SR*	*Amounts due to related parties SR*
Second Milling Company	**2019**	**-**	**-**	**-**	**-**	**16,832,716**	**-**	**-**	**11,420,464**
	2018	38,516	-	-	-	9,711,275	-	-	4,640,098
Third Milling Company	**2019**	**207,408**	**-**	**11,712,983**	**-**	**-**	**-**	**-**	**-**
	2018	-	-	-	-	251,761	-	11,505,575	-
Forth Milling Company	**2019**	**-**	**-**	**272,006**	**-**	**-**	**-**	**20,781**	**-**
	2018	-	-	-	-	113,813	-	292,787	-
Saudi Grain Organization	**2019**	**-**	**206,929,900**	**315,606,803**	**51,046,656**	**19,103,155**	**31,755**	**-**	**21,257,427**
	2018	-	198,313,420	221,147,620	49,368,356	-	1,204,500	-	59,816,275

The First Milling Company (Owned by One Person)
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

22. RELATED PARTY TRANSACTIONS AND BALANCES – (CONTINUED)
Compensation of key management personnel of the Company

Transactions with key management personnel	***2019***	*2018*
	SR	*SR*
Short-term employee benefits	**4,122,647**	3,898,190
Board and committees expenses, rewards and allowances	**514,167**	1,420,000
Total compensation paid to key management personnel	**4,636,814**	5,318,190

23. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Company will apply these amendments when they become effective.

Amendments to IFRS 3: Definition of Business
The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Amendments must be applied to transactions that are either business combination or acquisition of assets whose acquisition date is either on or after the beginning of the initial annual financial report beginning on or after 1 January 2020. Consequently, the entity does not have to review those transactions that occurred in previous periods. Early application is permitted, and must be disclosed.

The amendments to IFRS 3 have no effect on the Company.

The First Milling Company (Owned by One Person)
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NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

23. STANDARDS ISSUED BUT NOT YET EFFECTIVE – (CONTINUED)

Amendments to IAS 1 and IAS 8: Definition of Material
In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments explain that material depends on either the nature or extent of information or both. An entity needs to assess whether the information, whether individual or with other information, is material in the context of the financial statements.

The amendments apply to annual periods beginning on or after 1 January 2020 and must be applied on a prospective basis. Early application is permitted and must be disclosed.

The management does not adopt the amendment early and believes that it will not have any impact on the company's financial statements in the future.

24. CORRESPONDING FIGURES

Certain figures of the prior period have been reclassified to conform to the current year presentation.

25. DIVEDENDS

On 17 Ramadan 1440H (corresponding to May 22, 2019), the Board of Directors recommended the distribution of cash dividends of 125,000 Saudi riyals (SR2.50 per share) for the fiscal year 2018, and an amount of SR 945,000 be paid to the members of the Board of Directors, provided that this recommendation is submitted to the company's general assembly for approval. Later on, August 5, 2019, the Board of Directors rescinded this recommendation.

26. SUBSEQUENT EVENTS

On 17 Shawwal 1441H (corresponding to 9 June 2020), the Council of Ministers agreed to grant the company a license to operate flour production mills, and to transfer the entire ownership of the company to the National Privatization Center.

27. DATE OF AUTHORIZATION

These financial statements were authorized for issue on 22 Shawal 1441 (corresponding 14 June 2020) by the Board of Directors of the Company.

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

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2020

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INDEPENDENT AUDITOR'S REPORT
To the Owner of the First Milling Company
(A Saudi closed Joint Stock Company)

Opinion

We have audited the financial statements of The First Milling Company - A Saudi Closed Joint Stock Company (the "Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion:

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

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT
To the Owner of the First Milling Company
(A Saudi closed Joint Stock Company) (continued)

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

Auditor's Responsibilities for the Audit of the Financial Statements: (continued)
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young

Hesham Abdullah Alatiqi
Certified Public Accountant
License No. 523

Riyadh: 13 Rabi' al-Awwal 1443H
(19 October 2021)

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شركة ارنست ويونغ وشركاهم محاسبون قانونيون
(شركة ذات مسئولية محدودة مهنية)
Ernst and Young & Co Public Accountants
(Professional LLC)

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

STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2020

	Notes	**31 December 2020 SR**	31 December 2019 SR
ASSETS			
NON – CURRENT ASSETS			
Property, plant and equipment and right of use assets	5	**830,720,938**	764,009,156
TOTAL NON – CURRENT ASSETS		**830,720,938**	764,009,156
CURRENT ASSETS			
Inventories	6	**118,826,202**	111,482,003
Amounts due from related parties	21	**-**	20,781
Prepayments and other current assets	7	**13,339,497**	45,552,759
Cash and cash equivalents	8	**518,754,365**	320,335,977
TOTAL CURRENT ASSETS		**650,920,064**	477,391,520
TOTAL ASSETS		**1,481,641,002**	1,241,400,676
EQUITY AND LIABILITIES			
EQUITY			
Capital	9	**539,236,780**	500,000
Proposed increase in capital		**19,218,595**	150,000
Statutory reserve	9	**-**	538,736,780
Retained earnings		**522,795,469**	351,178,114
TOTAL EQUITY		**1,081,250,844**	890,564,894
LIABILITIES			
NON-CURRENT LIABILITIES			
Leases liabilities	10	**321,815,637**	261,452,691
Employees' defined benefits liabilities		**772,931**	490,373
TOTAL NON-CURRENT LIABILITIES		**322,588,568**	261,943,064
CURRENT LIABILITIES			
Trade payables and other current liabilities	11	**26,747,033**	34,031,689
Leases liabilities	10	**9,767,396**	8,162,313
Advances from customers		**17,912,677**	14,020,825
Amounts due to related parties	21	**23,374,484**	32,677,891
TOTAL CURRENT LIABILITIES		**77,801,590**	88,892,718
TOTAL LIABILITIES		**400,390,157**	350,835,782
TOTAL EQUITY AND LIABILITIES		**1,481,641,002**	1,241,400,676

The attached notes 1 to 25 form an integral part of these financial statements.

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

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2020

	Notes	***31 December 2020 SR***	*31 December 2019 SR*
Sales	12	**716,297,700**	643,893,703
Cost of sales	13	**(457,640,285)**	(441,269,847)
GROSS PROFIT		**258,657,415**	202,623,856
EXPENSES			
Selling and distribution expenses	14	**(9,395,567)**	(11,122,618)
General and administrative expenses	15	**(49,956,560)**	(56,955,534)
TOTAL EXPENSES		**(59,352,127)**	(68,078,152)
OPERATING PROFIT		**199,305,288**	134,545,704
Finance costs		**(13,288,560)**	(13,498,937)
Finance income		**3,673,717**	3,985,458
Other income	16	**995,505**	748,106
PROFIT FOR THE YEAR		**190,685,950**	125,780,331
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**190,685,950**	125,780,331
Earnings per share (EPS)	20		
Basic and diluted earnings per share for the year		**3.54**	2.33

The attached notes 1 to 25 form an integral part of these financial statements.

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

STATEMENT OF CHANGES IN EQUITY
For year ended 31 December 2020

		Capital	*Proposed increase in capital*	*Statutory reserve*	*Other reserves*	*Retained earnings*	*Total*
		SR	*SR*	*SR*	*SR*	*SR*	*SR*
At 31 December 2019		500,000	538,736,780	150,000	-	351,178,114	890,564,894
Proposed increase in capital (note 9)	9	538,736,780	(538,736,780)	-	-	-	-
Profit for the year		-	-	-	-	190,685,950	190,685,950
Transfer to statutory reserve		-	-	19,068,595	-	(19,068,595)	-
As 31 December 2020		**539,236,780**	**-**	**19,218,595**	**-**	**522,795,469**	**1,081,250,844**
At 31 December 2018		125,000	-	37,500	538,736,786	225,885,277	764,784,563
Profit for the year		-	-	-	-	125,780,331	125,780,331
Other comprehensive income		-	-	-	-	-	-
Total comprehensive Income		-	-	-	-	125,780,331	125,780,331
Completion of the remaining capital (note 9)		375,000	-	-	-	(375,000)	-
Transfer to statutory reserve		-	-	112,500	-	(112,500)	-
Proposed increase in capital (note 9)		-	538,736,780	-	(538,736,786)	6	-
At 31 December 2019		**500,000**	**538,736,780**	**150,000**	**-**	**351,178,114**	**890,564,894**

The attached notes 1 to 25 form an integral part of these financial statements.

The First Milling Company
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STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Notes	**2020 SR**	2019 SR
OPERATING ACTIVITIES			
Profit for the year		**190,685,950**	125,780,331
Adjustments to reconcile profit to net cash flows:			
Depreciation for property, plant and equipment and right of use assets	5	**38,579,419**	35,258,623
Interest cost on lease liabilities		**13,288,560**	13,498,937
Provision for slow moving inventory	6	**4,073,348**	7,325,176
Impairment of trade receivables		**-**	882,428
Provision for employee defined benefit obligations		**334,544**	435,286
Gain on sale of property, plant and equipment		**(10,748)**	-
		246,951,073	183,180,781
Changes in operating assets and liabilities:			
Inventories	6	**(11,417,547)**	6,441,197
Amounts due from related parties	21	**20,781**	11,777,581
Prepayments and other current assets	7	**32,213,261**	(34,400,583)
Amounts due to related parties	21	**(9,303,407)**	(31,778,482)
Trade payables and other current liabilities	11	**(7,284,656)**	4,176,993
Advances from customers		**3,891,851**	837,948
Cash from operations		**255,071,356**	140,235,435
Obligation of defined benefits to employees paid		**(51,984)**	(14,558)
Net cash flows from operating activities		**255,019,372**	140,220,877
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	**(35,207,719)**	(49,091,779)
Proceeds from sale of property, plant and equipment		**56,764**	-
Net cash flows used in investing activities		**(35,150,955)**	(49,091,779)
FINANCING ACTIVITIES			
Payment of lease liabilities		**(21,450,029)**	(51,033,905)
Net cash flows used in financing Activities		**(21,450,029)**	(51,033,905)
Net increase in cash at banks		**198,418,388**	40,095,193
Cash at banks at the beginning of the year		**320,335,977**	280,240,784
Cash at banks at the end of the year		**518,754,365**	320,335,977
Non-cash transactions:			
Initial recognition of right of use assets		-	258,088,128

The attached notes 1 to 25 form an integral part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2020

1. CORPORATE INFORMATION

- First Milling Company – A One Person Closed Joint Stock Company (the "Company") was incorporated in Jeddah in the Kingdom of Saudi Arabia on 10 Safar 1438H (corresponding to 10 November 2016). The registered office is located at Jeddah Islamic Port, Jeddah between gates 7 and 8. 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, 1441H (corresponding to June 9, 2020) Cabinet Resolution No. 631 was issued to transfer the ownership of the company to the National Center for Privatization and for the National Center for Privatization to carry out the tasks assigned to the Public Investment Fund by Cabinet Resolution No. (118) and dated Safar 21, 1440 AH (corresponding to October 30, 2018).

- The company's shares were wholly sold to Al Raha Al Safi Food Company on Jumada I 16 1442 AH (corresponding to December 31, 2020) (Note 9).

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

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

Branch Name	*Date*	*Commercial Registration Number*
Head Office (Jeddah)	29 Jumada Althani 1438H (corresponding to 28 March 2017)	4030291813
Jeddah	29 Jumada Althani 1438H (corresponding to 28 March 2017)	4030294014
Qassim	29 Jumada Althani 1438H (corresponding to 28 March 2017)	1131057624
Al Ahsa	29 Jumada Althani 1438H (corresponding to 28 March 2017)	2250067938
Tabuk	29 Jumada Althani 1438H (corresponding to 28 March 2017)	3550038652

The First Milling Company
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants (collectively referred to as "IFRS" as endorsed in Kingdom of Saudi Arabia").

These financial statements have been prepared under the historical cost convention. These financial statements are presented in Saudi Riyals ("SR"), which is also the Company's functional currency.

2.2 Summary of Significant Accounting Polices

a) Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- 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

b) Fair value measurement

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

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

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

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

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

The First Milling Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.2 Summary of Significant Accounting Polices – (continued)

c) Fair value measurement – (continued)

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 recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in note 18.

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 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 is included in the cost of the respective asset if the recognition criteria for a provision are met.

The First Milling Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.2 Summary of Significant Accounting Polices – (continued)

d) 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 – 50 years	Furniture and fittings	6.67 - 10 years
Plant and machinery	10 - 25 years	Motor Vehicles	5 years
Computers and software	3-4 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.

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

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

e) ***Leases***

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

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

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

The First Milling Company
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED
2.2 Summary of Significant Accounting Polices – (continued)

e) *Leases* – (continued)

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.

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

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

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

Subsequent measurement

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss and other comprehensive income.

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

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

The First Milling Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.2 Summary of Significant Accounting Polices – (continued)

f) Financial instruments – initial recognition and subsequent measurement (continued)

1. Financial Assets – (continued)

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

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

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 recognised 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 amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

The First Milling Company
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.2 Summary of Significant Accounting Polices – (continued)

f) Financial instruments – initial recognition and subsequent measurement (continued)

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

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

g) Inventories
Cost is measured as follows:

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

3. Cash and balances at banks

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

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

4. 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.

The First Milling Company
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.2 Summary of Significant Accounting Polices – (continued)

h) Employee defined benefit liabilities – (continued)

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

- The date of the plan amendment or curtailment, and
- The date on which the Company recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation under "general and administrative expenses" in the statement of profit or loss and other comprehensive income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, and
- Net interest expense or income.

Reference to the administrative resolutions No. 11890 dated 8 Safar 1438H and No. 14003 dated 8 Rabie Al Awal 1438H 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.

g) Impairment of non-financial assets

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

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

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.

l)Revenue from contracts with customers

The Company is involved in manufacturing of flour, feed and bran (by-product). The revenue is recognized when the goods are transferred to the customer, which is the time when these dispatched from the premises of the Company. The revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods or services. Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

The First Milling Company
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.2 Summary of Significant Accounting Polices – (continued)

***l) Revenue from contracts with customers* – (continued)**

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.

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

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

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

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

(m) Provisions

General
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.

n) Zakat and taxes

Zakat
The Company is not subject to Zakat since its share capital is from public funds on which Zakat is not applicable.

The First Milling Company
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES – continued

2.2 Summary of Significant Accounting Polices – (continued)

n) Zakat and taxes – (continued)

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

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

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

o) 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.

p) Foreign currencies

The Company's financial statements are presented in Saudi Riyal, which is also the Company's functional currency.

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

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

Transactions and balances (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 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.

r) 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.

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2. SIGNIFICANT ACCOUNTING POLICIES – continued

2.2 Summary of Significant Accounting Polices – (continued)

s) 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, AMENDED STANDARDS AND INTERPRETATIONS

The Company has not early adopted any standards, interpretations or amendments.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the inconsistency between IFRS 10 and IAS 28 when dealing with loss of control over a subsidiary that has been sold or contributed to an associate or joint venture. The amendments clarify that all gains or losses resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, are recognized between the investor and its associate or joint venture. However, any gain or loss arising from the sale or contribution of assets that is not a business, is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The International Accounting Standards Board has postponed the effective date of these amendments indefinitely, but an entity that applies these amendments early must comply with them in the future. There is no material impact on the financial statements

Amendments to IFRS 3: Business Definition
In October 2018, the International Standards Board issued amendments to the definition of a business in IFRS 3 “Business combinations” to help entities determine whether a satisfied group of activities and assets is a business. The amendments clarify the minimum requirements for any business, exclude assessment of whether market participants are able to replace any missing items, add guidance to assist entities in assessing whether an acquisition is material, narrow the definitions of business and output, and provide an optional test of fair value concentration. New illustrations have been introduced with these modifications.

The amendments apply to annual periods beginning on or after January 1, 2020, with early application permitted. There is no material impact on the financial statements

SUMMARY OF NEW ACCOUNTING POLICIES
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.

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SUMMARY OF NEW ACCOUNTING POLICIES (CONTINUED)
3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Determining lease term for leases with termination option — Company as lessee

The Company determines the term of the lease as non-cancellable in any periods covered by the option to terminate the lease if the Company is certain of the reasonableness of exercising that option.

The Company has several lease contracts that include termination options. The Company decides through its evaluation of the lease whether it is reasonable to exercise the option to terminate the lease. This means that the Company considers all relevant factors that constitute an economic incentive to exercise the option to terminate the lease. After the lease commencement date, the Company reassesses the lease term if there is an event or change in circumstances within the Company's control that affects the Company's ability to exercise the option to terminate (such as: making material improvements to the lease or a material restructuring of the lease).

Defined benefit plans
The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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.

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4. SEGMENT INFORMATION

The operations of the company are mainly in the Kingdom of Saudi Arabia. The operations of the Company are in four branches: Jeddah, Qassim, Tabuk and Al Ahsa.

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 similar to transactions with third parties.

The selected financial information for these branches is as follows.

For the year ended 31 December 2020	***Jeddah SR***	***Qassim SR***	***Tabuk SR***	***Al Ahsa SR***	***Head office SR***	***Total segments SR***
Total revenue	357,852,320	222,382,903	57,882,890	78,179,587	-	**716,297,700**
Cost of inventories	(151,325,599)	(106,498,317)	(22,235,356)	(32,432,348)	-	**(312,491,620)**
Employee benefits expenses	(33,368,758)	(35,042,027)	(16,807,870)	(13,450,168)	(14,571,804)	**(113,240,627)**
Depreciation	(17,207,008)	(3,900,520)	(3,004,506)	(14,063,056)	(404,331)	**(52,680,744)**
Other expenses	(18,539,273)	(11,830,195)	(4,407,323)	(6,845,145)	(11,058,808)	**(52,922,084)**
financing costs	(8,337,800)	(2,619,077)	(147,118)	(2,184,565)	-	**(13,288,560)**
Other income	162,441	321,114	34,206	117,323	360,421	**995,505**
Finance income	-	-	-	-	3,673,717	**3,673,717**
Segment (loss) profit	**129,236,323**	**62,813,881**	**11,314,923**	**9,321,628**	**(22,000,805)**	**190,685,950**

For the year ended 31 December 2019	*Jeddah SR*	*Qassim SR*	*Tabuk SR*	*Al Ahsa SR*	*Head office SR*	*Total segments SR*
Total revenue	344,249,325	168,659,111	54,672,584	76,312,683	-	643,893,703
Cost of inventories	(149,270,346)	(79,831,229)	(21,929,578)	(31,747,674)	-	(282,778,827)
Employee benefits expenses	(35,250,973)	(37,519,731)	(16,810,450)	(13,419,469)	(14,445,309)	(117,445,932)
Depreciation	(15,223,681)	(3,565,472)	(2,455,026)	(13,872,024)	(142,420)	(35,258,623)
Other expenses	(31,432,376)	(10,709,416)	(5,373,244)	(7,060,470)	(19,289,111)	(73,864,617)
financing costs	(8,442,521)	(2,680,286)	(149,135)	(2,226,995)	-	(13,498,937)
Other income	304,657	226,290	14,872	21,723	180,564	748,106
Finance income	-	-	-	-	3,985,458	3,985,458
Segment (loss) profit	105,079,585	34,433,767	7,970,023	8,007,775	(29,710,818)	125,780,331

At 31 December 2020	***Jeddah SR***	***Qassim SR***	***Tabuk SR***	***Al Ahsa SR***	***Head office SR***	***Total segments SR***
Total assets	383,091,870	146,638,796	91,984,777	326,532,387	533,393,172	**1,481,641,002**
Total liabilities	235,334,390	81,922,935	14,281,859	67,014,120	1,836,853	**400,390,157**
Other disclosures:						
Property, plant and equipment with Right of use assets	332,568,840	98,020,918	76,902,103	314,647,455	8,581,622	**830,720,938**
Inventory	48,366,315	47,890,782	14,059,970	8,509,135	-	**118,826,202**

At 31 December 2019	Jeddah SR	Qassim SR	Tabuk SR	Al Ahsa SR	Head office SR	Total segments SR
Total assets	355,582,925	119,043,498	88,491,617	328,497,112	349,785,524	1,241,400,676
Total liabilities	184,086,676	63,464,834	22,702,686	51,555,333	29,026,253	350,835,782
Other disclosures:						
Property, plant and equipment with Right of use assets	300,810,241	73,241,261	72,871,666	312,995,001	4,090,987	764,009,156
Inventory	46,911,611	40,430,106	11,841,202	12,299,084	-	111,482,003

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5. PROPERTY, PLANT AND EQUIPMENT

	Buildings (*)	*Plant and equipment*	*Assets under finance lease (*)*	*Furniture and fittings*	*Computer equipment*	*Motor vehicles*	*Right of use Assets (****)*	*Projects under progress (**)*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	
Cost									
At 1 January 2019	196,292,503	326,345,745	204,919,419	2,422,982	1,842,865	1,227,500	-	1,891,268	734,942,282
Additions during the year	279,250	7,143,335	-	316,614	909,841	11,000	7,894,075	40,431,739	56,985,854
Adoption of IFRS 16	-	-	(204,919,419)	-	-	-	274,481,682	-	69,562,263
At 31 December 2019	196,571,753	333,489,080	-	2,739,596	2,752,706	1,238,500	282,375,757	42,323,007	861,490,399
Additions during the year	1,147,095	7,512,535	-	470,923	1,823,646	6,760,294	70,129,498	17,493,226	105,337,217
Disposals	-	(14,710)	-	-	-	(61,000)	-	-	(75,710)
Transfers	38,898,761	7,324,146	-	1,150,000	48,762	-	-	(47,421,669)	-
At 31 December 2020	236,617,609	348,311,051	-	4,360,519	4,625,114	7,937,794	352,505,255	12,394,564	966,751,906
Accumulated depreciation									
At 1 January 2019	12,596,359	31,022,879	16,393,554	1,346,378	665,238	198,212	-	-	62,222,620
Charge for the year (***)	6,357,498	15,825,832	-	332,752	338,812	250,395	12,153,334	-	35,258,623
Adoption of IFRS 16	-	-	(16,393,554)	-	-	-	16,393,554	-	-
At 31 December 2019	18,953,857	46,848,711	-	1,679,130	1,004,050	448,607	28,546,888	-	97,481,243
Charge for the year (***)	7,197,363	16,499,289	-	347,410	493,454	640,231	13,401,672	-	38,579,419
Disposals	-	(177)	-	-	-	(29,517)	-	-	(29,694)
At 31 December 2020	**26,151,220**	**63,347,823**	**-**	**2,026,540**	**1,497,504**	**1,059,321**	**41,948,560**	**-**	**136,030,968**
Net book value									
At 31 December 2020	**210,466,389**	**284,963,228**	**-**	**2,333,979**	**3,127,610**	**6,878,473**	**310,556,695**	**12,394,564**	**830,720,938**
At 31 December 2019	177,617,896	286,640,369	-	**1,060,466**	**1,748,656**	**789,893**	**253,828,869**	**42,323,007**	**764,009,156**

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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 1,992,395 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. During the year, the lease term was extended by an additional 3 years.

(**) As at 31 December 2020, capital work in progress mainly consists mainly of the following projects:
1. A project to renew and modernize public facilities for workers' housing in Jeddah
2. The project of preparing the existing systems for alarm and firefighting in Tabuk
3. The project of preparing the existing systems for alarm and firefighting in Al-Ahsa
4. Supply and installation of scales and modernization of the automatic control system for silos in Jeddah.
5. The project of preparing the existing systems for alarm and firefighting in Qassim

The expected completion date of this is 2021 and the capital commitments relating to this amount to SR 43.3 million (31 December 2019: SR 10.8 million).

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

	2020	*2019*
	SR	*SR*
Direct Costs (Note 13)	**35,906,485**	33,052,398
General and administrative expenses (Note 15)	**2,008,970**	1,691,539
Selling and distribution expenses (Note 14)	**663,964**	514,686
	38,579,419	35,258,623

(****) Right of use assets

	Silos (*)	**Lands (**)**	**Buildings and Warehouses (***)**	**Total**
Cost	-	-	-	-
At 1 January 2019	-	69,562,263	-	69,562,263
Initial recognition of IFRS 16	204,919,419	-	-	204,919,419
Transfers from assets under finance lease	-	-	7,894,075	7,894,075
Additions during the year	-	-	-	-
As at 31 December 2019	204,919,419	69,562,263	7,894,075	282,375,757
Additions during the year	57,228,081	12,901,417	-	70,129,498
At 31 December 2020	**262,147,500**	**82,463,680**	**7,894,075**	**352,505,255**
Accumulated depreciation				
At 1 January 2019	-	-	-	-
Charge for the year (***)	8,196,798	3,018,455	938,081	12,153,334
Transfers from assets under finance lease	16,393,554	-	-	16,393,554
As at 31 December 2019	24,590,352	3,018,455	938,081	28,546,888
Charge for the year (***)	8,296,149	3,037,190	2,068,333	13,401,672
At 31 December 2020	**32,886,501**	**6,055,645**	**3,006,414**	**41,948,560**
Net book Value				
At 31 December 2020	**229,260,999**	**76,408,035**	**4,887,661**	**310,556,695**
At 31 December 2019	180,329,067	66,543,808	6,955,994	253,828,869

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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5. PROPERTY, PLANT AND EQUIPMENT – (CONTINUED)

(*) 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.

(***) Warehouses and buildings are depreciated over a period of 2 to 5 years**.**

(****) Depreciation expenses for the year were allocated as follows:

	2020 SR	*2019 SR*
Direct costs	**13,356,478**	12,108,457
General and administrative expenses	**30,129**	29,918
Selling and distribution expenses	**15,065**	14,959
	13,401,672	12,153,334

6. INVENTORIES

	31 December 2020 SR	*31 December 2019 SR*
Spare parts	**92,144,830**	89,004,370
Raw materials	**35,295,078**	33,370,142
Finished goods *	**12,221,189**	15,209,902
Others	**1,087,813**	1,049,885
Less: allowance for slow moving inventory	**(32,606,494)**	(28,533,146)
	118,826,202	111,482,003

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

Movement in allowance for slow moving inventory

	31 December 2020 SR	*31 December 2019 SR*
At the beginning of the year	**28,533,146**	21,207,970
Provision during the year	**4,073,348**	7,325,176
At end of the year	**32,606,494**	28,533,146

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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7. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2020 SR	*31 December 2019 SR*
Letters of guarantee a letter of credit (note 17)	**7,689,053**	39,992,581
Other receivables **	**2,974,175**	1,851,402
Prepayments (*)	**1,917,978**	2,493,887
Advances to contactors		
Accrued revenue	**447,947**	1,214,889
	13,339,497	45,552,759

(*) Prepayments mainly includes amounts prepaid rent and medical insurance and staff allowances and others.
(**) The carrying amount of other receivables is net of an impairment balance of SR 882,428 (December 31, 2019: SR 882,428).

8. Cash and cash equivalents

	31 December 2020 SR	*31 December 2019 SR*
Cash at banks	**208,754,365**	40,335,977
Short term deposits*	**310,000,000**	280,000,000
	518,754,365	320,335,977

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

9. CAPITAL AND PROPOSED INCREASE IN CAPITAL

The company's capital consists of 53,923,678 shares, the value of each share is 10 Saudi riyals (December 31, 2019: 50,000 shares, the value of each share is 10 Saudi riyals). On Shawwal 17, 1441, the Council of Ministers issued a decision 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.

On Jumada I 16 1442 AH (corresponding to December 31, 2020), the owner sold all of the company's shares to the Al Raha Al Safi Food Alliance. The sale and transfer of ownership of the company was completed after fulfilling the legal requirements on that date.

In accordance with the decision issued by the Specialized Committee, in light of the authority granted to it by Ministerial Resolution No. 9851 issued by the Ministry of Commerce and Investment on November 10, 2018, during the Extraordinary General Assembly meeting on October 30, 2018, and as explained in Note 1, the assets Transferred as a separate reserve within equity under “other reserves”.

On Safar 3, 1441H (corresponding to October 2, 2019), the Extraordinary General Assembly decided to increase the company’s capital from 500,000 Saudi riyals to 539,236,780 Saudi riyals, by transferring an amount of 538,736,780 Saudi riyals from the account of other reserves, bringing the total shares to 53,923,678 shares. The legal procedures related to the capital increase were completed during the year ending December 31, 2020.

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10. LEASE LIABLITIES

Movement in lease liabilities during the year is as follows:

	31 December 2020 SR	*31 December 2019 SR*
At the beginning of the year	**269,615,003**	228,881,654
Initial recognition of IFRS 16	**-**	70,374,243
Additions during the year	**70,129,499**	7,894,075
Finance charges on lease liabilities	**13,288,560**	13,498,937
Payments	**(21,450,029)**	(51,033,905)
	331,583,033	269,615,004
Current	**9,767,396**	8,162,313
Non - Current	**321,815,637**	261,452,691
	331,583,033	269,615,004

11. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	31 December 2020 SR	*31 December 2019 SR*
Accrued expenses *	**18,511,185**	**17,100,962**
Trade payables	**4,129,670**	**2,310,009**
Vat Payable	**2,885,756**	**14,095,139**
Other payables	**1,220,422**	**525,579**
	26,747,033	**34,031,689**

*Accrued expenses mainly comprise of accrued electricity, rent, professional services charges and employee related expenses.

12. SALES

	2020 SR	*2019 SR*
Flour	**469,879,426**	438,164,445
Feed	**178,010,821**	126,102,022
Bran	**68,407,453**	79,627,236
	716,297,700	643,893,703

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12. SALES - CONTINUED

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

12.2 Disaggregation of Revenue

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

	2020	*2019*
	SR	*SR*
Type of sector		
Corporate sector	**563,622,626**	506,314,028
Individual sector	**124,639,730**	133,133,007
Government sector	**28,035,344**	4,446,668
	716,297,700	643,893,703
Type of customer		
Government	**28,035,344**	4,446,668
Non-government	**688,262,356**	639,447,035
	716,297,700	643,893,703
Duration of contracts		
Less than one year	**716,297,700**	643,893,703
	716,297,700	643,893,703

Performance commitment

The sale of the goods is recognized by the Company at a point in time, and the performance obligation is fulfilled when the goods are removed from the warehouses

13. DIRECT COSTS

	2020	*2019*
	SR	*SR*
Raw material consumed	**307,965,504**	279,229,713
Salaries and other benefits	**71,871,371**	75,677,512
Depreciation of property, plant and equipment and right of use assets (Note 5)	**35,906,485**	33,052,398
Fuel and Power	**20,635,301**	30,082,581
Provision for slow moving inventory (Note 6)	**4,073,348**	7,325,176
Maintenance	**3,280,804**	3,721,851
Rent	**65,280**	2,288,607
Other industrial expenses	**9,316,076**	6,342,896
	453,114,169	437,720,734
Finished goods at the beginning of the year	**15,209,902**	18,759,015
Total production cost intended for sale during the year	**468,324,071**	456,479,749
Finished goods at the end of the year (Note 6)	**(10,683,786)**	(15,209,902)
	457,640,285	441,269,847

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14. SELLING AND DISTRIBUTION EXPENSES

	2020 SR	*2019 SR*
Salaries and other benefits	**6,999,872**	7,554,347
Depreciation of property, plant and equipment and right of use assets (Note 5)	**663,964**	514,686
Fuel and Power	**462,755**	309,529
Advertising & Marketing	**303,031**	1,332,729
Material and supplies	**181,238**	101,932
Professional and consulting fees	**49,896**	-
Impairment of receivables	**-**	882,428
Other expenses	**734,811**	426,967
	9,395,567	11,122,618

15. GENERAL AND ADMINISTRATIVE EXPENSES

	2020 SR	*2019 SR*
Salaries and other benefits	**33,524,659**	33,699,906
Professional and consulting fees	**8,536,684**	14,784,492
Depreciation of property, plant and equipment and right of use assets (Note 5)	**2,008,970**	1,691,539
Telecommunication expenses	**1,202,576**	1,109,548
Material and supplies	**661,498**	667,748
Fuel and power	**414,284**	619,058
Maintenance	**276,153**	675,898
Rent	**65,200**	138,423
Board and committees' expenses, rewards and allowances (Note 21)	**844,725**	514,167
Other expenses	**2,421,811**	3,054,755
Total	**49,956,560**	56,955,534

16. OTHER INCOME

	31 December 2020 SR	*31 December 2019 SR*
Penalties and fines	**632,800**	247,694
Rents	**264,960**	-
Other	**97,745**	500,412
Total	**995,505**	748,106

17. CAPITAL COMMITMENTS AND CONTINGENCIES

Contingencies

As of 31 December 2020, the Company had contingent liabilities that arose during its normal business cycle and related to letters of credit of SR 7,689,053 (31 December 2019: SR 39,992,581) The amount paid was SR 7,689,053 (31 December 2019: SR 39,992,581) (note 7).

The First Milling Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2020

18. FINANCIAL INSTRUMENTS

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

	31 December 2020 SR	*31 December 2019 SR*
Financial assets at amortised cost:		
Amounts due from related parties	**-**	20,781
Cash and cash equivalent	**518,754,365**	320,335,977
Total	**518,754,365**	320,356,758

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

	31 December 2020 SR	*31 December 2019 SR*
Financial liabilities at amortised cost:		
Trade payables and other current liabilities	**26,747,033**	**34,031,689**
Leases liabilities	**331,583,033**	**269,615,004**
Amounts due to related parties	**23,374,484**	**32,677,891**
Total	**381,704,550**	**336,324,584**

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 recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no transfers between levels of fair value measurements in 2020 and 2019. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2020

19. 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 minimising the volatility of the funding costs of the Company.
There were no changes in the policies for managing these risks.

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

The Company is exposed to credit risk on its bank balances and amounts due from related parties as follows:

	31 December 2020 SR	*31 December 2019 SR*
Financial assets at amortised cost:		
Amounts due from related parties	**-**	20,781
Cash and cash equivalent	**518,754,365**	320,335,977
Total	**518,754,365**	320,356,758

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*** ***Short term***	***Rating*** ***Long term***	***Rating Agency***	***31 December 2020 SR***	*31 December 2019 SR*
Saudi British Bank	**P-1**	**A-1**	Moody`s	**500,000**	**500,000**
Banque Saudi Fransi	**P-1**	**A1**	Moody`s	**518,254,365**	**319,835,977**
				518,754,365	**320,335,977**

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 First Milling Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2020

19. FINACIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – (CONTINUED)

Credit risk (continued)

Expected credit loss assessment for accounts and other receivables (continued)

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

The loss allowance as at 31 December 2020, and 31 December 2019 was determined to be not required as the Company has a cash only business, hence no adjustment of the same has been made in these financial statements.

Liquidity risk

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

Excessive risk concentration:

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular 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 summarises the maturities of the Company's financial liabilities as at 31 December 2020 and 31 December 2019 based on contractual payment dates and current market interest rates as following.

31 December 2020

	On demand SR	***Less than 3 months SR***	***3 to 12 Months SR***	***1 to 5 years SR***	***More than 5 years SR***	***Total SR***
Trade payables and other current liabilities	**-**	**-**	**26,747,033**	**-**	**-**	**26,747,033**
Lease liabilities	**-**	**-**	**21,450,029**	**77,636,585**	**232,496,419**	**331,583,033**
Amounts due to related parties	**-**	**-**	**23,374,484**	**-**	**-**	**23,374,484**
	-	**-**	**71,571,546**	**77,636,585**	**232,496,419**	**381,704,550**

31 December 2019

	On demand SR	*Less than 3 months SR*	*3 to 12 Months SR*	*1 to 5 years SR*	*More than 5 years SR*	*Total SR*
Trade payables and other current liabilities	-	-	34,031,689	-	-	34,031,689
Liabilities under finance leases	-	-	8,162,313	32,940,630	228,512,061	269,615,004
Amounts due to related parties	-	-	32,677,891	-	-	32,677,891
	-	-	74,871,893	32,940,630	228,512,061	336,324,584

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2020

19. FINACIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – (CONTINUED)

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

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

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The 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 aforementioned 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 maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt trade payables and other current liabilities, amounts due to related parties and obligations under finance lease, less cash at banks.

	31 December 2020 SR	*31 December 2019 SR*
Trade payables and other current liabilities	**26,747,033**	34,031,689
Obligations under finance lease	**331,583,033**	269,615,004
Amounts due to related parties	**23,374,484**	32,677,891
Less: cash and cash equivalent	**(518,754,365)**	(320,335,977)
Net debt	**(137,049,815)**	15,988,607
Shareholders' equity	**1,081,250,844**	890,564,894
Total capital	**944,201,029**	906,553,501
Gearing ratio	**(15) %**	2%

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2020

20. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the year. The calculation of earnings per share for the year ended December 31, 2019 has been retrospectively modified based on the number of shares issued after the capital increase, amounting to SR 539,236,780, bringing the total shares to 53,923,678 shares (Note 9).

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

	31 December 2019 SR	*31 December 2018 SR*
Profit for the year	**190,685,950**	**125,780,331**
Weighted average number of ordinary shares for basic EPS	**53,923,678**	53,923,678
Earnings per share – basic and diluted	**3.54**	2.33

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

The First Milling Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2020

21. RELATED PARTY TRANSACTIONS AND BALANCES

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

The following table shows the total amount of transactions that were made with the related parties during the year ended 31 December 2020 and 31 December 2019, in addition to balances with the related parties as at 31 December 2020 and 31 December 2019:

		Transactions						*Balance*	
		Raw Material transfer SR	*Purchase of wheat and other raw materials SR*	*Payments made SR*	*Rents SR*	*Expenses on behalf of SR*	*Spare parts transfer SA*	*Amounts due from related parties SR*	*Amounts due to related parties SR*
Affiliate companies:									
Second Milling Company	**2020**	**-**	**-**	**15,539,747**	**-**	**4,119,283**	-	**-**	**11,420,464**
	2019	38,516	-	-	-	16,832,716	-	-	4,640,098
Third Milling Company	**2020**	**-**	**-**	**139,303**	**-**	**139,303**	-	**-**	
	2019	207,408	-	11,712,983	-	-	-	11,505,575	
Fourth Milling Company	**2020**	**500,000**	**-**	**527,083**	**-**	**6,303**	-	**-**	
	2019	-	-	272,006	-	-	-	20,781	
Total Amounts Due from Related parties	**2020**	**500,000**	-	**16,206,133**	**-**	**4,264,889**	-	**20,781**	
	2019	207,408	-	11,984,989	-	16,832,716	-	11,798,362	
Governmental entity:									
Saudi Grain Organization	**2020**	**-**	**229,145,839**	**247,366,173**	**19,330,696**	**1,006,696**	-		**23,374,484**
	2019	-	206,929,900	315,606,803	51,046,656	19,103,155	31,755		21,257,427
Total Amounts due to related parties	**2020**								**23,374,484**
	2019								32,677,891

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2020

21. RELATED PARTY TRANSACTIONS AND BALANCES – (CONTINUED)

Transactions with key management personnel

For the purposes of the disclosure requirements contained in IAS 24 Disclosures Related to Related Parties, the phrase "key management personnel" (those who have the authority and responsibility to plan, direct and control the company's activities) refers to the chief executive officer and executives of the company.

The compensation of the company's senior management personnel includes salaries and other benefits. The amounts disclosed in the table represent the amounts recognized as an expense during the financial period in respect of key management personnel.

Compensation of key management personnel of the Company

	2020	*2019*
	SR	*SR*
Short-term employee benefits	**3,964,535**	4,122,647
Board and committees' expenses, rewards and allowances	**863,071**	844,725
Total compensation paid to key management personnel	**4,827,606**	4,967,372

22. STANDARDS INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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.

Amendments to IAS 1 and IAS 8: Definition of "Significant"

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 to align with the definition of "substantial" across all standards and to clarify some aspects of the definition. The new definition states that "information is material if the omission, misrepresentation or obscuration of such information could reasonably be expected to influence decisions made by the primary users of general purpose financial statements on the basis of those financial statements, which provide financial information about a particular subsidiary."

Amendments clarify that materiality depends on the nature or volume of the information, or both. An entity needs to assess whether the information, whether individually or in combination with other information, is material in the context of the financial statements.

The amendments apply to annual periods beginning on or after January 1, 2021 and must be applied prospectively. Early application is permitted and must be disclosed.

Management does not apply the amendment early and considers that it will not have an impact on the company's financial statements in the future.

23. SUBSEQUENT EVENTS

Subsequent to the date of the financial statements, the shareholders of Al Raha Al Safi Foodstuff Company ("the new owner company") agreed to merge the new owner company with the company, provided that the company would be the existing entity after the merger. The related discussions and agreements are still under discussion as at the date of approval of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2020

24. THE IMPACT OF COVID-19 PANDEMIC

A new strain of Coronavirus (Covid-19) was identified for the first time at the end of December 2019, during the month of March 2020, the World Health Organization proclaimed this a global pandemic. The new Corona virus continued to spread all over the world, including the Kingdom of Saudi Arabia, which causes implementation of travel restrictions and the imposition of a curfew in the cities, this resulted in a slowdown in economic activity and the closure of many sectors at the global and local level. At the end of the second quarter of 2020, the government of the Kingdom of Saudi Arabia began to allow the return of all commercial economic activities, considering the application of all approved preventive measures and social distancing.

In response to the rapid spread of the virus and the resulting disruption of some business and economic activities, the management assessed its impact on its current and future operations and took a series of preventive and precautionary measures, while ensuring the continuation of services provided to clients. Until the date of preparing the financial statements for the year ending on December 31, 2020, the company's business and operations were not materially affected by the consequences of the outbreak of the virus, taking into account the lesser impact of the pandemic on the business of companies operating in the manufacturing sector.

25. DATE OF AUTHORIZATION

These financial statements were authorized for issuance by the Company's Board of Directors on xx 1442H (corresponding to xx 2021).

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

Financial Statements and Independent Auditor's Report

For the Year Ended 31 December 2021

Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 - Five million five hundred thousand Saudi Riyal)
Head Office
Al Faisaliah Office Tower, 14th Floor
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Building a better working world

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INDEPENDENT AUDITOR'S REPORT
To the Owner of the First Milling Company
(A Saudi closed Joint Stock Company)

Opinion

We have audited the financial statements of The First Milling Company - A Saudi Closed Joint Stock Company (the "Company"), which comprise the statement of financial position as at 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 at 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 Chartered and Professional Accountants.

Basis for Opinion:

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

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT
To the Owner of the First Milling Company
(A Saudi closed Joint Stock Company) (continued)

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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INDEPENDENT AUDITOR'S REPORT

To the Owner of The First Milling Company
(A Saudi closed Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements: (continued)
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young Professional Services

Hesham Abdullah Alatiqi
Certified Public Accountant
License No. 523

Riyadh: 18 Shawal 1443H
(19 May 2022)

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

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

STATEMENT OF FINANCIAL POSITION

As 31 December 2021

	Notes	31-Dec-21 SR	31-Dec-20 SR
ASSETS			
NON – CURRENT ASSETS			
Property, plant and equipment and right of use assets	5	**853,440,851**	830,433,309
Intangible assets	6	**4,333,314**	285,860
TOTAL NON – CURRENT ASSETS		**857,774,165**	830,719,169
CURRENT ASSETS			
Inventories	7	**115,818,107**	118,803,883
Trade receivables		**2,375,959**	20,292
Prepayments and other current assets	8	**22,587,290**	13,319,205
Cash and cash equivalents	9	**157,484,513**	518,754,365
		298,265,869	650,897,745
Assets available for sale	20	**384,000**	-
TOTAL CURRENT ASSETS		**298,649,869**	650,897,745
TOTAL ASSETS		**1,156,424,034**	1,481,616,914
EQUITY AND LIABILITIES			
EQUITY			
Capital	10	**539,236,780**	539,236,780
Statutory reserve		**39,054,503**	19,218,595
Retained earnings		**86,902,277**	522,795,469
TOTAL EQUITY		**665,193,560**	1,081,250,844
LIABILITIES			
NON-CURRENT LIABILITIES			
Leases liabilities	11	**347,999,196**	321,815,636
Employees' defined benefits liabilities	12	**698,000**	772,931
TOTAL NON-CURRENT LIABILITIES		**348,697,196**	322,588,567
CURRENT LIABILITIES			
Trade payables and other current liabilities	13	**104,570,930**	49,647,333
Leases liabilities	11	**10,722,859**	9,767,397
Advances from customers		**22,495,789**	18,362,773
Zakat payable	19	**4,743,700**	-
TOTAL CURRENT LIABILITIES		**142,533,278**	77,777,503
TOTAL LIABILITIES		**491,230,474**	400,366,070
TOTAL EQUITY AND LIABILITIES		**1,156,424,034**	1,481,616,914

The attached notes 1 to 28 form an integral part of these financial statements.

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

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2021

	Notes	31-Dec-21 SR	31-Dec-20 SR
Sales	14	**801,009,367**	716,056,360
Cost of sales	15	**(469,541,175)**	(457,640,285)
GROSS PROFIT		**331,468,192**	258,416,075
EXPENSES			
Selling and distribution expenses	16	**(17,760,364)**	(9,154,227)
General and administrative expenses	17	**(93,939,632)**	(49,956,560)
Impairment loss for assets held for sale	20	**(6,466,409)**	-
TOTAL EXPENSES		**(118,166,405)**	(59,110,787)
OPERATING PROFIT		**213,301,787**	199,305,288
Finance costs		**(11,818,497)**	(13,288,560)
Finance income		**109,533**	3,673,717
Other income	18	**1,626,091**	995,505
PROFIT BEFORE ZAKAT		**203,218,914**	190,685,950
Zakat expense	19	**(4,743,700)**	-
PROFIT FOR THE YEAR		**198,475,214**	190,685,950
OTHER COMPREHENSIVE INCOME (LOSS):		**(116,136)**	-
Revaluation loss of end of service obligation	12	**(116,136)**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**198,359,078**	190,685,950
Earnings per share (EPS):			
Basic and diluted earnings per share for the year	23	**3.68**	3.54

The attached notes 1 to 28 form an integral part of these financial statements.

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

STATEMENT OF CHANGES IN EQUITY
For year ended 31 December 2021

	Capital	Proposed increase in capital	Statutory reserve	Retained earnings	Total
	SR	SR	SR	SR	SR
At 31 December 2020	539,236,780	-	19,218,595	522,795,469	1,081,250,844
Profit for the year	-	-	-	198,475,214	198,475,214
Other comprehensive income	-	-	-	(116,136)	(116,136)
Total comprehensive income	-	-	-	**198,359,078**	**198,359,078**
Transfer to statutory reserve	-	-	19,835,908	(19,835,908)	-
Dividends distribution (note 10)	-	-	-	(614,416,362)	(614,416,362)
As 31 December 2021	**539,236,780**	-	**39,054,503**	**86,902,277**	**665,193,560**
At 31 December 2019	500,000	538,736,780	150,000	351,178,114	890,564,894
Increase in capital (note 10)	538,736,780	(538,736,780)	-	-	-
Profit for the year	-	-	-	190,685,950	190,685,950
Transfer to statutory reserve	-	-	19,068,595	(19,068,595)	-
At 31 December 2020	**539,236,780**	-	**19,218,595**	**522,795,471**	**1,081,250,844**

The attached notes 1 to 28 form an integral part of these financial statements.

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Notes	***2021 SR***	*2020 SR*
OPERATING ACTIVITIES			
Profit before zakat		**203,218,914**	190,685,950
Adjustments to reconcile profit to net cash flows:			
Depreciation for property, plant and equipment and right of use assets	5	**43,131,070**	38,512,274
Amortization for intangible assets	6	**482,381**	67,146
Interest cost on lease liabilities		**11,827,973**	13,288,560
Provision for slow moving inventory	7	**1,094,923**	4,073,348
Provision for employee defined benefit obligations		**(94,586)**	334,540
Gain on sale of property, plant and equipment		**-**	(10,748)
Impairment loss for assets held for sale		**6,461,072**	-
		266,121,747	246,951,070
Changes in operating assets and liabilities:			
Inventories		**1,890,853**	(11,417,547)
Prepayments and other current assets		**(9,268,084)**	32,213,262
Amounts due to related parties		**(23,374,484)**	(9,303,407)
Trade payables and other current liabilities		**78,298,080**	(7,263,875)
Advances from customers		**4,133,017**	3,891,852
Available for sale assets		**(384,000)**	-
Trade receivable		**(2,355,667)**	-
Cash from operations		**315,061,462**	255,071,356
Obligation of defined benefits to employees paid		**(22,011)**	(51,983)
Net cash flows from operating activities		**315,039,451**	255,019,372
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	**(37,600,040)**	(35,207,719)
Addition of intangible assets	6	**(1,103,611)**	-
Proceeds from sale of property, plant and equipment		**14,473**	56,764
Net cash flows used in investing activities		**(38,689,178)**	(35,150,955)
FINANCING ACTIVITIES			
Dividends paid		**(614,416,362)**	-
Payment of lease liabilities		**(23,203,763)**	(21,450,029)
Net cash flows used in financing Activities		**(637,620,125)**	(21,450,029)
Net increase in cash at banks		**(361,269,852)**	198,418,388
Cash at banks at the beginning of the year		**518,754,365**	320,335,977
Cash at banks at the end of the year		**157,484,513**	518,754,365

The attached notes 1 to 28 form an integral part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2021

1. CORPORATE INFORMATION

- First Milling Company – A One Person Closed Joint Stock Company (the "Company") was incorporated in Jeddah in the Kingdom of Saudi Arabia on 10 Safar 1438H (corresponding to 10 November 2016). The registered office is located at Jeddah Islamic Port, Jeddah between gates 7 and 8. 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 17 Shawwal 1441H (corresponding to 9 June 2020) Cabinet Resolution No. 631 was issued to transfer the ownership of the company to the National Center for Privatization and for the National Center for Privatization to carry out the tasks assigned to the Public Investment Fund by Cabinet Resolution No. (118) and dated 21 Safar 1440H (corresponding to 30 October 2018).

- The company's shares were wholly sold to Al Raha Al Safi Food Company on 16 Jumada I 1442H (corresponding to 31 December 2020) (Note 10).

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

- The shareholders of Al Raha Al Safi Food Company ("the new parent company") agreed during the year to merge the parent company with First Milling Company provided that the First Milling Company will be the surviving entity after the merger. The merger process is still under implementation and related agreements are under discussion as at the date of approval of these financial statements.

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

Branch Name	***Date***	***Commercial Registration Number***
Head Office (Jeddah)	10 Safar 1438H (corresponding to 11 November 2016)	4030291813
Jeddah	10 Safar 1438H (corresponding to 11 November 2016)	4030294014
Qassim	29 Jumada Althani 1438H (corresponding to 28 March 2017)	1131057624
Al Ahsa	29 Jumada Althani 1438H (corresponding to 28 March 2017)	2250067938
Tabuk	29 Jumada Althani 1438H (corresponding to 28 March 2017)	3550038652

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

All other assets are classified as non-current.
A liability is current when:

- It is expected to be settled in the normal operating cycle
- 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, assuming that market participants act in their economic best interest.

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

The Company uses valuation methods that are appropriate in the circumstances, and for which sufficient data are available to measure fair value, increase the use of observable inputs and reduce the use of unobservable inputs.

The First Milling Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.2 Summary of Significant Accounting Polices – (continued)

c) Fair value measurement – (continued)

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 recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in note 21.

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 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 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	Computers and software	3-4 years
Motor Vehicles	5 years		

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

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

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.2 Summary of Significant Accounting Polices – (continued)

d) Property, plant and equipment – (continued)

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

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

e) *Leases*

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

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

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

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

The First Milling Company
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.2 Summary of Significant Accounting Polices – (continued)

f) Financial instruments – initial recognition and subsequent measurement.

1. Financial Assets

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

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

Subsequent measurement

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss and other comprehensive income.

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

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

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

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

The First Milling Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2021

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 recognised 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 are classified as "held for trading" if they are acquired for the purpose of selling in the near future. This category includes derivative financial instruments entered by the company that are not designated as hedging instruments as stated in IFRS 9. Derivatives included in other separate financial instruments are also classified as "held for trading" unless they are designated as effective hedging instruments.

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

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

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

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

The First Milling Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED
2.2 Summary of Significant Accounting Polices – (continued)

h) Cash and balances at banks

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

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

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.

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

j) Impairment of non-financial assets

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

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

The First Milling Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.2 Summary of Significant Accounting Polices – (continued)

j) Impairment of non-financial assets – (continued)

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.

k) Revenue from contracts with customers

The Company is involved in manufacturing of flour, feed and bran (by-product). The revenue is recognized when the goods are transferred to the customer, which is the time when these dispatched from the premises of the Company. The revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods or services. Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

All sales are made on cash basis only, and thus payment of transaction price becomes due immediately when the customer purchases the products and the control of the products is transferred to the customer at the same time. Other income is recognized when it is earned.

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

(1) Variable consideration

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

(2) 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.

The First Milling Company
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.2 Summary of Significant Accounting Polices – (continued)

(l) Provisions

General
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.

m) Zakat and taxes

Zakat
Zakat provision is calculated and recorded based on the zakat base in the consolidated financial statements of Raha Alsafi Company and its wholly owned subsidiary according to the regulations of the Zakat, Tax and Customs Authority (“ZATCA”), The Company's share of its provision is charged to the statement of profit and loss and other comprehensive income.

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

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

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

The First Milling Company
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.2 Summary of Significant Accounting Polices – (continued)

o) Foreign currencies – (continued)

Transactions and balances (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 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.

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, AMENDED STANDARDS AND INTERPRETATIONS

The Company has not early adopted any standards, interpretations or amendments.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the inconsistency between IFRS 10 and IAS 28 when dealing with loss of control over a subsidiary that has been sold or contributed to an associate or joint venture. The amendments clarify that all gains or losses resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, are recognized between the investor and its associate or joint venture. However, any gain or loss arising from the sale or contribution of assets that is not a business, is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The International Accounting Standards Board has postponed the effective date of these amendments indefinitely, but an entity that applies these amendments early must comply with them in the future. There is no material impact on the financial statements

Amendments to IFRS 3: Business Definition
In October 2018, the International Standards Board issued amendments to the definition of a business in IFRS 3 “Business combinations” to help entities determine whether a satisfied group of activities and assets is a business. The amendments clarify the minimum requirements for any business, exclude assessment of whether market participants are able to replace any missing items, add guidance to assist entities in assessing whether an acquisition is material, narrow the definitions of business and output, and provide an optional test of fair value concentration. New illustrations have been introduced with these modifications.

The amendments apply to annual periods beginning on or after January 1, 2021, with early application permitted. There is no material impact on the financial statements

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SUMMARY OF NEW ACCOUNTING POLICIES
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 determines the term of the lease as non-cancellable in any periods covered by the option to terminate the lease if the Company is certain of the reasonableness of exercising that option.

The Company has several lease contracts that include termination options. The Company decides through its evaluation of the lease whether it is reasonable to exercise the option to terminate the lease. This means that the Company considers all relevant factors that constitute an economic incentive to exercise the option to terminate the lease. After the lease commencement date, the Company reassesses the lease term if there is an event or change in circumstances within the Company's control that affects the Company's ability to exercise the option to terminate (such as: making material improvements to the lease or a material restructuring of the lease).

Defined benefit plans
The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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.

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4. SEGMENT INFORMATION

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 similar to transactions with third parties.

The selected financial information for these branches is as follows.

For the year ended 31 December 2021	***Jeddah***	***Qassim***	***Tabuk***	***Al Ahsa***	***Head office***	***Total segments***
	SR	***SR***	***SR***	***SR***	***SR***	***SR***
Total revenue	366,397,657	255,967,460	78,074,255	100,569,995		**801,009,367**
Cost of inventories	(147,559,345)	(111,845,198)	(31,850,724)	(38,345,962)	-	**(329,601,229)**
Employee benefits expenses	(31,072,484)	(32,267,064)	(15,146,940)	(12,298,975)	(30,117,738)	**(120,903,201)**
Depreciation	(19,319,073)	(4,818,824)	(3,707,980)	(14,386,094)	(1,390,955)	**(43,622,926)**
Other expenses	(23,135,937)	(16,610,427)	(3,909,213)	(10,731,750)	(32,726,487)	**(87,113,814)**
Financing costs	(7,652,967)	(2,126,927)	(139,605)	(1,892,633)	(6,365)	**(11,818,497)**
Other income	718,677	206,504	91,241	140,343	469,327	**1,626,092**
Finance income	-	-	-	-	109,533	**109,533**
Impairment loss for assets held for sale	(6,466,411)	-	-	-	-	**(6,466,411)**
Segment (loss) profit	**131,910,117**	**88,505,524**	**23,411,034**	**23,054,924**	**(63,662,685)**	**203,218,914**

For the year ended 31 December 2020	*Jeddah*	*Qassim*	*Tabuk*	*Al Ahsa*	*Head office*	*Total segments*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*
Total revenue	357,735,889	222,359,478	57,876,422	78,084,571	-	716,056,360
Cost of inventories	(151,325,599)	(106,498,317)	(22,235,356)	(32,432,350)	-	(312,491,622)
Employee benefits expenses	(33,368,758)	(35,042,027)	(16,807,870)	(13,450,168)	(14,571,804)	(113,240,627)
Depreciation	(17,207,008)	(3,900,520)	(3,004,506)	(14,063,054)	(404,331)	(38,579,419)
Other expenses	(18,306,411)	(11,783,345)	(4,394,387)	(6,655,113)	(11,300,148)	(52,439,404)
Financing costs	(8,337,800)	(2,619,077)	(147,118)	(2,184,565)	-	(13,288,560)
Other income	46,010	297,689	27,738	22,306	601,762	995,505
Finance income	-	-	-	-	3,673,717	3,673,717
Segment (loss) profit	129,236,323	62,813,881	11,314,923	9,321,627	(22,000,804)	190,685,950

At 31 December 2021	***Jeddah***	***Qassim***	***Tabuk***	***Al Ahsa***	***Head office***	***Total segments***
	SR	***SR***	***SR***	***SR***	***SR***	***SR***
Total assets	429,451,365	181,662,345	117,998,397	348,923,782	78,388,145	**1,156,424,034**
Total liabilities	270,264,566	101,907,411	15,606,692	71,161,705	32,290,100	**491,230,474**
Other disclosures:						
Property, plant and equipment with Right of use assets	356,674,221	107,870,832	80,309,364	304,177,669	4,408,765	**853,440,851**
Inventory	44,611,027	52,964,795	10,846,044	7,396,241	-	**115,818,107**
Intangible assets	46,128	77,314	36,937	8,406	4,164,529	**4,333,314**

At 31 December 2020	Jeddah	Qassim	Tabuk	Al Ahsa	Head office	Total segments
	SR	SR	SR	SR	SR	SR
Total assets	383,090,844	146,615,735	91,984,777	326,532,386	533,393,172	1,481,616,914
Total liabilities	235,357,223	81,876,951	14,281,205	67,013,827	1,836,864	400,366,070
Other disclosures:						
Property, plant and equipment with Right of use assets	332,567,851	98,020,162	76,902,089	314,647,453	8,581,614	830,719,169
Inventory	48,343,444	47,890,373	14,060,637	8,509,429	-	118,803,883

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5. PROPERTY, PLANT AND EQUIPMENT

	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								
At 1 January 2020	196,571,753	333,489,080	2,739,596	2,305,069	1,238,500	282,375,757	42,323,007	**861,042,762**
Additions during the year	1,147,095	7,512,535	470,923	1,823,646	6,760,294	70,129,498	17,493,226	**105,337,217**
Disposals	-	(12,951)	-	-	(61,000)	-	-	**(73,951)**
Transfers	38,898,761	7,324,144	1,150,000	48,764	-	-	(47,421,669)	**-**
At 31 December 2020	236,617,609	348,312,808	4,360,519	4,177,479	7,937,794	352,505,255	12,394,564	**966,306,028**
Additions during the year	1,915,250	12,968,016	341,312	339,353	134,100	41,337,933	18,475,784	**75,511,748**
Disposals during the year	(2,300)	(7,030)	-	-	-	(2,513,594)	-	**(2,522,924)**
Transfers during the year	889,478	2,726,488	-	-	-	-	(3,615,966)	**-**
Transfer of assets held for sale (note 20)	(1,181,116)	(9,780,124)	-	-	-	-	-	**(10,961,240)**
At 31 December 2021	238,238,921	354,220,158	4,701,831	4,516,832	8,071,894	391,329,594	27,254,382	**1,028,333,612**
Accumulated depreciation								
At 1 January 2020	18,953,857	46,852,229	1,679,130	909,428	448,607	28,546,888	-	**97,390,139**
Charge for the year (****)	7,197,363	16,499,289	347,410	426,309	640,231	13,401,672	-	**38,512,274**
Disposals during the year	-	(177)	-	-	(29,517)	-	-	**(29,694)**
At 31 December 2020	26,151,220	63,351,341	2,026,540	1,335,737	1,059,321	41,948,560	-	**135,872,719**
Charge for the year (****)	8,045,513	16,794,683	356,811	600,116	1,610,426	15,723,521	-	**43,131,070**
Disposals during the year	(77)	(117)	-	-	-	-	-	**(194)**
Transfer of assets held for sale (note 20)	(151,425)	(3,959,409)	-	-	-	-	-	**(4,110,834)**
At 31 December 2021	**34,045,231**	**76,186,498**	**2,383,351**	**1,935,853**	**2,669,747**	**57,672,081**	**-**	**174,892,761**
Net book value								
At 31 December 2021	**204,193,690**	**278,033,660**	**2,318,480**	**2,580,979**	**5,402,147**	**333,657,513**	**27,254,382**	**853,440,851**
At 31 December 2020	**210,466,389**	**284,961,467**	**2,333,979**	**2,841,742**	**6,878,473**	**310,556,695**	**12,394,564**	**830,433,309**

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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 1,992,395 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. During the year 2020, the leases term was extended by an additional 3 years.
(**) As 31 December 2021, capital work in progress mainly consists mainly of the following projects:
1. Chemical warehouses project in Qassim, Jeddah, Tabuk and Al-Ahsa
2. The project of installing the product conveying line from the Jeddah silo
3. The project to replace the grinding cylinder control unit in Al-Ahsa
4. Whole wheat mill construction project in Jeddah
5. Replacing a wheat mill in Jeddah and grinding cylinders in Qassim

The expected completion date of this is 2022 and the capital commitments relating to this amount to SR 69 million (31 December 2021: SR 43.3 million) (note 8)

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

	2021	*2020*
	SR	*SR*
Direct Costs (Note 15)	**23,260,872**	22,550,007
General and administrative expenses (Note 17)	**3,216,627**	1,911,695
Selling and distribution expenses (Note 16)	**930,050**	648,900
	27,407,549	25,110,602

(****) Right of use assets

	Silos (*)	**Lands (**)**	**Buildings, Warehouses, and Equipment (***)**	**Total**
Cost				
At 1 January 2020	204,919,419	69,562,263	7,894,075	282,375,757
Additions during the year	57,228,081	12,901,417	-	70,129,498
As at 31 December 2020	262,147,500	82,463,680	7,894,075	352,505,255
Additions during the year	-	28,131,797	13,206,136	41,337,933
Disposals during the year	-	-	(2,513,594)	(2,513,594)
At 31 December 2021	**262,147,500**	**110,595,477**	**18,586,617**	**391,329,594**
Accumulated depreciation				
At 1 January 2020	24,590,352	3,018,455	938,081	28,546,888
Charge for the year	8,296,149	3,037,190	2,068,333	13,401,672
As at 31 December 2020	32,886,501	6,055,645	3,006,414	41,948,560
Charge for the year (****)	9,544,270	4,083,638	2,095,613	15,723,521
At 31 December 2020	**42,430,771**	**10,139,283**	**5,102,027**	**57,672,081**
Net book Value				
At 31 December 2021	**219,716,729**	**100,456,194**	**13,484,590**	**333,657,513**
At 31 December 2020	229,260,999	76,408,035	4,887,661	310,556,695

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5. PROPERTY, PLANT AND EQUIPMENT – (CONTINUED)

(*) The company entered into a lease agreement with the General Organization for Grain to rent grain silos for the purpose of storing wheat, flour and fodder. The lease term is for 25 Gregorian years, starting from 3 Rabi' al-Thani 1438H (corresponding to 1 January 2017), and it is automatically renewable for a similar period. The estimated useful lives of the leased assets for the purposes of the amortization calculation is 25 years. During 2020, the duration of the contracts was extended by an additional 3 years.

(**) The company has entered into lease contracts for lands. The term of these contracts is 25 years. These lease contracts do not transfer ownership of the assets to the lessor at the end of the contract. The estimated useful lives of these assets for the purposes of amortization calculation is 23 years.

(***) Depreciating warehouses and buildings over a period of 2 to 18 years.

(****) Depreciation expenses for the year were allocated as follows:

	2021 ***SR***	*2020* *SR*
Direct Costs (Note 15)	**14,818,379**	13,356,478
General and administrative expenses (Note 17)	**889,262**	30,129
Selling and distribution expenses (Note 16)	**15,880**	15,065
	15,723,521	13,401,672

6. INTANGIBLE ASSETS

	2021 ***SR***	*2020* *SR*
Cost:		
At 1 January	**447,637**	447,637
Additions during the year	**1,103,611**	-
Transfer from projects in progress	**3,426,225**	
At 31 December	**4,977,473**	447,638
Accumulated amortization:		
At 1 January	**161,778**	94,632
Amortization	**482,381**	67,146
At 31 December	**644,159**	161,778
Net book value:		
At 31 December	**4,333,314**	285,860

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7. INVENTORIES

	31 December 2021 SR	*31 December 2020 SR*
Spare parts	**93,493,680**	92,108,242
Raw materials	**45,570,856**	35,310,021
Goods in transit	**1,208,836**	12,221,189
Finished goods *	**8,188,318**	10,683,406
Others	**1,057,834**	1,087,519
Less: allowance for slow moving inventory of spare parts and raw materials	**(33,701,417)**	(32,606,494)
	115,818,107	118,803,883

(*) 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. During the year, the leases term was extended by an additional 3 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.

(***) Warehouses and buildings are depreciated over a period of 18 years**.**
** The cost of finished goods includes direct costs as well as overheads, the latter of which is allocated based on the quantities produced.*

Movement in allowance for slow moving inventory of spare parts and raw materials

	31 December 2021 SR	*31 December 2020 SR*
At the beginning of the year	**32,606,494**	28,533,146
Provision during the year (note 15)	**1,094,923**	4,073,348
At end of the year	**33,701,417**	32,606,494

8. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2021 SR	*31 December 2020 SR*
Advances to contactors	**11,962,512**	447,947
Other receivables	**4,541,160**	2,953,883
Prepayments (*)	**3,148,475**	1,917,978
VAT receivable	**1,808,547**	-
Letters of guarantee a letter of credit (note 21)	**1,126,596**	7,689,053
Accrued revenue	**-**	310,344
	22,587,290	13,319,205

(*) Prepayments mainly includes prepaid rent, medical insurance, employees' allowances, and others.

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9. CASH AND CASH EQUIVALENTS

	31 December 2021 SR	*31 December 2020 SR*
Cash at banks	**157,484,513**	208,754,365
Short term deposits*	**-**	310,000,000
	157,484,513	518,754,365

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

10. CAPITAL AND PROPOSED INCREASE IN CAPITAL

The company's capital consists of 53,923,678 shares, the value of each share is 10 Saudi riyals (December 31, 2020: 50,000 shares, the value of each share is 10 Saudi riyals). On Shawwal 17, 1441 (corresponding to 9 June 2020) the Council of Ministers issued a decision 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.

On 16 Jumada I 1442 AH (corresponding to 31 December 2020), the owner sold all of the company's shares to the Al Raha Al Safi Food Alliance. The sale and transfer of ownership of the company was completed after fulfilling the legal requirements on that date.

DIVIDNEDS DISTRIBUTION

On Shaaban 29, 1442H (corresponding to April 12, 2021), the General Assembly approved the distribution of dividends in the amount of SR 19 million . On the date of Dhul Qi'dah 19 1442H (corresponding to June 29, 2021), the Ordinary General Assembly approved the distribution of dividends in the amount of SR500 million. On Rabi' Al-Awwal 13, 1443H (corresponding to October 19, 2021), the General Assembly approved the distribution of dividends in the amount of SR 56 million. On the 18th of Jumada Al-Ula 1443 AH (corresponding to December 22, 2021), the Ordinary General Assembly approved the distribution of dividends amounting of SR 38.

11. LEASE LIABLITIES

Movement in lease liabilities during the year is as follows:

	31 December 2021 SR	*31 December 2020 SR*
At the beginning of the year	**331,583,033**	269,615,004
Additions during the year	**41,337,933**	70,129,498
Finance charges on lease liabilities	**11,817,609**	13,288,560
Disposals during the year	**(2,864,106)**	-
Payments	**(23,152,414)**	(21,450,029)
	358,722,055	331,583,033
Current	**10,722,859**	9,767,397
Non - Current	**347,999,196**	321,815,636
	358,722,055	331,583,033

12. DEFINED BENEFIT OBLIGATION

	31 December 2021 SR	31 December 2020 SR
Present value of defined benefit obligation	**698,000**	772,931
	698,000	772,931

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12. DEFINED BENEFIT OBLIGATION - CONTINUED
ACTUARIAL ASSUMPTIONS

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

	31 December 2021
Discount rate	2.80%
Salary increase rate	4.00%
Employee turnover (withdrawal) rate	1%-25%

AMOUNT CHARGED TO PROFIT AND LOSS

	31 December 2021 SR
Service cost	(192,761)
Net interest amount charged on the net defined benefit liability	17,000
The total amount charged to statement of profit and loss	175,761

AMOUNT CHARGED TO OTHER COMPREHENSIVE INCOME

	31 December 2021 SR
(Gain) / loss resulting from the change in financial assumptions	6,000
(Gain) / loss resulting from the change in demographic	110,136
Actuarial (gain) and loss	116,136

NET DEFINED BENEFIT LIABILITY

	31 December 2021 SR	31 December 2020 SR
Net defined benefit obligation at 1 January	772,931	490,373
Service cost	(192,761)	286,101
Interest expense	17,000	-
Paid during the year	(15,306)	(3,543)
Remeasurement of the net defined benefit liability	116,136	-
Present value of the defined benefit obligation at 31 December	698,000	772,931

The sensitivity of the defined benefit obligation to charges in the weighted principal assumptions 31 December 2021 is:

	Original	Increase / (decrease) in present value of the defined benefit obligation	
		%	Amount (SR)
Discount rate	698,000	+1%	640,000
		-1%	769,000
Salary increase rate	698,000	+1%	768,000
		-1%	640,000
Employee turnover rate	698,000	+1%	674,000
		-1%	725,000

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13. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	31 December 2021 SR	31 December 2020 SR
Trade payables	**60,738,430**	27,054,058
Accrued expenses *	**41,276,588**	18,487,097
VAT Payable	**-**	2,885,756
Other payables	**2,555,912**	1,220,422
	104,570,930	49,647,333

*Accrued expenses mainly comprise of accrued electricity, rent, professional services charges, and employee related expenses.

14. SALES

	2021 SR	2020 SR
Flour	**495,151,197**	469,879,426
Feed	**222,499,488**	178,010,821
Bran	**83,648,671**	68,407,453
Less: free sale	**(289,989)**	(241,340)
	801,009,367	716,056,360

14.1 The Company sells its goods on the basis of purchase orders from customers, secured by the advance receipts of value of goods.

14.2 Disaggregation of Revenue

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

	2021 SR	2020 SR
Type of sector		
Corporate sector	**757,978,576**	563,622,626
Government sector	**34,858,038**	28,035,344
Individual sector	**8,172,753**	124,398,390
	801,009,367	716,056,360
Type of customer		
Non-government	**766,151,329**	688,021,016
Government	**34,858,038**	28,035,344
	801,009,367	716,056,360
Duration of contracts		
Less than one year	**801,009,367**	716,056,360
	801,009,367	716,056,360

Performance commitment

The sale of the goods is recognized by the Company at a point in time, and the performance obligation is fulfilled when the goods are removed from the warehouses.

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2021

15. DIRECT COSTS

	2021 SR	2020 SR
Raw material consumed	**327,105,762**	307,965,504
Salaries and other benefits	**60,187,161**	71,871,371
Depreciation of property, plant and equipment and right of use assets (Note 5)	**38,079,251**	35,906,485
Fuel and Power	**18,385,245**	20,635,301
Provision for slow moving inventory of spare parts and raw materials	**1,094,923**	4,073,348
Maintenance	**3,329,185**	3,280,804
Rent	**-**	65,280
Other industrial expenses	**18,864,180**	9,316,076
	467,045,707	453,114,169
Finished goods at the beginning of the year	**10,683,786**	15,209,902
Total production cost intended for sale during the year	**477,729,493**	468,324,071
Finished goods at the end of the year (Note 7)	**(8,188,318)**	(10,683,786)
	469,541,175	457,640,285

16. SELLING AND DISTRIBUTION EXPENSES

	2021 SR	2020 SR
Salaries and other benefits	**8,425,918**	6,999,872
Transmission and distribution	**4,630,704**	50,250
Advertising & Marketing	**2,270,567**	405,752
Depreciation of property, plant and equipment and right of use assets (note 5)	**945,930**	663,964
Professional and consulting fees	**317,263**	49,896
Customer incentives	**238,570**	-
Rent	**222,027**	-
Fuel and Power	**213,415**	462,755
Exhibitions and seminars	**-**	303,031
Material and supplies	**93,819**	185,661
Other expenses	**402,151**	33,046
	17,760,364	9,154,227

17. GENERAL AND ADMINISTRATIVE EXPENSES

	2021 SR	2020 SR
Salaries and other benefits	**52,314,839**	33,506,313
Professional and consulting fees	**21,107,879**	8,536,684
Claims expenses	**7,560,217**	-
Depreciation of property, plant and equipment and right of use assets (note 5)	**4,105,889**	1,941,824
Board and committees' expenses, rewards and allowances (note 23)	**2,579,550**	863,071
Telecommunication expenses	**1,795,040**	1,202,576
Material and supplies	**925,700**	661,498
Fuel and power	**382,410**	414,284
Maintenance	**730,655**	276,153
Amortization of Intangible assets (note 6)	**482,381**	67,146
Rent	**101,280**	65,200
Other expenses	**1,853,792**	2,421,811
Total	**93,939,632**	49,956,560

The First Milling Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2021

18. OTHER INCOME

	31 December 2021 SR	*31 December 2020 SR*
Penalties and fines for suppliers	**647,074**	632,800
Rents	**-**	264,960
Other	**979,017**	97,745
Total	**1,626,091**	995,505

19. ZAKAT

19.1 Movement in provision for zakat during the year

Starting January 2021, the parent company "Raha Alsafi" submits consolidated Zakat declaration to the Zakat, Tax and Customs Authority ("ZATCA"), this is later distributed to the subsidiary with the respective share of the zakat expense.

	2021 SR	2020 SR
At 1 January	**-**	-
Charged during the year	**(4,743,700)**	-
Paid during the year	**-**	-
At 31 December	**(4,743,700)**	-

19.2 Zakat Status

The Company is not subject to Zakat since its share capital is from public funds on which Zakat is not applicable to 2020. During the year ended 31 December 2021, the Company obtained the final zakat assessments for 2021 from the ZATCA.

20. ASSETS AVAILABLE FOR SALE

During the year ending 31 December 2021, the Board of Directors decided to sell one of the mills that has not been in use since 2014. Accordingly, those assets were reclassified as available for sale. The estimated disposal loss is SR 6,461,072 million representing the difference between the recoverable value and the net book value of the disposed fixed assets. Hence, the estimated loss is recorded as impairment loss in the income statement.

21. CAPITAL COMMITMENTS AND CONTINGENCIES

Contingencies
As of 31 December 2021, the Company had contingent liabilities arose during its normal business cycle and related to letters of credit of SR 1,126,596 (31 December 2020: SR 7,689,053). The amount paid during the year SR 1,126,596 (31 December 2020: SR 7,689,053) (note 8).

22. 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 amortised cost:		
Cash and cash equivalent	**157,484,513**	518,754,365
Total	**157,484,513**	518,754,365

The First Milling Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2021

22. FINANCIAL INSTRUMENTS – (CONTINUED)

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

	31 December 2021 SR	*31 December 2020 SR*
Financial liabilities at amortised cost:		
Trade payables and other current liabilities	**104,570,930**	49,647,333
Leases liabilities	**357,155,595**	331,583,033
Total	**461,726,525**	381,230,366

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 recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement
is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement
is unobservable

For assets and liabilities that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There 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.

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 minimising the volatility of the funding costs of the Company.
There were no changes in the policies for managing these risks.

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

The First Milling Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2021

22. FINANCIAL INSTRUMENTS – (CONTINUED)
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 amortised cost:		
Amounts due from related parties	**-**	-
Cash and cash equivalent	**157,484,513**	518,754,365
Total	**157,484,513**	518,754,365

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 Short term***	***Rating Long term***	***Rating Agency***	***31 December 2021 SR***	*31 December 2020 SR*
Saudi British Bank	**P-1**	**A-1**	Moody`s	**500,000**	**500,000**
Banque Saudi Fransi	**P-1**	**A-1**	Moody`s	**55,374,322**	**518,254,365**
Alinma Bank	**P-1**	**A-1**	Moody`s	**101,610,191**	**-**
				157,484,513	**518,754,365**

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 at 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.
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 sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation

The First Milling Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2021

22. FINANCIAL INSTRUMENTS – (CONTINUED)
Liquidity risk – (continued)

Excessive risk concentration:
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Excessive risk concentration – (continued)
Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular 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 summarises the maturities of the Company's financial liabilities as 31 December 2021 and 31 December 2020 based on contractual payment dates and current market interest rates as following.

31 December 2021

	On demand SR	Less than 3 months SR	3 to 12 Months SR	1 to 5 years SR	More than 5 years SR	Total SR
Trade payables and other current liabilities	**-**	**-**	**131,810,417**	**-**	**-**	**131,810,417**
Lease liabilities	**-**	**-**	**10,722,859**	**45,835,197**	**302,163,999**	**358,722,055**
Amounts due to related parties	**-**	**-**	**-**	**-**	**-**	**-**
	-	**-**	**142,533,276**	**45,835,197**	**302,163,999**	**490,532,472**

31 December 2020

	On demand SR	Less than 3 months SR	3 to 12 Months SR	1 to 5 years SR	More than 5 years SR	Total SR
Trade payables and other current liabilities	-	-	26,272,849	-	-	26,272,849
Liabilities under finance leases	-	-	9,767,396	40,440,766	281,374,871	331,583,033
Amounts due to related parties	-	-	23,374,484	-	-	23,374,484
	-	-	59,414,729	40,440,766	281,374,871	381,230,366

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: foreign currency risk, interest rate risk and other price risks.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The 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.

The First Milling Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2021

22. FINACIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – (CONTINUED)

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.

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.

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 aforementioned 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 maximise the shareholder value.

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

There were no changes in the objectives, policies and procedures for managing capital during the years ended 31 December 2021 and 31 December 2020.

23. EARNINGS PER SHARE

Basic earnings per share 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	**198,359,078**	190,685,950
Weighted average number of ordinary shares for basic EPS	**53,923,678**	53,923,678
Earnings per share – basic and diluted	**3.68**	3.54

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

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. Transactions with related parties are on are arm's length transaction basis.

The First Milling Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2021

24. RELATED PARTY TRANSACTIONS AND BALANCES - CONTINUED
TRANSACTIONS WITH SENIOR MANAGEMENT PERSONNEL

For the purposes of the disclosure requirements contained in IAS 24 Disclosures Related to Related Parties, the phrase “key management personnel” (i.e., those persons who have the authority and responsibility to plan, direct and control the activities of the company) refers to the chief executive officer and other executives of the company.

The compensation of the senior management personnel includes salaries and other benefits. The amounts disclosed in the table represent the amounts recognized as an expense during the financial period in respect of key management personnel.

For the purposes of the disclosure requirements contained in IAS 24 Disclosures Related to Related Parties, the phrase “key management personnel” (those who have the authority and responsibility to plan, direct and control the company’s activities) refers to the chief executive officer and executives of the company.

The compensation of the company's senior management personnel includes salaries and other benefits. The amounts disclosed in the table represent the amounts recognized as an expense during the financial period in respect of key management personnel.

Compensation of key management personnel of the Company

	2021	*2020*
	SR	*SR*
Short-term employee benefits	**5,284,234**	3,964,535
Board and committees’ expenses, rewards and allowances	**2,579,550**	863,071
Total compensation paid to key management personnel	**7,863,784**	4,827,606

25. STANDARDS INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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.

Amendments to IAS 1 and IAS 8: Definition of “Significant”

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 to align with the definition of “substantial” across all standards and to clarify some aspects of the definition. The new definition states that “information is material if the omission, misrepresentation or obscuration of such information could reasonably be expected to influence decisions made by the primary users of general purpose financial statements on the basis of those financial statements, which provide financial information about a particular subsidiary.”

Amendments clarify that materiality depends on the nature or volume of the information, or both. An entity needs to assess whether the information, whether individually or in combination with other information, is material in the context of the financial statements.

The amendments apply to annual periods beginning on or after 1 January 2021 and must be applied prospectively. Early application is permitted and must be disclosed.

Management does not apply the amendment early and considers that it will not have an impact on the company's financial statements in the future.

26. SUBSEQUENT EVENTS

There is no subsequent event as of the date of this financial statements .

The First Milling Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the year ended 31 December 2021

27. THE IMPACT OF COVID-19 PANDEMIC

A new strain of Coronavirus (Covid-19) was identified for the first time at the end of December 2019, during the month of March 2020, the World Health Organization proclaimed this a global pandemic. The new Corona virus continued to spread all over the world, including the Kingdom of Saudi Arabia, which causes implementation of travel restrictions and the imposition of a curfew in the cities, this resulted in a slowdown in economic activity and the closure of many sectors at the global and local level. At the end of the second quarter of 2020, the government of the Kingdom of Saudi Arabia began to allow the return of all commercial economic activities, considering the application of all approved preventive measures and social distancing.

In response to the rapid spread of the virus and the resulting disruption of some business and economic activities, the management assessed its impact on its current and future operations and took a series of preventive and precautionary measures, while ensuring the continuation of services provided to clients. Until the date of preparing the financial statements for the year ending on 31 December 2021, the company's business and operations were not materially affected by the consequences of the outbreak of the virus, taking into account the lesser impact of the pandemic on the business of companies operating in the manufacturing sector.

28. DATE OF AUTHORIZATION

These financial statements were authorized for issuance by the Company's Board of Directors on 14 Shawal 1443H (corresponding to 16 May 2022).

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

FINANCIAL STATEMENTS
For the year ended 31 December 2022

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

FINANCIAL STATEMENTS
For the year ended 31 December 2022

KPMG Professional Services
Zahran Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
مركز زهران للأعمال
شارع الأمير سلطان
ص.ب 55078
جده 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of The First Milling Company
(A Saudi Closed Joint Stock Company)
Jeddah - Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of **The First Milling Company ("the Company"),** which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent Auditor's Report

To the Shareholders of The First Milling Company
(A Saudi Closed Joint Stock Company)
Jeddah - Kingdom of Saudi Arabia (continued)

Goodwill impairment assessment

Refer Note 4.5.2 for the accounting policy relating to goodwill and Note 11 for the goodwill disclosure.

Key audit matter

As at 31 December 2022, the carrying value of goodwill amounted to SR 1,091 million (2021: NIL). Goodwill has been recognized in the financial statements at net book value as a result of the merger of the Company with its Parent Company (Al Raha Al Safi Food Company).

Goodwill is subject to a mandatory annual impairment test. The Company reviews the carrying amount of goodwill to determine whether the carrying value exceeds the recoverable amount, which is the higher of value-in-use (VIU) or the fair value less costs to sell. For the purpose of the Company's impairment assessment, management has used the VIU model to determine the recoverable amount, under which the future cash flows relating to the Cash Generating Unit (CGU) were discounted and compared to the carrying amounts. The entire business of the Company is considered as a single CGU. A VIU model requires input of several key assumptions, including estimates of future sales volumes, prices, operating costs, terminal value, growth rates and discount rates.

There is uncertainty in estimating the recoverable amount of the goodwill which principally arises from the inputs used in both forecasting and discounting future cash flows. A combination of the significance of the balance of goodwill and the inherent uncertainty in the assumptions supporting its valuation means that an assessment of its carrying value is one of the key judgmental areas.

We considered the valuation of goodwill as a key audit matter due to the significant judgment and key assumptions involved in the impairment assessment process.

How the matter was addressed in our audit

Our audit procedures performed included, among other audit procedures, the following:

- Assessing the appropriateness of the Company's accounting policy for measurement of goodwill in line with the requirements of International Financial Reporting Standards (IFRS) that are endorsed in Kingdom of Saudi Arabia;
- Assessing the design and implementation of the Company's controls around impairment assessment;
- Checking the accuracy and completeness of the information produced by management, which was used as the basis of the impairment assessment;
- Checking the mathematical accuracy of the models used by the management;
- Engaging our internal valuations specialist to assess the key assumptions used in the VIU calculation. Further, we assessed the reasonableness of key management assumptions in respect of estimated future cash flows, growth and discount rates;
- Comparing forecasts to historical experience and applied our understanding of the future prospects of the business;
- Performing a sensitivity analysis, which included assessing the effect of reasonably possible reductions in growth rates and forecast cash flows to evaluate the impact on the currently estimated headroom for the CGU; and
- Considering the adequacy of the Company's related disclosures in terms of applicable accounting standards.

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Independent Auditor's Report

To the Shareholders of The First Milling Company
(A Saudi Closed Joint Stock Company)
Jeddah - Kingdom of Saudi Arabia (continued)

Key Audit Matters (continued)

Revenue recognition

Refer Note 4.13 for the accounting policy relating to revenue recognition and Note 26 for the relevant disclosure.

Key audit matter	How the matter was addressed in our audit
During the year ended 31 December 2022, the Company recognized total net revenue of SR 914 million (2021: SR 801 million). Revenue from sales is recognised at point in time when control over the goods is transferred to the customer on delivery of the goods in accordance with "IFRS 15 - Revenue from contracts with customers". Revenue is a key indicator for measuring performance, and this implies the presence of inherent risks to overstate revenue recognition to increase profitability and earnings. Therefore, revenue recognition was considered a key audit matter.	Our audit procedures performed included, among other audit procedures, the following: - Assessing the appropriateness of the Company's accounting policies for revenue recognition in line with the requirements of International Financial Reporting Standards (IFRS) that are endorsed in Kingdom of Saudi Arabia; - Evaluating key contractual and returns arrangements by considering relevant documentation and agreements with the customers; - Assessing the design and implementation, of the Company's controls, including anti-fraud controls, over the recognition of revenue; - Performing variance analysis by comparing the current year's revenue with the historical trend, and discussed material variances, if any; - Selecting a sample of sales transactions taking place during the year and inspected the supporting documents to ensure they were recognized at the correct amounts. - Recalculating and inspecting discounts and rebates for a sample of customers according to their agreements. - Inspecting a sample of sales transactions taking place before and after the year-end to assess whether revenue was recognized in the correct accounting period; and - Assessing the adequacy of the relevant disclosures in accordance with the requirements of IFRS 15 included in the financial statements.

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Independent Auditor's Report

To the Shareholders of The First Milling Company
(A Saudi Closed Joint Stock Company)
Jeddah - Kingdom of Saudi Arabia (continued)

Emphasis of matter - comparative information

We draw attention to Note [41] to the financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2021 has been restated. Our opinion is not modified in respect of this matter.

Other matter relating to comparative information

The financial statements of The First Milling Company as at and for the year ended 31 December 2021, excluding the adjustments described in Note [41] to the financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 19 May 2022.

As part of our audit of the financial statements as at and for the year ended 31 December 2022, we audited the adjustments described in Note [41] that were applied to restate the comparative information presented as at and for the year ended 31 December 2021. We were not engaged to audit, review, or apply any procedures to the financial statements for the year ended 31 December 2021, other than with respect to the adjustments described in Note [41] to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note [41] are appropriate and have been properly applied.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal controls as management determines is necessary to enable the preparation of 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, the Board of directors, are responsible for overseeing the Company's financial reporting process.

KPMG

Independent Auditor's Report

To the Shareholders of The First Milling Company
(A Saudi Closed Joint Stock Company)
Jeddah - Kingdom of Saudi Arabia (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 judgement and maintain professional scepticism 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, then 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.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

KPMG

Independent Auditor's Report

To the Shareholders of The First Milling Company
(A Saudi Closed Joint Stock Company)
Jeddah - Kingdom of Saudi Arabia (continued)

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Professional Services

Lic No. 46
C.R. 4030290792
J : 1
KPMG
KPMG Professional Services

____
Ebrahim Oboud Baeshen
License No. 382

Jeddah, 20 April 2023
Corresponding to 29 Ramadan 1444H

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

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	**31 December 2022**	31 December 2021
Assets			
Property, plant and equipment	7	**537,778,519**	519,783,338
Right-of-use assets	8	**319,617,116**	333,657,513
Intangible assets	9	**5,018,059**	4,333,314
Derivative financial instruments	10	**58,158,366**	--
Goodwill	11	**1,090,669,302**	--
Non-current assets		**2,011,241,362**	857,774,165
Inventories	12.1	**119,100,330**	115,818,107
Trade receivables	13.1	**6,182,342**	2,375,959
Prepayments and other current assets	14	**66,587,729**	22,587,290
Due from related parties	37	**7,912,120**	--
Cash and cash equivalents	15	**215,326,438**	157,484,513
		415,108,959	298,265,869
Non-current assets held for sale	34	**--**	384,000
Current assets		**415,108,959**	298,649,869
Total assets		**2,426,350,321**	1,156,424,034
Equity and liabilities			
Equity			
Share capital	16	**555,000,000**	539,236,780
Shareholders' contributions	17	**4,278,483**	--
Merger reserve	18	**(37,554,503)**	--
Statutory reserve	19	**60,802,576**	39,054,503
Cash flow hedge reserve	10	**46,749,353**	--
Retained earnings		**121,685,113**	86,902,277
Total equity		**750,961,022**	665,193,560
Liabilities			
Long term loans	22	**1,006,401,558**	--
Lease liabilities	21	**326,656,872**	336,229,071
Employees' defined benefit obligations	23	**4,892,000**	698,000
Non-current liabilities		**1,337,950,430**	336,927,071
Trade payables		**44,137,592**	60,738,430
Accrued expenses and other liabilities	24	**81,846,360**	43,832,500
Current portion of long-term loans	22	**164,272,151**	--
Current portion lease liabilities	21	**23,084,338**	22,492,984
Advances from customers	25	**17,669,986**	22,495,789
Due to related parties	37	**261,449**	--
Zakat payable	33.1	**6,166,993**	4,743,700
Current liabilities		**337,438,869**	154,303,403
Total liabilities		**1,675,389,299**	491,230,474
Total equity and liabilities		**2,426,350,321**	1,156,424,034

The accompanying notes from 1 to 42 form an integral part of these financial statements.

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	**2022**	2021
Revenue	26	**913,649,822**	801,009,367
Cost of revenue	27	**(515,723,784)**	(469,541,175)
Gross profit		**397,926,038**	331,468,192
Selling and distribution expenses	28	**(39,303,827)**	(17,760,364)
General and administrative expenses	29	**(102,338,998)**	(93,939,632)
Impairment loss on assets held for sale	34	**--**	(6,466,409)
Expected credit loss on trade receivables	13.2	**(675,593)**	--
Operating profit		**255,607,620**	213,301,787
Finance costs	30	**(36,931,751)**	(11,818,497)
Finance income	31	**4,757,213**	109,533
Other income	32	**272,404**	1,626,091
Profit before zakat		**223,705,486**	203,218,914
Zakat expense	33.1	**(6,224,755)**	(4,743,700)
Profit for the year		**217,480,731**	198,475,214
Other comprehensive income / (loss) for the year			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit liability	23	**(707,205)**	(116,136)
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedge	10	**4,229,356**	--
Other comprehensive income for the year		**3,522,151**	(116,136)
Total comprehensive income for the year		**221,002,882**	198,359,078
Earnings per share for the year attributable to shareholders of the Company (SR):			
Basic	36.1	**24.33**	396.95
Diluted	36.1	**24.33**	396.95

The accompanying notes from 1 to 42 form an integral part of these financial statements.

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	Share capital	Shareholders' contributions	Statutory reserve	Retained earnings	Merger reserve	Change in fair value of cash flow hedge	Total
As at 31 December 2021		**539,236,780**	**--**	**39,054,503**	**86,902,277**	**--**	**--**	**665,193,560**
Profit for the year		**--**	**--**	**--**	**217,480,731**	**--**	**--**	**217,480,731**
Other comprehensive income for the year		**--**	**--**	**--**	**(707,205)**	**--**	**4,229,356**	**3,522,151**
Total comprehensive income for the year		**--**	**--**	**--**	**216,773,526**	**--**	**4,229,356**	**221,002,882**
Transfer to statutory reserve	19	**--**	**--**	**21,748,073**	**(21,748,073)**	**--**	**--**	**--**
Transfer to Merger reserve	16	**(534,236,780)**	**--**	**--**	**--**	**534,236,780**	**--**	**--**
Merger Transaction	38	**--**	**--**	**--**	**19,229,430**	**(571,791,283)**	**42,519,997**	**(510,041,856)**
Dividends distribution	20	**--**	**--**	**--**	**(179,472,047)**	**--**	**--**	**(179,472,047)**
Shareholders' contribution	17	**--**	**554,278,483**	**--**	**--**	**--**	**--**	**554,278,483**
Share capital Increase	17	**550,000,000**	**(550,000,000)**	**--**	**--**	**--**	**--**	**--**
As at 31 December 2022		**555,000,000**	**4,278,483**	**60,802,576**	**121,685,113**	**(37,554,503)**	**46,749,353**	**750,961,022**
As at 31 December 2020		539,236,780	--	19,218,595	522,795,469	--	--	1,081,250,844
Profit for the year		--	--	--	198,475,214	--	--	198,475,214
Other comprehensive income for the year		--	--	--	(116,136)	--	--	(116,136)
Total comprehensive income for the year		--	--	--	198,359,078	--	--	198,359,078
Transfer to statutory reserve	19	--	--	19,835,908	(19,835,908)	--	--	--
Dividends distribution	20	--	--	--	(614,416,362)	--	--	(614,416,362)
As at 31 December 2021		539,236,780	--	39,054,503	86,902,277	--	--	665,193,560

The accompanying notes from 1 to 42 form an integral part of these financial statements.

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	2022	2021
Cash flows from operating activities			
Profit before zakat		**223,705,486**	203,218,914
Adjustments:			
Depreciation of property, plant and equipment	7.3	**34,738,059**	27,407,549
Depreciation of right-of-use assets	8.1	**16,282,935**	15,723,521
Amortisation of intangible assets	9.2	**525,546**	482,381
Finance cost on lease liabilities	21	**11,784,237**	11,817,609
Finance cost on long term loans	30	**21,158,814**	--
Finance income for the period	31	**(4,757,213)**	(109,533)
Amortisation of loan transaction cost	30	**3,868,700**	--
Provision for slow moving inventories	12.3	**7,161,444**	1,094,923
Spare parts adjustment		**(469,704)**	--
Finance cost on employees' defined benefit obligations	30	**120,000**	17,000
Provision for employees' defined benefit obligations	23	**3,814,000**	(192,761)
Expected credit loss on trade receivables	13.2	**675,593**	--
Impairment loss on assets held for sale	34	**--**	6,466,409
Gain on settlement of lease agreement		**--**	(350,512)
Loss on disposal of property, plant and equipment		**2,514,907**	(5,337)
		321,122,804	265,570,163
Changes in working capital:			
Inventories		**(5,425,898)**	1,890,853
Trade receivables		**(4,481,976)**	(2,355,667)
Prepayments and other current assets		**(41,424,984)**	(9,268,085)
Due from related parties		**(3,633,637)**	--
Trade payables		**(16,600,838)**	33,684,372
Accrued expenses and other liabilities		**37,728,227**	44,613,709
Advance from customers		**(4,825,803)**	4,133,016
Due to related parties		**261,449**	(23,374,486)
		282,719,344	314,893,875
Paid employees' defined benefit obligations	23	**(447,205)**	(15,306)
Finance cost paid		**(48,921,392)**	(11,767,148)
Finance income received		**3,929,067**	109,533
Zakat paid	33.1	**(4,801,462)**	--
Net cash from operating activities		**232,478,352**	303,220,954
Cash flows from investing activities			
Additions to property, plant and equipment	7	**(37,070,795)**	(34,173,815)
Additions to intangible assets	9.1	**(1,210,291)**	(4,529,836)
Proceeds from disposal of property, plant and equipment		**1,182,824**	14,473
Net cash used in investing activities		**(37,098,262)**	(38,689,178)
Cash flows from financing activities			
Dividends paid	20	**(179,472,047)**	(614,416,362)
Capital contribution	17	**550,000,000**	--
Loan repaid	22	**(577,101,727)**	--
Payment of lease liabilities	21	**(12,506,380)**	(11,385,266)
Net cash used in financing activities		**(219,080,154)**	(625,801,628)
Change in cash and cash equivalents during the year		**(23,700,064)**	(361,269,852)
Cash transferred from the merger transaction	38	**81,541,989**	--
Cash and cash equivalents as at the beginning of the year		**157,484,513**	518,754,365
Cash and cash equivalents at the end of the year		**215,326,438**	157,484,513

The accompanying notes from 1 to 42 form an integral part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

1. COMPANY INFORMATION

The First Milling Company (the "Company"), a Saudi Closed Joint Stock Company, was incorporated in accordance with the Companies' Regulations in the Kingdom of Saudi Arabia under Commercial Registration No. 4030291813 issued on 10 November 2016 (corresponding to 10 Safar 1438H). The Company's licensed activities include flour production in the Kingdom of Saudi Arabia and all activities related to the provision of wheat products, animal feed and related products, including making any contracts or making any related arrangements.

The Company was formed by the Public Investment Fund (the "PIF") pursuant to the resolution of the Council of Ministers No. (35) of 9 November 2015 (corresponding to 27 Muharram 1437H) approving the adoption of the necessary actions to establish four Joint Stock Milling Companies according to the proposed geographical distribution. The Public Investment Fund, in coordination with the General Food Security Authority ("GFSA") previously known as Saudi Grains Organization (the "SAGO"), shall do so in accordance with Royal Decree No. (62) dated 31 July 2014 (corresponding to 4 Shawwal 1435H). The Company is selling various products of flour, feed and bran out of which the selling prices of only the flour products weighing 45 KGs and above are determined by the GFSA.

On 9 September 2020 (corresponding to 17 Shawwal 1441H), Cabinet Resolution No. (631) was issued to transfer the ownership of the company to the National Center for Privatisation (the "NCP") and for the NCP to carry out the tasks assigned to the Public Investment Fund by Cabinet Resolution No. (118) and dated 30 October 2018 (corresponding to 21 Safar 1440H). The Company's shares were wholly sold to Al Raha Al Safi Food Company (the "Parent Company") on 31 December 2020 (corresponding to 16 Jumada Al Awal 1442H).

The Company has entered into a subsidised wheat purchase agreement with GFSA, as GFSA imports wheat to Saudi Arabia for the purpose of producing subsidised flour. This agreement was entered into force on 1 January 2017 (corresponding to 3 Rabi Al Thani 1438H). The agreement stipulates that the purchase price of the subsidised wheat is calculated according to the monetary value per metric ton of subsidised wheat specified by the Government of the Kingdom of Saudi Arabia at SR 180 per metric ton since 2017. The Company also has an option to import the wheat directly or to source it from the open market.

On 30 November 2020 (corresponding to 15 Rabi' Al Thani 1442H), the wheat purchase agreement was extended and it will be in force until the date of expiry of the Company's milling operating license, subject to an automatic extension of the contract term to match the term of the Company's license. This license shall remain valid for a period of twenty-five (25) Gregorian years, counted from the date of completion of the transfer of ownership of all shares of the licensee to the private sector that was completed on 31 December 2020 (corresponding to 16 Jumada Al Awal 1442H).

On 29 June 2022 (corresponding to 30 Dhul Qadah 1443H), 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 15 September 2022 (corresponding to 19 Safar 1444H), 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 38).

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

1. COMPANY INFORMATION (continued)

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 amended By-Law and commercial registration are issued on 6 November 2022 (corresponding to 12 Rabi Al Thani 1444H).

The members of the Extraordinary General Assembly have approved the offering and listing of the Company's shares in Tadawul on 6 November 2022 (corresponding to 12 Rabi Al Thani 1444H). The legal formality is under process.

The registered address of the Company is as follows:

Jeddah Islamic Port
Between Gates 7 and 8
Jeddah 22312
Kingdom of Saudi Arabia

The Company operates through four branches, which are as follows:

Branch Location	Date	Commercial Registration No.
Jeddah	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	4030294014
Qassim	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	1131057624
AlAhsa	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	2250067938
Tabuk	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	3550038652

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

2. BASIS OF PREPARATION (continued)

2.2 Basis of measurement

These financial statements have been prepared using accrual basis of accounting, going concern concept and under the historical cost basis, except employees' defined benefit obligations which are recognised at the present value of future obligation using the Projected Unit Credit Method and derivative financial instruments which are recognised at fair value through other comprehensive income.

These financial statements have been prepared using the economic approach for the legal merger between Al Raha Al Safi Food Company (the parent company) and The First 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. (note 38)

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 parent, as a contribution from the parent in equity.

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

2.3 Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SR) which is the functional and presentation currency of the Company. All amounts have been rounded to the nearest SR, unless otherwise stated.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

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

3.1 Useful lives and residual value of property and equipment and intangible

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

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

The Company determines the term of the lease as non-cancellable in any periods covered by the option to terminate the lease if the Company is certain of the reasonableness of exercising that option.

The Company has several lease contracts that include termination options. The Company decides through its evaluation of the lease whether it is reasonable to exercise the option to terminate the lease. This means that the Company considers all relevant factors that constitute an economic incentive to exercise the option to terminate the lease. After the lease commencement date, the Company reassesses the lease term if there is an event or change in circumstances within the Company's control that affects the Company's ability to exercise the option to terminate (such as: making material improvements to the lease or a material restructuring of the lease).

3.3 Leases - Estimating the incremental borrowing rate

The 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 or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

3.4 Provision for slow moving and obsolete inventory items

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

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

3.5 Allowance for expected credit losses

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior.

The Company recognises an allowance for expected credit losses (ECLs) for its trade receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

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

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance 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.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.6 Defined benefit plans

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

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

3.7 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the 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.

3.8 Determination of discount rate for present value calculations

Discount rates represent the current market assessment of the risks specific to each cash flow stream, 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 recent market transactions and a market yields overview.

3.9 Fair value of unquoted financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, the fair value is determined using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The Company entered into derivative financial instruments with various counterparties, principally financial institutions. Derivatives include interest rate swaps and profit rate cap which are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include present value calculations. The models incorporate various inputs including the interest rate curves.

3.10 Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on going concern basis.

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4. SIGNIFICANT ACCOUNTING POLICIES

4.1 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.

All other assets are classified as non-current.

A liability is current when it is:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

4.2 Fair value measurement

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

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

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

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

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

The Company uses valuation methods that are appropriate in the circumstances, and for which sufficient data are available to measure fair value, increase the use of observable inputs and reduce the use of unobservable inputs.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Fair value measurement (continued)

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; or
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the 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.

4.3 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment. When significant parts of plant and equipment are required to be replaced at intervals, the 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 (if any) of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

Categories	Useful lives	Categories	Useful lives
Buildings	25 years	Furniture and fittings	6.67 - 10 years
Plant and machinery	10 - 25 years	Computer equipment	3 - 4 years
Motor Vehicles	5 years		

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Property, plant and equipment (continued)

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.

4.4 Leases

4.4.1 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.

4.4.2 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.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Leases (continued)

4.4.3 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.

4.5 Business combinations

4.5.1 Acquisitions from entities under common control

Business combinations including entities or business under common control are measured and accounted for using book value. The assets and liabilities acquired are recognized at the carrying amounts as transferred from the controlling company's books of accounts. The components of equity of the acquired entities are added to the same components within the Company's equity and any gain/loss arising is recognized directly in equity.

4.5.2 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.

4.6 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.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Intangible assets (continued)

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 and other comprehensive income.

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 and other comprehensive income on a straight-line basis over the useful life of 6.67 to 10 years.

4.7 Financial instruments - initial recognition and subsequent measurement

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

4.7.1 Financial Assets

Classification, Initial recognition and measurement

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments - initial recognition and subsequent measurement (continued)

4.7.1 Financial Assets (continued)

Classification, Initial recognition and measurement (continued)

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

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

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

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

a) Financial assets at amortized cost

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

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

b) Financial assets at fair value through other comprehensive income (FVOCI)

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

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments - initial recognition and subsequent measurement (continued)

4.7.1 Financial Assets (continued)

Classification, Initial recognition and measurement (continued)

c) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Subsequent measurement and gains and losses

a) Financial assets at amortized cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Cash and cash equivalents
Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of 90 days and are subject to an insignificant risk of changes in value.
Trade receivable and other current financial assets
Trade receivables and other current financial assets are measured at amortized cost and comprise of trade receivables and other current financial assets.
Due from related parties
Amounts due from related parties are measured at amortized cost.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments - initial recognition and subsequent measurement (continued)

4.7.1 Financial Assets (continued)

Subsequent measurement and gains and losses (continued)

b) Financial assets at fair value through other comprehensive income (FVOCI)

Debt investments at FVOCI
These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

The Company does not have any debt instruments that are measured at FVOCI.

Equity investments at FVOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss.

The Company does not have any equity instruments that are measured at FVOCI.

c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss and other comprehensive income. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Derecognition

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is primarily derecognised (i.e., removed from the 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.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments - initial recognition and subsequent measurement (continued)

4.7.1 Financial Assets (continued)

Derecognition (continued)

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

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

4.7.2 Financial liabilities

Initial recognition and measurement

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

The Company’s financial liabilities include trade payables, certain accrued expenses and other current liabilities, loans, lease liabilities and due to related parties. At 31 December 2022, all the Company’s financial liabilities are classified at amortised cost.

Subsequent measurement

a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

b) Financial liabilities at amortized cost

Financial liabilities at amortized cost are measured at measured at amortized cost using the effective interest rate method (EIR). Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on de-recognition is also recognized in statement of profit or loss and other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments - initial recognition and subsequent measurement (continued)

Loans

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

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 and other comprehensive income.

Offsetting of financial instruments

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

4.8 Derivative financial instruments and hedge accounting

Derivative financial instruments including interest rate swaps and profit rate cap are measured at fair value and these are designated as cash flow hedge. For the purpose of hedge accounting, these hedging instruments are classified as cash flow hedge.

Fair values are obtained by reference to quoted market prices and/or valuation models as appropriate.

Derivatives held for trading

Any changes in the fair value of derivatives that are held for trading purposes are taken directly to the profit or loss for the year. Derivatives held for trading also include those derivatives, which do not qualify for hedge accounting as described below.

The Company does not have any derivatives that are held for trading purposes.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Derivative financial instruments and hedge accounting (continued)

Hedge accounting

The Company designates certain derivatives as hedging instruments in qualifying hedging relationships to manage exposures to interest rate risk, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risk, the Company applies hedge accounting for transactions that meet specific criteria. The Company is applying the hedge accounting as per the requirements of IFRS 9 for its derivatives.

For the purpose of hedge accounting, hedges are classified into two categories:

(a) Fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the reported net gain or loss; and
(b) Cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or to a highly probable forecasted transaction that will affect the reported net gain or loss.

In order to qualify for hedge accounting, the hedge should be expected to be "highly effective", i.e., the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At inception of the hedge, the risk management objective and strategy are documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Company will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each reporting date.

A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognised in the profit or loss. For situations where the hedged item is a forecast transaction, the Company also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the statement of profit or loss and other comprehensive income.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Derivative financial instruments and hedge accounting (continued)

Fair value hedges

In relation to fair value hedges, which meet the criteria for hedge accounting, any gain or loss from remeasuring the hedging instruments to fair value is recognised immediately in the profit or loss. Any gain or loss on the hedged item attributable to fair value changes relating to the risks being hedged is adjusted against the carrying amount of the hedged item and recognised in the profit or loss (in the same line item as the hedging instrument).

For hedged items measured at amortised cost, where the fair value hedge of a commission bearing financial instrument ceases to meet the criteria for hedge accounting or is sold, exercised or terminated, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective commission rate method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the profit or loss.

Cash flow hedges

In relation to cash flow hedges which meet the criteria for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised initially in cash flow hedge reserves under equity through other comprehensive income and the ineffective portion, if any, is recognised in the profit or loss. For cash flow hedges affecting future transactions, the gains or losses recognised in cash flow hedge reserve, are transferred to the profit or loss in the same period in which the hedged transaction affects the profit or loss. However, if the Company expects that all or a portion of a loss recognised in other comprehensive income will not be recovered in one or more future periods, it shall reclassify into the profit or loss as a reclassification adjustment the amount that is not to be recognised.

Hedge accounting is discontinued when the hedging instrument is expired or sold, terminated or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur or the Company revokes the designation then hedge accounting is discontinued prospectively. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in cash flow hedge reserve from the period when the hedge was effective is transferred from equity to the profit or loss when the forecasted transaction occurs.

Where the hedged forecasted transaction is no longer expected to occur and affect the profit or loss, the net cumulative gain or loss recognised in cash flow hedge reserve is transferred immediately to the profit or loss.

Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Company accounts for an embedded derivative separately from the host contract when:

- The host contract is not an asset in the scope of IFRS 9;
- The terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Derivative financial instruments and hedge accounting (continued)

Embedded derivatives (continued)

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair values, with all changes in fair value recognized in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. The Company does not have any arrangement for embedded derivatives.

4.9 Inventories

Cost is measured as follows:

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

4.10 Cash and cash equivalents

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

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

4.11 Employees’ defined benefit obligations

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.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Employees' defined benefit obligations (continued)

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 profit or loss in subsequent periods.

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

- The date of the plan amendment or curtailment; and
- The date on which the 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.

4.12 Impairment of non-financial assets

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Impairment of non-financial assets (continued)

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

4.13 Revenue from contracts with customers

The Company is involved in manufacturing of flour, feed and bran (by-product). The revenue is recognized from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on dispatch of goods from the warehouse. The revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods or services.

The Company recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15- revenue from contracts with customers (IFRS 15). IFRS 15 outlines a single comprehensive five steps model of accounting for revenue arising from contracts with customers. Revenue is recognized when the entity satisfies performance obligation by transferring promised goods or service to a customer. The Company determines whether control of an asset is transferred over time. If such control is not transferred over time, the Company recognizes revenue at a point in time when such control is transferred to the customer i.e., when the title and the associated risks and rewards of the products are passed to the customer. The following five steps are followed:

Step 1 - Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 - Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 - Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. When determining the transaction price, the Company considers the impact of factors such as variable consideration, existence of significant financing component, non-cash consideration and consideration payable to customer.

Step 4 - Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Revenue from contracts with customers (continued)

Step 5 - Recognize revenue when (or as) the Company satisfies a performance obligation.

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

The 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.

4.13.1 Variable consideration

The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Rights of return
The Company uses the expected value method to estimate the variable consideration. 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 transaction price and recognised as revenue. A refund liability is recognised for the goods that are expected be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of revenue) is also recognised for the right to recover the goods from the customer.

4.13.2 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 within one year from the receipt of the advance, there is no financing component with amounts receivable from customers.

4.14 Provisions General

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 post tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Zakat and taxes

4.15.1 Zakat

Zakat provision is calculated and recorded based on the zakat base according to the regulations of the Zakat, Tax and Customs Authority ("ZATCA "). The expense relating to a provision is charged to the statement of profit or loss and other comprehensive income.

4.15.2 Withholding tax

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

4.15.3 Value added tax "VAT"

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

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

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

4.16 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 Company's share capital. This reserve is not available for distribution.

4.17 Foreign currencies

The Company's financial statements are presented in Saudi Arabian Riyal, which is also the Company's functional currency.

Transactions and balances

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 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 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.

4.18 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, finance income and zakat expense.

4.19 Selling, distribution, general and administrative expenses

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

4.20 Finance costs

Finance costs comprises of finance cost on loans, amortisation of loan transaction cost, finance cost on lease liabilities, interest cost on employees' defined benefit obligations and financing charges as and when incurred by the Company.

4.21 Initial Public Offering (IPO) Cost

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

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

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

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5. NEW STANDARDS, INTERPRETATION AND AMENDMENTS

5.1 New standards, interpretations and amendments adopted

Several amendments and interpretations apply for the first time in 2022, which are effective for annual periods beginning on or after 1 January 2022 which do not have a material effect on these financial statements.

Standard / Interpretation	*Description*	*Effective from periods beginning on or after the following date*
IAS 37	Onerous contracts – cost of fulfilling a contract (Amendments to IAS 37)	1 January 2022
Annual Improvements	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
IAS 16	Property, plant and equipment: proceeds before intended use (Amendments to IAS 16)	1 January 2022
IFRS 3	Reference to the conceptual framework (Amendments to IFRS 3)	1 January 2022
IFRS 16	Covid-19 related rent concessions (Amendments to IFRS 16)	1 April 2021

5.2 New standards, interpretations and amendments issued but not adopted

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

Standard / Interpretation	*Description*	*Effective from periods beginning on or after the following date*
IFRS 17	Insurance contracts	1 January 2023
IFRS 17 and IFRS 9	Comparative information (amendments to IFRS 17)	1 January 2023
IAS 8	Definition of accounting estimates	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction`	1 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	1 January 2024
IAS 1	Non-current liabilities with covenants (amendments to IAS 1)	1 January 2024
IFRS 16	Lease liability in a sale and leaseback (amendments to IFRS 16)	1 January 2024
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

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5. NEW STANDARDS, INTERPRETATION AND AMENDMENTS (continued)

The standards, interpretations and amendments with effective date of 1 January 2023 will not have any material impact on the Company's financial statements, whereas for other above-mentioned standards, interpretations and amendments, the Company is currently assessing the implications on the Company's financial statements on adoption.

6. SEGMENT INFORMATION

The Company operates in four regions in the Kingdom of Saudi Arabia, which are its reportable segments. These regions are identified as a separate reportable segment because the company managed them separately.

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

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

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

For the year ended 31 December 2022	**Jeddah**	**Qassim**	**Tabuk**	**Al Ahsa**	**Total segments**
Total revenue	**401,186,785**	**299,317,267**	**106,474,009**	**106,671,761**	**913,649,822**
Cost of inventories	**(144,464,025)**	**(137,587,232)**	**(31,254,872)**	**(30,937,119)**	**(344,243,248)**
Employee benefits	**(29,941,828)**	**(24,164,250)**	**(14,848,961)**	**(15,216,542)**	**(84,171,581)**
Depreciation	**(26,198,863)**	**(5,481,363)**	**(3,910,087)**	**(14,601,878)**	**(50,192,191)**
Other expenses	**(37,417,218)**	**(23,136,277)**	**(9,913,931)**	**(9,996,119)**	**(80,463,545)**
Financing costs	**(7,676,071)**	**(2,073,682)**	**(137,380)**	**(1,852,796)**	**(11,739,929)**
Other income	**113,213**	**39,521**	**10,298**	**5,370**	**168,402**
Segment profit	**155,601,993**	**106,913,984**	**46,419,076**	**34,072,677**	**343,007,730**

For the year ended 31 December 2021	Jeddah	Qassim	Tabuk	Al Ahsa	Total segments
Total revenue	366,397,657	255,967,460	78,074,255	100,569,995	801,009,367
Cost of inventories	(147,559,346)	(111,845,198)	(31,850,724)	(38,345,962)	(329,601,230)
Employee benefits	(31,097,201)	(32,267,064)	(15,146,940)	(12,298,975)	(90,810,180)
Depreciation	(19,309,598)	(4,818,824)	(3,707,980)	(14,386,094)	(42,222,496)
Other expenses	(23,120,695)	(16,610,427)	(3,909,213)	(10,731,750)	(54,372,085)
Financing costs	(7,652,967)	(2,126,927)	(139,605)	(1,892,633)	(11,812,132)
Other income	718,676	206,504	91,241	140,343	1,156,764
Impairment loss for assets held for sale	(6,466,411)	--	--	--	(6,466,411)
Segment profit	131,910,117	88,505,524	23,411,034	23,054,924	266,881,599

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6. SEGMENT INFORMATION (continued)

At 31 December 2022	**Jeddah**	**Qassim**	**Tabuk**	**Al Ahsa**	**Total segments**
Total assets	**460,043,830**	**141,712,043**	**96,914,796**	**307,088,466**	**1,005,759,135**
Total liabilities	**286,525,568**	**93,298,166**	**18,342,829**	**75,166,253**	**473,332,816**
Other disclosures:					
Property, Plant and Equipment with Right-of-use assets	**352,535,838**	**104,243,982**	**77,657,279**	**292,032,606**	**826,469,705**
Inventories	**55,207,463**	**39,942,223**	**12,031,395**	**11,919,249**	**119,100,330**
Intangible assets	**31,968**	**1,201,870**	**25,537**	**5,574**	**1,264,949**

At 31 December 2021	Jeddah	Qassim	Tabuk	Al Ahsa	Total segments
Total assets	429,451,365	181,662,345	117,998,397	348,923,782	1,078,035,889
Total liabilities	270,264,566	101,907,411	15,606,692	71,161,705	458,940,374
Other disclosures:					
Property, Plant and Equipment with Right-of-use assets	356,674,221	107,870,832	80,309,364	304,177,669	849,032,086
Inventories	44,611,027	52,964,795	10,846,044	7,396,241	115,818,107
Intangible assets	46,128	77,314	36,937	8,406	168,785

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

Profit before tax

	31 December 2022	31 December 2021
Total profit before tax for reportable segments	**343,007,730**	266,881,599
Unallocated amounts		
Employee benefits expenses	**(49,581,836)**	(30,117,738)
Depreciation	**(1,354,349)**	(1,390,955)
Other expenses	**(47,359,859)**	(32,726,487)
Financing costs	**(25,191,822)**	(6,365)
Other income	**104,002**	469,327
Finance income	**4,757,213**	109,533
Expected credit loss on trade receivables	**(675,593)**	--
	223,705,486	203,218,914

i) Total assets

	31 December 2022	31 December 2021
Total assets for reportable segments	**1,005,759,135**	1,078,035,889
Unallocated amounts	**1,420,591,186**	78,388,145
	2,426,350,321	1,156,424,034

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6. SEGMENT INFORMATION (continued)

ii) Total liabilities

	31 December 2022	31 December 2021
Total liabilities for reportable segments	**473,332,816**	458,940,374
Unallocated amounts	**1,202,056,483**	32,290,100
	1,675,389,299	491,230,474

All revenue is generated from external customers. Revenue from one customer of the Company's Jeddah, Qassim and Tabuk segments represented approximately SR. 122.83 million (2021: SR. 31.82 million) which represents 12.88% (2021: 3.97%) of the Company's total revenues.

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7. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and equipment	Furniture and fittings	Computer equipment	Motor vehicles	Projects under progress	Total
Cost							
At 31 December 2020	236,617,609	348,312,808	4,360,519	4,177,479	7,937,794	12,394,564	613,800,773
Additions during the year	1,915,250	12,968,016	341,312	339,353	134,100	18,475,784	34,173,815
Disposals during the year	(2,300)	(7,030)	--	--	--	--	(9,330)
Transfers during the year	889,478	2,726,488	--	--	--	(3,615,966)	--
Transfers to assets held for sale	(1,181,116)	(9,780,124)	--	--	--	--	(10,961,240)
At 31 December 2021	238,238,921	354,220,158	4,701,831	4,516,832	8,071,894	27,254,382	637,004,018
Additions during the year	4,618,373	3,450,097	103,928	412,157	--	28,486,240	37,070,795
Disposals during the year	(2,650,859)	(3,911,822)	(795,420)	(458,486)	(76,000)	--	(7,892,587)
Transfers during the year	12,260,731	11,257,552	--	120,050	--	(23,638,333)	--
Merger transaction (note 38)	128,504,839	(107,386,587)	(1,774,289)	(760,792)	393,005	--	18,976,176
At 31 December 2022	380,972,005	257,629,398	2,236,050	3,829,761	8,388,899	32,102,289	685,158,402
Accumulated depreciation							
At 31 December 2020	26,151,220	63,351,341	2,026,540	1,335,737	1,059,321	--	93,924,159
Charge for the year	8,045,513	16,794,683	356,811	600,116	1,610,426	--	27,407,549
Disposals during the year	(77)	(117)	--	--	--	--	(194)
Transfers to assets held for sale	(151,425)	(3,959,409)	--	--	--	--	(4,110,834)
At 31 December 2021	34,045,231	76,186,498	2,383,351	1,935,853	2,669,747	--	117,220,680
Charge for the year	17,707,240	14,551,763	262,042	594,427	1,622,587	--	34,738,059
Disposals during the year	(479,514)	(2,790,045)	(794,651)	(438,646)	(76,000)	--	(4,578,856)
At 31 December 2022	51,272,957	87,948,216	1,850,742	2,091,634	4,216,334	--	147,379,883
Net book value							
At 31 December 2021	204,193,690	278,033,660	2,318,480	2,580,979	5,402,147	27,254,382	519,783,338
At 31 December 2022	**329,699,048**	**169,681,182**	**385,308**	**1,738,127**	**4,172,565**	**32,102,289**	**537,778,519**

7.1 The buildings are built on land leased from the GFSA with an annual rental of SR 6,138,408. The lease term is twenty-five calendar years commencing from 1 January 2017 (corresponding to 3 Rabee Thani 1438H) and is renewable for a similar period. In 2020, the lease term was extended by an additional three years.

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7. PROPERTY, PLANT AND EQUIPMENT (continued)

7.2 As at 31 December 2022, projects under progress mainly consists of the following projects:

i) Durum Mill in Jeddah

ii) Rehabilitation project of production line for Wheat in Mill C Jeddah

iii) Premix plant for Jeddah

iv) Pesa Mill Integration in Mill E Jeddah

v) Rehabilitation project of alarm and firefighting systems in Jeddah

Capital commitments relating to these projects amount to SR 90.32 million (31 December 2021: SR 69 million)

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

	2022	2021
Cost of sales (Note 27)	**30,506,217**	23,260,872
General and administrative expenses (Note 29)	**3,355,054**	3,216,627
Selling and distribution expenses (Note 28)	**876,788**	930,050
	34,738,059	27,407,549

8. RIGHT-OF-USE ASSETS

The Company leases silos, lands, buildings, warehouses and equipments. Silos and lands are leased from the GFSA with a lease term of twenty-five calendar years commenced from 1 January 2017 (corresponding to 3 Rabee Thani 1438H) and is renewable for a similar period. In 2020, the lease term was extended by an additional three years. Other leases typically run for a period of 3 to 18 years, with an option to renew the lease after that date. For leases, the Company is restricted from entering into any sub-lease arrangements.

The Company leases warehouses with contract terms of one year. These leases are short term leases. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

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8. RIGHT-OF-USE ASSETS (continued)

	Silos	Lands	Buildings & warehouses	Equipment	Total
Cost					
At 31 December 2020	262,147,500	82,463,680	7,894,075	--	352,505,255
Additions during the year	--	28,131,797	11,644,296	1,561,840	41,337,933
Disposals during the year	--	--	(2,513,594)	--	(2,513,594)
As at 31 December 2021	**262,147,500**	**110,595,477**	**17,024,777**	**1,561,840**	**391,329,594**
Additions during the year	**--**	**--**	**2,242,538**	**--**	**2,242,538**
At 31 December 2022	**262,147,500**	**110,595,477**	**19,267,315**	**1,561,840**	**393,572,132**
Accumulated depreciation					
At 31 December 2020	32,886,501	6,055,645	3,006,414	--	41,948,560
Charge for the year	9,544,270	4,083,638	2,089,867	5,746	15,723,521
As at 31 December 2021	**42,430,771**	**10,139,283**	**5,096,281**	**5,746**	**57,672,081**
Charge for the year	**9,434,360**	**4,815,960**	**1,455,001**	**577,614**	**16,282,935**
At 31 December 2022	**51,865,131**	**14,955,243**	**6,551,282**	**583,360**	**73,955,016**
Net book Value					
At 31 December 2021	219,716,729	100,456,194	11,928,496	1,556,094	333,657,513
At 31 December 2022	**210,282,369**	**95,640,234**	**12,716,033**	**978,480**	**319,617,116**

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

	2022	2021
Cost of sales (Note 27)	**15,819,555**	14,818,379
General and administrative expenses (Note 29)	**419,779**	889,262
Selling and distribution expenses (Note 28)	**43,601**	15,880
	16,282,935	15,723,521

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9. INTANGIBLE ASSETS

9.1 Intangible assets include computer programmes and software. Movement in intangible assets is as follows:

	Computer software	Projects under progress	Total
Cost:			
At 31 December 2020	447,637	--	447,637
Additions during the year	1,103,611	3,426,225	4,529,836
Transfers during the year	3,426,225	(3,426,225)	--
At 31 December 2021	4,977,473	--	4,977,473
Additions during the year	294,718	915,573	1,210,291
Transfers during the year	915,573	(915,573)	--
At 31 December 2022	6,187,764	--	6,187,764
Accumulated amortization:			
At 31 December 2020	161,778	--	161,778
Charge for the year	482,381	--	482,381
At 31 December 2021	644,159	--	644,159
Charge for the year	525,546	--	525,546
At 31 December 2022	1,169,705	--	1,169,705
Net book value			
At 31 December 2021	4,333,314	--	4,333,314
At 31 December 2022	**5,018,059**	**--**	**5,018,059**

9.2 The amortisation charge on intangible assets for the year has been allocated as follows:

	2022	2021
Cost of sales (Note 27)	**29,433**	--
General and administrative expenses (Note 29)	**493,574**	482,381
Selling and distribution expenses (Note 28)	**2,539**	--
	525,546	482,381

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10. DERIVATIVE FINANCIAL INSTRUMENTS

To hedge the variability in interest rate on equity bridge loan and term Murabaha facility, the Parent Company that is merged into the Company on 15 September 2022 (corresponding to 19 Safar 1444H) had entered into an interest rate swap (IRS) agreement and profit rate cap agreement with Gulf International Bank and Alinma Bank respectively.

The IRS agreement required the Company to pay a fixed rate of interest at 3.23% in exchange for floating rate interest payments based on Saudi Inter Bank Offer Rate (SAIBOR) and a pre-determined margin. This arrangement has been closed as on 12 September 2022 (corresponding to 16 Safar 1444H) before the legal date the merger is taken place and accordingly has been de-recognised.

The profit rate cap agreement requires the Company to pay floating rate interest payment of SAIBOR until it reaches to 2%, post which the Company will pay only the cap rate of 2% in addition to the pre-determined margin. The maturity date of the agreements is 29 March 2026.

For the purpose of hedge accounting, profit rate cap has been designated into cash flow hedge. The fair value and notional amount of the profit rate cap derivative is as follows:

	31 December 2022	31 December 2021
Profit Rate Cap		
Notional amount	**753,830,267**	--
Positive fair value	**58,158,366**	--

The hedge has been assessed to be effective and as at 31 December 2022, net un-realised gain of SR 4.23 million (31 December 2021: NIL) has been included in the statement of profit or loss and other comprehensive income and net un-realised gain of SR 42.52 million has been transferred through equity as a result of merger transaction. (note 38)

The amount of SR 46.75 million shown as cash flow hedging reserve in the statement of financial position as at 31 December 2022 is expected to affect the profit or loss in forthcoming years.

At 31 December 2022, the Company held the profit rate cap to hedge exposures to changes in interest rate. The table below summaries the maturity profile of the derivative financial instruments based on contractual undiscounted payments.

	Maturity		
	Less than 12 months	**1 – 5 years**	**Total**
31 December 2021	--	--	--
31 December 2022	**25,687,756**	**37,442,995**	**63,130,751**

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11. GOODWILL

Pursuant to privatization programme by the GFSA, the Parent Company entered into an agreement with NCP and Public-Private Partnership (PPP) on 17 September 2020 to acquire 100% equity stake in the Company. The transaction was completed by 31 December 2020.

The Parent Company paid a consideration of SR 2,198 million to acquire the Company with book value of net assets of SR 1,081 million. 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. The following adjustment has been recorded by the Parent Company:

- Net uplift of SR 22.4 million to property, plant and equipment; and
- Uplift of SR 4.54 million to spare parts under inventories.

Break-up of net assets of the Company at the time of acquisition was as follows:

	SR
Property, plant and equipment, with right of use assets	**830,433,309**
Intangible assets	**285,860**
Inventories	**118,803,883**
Trade receivables	**20,292**
Prepayments and other current assets	**13,319,205**
Bank balances	**518,754,365**
Lease liabilities - non-current liabilities	**(321,815,636)**
Employees' defined benefit obligations	**(772,931)**
Trade payables and other current liabilities	**(49,647,333)**
Lease liabilities - current liabilities	**(9,767,397)**
Advances from customers	**(18,362,771)**
	1,081,250,846

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 3,554 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 11.09%. 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.

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11. GOODWILL (continued)

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:

Gross margins
Gross margins are based on the margins achieved by the Company in the current year. The Company has achieved a gross margin of 43% and this 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. 1% increase in gross margins will increase the recoverable amount by SR. 113.99 million and vice versa.

Discount rates
Discount rates represent the current market participant's view, 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 also takes into account 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 from a market participant's view. The cost of debt is based on the market participant's view based on the Company's performance. 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 post-zakat discount rate.

A rise in the post-tax discount rate to 27.73% (i.e., +16.64%) 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 business position, relative to its competitors, might change over the forecast period. Management has used the growth rate of 5% in sales volume during their forecast period. 1% increase in growth rate in sales volume will increase the recoverable amount by SR. 116.57 million and 1% decrease in growth rate in sales volume will decrease the recoverable amount by SR. 113.58 million.

Growth rates used to extrapolate cash flows beyond the forecast period
Rates are based on the market growth and the projection of the Company for coming years. The Company has assumed the terminal value growth rate (TVGR) of 2% to extrapolate cash flows beyond the forecast period. 1% increase in TVGR will increase the recoverable amount by SR. 332.35 million and 1% decrease in TVGR will decrease the recoverable amount by SR. 266.49 million.

As management does not expect new 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.

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12. INVENTORIES

12.1 Inventories comprise of the following:

	31 December 2022	31 December 2021
Spare parts	**78,002,513**	93,493,680
Raw materials	**32,598,201**	45,860,949
Finished goods	**23,684,834**	8,188,318
Goods in transit	**141,218**	1,208,836
Others	**701,978**	767,741
Less: allowance for slow moving inventories of spare parts and raw materials	**(16,028,414)**	(33,701,417)
	119,100,330	115,818,107

12.2 During the year ended 31 December 2022, the Company has provided for the slow-moving inventories of spare parts and raw materials amounting SR 7.16 million (31 December 2021: SR 1.09 million). The amount is included in the cost of revenue.

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

	31 December 2022	31 December 2021
At the beginning of the year	**33,701,417**	32,606,494
Provision during the year	**7,161,444**	1,094,923
Written-off during the year	**(24,834,447)**	--
At end of the year	**16,028,414**	33,701,417

12.4 During the year ended 31 December 2022, the Company has written off the slow-moving inventories of spare parts and raw materials amounting SR 21.39 million (31 December 2021: SR NIL), finished goods amounting to SR 0.69 million (31 December 2021: SR NIL) and raw materials including packing materials amounting to SR 2.76 million (31 December 2021: SR NIL).

13. TRADE RECEIVABLES

13.1 Trade receivables comprise of the following:

	31 December 2022	31 December 2021
Trade receivables	**6,857,935**	3,258,387
Allowance for expected credit loss on trade receivables	**(675,593)**	(882,428)
	6,182,342	2,375,959

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

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13. TRADE RECEIVABLES (continued)

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

	31 December 2022	31 December 2021
At the beginning of the year	**882,428**	882,428
Provision during the year	**675,593**	--
Written-off during the year	**(882,428)**	--
At end of the year	**675,593**	882,428

14. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2022	31 December 2021
Advances to contractors	**8,283,545**	11,962,512
Other receivables	**2,819**	1,995,043
Prepayments (note 14.1)	**5,139,777**	3,148,475
VAT receivable	**--**	1,808,547
Letters of guarantee and letter of credit (note 35)	**52,333,442**	3,672,713
Accrued interest	**828,146**	--
	66,587,729	22,587,290

14.1 Prepayments mainly includes prepaid rent, medical insurance, employees' allowances, and others.

15. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash at banks	**135,326,438**	157,484,513
Short term deposits	**80,000,000**	--
	215,326,438	157,484,513

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

16. SHARE CAPITAL

The authorized, issued and fully paid-up share capital of the Company as at 31 December 2022 amounted to SR 555,000,000 (31 December 2021: SR 539,236,780) consists of 55,500,000 shares (31 December 2021: 53,923,678 shares) at SR 10 each share.

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16. SHARE CAPITAL (continued)

The Company's Board of Directors has proposed to decrease the share capital on 24 January 2022 (corresponding to 21 Jumada al-Thani 1443H) from SR 539,236,780 to SR 5,000,000 which was approved by the members of the Extraordinary General Assembly on 17 February 2022 (corresponding to 16 Rajab 1443H).

The Company completed the legal procedures of share capital reduction, and the commercial register and the amended by-laws were issued on 15 May 2022 (corresponding to 14 Shawwal 1443H) and 12 May 2022 (corresponding to 11 Shawwal 1443H) respectively.

The Company's Board of Directors has proposed to increase the share capital on 3 October 2022 (corresponding to 7 Rabi Al Awal 1444H) from SR 5,000,000 to SR 555,000,000 which was approved by the members of the Extraordinary General Assembly on 6 October 2022 (corresponding to 10 Rabi Al Awal 1444H) from the additional shareholders' contributions account (note 17).

The Company completed the legal procedures of increase in share capital and the commercial register and the amended by-laws were issued on 6 November 2022 (corresponding to 12 Rabi Al Thani 1444H).

After the merger of the Parent Company with the Company on 15 September 2022 the Company's shareholders structure is as follows as on 31 December 2022:

	31 December 2022		31 December 2021	
	Amount in SR	**Percentage**	Amount in SR	Percentage
Al Raha Al Safi Food Company	**--**	**--**	539,236,780	100%
Al Mutlaq Group Industrial Investment Company	**194,250,000**	**35%**	--	--
Abdullah Abunayyan Trading Company	**166,500,000**	**30%**	--	--
Al Safi Advanced Investments	**138,750,000**	**25%**	--	--
Essa Al Ghurair Investments	**55,500,000**	**10%**	--	--
	555,000,000	**100%**	539,236,780	100%

17. SHAREHOLDERS' CONTRIBUTIONS

The amount of SR. 550,000,000 was the cash contributed by the shareholders through bank transfer on 29 September 2022 (corresponding to 3 Rabi Al Awal 1444H). The amount has been transferred to the share capital after the Company has completed the legal procedures for increase in its share capital on 6 November 2022 (corresponding to 12 Rabi Al Thani 1444H).

The amount of SR. 4,278,483 represents the IPO costs fully recoverable from the shareholders.

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18. MERGER RESERVE

On 17 February 2022 (corresponding to 16 Rajab 1443H) the shareholder of the Company through the Extraordinary General Assembly approved to decrease the Company's capital from SR 539,236,780 to SR 5,000,000 by share cancellations and maintain the capital amount reduced of SR 534,236,780 as a reserve to facilitate the merger transaction that was completed on 15 September 2022 (corresponding to 19 Safar 1444H).

The balance of SR. 37,554,503 merger reserve on 31 December 2022 shows the difference between the amount of share capital reduced to facilitate the merger transaction and net assets of the Parent Company recognised in the Company (note 38).

19. STATUTORY RESERVE

In accordance with the by-laws of the Company and the Regulations for Companies that came into effect on 2 May 2016 (corresponding to 25 Rajab 1437H), the Company is required to set aside 10% of its net income each year as a statutory reserve until such reserve reaches 30% of the share capital. The Company may resolve to discontinue such transfers when the reserve equals 30%.

This minimum required reserve of 30% of share capital is not available for distribution to the shareholders of the Company.

20. DIVIDENDS

20.1 On 3 March 2022, the Shareholder of the Company on recommendation of the Company's Board of Directors approved the distribution of the Company's net profit after taxes, zakat and the statutory reserve for the financial period 1 October 2021 to 31 December 2021 of the fiscal year 2021 of SR 30 million. The dividend was paid on 15 March 2022.

20.2 On 15 March 2022, the Shareholder of the Company on recommendation of the Company's Board of Directors approved the distribution of the interim dividend amounting to SR. 11,932,210. The dividend was paid on 22 March 2022.

20.3 On 12 September 2022, the Board of Directors of the Company as authorised by the revised by-laws of the Company approved the distribution of the Company's net profit after taxes, zakat and the statutory reserve for the financial period 1 April 2022 to 30 September 2022 of the fiscal year 2022 as interim dividend that amounted to SR 42,539,836. The dividend was paid on 22 September 2022.

20.4 On 21 November 2022, the Board of Directors of the Company as authorised by the revised by-laws of the Company approved the distribution of the Company's net profit after taxes, zakat and the statutory reserve for the fiscal year 2021 as dividend that amounted to SR 28,147,290 and for the financial period 1 January 2022 to 30 June 2022 of the fiscal year 2022 as interim dividend that amounted to SR 66,852,711. The dividend was paid on 14 December 2022 and 15 December 2022.

20.5 On 12 April 2021 (corresponding to 30 Shaban, 1442H), the General Assembly approved the distribution of dividends of SR 19 million. The dividend was paid on 14 April 2021.

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20. DIVIDENDS (continued)

20.6 On 3 June 2021 (corresponding to 22 Shawwal 1442H), the General Assembly approved the distribution of dividends of SR 500 million. The dividend was paid on 29 June 2021.

20.7 On 26 September 2021, the Shareholder of the Company on recommendation of the Company's Board of Directors approved the distribution of the Company's net profit after taxes, zakat and the statutory reserve for the financial period 1 January 2021 to 30 June 2021 of the fiscal year 2021 of SR 56,912,821. The dividend was paid on 19 October 2021.

20.8 On 26 November 2021, the Shareholder of the Company on recommendation of the Company's Board of Directors approved the distribution of the Company's net profit after taxes, zakat and the statutory reserve for the financial period 1 July 2021 to 30 September 2021 of the fiscal year 2021 of SR 38,503,537. The dividend was paid on 21 December 2021.

21. LEASE LIABILITIES

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

	31 December 2022	31 December 2021
At the beginning of the year	**358,722,055**	331,583,033
Additions during the year	**2,242,538**	41,337,933
Finance charges on lease liabilities	**11,784,237**	11,817,609
Disposals during the year	**--**	(2,864,106)
Capital repayment for leases	**(12,506,380)**	(11,385,266)
Finance cost paid on lease	**(10,501,240)**	(11,767,148)
At the end of the year	**349,741,210**	358,722,055
Current	**23,084,338**	22,492,984
Non - Current	**326,656,872**	336,229,071
	349,741,210	358,722,055

21.2 Amounts recognised in profit or loss

	31 December 2022	31 December 2021
Finance cost on lease liabilities	**11,784,237**	11,818,497
Expenses relating to short-term leases and low-value assets	**1,160,559**	323,307

21.3 Amounts recognised in statement of cash flows

	31 December 2022	31 December 2021
Capital repayment for leases	**12,506,380**	11,385,266
Finance cost paid on lease	**10,501,240**	11,767,148
Payments for short-term leases	**1,167,771**	991,418
	24,175,391	24,143,832

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22. LONG TERM LOANS

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

	31 December 2022	31 December 2021
Term Murabaha facility	**1,188,434,238**	--
Less: unamortised loan transaction cost	**(17,760,529)**	--
	1,170,673,709	--
Current portion	**164,272,151**	--
Non-current portion	**1,006,401,558**	--
	1,170,673,709	--

Term Murabaha facility with Alinma Bank amounted to SR 1,371,000,000 of which the Company has utilised SR 1,300,000,000 as of 31 December 2022. This facility is secured by promissory notes, pledge over certain assets and shares of the Company. The loan carries interest at SAIBOR plus margin. The utilised facility is repayable in unequal 30 instalments commencing from 30 June 2021.

Murabaha equity bridge loan ("EBL") with Gulf International Bank with committed funded facility of SR 550,000,000 which was fully drawn as at 31 December 2020. The facility was secured by promissory notes and corporate guarantees signed by the shareholders of the Company. The loan carried interest at SAIBOR plus margin. The full amount of the loan was paid on 29 September 2022.

Movement in loan balance as on 31 December 2022 is as follows:

	Murabaha Equity Bridge Loan	**Term Murabaha Facility**	**Total**
At the beginning of the year	--	--	--
Transferred as a result of merger transaction	550,000,000	1,215,535,965	1,765,535,965
Paid during the period	(550,000,000)	(27,101,727)	(577,101,727)
At the end of the year	--	1,188,434,238	1,188,434,238

Maturity analysis - contractual cash flows

	31 December 2022	31 December 2021
Within one year	**66,669,116**	--
One to five year	**325,542,243**	--
More than five year	**796,222,879**	--
	1,188,434,238	--

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23. DEFINED BENEFIT OBLIGATION

	31 December 2022	31 December 2021
Present value of defined benefit obligation	**4,892,000**	698,000
	4,892,000	698,000

ACTUARIAL ASSUMPTIONS

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

	31 December 2022	**31 December 202١**
Discount rate	**4.20%**	2.80%
Salary increase rate	**5.00%**	4.00%
Mortality Table	**Saudi Life Table**	Saudi Life Table
Employee turnover (withdrawal) rate	**1%-25%**	1%-25%
Expected retirement age	**60 Years**	60 Years

At 31 December 2022, the weighted-average duration of the defined benefit obligation was 5 years (2021: 9 years).

AMOUNT CHARGED TO PROFIT OR LOSS

	31 December 2022	31 December 2021
Service cost	**3,814,000**	(192,761)
Net interest amount charged on the net defined benefit liability	**١٢٠,000**	17,000
The total amount charged to profit or loss	**3,934,000**	(175,761)

AMOUNT CHARGED TO OTHER COMPREHENSIVE INCOME

	31 December 2022	31 December 2021
(Gain) / loss resulting from the change in financial assumptions	**(47,000)**	6,000
(Gain) / loss resulting from the change in demographic assumptions	**754,205**	110136
Actuarial loss	**707,205**	116,136

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23. DEFINED BENEFIT OBLIGATION (continued)

NET DEFINED BENEFIT OBLIGATION

	31 December 2022	31 December 2021
Net defined benefit obligation at the beginning of the year	**698,000**	772,931
Service cost	**3,814,000**	(192,761)
Interest expense	**120,000**	17,000
Paid during the year	**(447,205)**	(15,306)
Remeasurement of the net defined benefit liability	**707,205**	116,136
Present value of the defined benefit obligation at the end of the year	**4,892,000**	698,000

The Company expects to pay SR 166,000 in contributions to its defined benefit plans in 2023.

The sensitivity of the defined benefit obligation to charges in the weighted principal assumptions 31 December 2022 is:

		Increase / (decrease) in present value of the defined benefit obligation	
	Original	**%**	**Amount (SR)**
Discount rate	**4,892,000**	**+ 1%**	**4,673,000**
		- 1%	**5,144,000**
Salary increase rate	**4,892,000**	**+ 1%**	**5,139,000**
		- 1%	**4,673,000**
Employee turnover rate	**4,892,000**	**+1%**	**4,862,000**
		- 1%	**4,928,000**

The sensitivity of the defined benefit obligation to charges in the weighted principal assumptions 31 December 2021 is:

		Increase / (decrease) in present value of the defined benefit obligation	
	Original	%	Amount (SR)
Discount rate	698,000	+ 1%	640,000
		- 1%	769,000
Salary increase rate	698,000	+ 1%	768,000
		- 1%	640,000
Employee turnover rate	698,000	+1%	674,000
		- 1%	725,000

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23. DEFINED BENEFIT OBLIGATION (continued)

The maturity profile of the defined benefit obligation is as follows:

	31 December 2022	31 December 2021
Current portion	**1,347,250**	54,812
Between 1 and 2 years	**831,980**	85,597
Between 2 and 5 years	**1,261,923**	154,782
Beyond 5 years	**1,450,847**	402,809
	4,892,000	698,000

24. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2022	31 December 2021
Accrued expenses (note 24.1)	**72,509,866**	41,276,588
VAT Payable	**6,476,795**	--
Other payables	**2,859,699**	2,555,912
	81,846,360	43,832,500

24.1 Accrued expenses mainly comprise of accrued electricity, fines and penalties, rent, professional services charges, and employee related expenses. Subsequent to the reporting date, the Company has received a claim from GFSA as disclosed in note 40.3. The amount of SR 8.85 million has been recognized against these violations in accrued expenses.

25. ADVANCES FROM CUSTOMERS

The advances from customers primarily relate to the advance consideration received from customers for the sale of goods. The amount of SR. 22.49 million included in advances from customers at 31 December 2021 has been recognised as revenue in 2022 (2021: SR 18.36 million). The Company is expecting to recognise this amount as revenue in 2023.

26. REVENUE

	31 December 2022	31 December 2021
Sale of goods	**913,649,822**	801,009,367

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26. REVENUE (continued)

26.1 Disaggregation of revenue

Revenue is disaggregated by type of goods, sector and customer as shown below:

	31 December 2022	31 December 2021
Type of goods		
Flour	**507,425,512**	494,861,208
Feed	**273,671,399**	222,499,488
Bran	**132,552,911**	83,648,671
	913,649,822	801,009,367
Type of customer		
Business-to-Business	**875,922,601**	776,629,637
Business-to-Consumer	**37,072,856**	23,512,497
Other	**654,365**	867,233
	913,649,822	801,009,367

Timing of revenue recognition

The sale of the goods is recognised by the Company at a point in time, and the performance obligation is fulfilled when the goods are dispatched from the warehouses.

27. COST OF REVENUE

Cost of revenue comprises the following:

	2022	2021
Raw materials consumed	**359,739,764**	327,105,762
Salaries and other benefits	**65,413,312**	60,187,161
Fuel and power	**25,379,908**	18,385,245
Depreciation of property, plant and equipment (note 7.3)	**30,506,217**	23,260,872
Depreciation of right-of-use assets (note 8.1)	**15,819,555**	14,818,379
Other expenses (note 27.1)	**13,047,643**	10,598,784
Transmission and distribution	**8,591,475**	7,789,040
Provision for slow moving inventories of spare parts and raw materials	**6,003,237**	1,094,923
Maintenance	**4,361,917**	3,329,185
Professional and consulting fees	**1,442,541**	476,356
Short-term lease rental (note 8)	**885,298**	--
Amortization of intangible assets (note 9.2)	**29,433**	--
	531,220,300	467,045,707
Finished goods inventory at the beginning of the year	**8,188,318**	10,683,786
Finished goods available for sale during the year	**539,408,618**	477,729,493
Finished goods inventory at the end of the year	**(23,684,834)**	(8,188,318)
	515,723,784	469,541,175

27.1 Other expenses include insurance expense and other operating expenses for the period.

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28. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses comprise the following:

	2022	2021
Advertising and Marketing	**13,786,415**	2,270,567
Salaries and other benefits	**13,455,363**	8,425,918
Transmission and distribution	**9,587,749**	4,630,704
Other expenses	**907,501**	640,721
Depreciation of property, plant and equipment (note 7.3)	**876,788**	930,050
Short-term lease rental (note 8)	**275,261**	222,027
Fuel and Power	**252,519**	213,415
Material and supplies	**58,116**	93,819
Professional and consulting fees	**57,975**	317,263
Depreciation of right-of-use assets (note 8.1)	**43,601**	15,880
Amortization of Intangible assets (note 9.2)	**2,539**	--
	39,303,827	17,760,364

29. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise the following:

	2022	2021
Salaries and other benefits	**52,039,742**	52,314,839
Other expenses (note 29.1)	**23,252,747**	11,209,049
Professional and consulting fees	**13,312,495**	21,107,879
Initial public offering (IPO) costs (note 29.2)	**4,278,483**	--
Depreciation of property, plant and equipment (note 7.3)	**3,355,054**	3,216,627
Board and committees' expenses, rewards and allowances (note 37)	**2,845,000**	2,579,550
Fuel and power	**1,088,004**	382,410
Material and supplies	**900,725**	925,700
Amortization of Intangible assets (note 9.2)	**493,574**	482,381
Depreciation of right-of-use assets (note 8.1)	**419,779**	889,262
Maintenance	**344,328**	730,655
Transmission and distribution	**9,067**	--
Short-term lease rental (note 8)	**--**	101,280
	102,338,998	93,939,632

29.1 Other expenses include loss on disposal of property, plant and equipment, fines and penalties, transportation, accommodation, insurance and other operating expenses for the period.

29.2 Initial public offering (IPO) costs are the costs incurred by the Company for listing of existing shares of the Company. These costs are charged to the profit or loss as and when these are incurred. These are fully recoverable from the shareholders provided that these costs are deducted from the offering proceeds as per the undertaking signed and submitted to the CMA by the shareholders on 8 December 2022 corresponding to 14 Jumada Al-Awwal 1444H (note 1).

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30. FINANCE COSTS

Finance costs comprise the following:

	31 December 2022	31 December 2021
Finance cost on lease liabilities	**11,784,237**	11,818,497
Finance cost on long-term loans	**21,158,814**	--
Amortisation of loan transaction cost	**3,868,700**	--
Finance cost on employees' defined benefit obligations	**120,000**	--
	36,931,751	11,818,497

31. FINANCE INCOME

	31 December 2022	31 December 2021
Finance income on cash flow hedge (Profit rate cap)	**4,064,880**	--
Finance income on bank deposits	**692,333**	109,533
	4,757,213	109,533

32. OTHER INCOME

	31 December 2022	31 December 2021
Penalties and fines for suppliers	**272,404**	647,074
Other	**--**	979,017
	272,404	1,626,091

33. ZAKAT

33.1 Movement in provision for zakat during the year

For the year ended 31 December 2021, the Parent Company submitted the consolidated Zakat declaration to the Zakat, Tax and Customs Authority ("ZATCA"), which was later distributed to the subsidiary with the respective share of the zakat expense.

After the merger of the Company with its Parent Company, the Company will now submit its own return to ZATCA for the year ended 31 December 2022.

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

	2022	2021
At the beginning of the year	**4,743,700**	--
Charged during the year	**6,224,755**	4,743,700
Paid during the year	**(4,801,462)**	--
At end of the year	**6,166,993**	4,743,700

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33. ZAKAT (continued)

33.2 Zakat Status

The Company was not subjected to zakat since its share capital was from public funds on which Zakat was not applicable till 2020. The Parent Company submitted the consolidated zakat declaration for the year ended 31 December 2021. Accordingly, the Company has submitted an information declaration to ZATCA for the said year and obtained necessary zakat certificate which is valid until 30 April 2023.

34. NON-CURRENT ASSETS HELD FOR SALE

During the year ended 31 December 2021, the Board of Directors decided to sell one of the mills that was not in use since 2014. Accordingly, those assets were reclassified as non-current assets held for sale. The estimated disposal loss of SR 6,466,409 was also recognised in 2021 which represents the difference between the fair value less costs to sell and the carrying amount of those non-current assets held for sale. These assets have been sold in the current year.

35. CAPITAL COMMITMENTS AND CONTINGENCIES

35.1 Contingencies

The Company has provided bank guarantees amounting to SR 2,232,315 in favor of GFSA for lease of silos in Jeddah, Qassim and Al-Ahsa. These guarantees are valid up to 31 December 2041.

The Company has provided bank guarantees amounting to SR 313,802 in favor of GFSA for lease of lands in Qassim, Tabuk and Al-Ahsa. These guarantees are valid up to 22 June 2023.

35.2 Commitments

The Company's commitment in respect of installation of five capital expenditure projects with Buhler AG is amounting to CHF 12,750,543 (31 December 2021: CHF 12,750,543).

The following LCs are outstanding as at 31 December 2022:

a) Outward LC import sight amounting to USD 7,020,000 (31 December 2021: NIL) in favour of Al Ghurair Resources International LLC for purchase of yellow corn. The Company has paid a cash margin against this LC amounting to USD 7,722,000. The LC was matured on 30 March 2023.

b) Outward LC import sight amounting to USD 4,989,255 (31 December 2021: NIL) in favour of Al Ghurair Resources International LLC for purchase of soya bean. The Company has paid a cash margin against this LC amounting to USD 5,488,180.50. The LC will remain valid till 30 July 2023.

c) LC import sight negotiation amounting to CHF 12,750,543 (31 December 2021: CHF 12,750,543) in favour of Buhler AG for supply of machines and equipment for five projects in Jeddah. The LC will remain valid till 28 February 2028.

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36. EARNINGS PER SHARE

36.1 Basic and diluted earnings per share

The calculation of basic earnings per share has been based on the distributable earnings attributable to shareholder of ordinary shares and the weighted average number of ordinary shares outstanding at the date of the financial statements.

	2022	2021
Profit for the year	**217,480,731**	١٩٨,٤٧٥,٢١٤
Weighted average number of ordinary shares for basic and diluted EPS	**8,939,726**	٥٠٠,٠٠٠
Earnings per share - basic and diluted	**24.33**	٣٩٦,٩٥

The calculation of diluted earnings per share has been based on the earnings attributable to shareholder of ordinary shares and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares if any.

During the year, there are no transactions that reduce the earnings per share and therefore, the earnings per diluted share are not different from the basic earnings per share.

As disclosed in note 16 of these financial statements the share capital of the Company has been decreased from SR 539,236,780 to SR 5,000,000. The per share calculations for both basic and diluted EPS reflects the retrospective adjustment for this decrease in share capital.

37. 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 (affiliate). The terms of the transactions with related parties are approved by the Company's management. Transactions with related parties are on the basis of contractual arrangements made with them.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

For the purposes of the disclosure requirements contained in IAS 24 Disclosures Related to Related Parties, the phrase "key management personnel" (i.e., those persons who have the authority and responsibility to plan, direct and control the activities of the company) refers to the board of directors, chief executive officer and other executives of the company.

The compensation of the senior management personnel includes salaries and other benefits. The amounts disclosed in the table represent the amounts recognised as an expense during the financial year in respect of key management personnel.

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37. RELATED PARTY TRANSACTIONS AND BALANCES – (continued)

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL (continued)

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

	31 December 2022	31 December 2021
Short-term employee benefits	**10,117,152**	5,284,234
Short-term board and committees' expenses, rewards and allowances	**2,845,000**	2,579,550
Total compensation paid to key management personnel	**12,962,152**	7,863,784

OTHER RELATED PARTY TRANSACTIONS

Transactions with related parties arise mainly from services provided/ received and payments made on behalf of each other and are undertaken at mutually agreed terms. IPO costs will be recovered directly from the Bank from the proceeds of the subscription. Due to related parties are the balances payable on demand, interest free and unsecured.

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

Name	**Relationship**	**Nature of transactions**	**Amount of transactions**		**Closing balance**	
			2022	2021	**2022**	2021
Due from related parties						
Al Mutlaq Group Industrial Investment Company	Shareholder	IPO costs	**2,769,242**	--	**2,769,242**	--
Abdullah Abunayyan Trading Company	Shareholder	IPO costs	**2,373,636**	--	**2,373,636**	--
Al Safi Advanced Investments	Shareholder	IPO costs	**1,978,030**	--	**1,978,030**	--
Essa Al Ghurair Investments	Shareholder	Quality and operational consulting	**981,243**	--		
		IPO costs	**791,212**	--	**791,212**	--
					٧,٩١٢,١٢٠	--

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37. RELATED PARTY TRANSACTIONS AND BALANCES – (continued)

OTHER RELATED PARTY TRANSACTIONS (continued)

Name	Relationship	Nature of transactions	Amount of transactions 2022	Amount of transactions 2021	Closing balance 2022	Closing balance 2021
Due to related parties						
Al Mutlaq Group Industrial Investment Company	Shareholder	Expenses incurred on behalf of the Company	٥٠,٠٠٠	--	**50,000**	--
Ehata Financial Company	Affiliate	Financial advisory	**299,000**	--	**17,250**	--
Al Mutlaq Real Estate Investments	Affiliate	Project implementation consultancy	**537,858**	--	**194,199**	--
					٢٦١,٤٤٩	--

38. MERGER TRANSACTION

Effective 15 September 2022 (corresponding to 19 Safar 1444H), 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 reorganization, a "hive down", 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. All the equity components of the Parent Company were recorded as part of the Company's equity except for share capital and statutory reserve.

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 reserve which is as follows:

	SR
Share capital of the Parent Company	**5,000,000**
Statutory reserve of the Parent Company	**1,500,000**
	6,500,000
Share capital of the Company	**(5,000,000)**
Statutory reserve of the Company	**(39,054,503)**
	(44,054,503)
Merger reserve	**(37,554,503)**

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38. MERGER TRANSACTION (continued)

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
Goodwill	**1,090,669,302**
Cash and cash equivalents	**81,541,989**
Derivative financial instruments	**55,905,238**
Property, plant and equipment	**18,976,176**
Inventories	**4,548,065**
Prepayments and other current assets	**1,747,310**
Long term loans	**(1,685,019,806)**
Current portion of long-term loans	**(58,886,931)**
Cash flow hedge reserve	**(42,519,997)**
Accrued expenses and other liabilities	**(19,523,199)**
Retained earnings	**(19,229,430)**
Net assets of the Parent Company	**(571,791,283)**
Share capital reduced	**534,236,780**
Merger reserve	**(37,554,503)**

39. FINANCIAL INSTRUMENTS

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

	31 December 2022	31 December 2021
Financial assets at amortised cost:		
Bank balances and short-term deposits	**215,326,438**	157,484,513
Trade receivables	**6,182,342**	2,375,959
Other current financial assets	**828,146**	--
Due from related parties	**7,912,120**	--
	230,249,046	159,860,472

	31 December 2022	31 December 2021
Financial assets at fair value – hedging instruments:		
Derivative financial instruments	**58,158,366**	--

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39. FINANCIAL INSTRUMENTS (continued)

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

	31 December 2022	31 December 2021
Financial liabilities at amortised cost:		
Trade payables	**44,137,592**	60,738,430
Accrued expenses and other current liabilities	**2,859,699**	2,555,912
Loans	**1,188,434,238**	--
Lease liabilities	**349,741,210**	358,722,055
Due to related parties	**261,449**	--
	1,585,434,188	422,016,397

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 short-term deposits, trade receivables, amount due from related parties and other current assets. Its financial liabilities consist of trade and other payables, long-term loans, obligations under finance lease and amounts due to related parties.

The management assessed that fair value of bank balances and short-term deposits, trade receivables, amounts due from related parties, other current assets, trade and other payables, long-term loans, obligations under finance lease and amounts due to related parties approximate their carrying amounts, largely due to the short-term maturities of these instruments.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or

Level 3 -Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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39. FINANCIAL INSTRUMENTS (continued)

	31 December 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Derivative Financial Instruments	**--**	**58,158,366**	**--**	**58,158,366**

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative Financial Instruments	--	--	--	--

Derivative financial instruments have been valued using the present value technique under income approach as per IFRS 13. The fair value of the hedge instrument has been calculated as the present value of the intrinsic value that has been treated based on the difference between implied SAIBOR 3-months curve and cap rat as at 31st December in order to reflect the market conditions as at the date.

There were no transfers between levels of fair value measurements in 2022 and 2021. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.

FINANCIAL 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 minimising 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.

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39. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The Company is exposed to credit risk on its bank balances and short-term deposits, trade receivables, other current financial assets and due from related parties as follows:

	31 December 2022	31 December 2021
Financial assets at amortised cost		
Bank balances and short-term deposits	**215,326,438**	157,484,513
Trade receivables	**6,182,342**	2,375,959
Other current financial assets	**828,146**	--
Due from related parties	**7,912,120**	--
	230,249,046	159,860,472

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:

	Rating				
Banks	**Short-term**	**Long-term**	**Rating agency**	**31 December 2022**	**31 December 2021**
Saudi British Bank	P-1	A-1	Moody's	**--**	500,000
Gulf International Bank	P-2	Baa1	Moody's	**27,680,671**	--
Banque Saudi Fransi	P-1	A-2	Moody's	**10,492,973**	55,374,322
Alinma Bank	P-1	A-1	Moody's	**177,152,794**	101,610,191
				215,326,438	157,484,513

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

Ratings of Prime-2 reflect a strong ability to repay short-term obligations (A2 – Baa2).

Expected credit losses:

The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings (long-term) of the respective counterparties.

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39. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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's exposure to any such credit risk on trade receivables is very limited.

Expected credit loss assessment for accounts and other receivables

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

The expected loss rates are based on the payment profiles of receivables over a suitable period and corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The 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 Company assessed the concentration of risk with respect to trade receivables and concluded it to be low. The Company has recognized allowance for expected credit losses against their trade receivables amounting to SR. 675,593 (31 December 2021: SR. NIL). The Company has written off its receivables during the period amounting to SR. 882,428 (31 December 2021: NIL).

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

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2022.

Trade Receivables	**Loss rate**	**Gross carrying amount**	**Loss allowance**	**Credit-impaired**
Current (not past due)	0.05%	1,437,540	658	No
0 – 30 days past due	1.80%	1,012,031	18,243	No
31 – 90 days past due	8.19%	2,331,007	190,992	No
91 – 180 days past due	12.12%	1,457,819	176,729	No
181 – 360 days past due	46.64%	619,539	288,971	Yes
More than 360 days past due	100%	882,428	882,428	Yes

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39. FINANCIAL INSTRUMENTS (continued)

FINANCIAL 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 sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Excessive risk concentration:

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular 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 summarises the maturities of the Company's financial liabilities as 31 December 2022 and 31 December 2021 based on contractual payment dates and current market interest rates as following.

31 December 2022

Non derivative financial liabilities	Carrying amounts	Contractual amounts			Total contractual amounts
		1 year or less	1 to 5 years	More than 5 years	
Trade payables	44,137,592	44,137,592	--	--	44,137,592
Accrued expenses and other current liabilities	2,859,699	2,859,699	--	--	2,859,699
Loans	1,188,434,238	66,669,116	325,542,243	796,222,879	1,188,434,238
Lease liabilities	349,741,210	23,119,633	90,047,925	376,435,526	489,603,084
Amounts due to related parties	261,449	261,449	--	--	261,449
	1,585,434,188	137,047,489	415,590,168	1,172,658,405	1,725,296,062

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39. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

31 December 2021

Non derivative financial liabilities	Carrying amounts	Contractual amounts			Total contractual amounts
		1 year or less	1 to 5 years	More than 5 years	
Trade payables	60,738,430	60,738,430	--	--	60,738,430
Accrued expenses and other current liabilities	2,555,912	2,555,912	--	--	2,555,912
Lease liabilities	358,722,055	23,894,239	89,184,579	398,498,505	511,577,323
	422,016,397	87,188,581	89,184,579	398,498,505	574,871,665

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: foreign currency risk, interest rate risk and other price risks.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The 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, CHF and Euro, with CHF and EURO being immaterial and 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.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

39. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The Company manages its interest rate risk by entering into hedging contracts for its floating rate long-term loans. The Company hedges long term interest rate sensitivities through hedge strategies, including use of derivative financial instruments and regularly monitors market special commission rates. The Company does not account for any fixed special commission rate bearing financial assets or financial liabilities at fair value and therefore, a change in special commission rates at the reporting date would not have any effect on the financial statements relating to these financial instruments.

Sensitivity analysis

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit / OCI by the amounts shown below. This analysis assumes that all other variables remain constant.

31 December 2022	**Impact on net profit / OCI**	
	100 bps increase	**100 bps decrease**
Floating rate financial liabilities	**11,706,737**	(11,706,737)
Financial derivatives	**(17,643,512)**	18,075,893
Net sensitivity	**(5,936,775)**	6,369,156

IBOR Reforms

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

39. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

	Floating rate financial liabilities	Derivatives notional
31 December 2022	**1,188,434,238**	**753,830,267**
31 December 2021	NIL	NIL

Uncertainties and potential accounting risks associated with the IBOR reforms on the Company's financial statements are explained below.

a) Effective interest rate method and liability derecognition

IBOR reform Phase 2 requires, as a practical expedient that changes to the basis for determining contractual cash flows that are necessary as a direct consequence of IBOR reform are treated as a change to a floating rate of interest provided that the transition from IBOR to an RFR takes place on a basis that is 'economically equivalent'. To qualify as 'economically equivalent', the terms of the financial instrument must be the same before and after transition except for the changes required by IBOR reform.

For changes that are not required by IBOR reform, the Company will apply judgement to determine whether they result in the financial instrument being derecognised. Therefore, as financial instruments transition from IBOR to RFRs, the Company will apply judgment to assess whether the transition has taken place on an economically equivalent basis. In making this assessment, the Company will consider the extent of any changes to the contractual cash flows as a result of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors. Examples of changes that are economically equivalent include changing the reference interest rate from an IBOR to an RFR, changing the reset period for days between coupons to align with the RFR, adding a fallback to automatically transition to an RFR when the IBOR ceases, and adding a fixed credit adjustment spread based on that calculated by ISDA or which is implicit in market forward rates for the RFR.

The Company will derecognise financial liabilities in case of substantial modification of their terms and conditions. In the context of IBOR reform, many financial instruments will be amended in the future as they transition from IBORs to RFRs. In addition to the interest rate of a financial instrument changing, there may be other changes made to the terms of the financial instrument at the time of transition. For financial instruments measured at amortised cost, the Company will first apply the practical expedient as described above, to reflect the change in the referenced interest rate from an IBOR to an RFR. Second, for any changes not covered by the practical expedient, the Company will apply judgement to assess whether the changes are substantial and if they are, the financial instrument is derecognised and a new financial instrument is recognised. If the changes are not substantial, the Company will adjust the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised EIR.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

39. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Hedge Accounting

The Company applies the temporary reliefs provided by the IBOR reform Phase 1 amendments, which enable its hedge accounting to continue during the period of uncertainty, before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. For the purpose of determining whether a forecast transaction is highly probable, the reliefs require it to be assumed that the IBOR on which the hedged cash flows are based is not altered as a result of IBOR reform. The reliefs end when the Company judges that the uncertainty arising from IBOR reform is no longer present for the hedging relationships referenced to IBORs. This applies when the hedged item has already transitioned from IBOR to an RFR and also to exposures that will transition via fallback to an RFR when certain LIBORs cease on 1 January 2022.

The IBOR reform Phase 2 amendments provide temporary reliefs to enable the Company's hedge accounting to continue upon the replacement of an IBOR with an RFR.

Capital Risk Management

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

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. 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, loans and borrowings, lease liabilities, employees' defined benefit obligations, zakat payable, less cash and cash equivalents. The gearing ratio as at 31 December 2022 and 31 December 2021 is as follows:

	31 December 2022	31 December 2021
Loans and borrowings	**1,170,673,709**	--
Lease liabilities	**349,741,210**	358,722,055
Employees' defined benefit obligations	**4,892,000**	698,000
Zakat payable	**6,166,993**	4,743,700
Less: Cash and cash equivalents	**(215,326,438)**	(157,484,513)
Net debt	**1,316,147,474**	206,679,242
Share capital	**555,000,000**	539,236,780
Shareholders' contributions	**4,278,483**	--
Statutory reserve	**60,802,576**	39,054,503
Retained earnings	**121,685,113**	86,902,277
Equity	**741,766,172**	665,193,560
Capital and net debt	**2,057,913,646**	871,872,802
Gearing ratio	**63.96%**	23.71%

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

40. SUBSEQUENT EVENTS

40.1 The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to June 30, 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to January 19, 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to January 19, 2023). The management is in process of assessing the impact of the New Companies Law and will amend its Articles of Association/By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Company shall present the amended By-Laws to the shareholders in their extraordinary/annual General Assembly meeting for their ratification.

40.2 The Capital Market Authority (CMA) vide its resolution dated 5 Ramadan 1444H corresponding to 27 March 2023 has approved the Company's application for registration and offering of 16,650,000 shares representing 30% of the Company's share capital. The decision has been publicly announced on 29 March 2023 corresponding to 7 Ramadan 1444H.

40.3 On 23 March 2023 (corresponding to 1 Ramadan 1444H) GFSA has lodged a claim against the Company before the Committee for the Adjudication of Violations of the Flour Milling Law, alleging that Company did not comply with the terms and regulations stipulated in The Flour Mills Law and implementing regulations, Mill Operating License and Wheat Purchase Agreement that are as follows:

i) accepting membership requests from the new customers without GFSA's approval - fine amounting to SR 20,000,000 and financial recoveries amounting to SR 33,848,850.59;
ii) updating key information of customers without submitting a request to GFSA – fine amounting to SR 100,000 and financial recoveries amounting to SR 6,012,915.32; and
iii) exceeding allocated sale quantities approved by GFSA – fine amounting to SR 1,000,000 and financial recoveries amounting to SR 8,801,333.59

Based on the advice of the Company's legal counsels, the Company expects to be successful in defending the claim and the allegation made have no reasonable legal grounds. The Company has requested the GFSA for the extension that has been granted and the Company is in the process of preparing and submitting a reply against this claim to the GFSA.

40.4 No other matter has occurred up to and including the date of the approval of these financial statements by the Board of Directors which could materially affect these financial statements and the related disclosures for the year ended 31 December 2022.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

41. RECLASSIFICATION AND COMPARATIVE FIGURES

During the year, the management assessed lease contracts and discovered that current portion of lease liabilities for certain contracts were erroneously classified as non-current lease liabilities in the comparative period and finance cost paid for lease contracts was classified and presented under cash flows from financing activities as payment of lease liabilities instead of finance cost paid under cash flows from operating activities. Accordingly, current and non-current portion of lease liabilities in the statement of financial position as at 31 December 2021 and finance cost paid on lease liabilities in the statement of cash flows for the year ended 31 December 2021 have been reclassified. The following table summarize the impact on the financial statements. The adjustment did not have any impact on the statement of profit or loss and other comprehensive income and statement of changes in equity for the year ended 31 December 2021.

The items are reclassified as follows:

Statement of financial position

Items	Amounts as reported earlier	Adjustments	Adjusted amounts
Lease liabilities (Non-current liabilities)	347,999,196	(11,770,125)	336,229,071
Current portion of lease liabilities (Current liabilities)	10,722,859	11,770,125	22,492,984

Statement of cash flows

Items	Amounts as reported earlier	Adjustments	Adjusted amounts
Cash flows from operating activities	315,039,451	(11,818,497)	303,220,954
Cash flows from financing activities	637,620,125	11,818,497	625,801,628

42. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issuance by the Company's Board of Directors on 19 April 2023, corresponding to 28 Ramadan 1444H.

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

CONDENSED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
For the three-month and nine-month periods ended 30 September 2022

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

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2022

Contents	Page

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Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
مركز زهران للأعمال
شارع الأمير سلطان
ص.ب 55078
جده 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

Independent auditor's report on review of condensed interim financial statements

To the Shareholders of The First Milling Company
(A Saudi Closed Joint Stock Company)
Jeddah - Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying 30 September 2022 condensed interim financial statements of **The First Milling Company ("the Company"),** which comprises:

- the condensed statement of financial position as at 30 September 2022;
- the condensed statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2022;
- the condensed statement of changes in equity for the nine-month period ended 30 September 2022;
- the condensed statement of cash flows for the nine-month period ended 30 September 2022; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information 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 30 September 2022 condensed interim financial statements of **The First Milling Company** are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG

Independent auditor's report on review of condensed interim financial statements (continued)

To the Shareholders of The First Milling Company
(A Saudi Closed Joint Stock Company)
Jeddah - Kingdom of Saudi Arabia

Other matter

The financial statements of the Company for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 19 May 2022.

KPMG Professional Services

Ebrahim Oboud Baeshen
License No. 382

Jeddah, 14 December 2022
Corresponding to 20 Jumada Al Awal 1444H.

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KPMG Professional Services

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

CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 September 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Assets			
Property, plant and equipment	7.1	**539,312,944**	519,783,338
Right-of-use assets		**323,562,135**	333,657,513
Intangible assets	8	**5,179,006**	4,333,314
Derivative financial instruments	9	**64,717,071**	--
Goodwill	10	**1,090,669,302**	--
Non-current assets		**2,023,440,458**	857,774,165
Inventories	11.1	**112,648,403**	115,818,107
Trade receivables	12	**5,203,879**	2,375,959
Prepayments and other current assets		**40,406,479**	22,587,290
Due from related parties	29	**1,177,000**	--
Cash and cash equivalents		**318,929,788**	157,484,513
		478,365,549	298,265,869
Non-current assets held for sale	26	**384,000**	384,000
Current assets		**478,749,549**	298,649,869
Total assets		**2,502,190,007**	1,156,424,034
Equity and liabilities			
Equity			
Share capital	13	**5,000,000**	539,236,780
Additional shareholders' contributions	14	**550,000,000**	--
Merger reserve	15	**(37,554,503)**	--
Statutory reserve	16	**39,054,503**	39,054,503
Cash flow hedge reserve	9	**53,056,252**	--
Retained earnings		**218,855,277**	86,902,277
Total equity		**828,411,529**	665,193,560
Liabilities			
Long term loans	18	**1,139,581,768**	--
Lease liabilities		**335,171,850**	347,999,196
Employees' defined benefit obligations		**2,939,724**	698,000
Non-current liabilities		**1,477,693,342**	348,697,196
Trade payables		**36,550,015**	60,738,430
Accrued expenses and other liabilities	19	**63,341,813**	43,832,500
Current portion of long-term loans	18	**57,549,909**	--
Lease liabilities		**11,701,896**	10,722,859
Advances from customers		**22,270,290**	22,495,789
Due to related parties	29	**50,000**	--
Zakat payable	25.1	**4,621,213**	4,743,700
Current liabilities		**196,085,136**	142,533,278
Total liabilities		**1,673,778,478**	491,230,474
Total equity and liabilities		**2,502,190,007**	1,156,424,034

The accompanying notes from 1 to 32 form an
integral part of these condensed interim financial statements.

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

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2022 (Unaudited)	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)
Revenue	20	**237,837,195**	194,399,796	**687,051,408**	565,531,810
Cost of revenue	21	**(134,074,317)**	(125,904,507)	**(377,043,421)**	(338,549,938)
Gross profit		**103,762,878**	68,495,289	**310,007,987**	226,981,872
Selling and distribution expenses	22	**(7,281,487)**	(5,702,823)	**(25,875,424)**	(10,173,628)
General and administrative expenses	23	**(22,494,890)**	(20,798,059)	**(65,541,028)**	(65,513,702)
Expected credit loss on trade receivables		**779,507**	--	**(139,245)**	--
Operating profit		**74,766,008**	41,994,407	**218,452,290**	151,294,542
Finance costs	24	**(10,915,806)**	(3,268,265)	**(16,730,753)**	(8,655,677)
Other income		**94,506**	13,671	**153,054**	1,296,184
Profit before zakat		**63,944,708**	38,739,813	**201,874,591**	143,935,049
Zakat expense	25.1	**(454,513)**	(1,158,473)	**(4,678,975)**	(3,205,940)
Profit for the period		**63,490,195**	37,581,340	**197,195,616**	140,729,109
Other comprehensive income for the period					
Items that are or may be reclassified subsequently to profit or loss:					
Effective portion of changes in fair value of cash flow hedge	9	**10,536,255**	--	**10,536,255**	--
Other comprehensive income for the period		**10,536,255**	--	**10,536,255**	--
Total comprehensive income for the period		**74,026,450**	37,581,340	**207,731,871**	140,729,109
Earnings per share for the period attributable to shareholders of the Company (SR):					
Basic	28.1	**126.98**	75.16	**394.39**	281.46
Diluted	28.1	**126.98**	75.16	**394.39**	281.46

The accompanying notes from 1 to 32 form an integral part of these condensed interim financial statements.

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

CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the nine-month period ended 30 September 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	Share capital	Additional shareholders' contributions	Merger reserve	Statutory reserve	Cash flow hedge reserve	Retained earnings	Total
Nine-month period ended 30 September 2022:								
As at 31 December 2021 (audited)		**539,236,780**	**--**	**--**	**39,054,503**	**--**	**86,902,277**	**665,193,560**
Profit for the period		**--**	**--**	**--**	**--**	**--**	**197,195,616**	**197,195,616**
Other comprehensive income for the period		**--**	**--**	**--**	**--**	**10,536,255**	**--**	**10,536,255**
Total comprehensive income for the period		**--**	**--**	**--**	**--**	**10,536,255**	**197,195,616**	**207,731,871**
Transfer to merger reserve	15	**(534,236,780)**	**--**	**534,236,780**	**--**	**--**	**--**	**--**
Merger transaction		**--**	**--**	**(571,791,283)**	**--**	**42,519,997**	**19,229,430**	**(510,041,856)**
Additional shareholders' contributions	14	**--**	**550,000,000**	**--**	**--**	**--**	**--**	**550,000,000**
Dividends distribution	17	**--**	**--**	**--**	**--**	**--**	**(84,472,046)**	**(84,472,046)**
As at 30 September 2022 (unaudited)		**5,000,000**	**550,000,000**	**(37,554,503)**	**39,054,503**	**53,056,252**	**218,855,277**	**828,411,529**
Nine-month period ended 30 September 2021:								
As at 31 December 2020 (audited)		539,236,780	--	--	19,218,595	--	522,795,469	1,081,250,844
Profit for the period		--	--	--	--	--	140,729,109	140,729,109
Other comprehensive income for the period		--	--	--	--	--	--	--
Total comprehensive income for the period		--	--	--	--	--	140,729,109	140,729,109
Dividends distribution	17	--	--	--	--	--	(519,000,000)	(519,000,000)
As at 30 September 2021 (unaudited)		539,236,780	--	--	19,218,595	--	144,524,578	702,979,953

The accompanying notes from 1 to 32 form an integral part of these condensed interim financial statements.

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

CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
For the nine-month period ended 30 September 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	**30 September 2022 (Unaudited)**	30 September 2021 (Unaudited)
Cash flows from operating activities			
Profit before zakat		**201,874,591**	143,935,049
Adjustments:			
Depreciation of property, plant and equipment	7.2	**21,292,400**	20,459,110
Depreciation of right-of-use assets		**12,337,916**	11,613,530
Amortisation of intangible assets		**364,600**	246,615
Finance cost on lease liabilities		**8,763,773**	8,655,677
Finance cost on long term loans		**4,742,040**	--
Amortisation of loan transaction cost		**3,224,940**	--
Provision for slow moving inventories	11.3	**6,146,293**	--
Provision for employee defined benefit obligations		**2,279,013**	(201,714)
Expected credit loss on trade receivables		**139,245**	--
Gain on disposal of property, plant and equipment		**--**	(3,360)
		261,164,811	184,704,907
Changes in working capital:			
Inventories		**1,571,476**	16,378,136
Trade receivables		**(2,967,165)**	(1,367,895)
Prepayments and other current assets		**(16,071,879)**	(63,310,194)
Due from related parties		**(1,177,000)**	--
Trade payables		**(24,188,415)**	13,481,944
Accrued expenses and other liabilities		**18,301,592**	18,053,284
Advances from customers		**(225,499)**	(1,291,537)
Due to related parties		**50,000**	--
		236,457,921	166,648,645
Paid employees' defined benefit obligations		**(37,289)**	--
Finance cost paid		**(21,333,096)**	--
Zakat paid		**(4,801,462)**	--
Net cash from operating activities		**210,286,074**	166,648,645
Cash flows from investing activities			
Additions to property, plant and equipment	7.2	**(22,761,403)**	(28,603,228)
Additions to intangible assets		**(294,719)**	--
Proceeds from disposal of property, plant and equipment	7.2	**--**	10,273
Net cash used in investing activities		**(23,056,122)**	(28,592,955)
Cash flows from financing activities			
Dividend paid	17	**(84,472,046)**	(519,000,000)
Additional shareholders' contribution		**550,000,000**	--
Payment of long-term loans		**(550,000,000)**	--
Payment of lease liabilities		**(22,854,620)**	(22,334,741)
Net cash used in financing activities		**(107,326,666)**	(541,334,741)
Change in cash and cash equivalents during the period		**79,903,286**	(403,279,051)
Cash transferred from the merger transaction		**81,541,989**	--
Cash and cash equivalents as at the beginning of the period		**157,484,513**	518,754,365
Cash and cash equivalents at the end of the period		**318,929,788**	115,475,314

The accompanying notes from 1 to 32 form an
integral part of these condensed interim financial statements.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the nine-month period ended 30 September 2022
(Expressed in Saudi Arabian Riyals, unless otherwise specified)

1. COMPANY INFORMATION

The First Milling Company (the "Company"), a Saudi Closed Joint Stock Company, was incorporated in accordance with the Companies' Regulations in the Kingdom of Saudi Arabia under Commercial Registration No. 4030291813 issued on 10 November 2016 (corresponding to 10 Safar 1438H). The Company's licensed activities include flour production in the Kingdom of Saudi Arabia and all activities related to the provision of wheat products, animal feed and related products, including making any contracts or making any related arrangements.

The Company was formed by the Public Investment Fund (the "PIF") pursuant to the resolution of the Council of Ministers No. (35) of 9 November 2015 (corresponding to 27 Muharram 1437H) approving the adoption of the necessary actions to establish four Joint Stock Milling Companies according to the proposed geographical distribution. The Public Investment Fund, in coordination with the Saudi Grains Organization (the "SAGO"), shall do so in accordance with Royal Decree No. (62) dated 31 July 2014 (corresponding to 4 Shawwal 1435H).

On 9 September 2020 (corresponding to 17 Shawwal 1441H), Cabinet Resolution No. (631) was issued to transfer the ownership of the company to the National Center for Privatisation (the "NCP") and for the NCP to carry out the tasks assigned to the Public Investment Fund by Cabinet Resolution No. (118) and dated 30 October 2018 (corresponding to 21 Safar 1440H).

The Company's shares were wholly sold to Al Raha Al Safi Food Company (the "Parent Company") on 31 December 2020 (corresponding to 16 Jumada Al Awal 1442H).

The Company has entered into a subsidised wheat purchase agreement with the SAGO. As SAGO imports wheat to Saudi Arabia for the purpose of producing subsidised flour. This agreement shall enter into force on 1 January 2017 (corresponding to 3 Rabi Al Thani 1438H) and shall be terminated when the PIF sells its shares in the Company. The agreement stipulates that the purchase price of the subsidised wheat 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. The Company also has an option to import the wheat directly or to source it from the open market.

The Company is selling various products of flour, feed and bran out of which the selling prices of only the flour products weighing more than 10 KGs and above are determined by the SAGO.

On 30 November 2020 (corresponding to 15 Rabi' Al Thani 1442H), the wheat purchase agreement was extended and it will be in force until the date of expiry of the Company's milling operating license, subject to an automatic extension of the contract term to match the term of the Company's license. This license shall remain valid for a period of twenty-five (25) Gregorian years, counted from the date of completion of the transfer of ownership of all shares of the licensee to the private sector that was completed on 31 December 2020 (corresponding to 16 Jumada Al Awal 1442H).

On 29 June 2022 (corresponding to 30 Dhul Qadah 1443H), 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 15 September 2022 (corresponding to 19 Safar 1444H), 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 30).

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1. COMPANY INFORMATION (continued)

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 amended By-Law and commercial registration are issued on 12 May 2022 (corresponding to 11 Shawwal 1443H) and 15 May 2022 (corresponding to 14 Shawwal 1443H).

The registered address of the Company is as follows:

Jeddah Islamic Port
Between Gates 7 and 8
Jeddah 22312
Kingdom of Saudi Arabia

The Company operates through four branches, which are as follows:

Branch Location	Date	Commercial Registration No.
Jeddah	11 November 2016 (corresponding to 10 Safar 1438H)	4030294014
Qassim	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	1131057624
AlAhsa	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	2250067938
Tabuk	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	3550038652

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the International Accounting Standards (IAS 34) "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and professional Accountants ("SOCPA") and should be read in conjunction with the Company's last annual financial statements as at and for the year ended 31 December 2021 ("last annual financial statements").

These condensed interim financial statements do not include all the information required to prepare a complete set of financial statements in accordance with the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia. However selected accounting policies and explanatory notes have been included to explain the events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the last annual financial statements. In addition, the results for the nine-month period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the year ended 31 December 2022.

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2. BASIS OF PREPARATION (continued)

2.1 Statement of compliance (continued)

These condensed interim financial statements are prepared by the management for internal reporting and to be used as the latest financial information for filing an application to the Capital Market Authority requesting approval for an Initial Public Offering.

2.2 Basis of measurement

These condensed interim financial statements have been prepared using accrual basis of accounting, going concern concept and under the historical cost basis, except employees' defined benefit obligations which are recognised at the present value of future obligation using the Projected Unit Credit Method and derivative financial instruments which are recognised at fair value through other comprehensive income.

These condensed interim financial statements have been prepared using the economic approach of the legal merger between Al Raha Al Safi Food Company (the parent company) and The First 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. (note 30)

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 parent, as a contribution from the parent in equity.

Under the legal approach, the financial statements after the legal merger reflect the legal form of the transaction from the perspective of the subsidiary. There are two methods (fair value method and book value method) with respect to recognizing the identifiable assets acquired of the parent or liabilities assumed from the parent; regardless of which is used, amounts recognized previously in the consolidated financial statements with respect to the parent's acquisition of the surviving subsidiary (e.g., goodwill, intangible assets, fair value purchase price adjustments) are not recognized by the subsidiary. The surviving subsidiary does not recognize any change in the basis of subsidiaries, associates, and joint ventures that it held before the legal merger.

2.3 Functional and presentation currency

These condensed interim financial statements are presented in Saudi Arabian Riyals (SR) which is the functional and presentation currency of the Company. All amounts have been rounded to the nearest SR, unless otherwise stated.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

The Company based its assumptions and estimates on parameters available when the condensed interim financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The significant judgments exercised in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements for the year ended 31 December 2021.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2021, except for the policies that are disclosed in note 4.1 and 4.2 and adoption of new standards, interpretations and amendments effective as at 1 January 2022, as mentioned in note 5.1.

4.1 Business combinations

i) Acquisitions from entities under common control
Business combinations including entities or business under common control are measured and accounted for using book value. The assets and liabilities acquired are recognized at the carrying amounts as transferred from the controlling company's books of accounts. The components of equity of the acquired entities are added to the same components within the Company's equity and any gain/loss arising is recognized directly in equity.

ii) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 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 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 6.67 to 10 years.

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5. NEW STANDARDS, INTERPRETATION AND AMENDMENTS

5.1 New standards, interpretations and amendments adopted

The accounting policies applied in these condensed interim financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended 31 December 2021. Few amendments to standards became effective from 1 January 2022 which do not have a material effect on these condensed interim financial statements.

Standard / Interpretation	*Description*	*Effective from periods beginning on or after the following date*
IAS 37	Onerous contracts – cost of fulfilling a contract (Amendments to IAS 37)	1 January 2022
Annual Improvements	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
IAS 16	Property, plant and equipment: proceeds before intended use (Amendments to IAS 16)	1 January 2022
IFRS 3	Reference to the conceptual framework (Amendments to IFRS 3)	1 January 2022
IFRS 16	Covid-19 related rent concessions (Amendments to IFRS 16)	1 April 2021

5.2 New standards, interpretations and amendments issued but not adopted

Standards, interpretations and amendments issued but not yet effective

Standard / Interpretation	*Description*	*Effective from periods beginning on or after the following date*
IFRS 17	Insurance contracts	1 January 2023
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	1 January 2023
IAS 8	Definition of accounting estimates	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction`	1 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
IFRS 16	Lease liability in a sale and leaseback (amendments to IFRS 16)	1 January 2024
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

The standards, interpretations and amendments with effective date of 1 January 2023 will not have any material impact on the Company's condensed interim financial statements, whereas for other above-mentioned standards, interpretations and amendments, the Company is currently assessing the implications on the Company's condensed interim financial statements on adoption.

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6. SEGMENT INFORMATION

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

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

The selected financial information for these business units is set out below. Segment profit before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

For the nine-month period ended 30 September 2022 (Unaudited)	**Jeddah**	**Qassim**	**Tabuk**	**Al Ahsa**	**Total segments**
Total revenue	308,100,206	215,734,493	81,509,579	81,707,130	687,051,408
Cost of raw materials	(108,024,747)	(99,698,230)	(24,853,875)	(25,211,433)	(257,788,285)
Employee benefits expenses	(22,459,761)	(17,193,731)	(11,333,999)	(10,925,170)	(61,912,661)
Depreciation	(14,743,537)	(3,988,316)	(3,050,160)	(10,929,891)	(32,711,904)
Other expenses	(23,117,015)	(16,494,340)	(7,761,406)	(8,339,773)	(55,712,534)
Financing costs	(5,707,608)	(1,545,771)	(102,405)	(1,381,111)	(8,736,895)
Other income	6,232	30,799	9,789	2,556	49,376
Segment profit	134,053,770	76,844,904	34,417,523	24,922,308	270,238,505

For the nine-month period ended 30 September 2021 (Unaudited)	Jeddah	Qassim	Tabuk	Al Ahsa	Total segments
Total revenue	263,544,630	179,456,666	49,794,158	72,736,356	565,531,810
Cost of raw materials	(94,340,154)	(95,839,678)	(15,711,455)	(25,604,358)	(231,495,645)
Employee benefits expenses	(23,681,756)	(23,700,387)	(11,608,073)	(9,337,378)	(68,327,594)
Depreciation	(14,244,470)	(3,563,101)	(2,726,322)	(10,774,493)	(31,308,386)
Other expenses	(16,975,868)	(12,401,010)	(4,273,614)	(8,133,258)	(41,783,750)
Financing costs	(5,554,253)	(1,584,000)	(103,968)	(1,409,508)	(8,651,729)
Other income	327,996	110,057	75,781	133,111	646,945
Segment profit	109,076,125	42,478,547	15,446,507	17,610,472	184,611,651

At 30 September 2022 (Unaudited)	**Jeddah**	**Qassim**	**Tabuk**	**Al Ahsa**	**Total segments**
Total assets	443,276,405	159,682,306	101,479,950	299,722,316	1,004,160,977
Total liabilities	279,992,244	95,504,543	17,713,323	73,617,672	466,827,782
Other disclosures:					
Property, Plant and Equipment with Right-of-use assets	360,285,839	109,174,378	82,581,755	286,179,056	838,221,028
Inventories	47,794,890	46,023,237	11,319,246	7,511,030	112,648,403
Intangible assets	35,504	1,237,134	28,384	6,282	1,307,304

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6. SEGMENT INFORMATION (continued)

At 31 December 2021 (Audited)	Jeddah	Qassim	Tabuk	Al Ahsa	Total segments
Total assets	429,451,365	181,662,345	117,998,397	348,923,782	1,078,035,889
Total liabilities	270,264,566	101,907,411	15,606,692	71,161,705	458,940,374
Other disclosures:					
Property, Plant and Equipment with Right-of-use assets	356,674,221	107,870,832	80,309,364	304,177,669	849,032,086
Inventories	44,611,027	52,964,795	10,846,044	7,396,241	115,818,107
Intangible assets	46,128	77,314	36,937	8,406	168,785

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

Profit before tax

	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)
Total profit before tax for reportable segments	**270,238,505**	184,611,651
Unallocated amounts		
Employee benefits expenses	**(34,720,143)**	(17,259,662)
Depreciation	**(1,283,012)**	(1,010,869)
Other expenses	**(24,331,334)**	(23,051,362)
Financing costs	**(7,993,858)**	(3,948)
Other income	**103,678**	649,239
Expected credit loss on trade receivables	**(139,245)**	--
	201,874,591	143,935,049

i) Total assets

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Total assets for reportable segments	**1,004,160,977**	1,078,035,889
Unallocated amounts	**1,498,029,030**	78,388,145
	2,502,190,007	1,156,424,034

ii) Total liabilities

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Total liabilities for reportable segments	**466,827,782**	458,940,374
Unallocated amounts	**1,206,950,696**	32,290,100
	1,673,778,478	491,230,474

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7. PROPERTY, PLANT AND EQUIPMENT

7.1 Property, plant and equipment comprise of the following:

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Buildings	**336,679,192**	204,193,690
Plant and equipment	**172,374,573**	278,033,660
Furniture and fittings	**360,907**	2,318,480
Computer equipment	**1,634,451**	2,580,979
Motor vehicles	**4,859,892**	5,402,147
Projects under progress	**23,403,929**	27,254,382
	539,312,944	519,783,338

7.2 For the purposes of preparing the condensed interim statement of cash flows, the movement in property, plant and equipment during the nine-month period ended 30 September is as follows:

	For the nine-month period ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)
Depreciation	**21,292,400**	20,459,110
Additions	**22,761,403**	28,603,228
Carrying amount of disposed assets	**--**	6,913
Gain on disposals	**--**	3,360
Proceeds from disposal	**--**	10,273

7.3 The buildings are built on land leased from the SAGO with an annual rental of SR 1,992,395. The lease term is twenty-five calendar years commencing from 01 January 2017 (corresponding to 03 Rabee Thani 1438H) and is renewable for a similar period. In 2020, the lease term was extended by an additional three years.

7.4 As at 30 September 2022, projects under progress mainly consist of the following projects:

i) Rehabilitation project of alarm and firefighting systems in Jeddah;
ii) Chemical warehouses project in Qassim, Jeddah, Tabuk and Al-Ahsa;
iii) Installation of metal detectors equipment at Qassim, Jeddah, Tabuk and Al-Ahsa;
iv) Premix plant for Jeddah; and
v) New Pesa Mill Integration in Mill E Jeddah.

Capital commitments relating to these projects amount to SR 89.5 million (31 December 2021: SR 69 million)

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8. INTANGIBLE ASSETS

Movement in intangible assets is as follows:

	30 September 2022	31 December 2021
Cost:		
At the beginning of the period/year	**4,977,473**	447,637
Additions during the period/year	**294,719**	1,103,611
Transferred from projects under progress	**915,573**	3,426,225
At the end of the period/year	**6,187,765**	4,977,473
Accumulated amortisation:		
At the beginning of the period/year	**644,159**	161,778
Charge for the period	**364,600**	482,381
At the end of the period/year	**1,008,759**	644,159
Net book value	**5,179,006**	4,333,314

9. DERIVATIVE FINANCIAL INSTRUMENTS

To hedge the variability in interest rate on equity bridge loan and term Murabaha facility, the Parent Company that is merged into the Company on 15 September 2022 (corresponding to 19 Safar 1444H) had entered into an interest rate swap (IRS) agreement and profit rate cap agreement with Gulf International Bank and Alinma Bank respectively.

The IRS agreement required the Company to pay a fixed rate of interest at 3.23% in exchange for floating rate interest payments based on Saudi Inter Bank Offer Rate (SAIBOR) and a pre-determined margin. This arrangement has been closed as on 12 September 2022 (corresponding to 16 Safar 1444H) before the legal date the merger is taken place and accordingly has been de-recognised.

The profit rate cap agreement requires the Company to pay floating rate interest payment of SAIBOR until it reaches to 2%, post which the Company will pay only the cap rate of 2% in addition to the pre-determined margin. The maturity date of the agreements is 29 March 2026.

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9. DERIVATIVE FINANCIAL INSTRUMENTS – (continued)

For the purpose of hedge accounting, hedging instrument is classified as cash flow hedge. The fair value and notional amount of the derivatives is as follows:

	30 September 2022	31 December 2021
Profit Rate Cap		
Notional amount	**771,016,362**	--
Positive fair value	**64,717,071**	--

The hedge has been assessed to be effective and as at 30 September 2022, net un-realised gain of SR 10.54 million (31 December 2021: SR 6.97 million) has been included in the condensed statement of profit or loss and other comprehensive income and net un-realised gain of SR 42.52 million has been transferred through equity as a result of merger transaction.

The amount of SR 53.06 million shown as cash flow hedging reserve in the condensed statement of financial position as at 30 September 2022 is expected to affect the condensed statement of profit or loss in forthcoming years.

10. GOODWILL

Pursuant to privatization programme by the SAGO, the Parent Company entered into an agreement with NCP and Public-Private Partnership (PPP) on 17 September 2020 to acquire 100% equity stake in the Company. The transaction was completed by 31 December 2020.

The Parent Company paid a consideration of SR 2,198 million to acquire the Company with book value of net assets of SR 1,081 million. 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. The following adjustment has been recorded by the Parent Company:

- Net uplift of SR 22.4 million to property, plant and equipment; and
- Uplift of SR 4.54 million to spare parts under inventories.

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10. GOODWILL (continued)

Break-up of net assets of the Company at the time of acquisition was as follows:

	SR
Property, plant and equipment, with right of use assets	**830,433,309**
Intangible assets	**285,860**
Inventories	**118,803,883**
Trade receivables	**20,292**
Prepayments and other current assets	**13,319,205**
Bank balances	**518,754,365**
Lease liabilities - non-current liabilities	**(321,815,636)**
Employees' defined benefit obligations	**(772,931)**
Trade payables and other current liabilities	**(49,647,333)**
Lease liabilities - current liabilities	**(9,767,397)**
Advances from customers	**(18,362,771)**
	1,081,250,846

The entire business of the Company is considered as a CGU. For impairment testing, goodwill that was acquired through business combination is compared with the net book value of the CGU. The Company has performed its impairment test for goodwill on 30 September 2022. The Company considered the relationship between its value-in-use and its book value, among other factors. As at 30 September 2022, the value-in-use of the CGU was higher than the book value of its equity, indicating no impairment of goodwill and impairment of the assets of the business.

The recoverable amount of the CGU of SR 4,256 million as at 30 September 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 9.9%. It was concluded that the fair value less costs of disposal did not exceed the value in use.

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:

Gross margins
Gross margins are based on the margins achieved by the Company in the current year. 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.

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10. GOODWILL (continued)

Discount rates
Discount rates represent the current market participant's view, 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 also takes into account 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 from a market participant's view. The cost of debt is based on the market participant's view based on the Company's performance. 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 post-zakat discount rate.

A rise in the post-tax discount rate to 38.9% (i.e., +29%) 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 business 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 19% market share.

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 Company for coming years.

As management does not expect new 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.

11. INVENTORIES

11.1 Inventories comprise of the following:

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Spare parts	**98,734,148**	93,493,680
Raw materials	**41,204,189**	45,570,856
Finished goods	**10,203,970**	8,188,318
Goods in transit	**1,641,069**	1,208,836
Others	**712,737**	1,057,834
Less: allowance for slow moving inventories of spare parts and raw materials	**(39,847,710)**	(33,701,417)
	112,648,403	115,818,107

11.2 During the nine-month period ended 30 September 2022, the Company has provided for the slow-moving inventories of spare parts and raw materials amounting SR 6.15 million (31 December 2021: SR 1.09 million). The amount is included in the cost of revenue.

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11. INVENTORIES (continued)

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

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
At the beginning of the period/year	**33,701,417**	32,606,494
Provision during the period/ year	**6,146,293**	1,094,923
At end of the period/year	**39,847,710**	33,701,417

12. TRADE RECEIVABLES

Trade receivables comprise of the following:

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Trade receivables	**6,225,552**	3,258,387
Provision for expected credit loss on trade receivables	**(1,021,673)**	(882,428)
	5,203,879	2,375,959

13. SHARE CAPITAL

The authorized, issued and fully paid-up share capital of the Company as at 30 September 2022 consists of 500,000 shares (31 December 2021: 53,923,678 shares) at Saudi Riyal 10 each share.

The Company's Board of Directors has proposed to decrease the share capital on 24 January 2022 (corresponding to 21 Jumada al-Thani 1443H) from SR 539,236,780 to SR 5,000,000 which was approved by the members of the Extraordinary General Assembly on 17 February 2022 (corresponding to 16 Rajab 1443H).

The Company completed the legal procedures of share capital reduction, and the commercial register and the amended by-laws were issued on 15 May 2022 (corresponding to 14 Shawwal 1443H) and 12 May 2022 (corresponding to 11 Shawwal 1443H) respectively.

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13. SHARE CAPITAL (continued)

After the merger of the Parent Company with the Company on 15 September 2022 the proposed shareholders structure will be as follows:

	30 September 2022 (Unaudited)		31 December 2021 (Audited)	
	Amount in SR	**Percentage**	Amount in SR	Percentage
Al Raha Al Safi Food Company	**--**	**--**	539,236,780	100%
Al Mutlaq Group Industrial Investment Company	**1,750,000**	**35%**	--	--
Abdullah Abunayyan Trading Company	**1,500,000**	**30%**	--	--
Al Safi Advanced Investments	**1,250,000**	**25%**	--	--
Essa Al Ghurair Investments	**500,000**	**10%**	--	--
	5,000,000	**100%**	539,236,780	100%

Subsequent to the condensed interim financial statements date, the Company's Board of Directors has proposed to increase the share capital on 3 October 2022 (corresponding to 7 Rabi Al Awal 1444H) from SR 5,000,000 to SR 555,000,000 which was approved by the members of the Extraordinary General Assembly on 6 October 2022 (corresponding to 10 Rabi Al Awal 1444H) from the additional shareholders' contributions account (note 14).

The Company completed the legal procedures of increase in share capital and the commercial register and the amended by-laws were issued on 6 November 2022 (corresponding to 12 Rabi Al Thani 1444H).

14. ADDITIONAL SHAREHOLDERS' CONTRIBUTIONS

This amount of SR. 550,000,000 represents the cash contributed by the shareholders through bank transfer on 29 September 2022 (corresponding to 3 Rabi Al Awal 1444H).

15. MERGER RESERVE

On 17 February 2022 (corresponding to 16 Rajab 1443H) the shareholder of the Company through the Extraordinary General Assembly approved to decrease the Company's capital from SR 539,236,780 to SR 5,000,000 by share cancellations and maintain the capital amount reduced of SR 534,236,780 as a reserve to facilitate the merger transaction that was completed on 15 September 2022 (corresponding to 19 Safar 1444H).

The balance of SR. 37,554,503 merger reserve on 30 September 2022 shows the difference between the amount of share capital reduced to facilitate the merger transaction and net assets of the Parent Company recognised in the Company (note 30).

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16. STATUTORY RESERVE

In accordance with the By-laws of the Company and the Regulations for Companies that came into effect on 2 May 2016 (corresponding to 25 Rajab 1437H), the Company is required to set aside 10% of its net income each year as a statutory reserve until such reserve reaches 30% of the share capital. The Company may resolve to discontinue such transfers when the reserve equals 30%.

This minimum required reserve of 30% of share capital is not available for distribution to the shareholder of the Company.

17. DIVIDEND

17.1 On 3 March 2022, the Shareholder of the Company on recommendation of the Company's Board of Directors approved the distribution of the Company's net profit after taxes, zakat and the statutory reserve for the financial period 1 October 2021 to 31 December 2021 of the fiscal year 2021 of SR 30 million. The dividend was paid on 15 March 2022.

17.2 On 15 March 2022, the Shareholder of the Company on recommendation of the Company's Board of Directors approved the distribution of the interim dividend amounting to SR. 11,932,210. The dividend was paid on 22 March 2022.

17.3 On 12 September 2022, the Board of Directors of the Company as authorised by the revised by-laws of the Company approved the distribution of the Company's net profit after taxes, zakat and the statutory reserve for the financial period 1 April 2022 to 30 September 2022 of the fiscal year 2022 as interim dividend that amounted to SR 42,539,836 million. The dividend was paid on 22 September 2022.

17.4 On 12 April 2021 (corresponding to 30 Shaban, 1442H), the General Assembly approved the distribution of dividends of SR 19 million. The dividend was paid on 14 April 2021.

17.5 On 3 June 2021 (corresponding to 22 Shawwal 1442H), the General Assembly approved the distribution of dividends of SR 500 million. The dividend was paid on 29 June 2021.

18. LONG TERM LOANS

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

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Term Murabaha facility	**1,215,535,965**	--
Murabaha equity bridge loan	**--**	--
	1,215,535,965	--
Less: unamortised loan transaction cost	**(18,404,288)**	--
	1,197,131,677	--
Current portion	**57,549,909**	--
Non-current portion	**1,139,581,768**	--
	1,197,131,677	--

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18. LONG TERM LOANS (continued)

Term Murabaha facility with Alinma Bank amounted to SR 1,371,000,000 of which the Company has utilised SR 1,300,000,000 as of 30 September 2022. This facility is secured by promissory notes, pledge over certain assets and shares of the Company. The loan carries interest at SAIBOR plus margin. The utilised facility is repayable in unequal 30 instalments commencing from 30 June 2021.

Murabaha equity bridge loan ("EBL") with Gulf International Bank with committed funded facility of SR 550,000,000 which was fully drawn as at 31 December 2020. The facility was secured by promissory notes and corporate guarantees signed by the shareholders of the Company. The loan carried interest at SAIBOR plus margin. The full amount of the loan was paid on 29 September 2022.

Movement in loan balance as on 30 September is as follows:

	Murabaha Equity Bridge Loan	**Term Murabaha Facility**	**Total**
At the beginning of the period	--	--	--
Transferred as a result of merger transaction	550,000,000	1,215,535,965	1,765,535,965
Paid during the period	(550,000,000)	--	(550,000,000)
At the end of the period (Unaudited)	--	1,215,535,965	1,215,535,965

Maturity analysis - contractual undiscounted cash flow

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Within one year	**59,925,245**	--
One to five year	**322,680,565**	--
More than five year	**832,930,155**	--
	1,215,535,965	--

19. ACCRUED EXPENSES AND OTHER LIABILITIES

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Accrued expenses	**54,381,644**	41,276,588
VAT payable	**5,592,725**	--
Other payables	**2,445,356**	2,555,912
Finance cost payable	**922,088**	--
	63,341,813	43,832,500

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20. REVENUE

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)
Sale of goods	**242,294,824**	194,399,796	**704,125,114**	565,531,810
Less: Rebates and discounts	**(4,457,629)**	--	**(17,073,706)**	--
	237,837,195	194,399,796	**687,051,408**	565,531,810

20.1 Disaggregation of revenue

Revenue is disaggregated by type of goods, sector and customer as shown below:

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)
Type of goods				
Flour	**129,744,777**	121,883,254	**398,531,340**	361,816,796
Feed	**68,907,396**	57,497,905	**197,940,847**	155,167,584
Bran	**43,642,651**	15,018,637	**107,652,927**	48,547,430
	242,294,824	194,399,796	**704,125,114**	565,531,810
Type of sector				
Corporate sector	**238,455,496**	183,320,592	**687,152,555**	530,999,183
Government sector	**2,577,014**	8,091,395	**12,001,151**	27,639,158
Individual sector	**1,262,314**	2,987,809	**4,971,408**	6,893,469
	242,294,824	194,399,796	**704,125,114**	565,531,810
Type of customer				
Non-government	**239,717,810**	186,308,401	**692,123,963**	537,892,652
Government	**2,577,014**	8,091,395	**12,001,151**	27,639,158
	242,294,824	194,399,796	**704,125,114**	565,531,810

Timing of revenue recognition
The sale of the goods is recognised by the Company at a point in time, and the performance obligation is fulfilled when the goods are dispatch from the warehouses.

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21. COST OF REVENUE

Cost of revenue comprises the following:

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)
Raw materials consumed	**87,493,022**	79,802,383	**259,803,937**	233,126,865
Salaries and other benefits	**16,199,085**	15,230,725	**47,463,362**	45,422,508
Depreciation and amortization	**10,243,657**	9,954,459	**30,134,117**	28,318,127
Fuel and power	**5,507,681**	5,172,237	**18,364,141**	16,409,535
Other expenses	**7,146,200**	7,425,837	**17,147,223**	16,904,123
Provision for slow moving inventories of spare parts and raw materials	**2,972,489**	--	**6,146,293**	--
	129,562,134	117,585,641	**379,059,073**	340,181,158
Finished goods inventory at the beginning of the period	**14,716,153**	20,633,492	**8,188,318**	10,683,406
Finished goods available for sale during the period	**144,278,287**	138,219,133	**387,247,391**	350,864,564
Finished goods inventory at the end of the period	**(10,203,970)**	(12,314,626)	**(10,203,970)**	(12,314,626)
	134,074,317	125,904,507	**377,043,421**	338,549,938

22. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses comprise the following:

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)
Salaries and other benefits	**3,522,107**	3,034,378	**7,920,052**	5,677,787
Advertising and marketing	**1,752,331**	724,857	**8,903,596**	952,166
Other expenses	**1,769,260**	1,737,999	**8,379,522**	2,927,986
Depreciation of property, plant and equipment and right-of-use assets	**237,789**	205,589	**672,254**	615,689
	7,281,487	5,702,823	**25,875,424**	10,173,628

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23. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise the following:

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)
Salaries and other benefits	**13,406,387**	13,790,640	**41,249,390**	34,486,961
Professional and consulting fees	**4,598,866**	3,775,042	**9,994,331**	13,385,215
Other expenses	**2,948,261**	1,509,439	**9,816,431**	12,679,563
Depreciation and amortization	**1,099,659**	1,125,628	**3,188,545**	3,385,439
Fuel and power	**200,816**	306,630	**764,464**	709,478
Material and supplies	**240,901**	290,680	**527,867**	867,046
	22,494,890	20,798,059	**65,541,028**	65,513,702

24. FINANCE COSTS

Finance costs comprise the following:

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)
Finance cost on lease liabilities	**2,948,826**	3,268,265	**8,763,773**	8,655,677
Finance cost on long-term loans	**4,742,040**	--	**4,742,040**	--
Amortisation of loan transaction cost	**3,224,940**	--	**3,224,940**	--
	10,915,806	3,268,265	**16,730,753**	8,655,677

25. ZAKAT

25.1 Movement in provision for zakat during the year

For the year ended 31 December 2021, the Parent Company submitted the consolidated Zakat declaration to the Zakat, Tax and Customs Authority ("ZATCA"), which was later distributed to the subsidiary with the respective share of the zakat expense.

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

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
At the beginning of the period/year	**4,743,700**	--
Charged during the period/year	**4,678,975**	4,743,700
Paid during the period/year	**(4,801,462)**	--
At end of the period/year	**4,621,213**	4,743,700

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25. ZAKAT (continued)

25.2 Zakat status

The Company was not subjected to Zakat since its share capital was from public funds on which Zakat was not applicable till 2020.

26. NON-CURRENT ASSETS HELD FOR SALE

During the year ended 31 December 2021, the Board of Directors decided to sell one of the mills that has not been in use since 2014. Accordingly, those assets were reclassified as non-current assets held for sale. The estimated disposal loss of SR 6,461,072 was also recognised in 2021 which represents the difference between the fair value less costs to sell and the carrying amount of those non-current assets held for sale.

27. CAPITAL COMMITMENTS AND CONTINGENCIES

As at 30 September 2022, the Company had contingent liabilities that arose during its normal business cycle and related to letters of credit of SR 26,785,290 (31 December 2021: SR 1,126,596).

28. EARNINGS PER SHARE

28.1 Basic and diluted earnings per share

The calculation of basic earnings per share has been based on the distributable earnings attributable to shareholder of ordinary shares and the weighted average number of ordinary shares outstanding at the date of the financial statements.

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)
Profit for the period	**63,490,195**	37,581,340	**197,195,616**	140,729,109
Weighted average number of ordinary shares for basic and diluted EPS	**500,000**	500,000	**500,000**	500,000
Earnings per share - basic and diluted	**126.98**	75.16	**394.39**	281.46

The calculation of diluted earnings per share has been based on the earnings attributable to shareholder of ordinary shares and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares if any.

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28. EARNINGS PER SHARE (continued)

During the period, there are no transactions that reduce the earnings per share and therefore, the earnings per diluted share are not different from the basic earnings per share.

As disclosed in note 13 of these financial statements the share capital of the Company has been decreased from SR 539,236,780 to SR 500,000. The per share calculations for both basic and diluted EPS reflects the retrospective adjustment for this decrease in share capital.

29. 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 the basis of contractual arrangements made with them.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

For the purposes of the disclosure requirements contained in IAS 24 Disclosures Related to Related Parties, the phrase "key management personnel" (i.e., those persons who have the authority and responsibility to plan, direct and control the activities of the company) refers to the chief executive officer and other executives of the company.

The compensation of the senior management personnel includes salaries and other benefits. The amounts disclosed in the table represent the amounts recognised as an expense during the financial period in respect of key management personnel.

Compensation of key management personnel of the Company for the three-month and nine-month periods ended 30 September:

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)
Short-term employee benefits	**2,529,288**	1,282,746	**7,587,864**	3,848,238
Board and committees' expenses, rewards and allowances	**600,000**	375,000	**1,800,000**	1,125,000
Total compensation paid to key management personnel	**3,129,288**	1,657,746	**9,387,864**	4,973,238

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29. RELATED PARTY TRANSACTIONS AND BALANCES – (continued)

OTHER RELATED PARTY TRANSACTIONS

Transactions with related parties arise mainly from services provided/ received and payments made on behalf of each other and are undertaken at mutually agreed terms.

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

Name	Relationship	Nature of transactions	Amount of transactions For the nine-month period ended 30 September 2022	2021	Closing balance 30 September 2022 (Unaudited)	31 December 2021 (Audited)
Due from related parties						
Al Mutlaq Group Industrial Investment Company	Shareholder	Financial advice	**411,950**	--	**411,950**	--
Abdullah Abunayyan Trading Company	Shareholder	Financial advice	**353,100**	--	**353,100**	--
Al Safi Advanced Investments	Shareholder	Financial advice	**294,250**	--	**294,250**	--
Essa Al Ghurair Investments	Shareholder	Quality and operational consulting	**1,175,802**	--		
		Financial advice	**117,700**	--	**117,700**	--
Al Mutlaq Real Estate Investments	Affiliate	Project implementation consultancy	**153,908**	--	**--**	--
Ehata Financial Company	Affiliate	Financial advisory	**264,500**	--	**--**	--
					1,177,000	--
Due to related parties						
Al Mutlaq Group Industrial Investment Company	Shareholder	Expenses incurred on behalf of the Company	**50,000**	--	**50,000**	--

30. MERGER TRANSACTION

Effective 15 September 2022 (corresponding to 19 Safar 1444H), 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.

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30. MERGER TRANSACTION (continued)

The Merger of the Company with the Parent Company (its 100% shareholder) has been accounted for as a capital reorganization, a "hive down", 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. All the equity components of the Parent Company were recorded as part of the Company's equity except for share capital and statutory reserve.

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 reserve which is as follows:

	30 September 2022 (Unaudited)
Share capital of the Parent Company	5,000,000
Statutory reserve of the Parent Company	1,500,000
	6,500,000
Share capital of the Company	(5,000,000)
Statutory reserve of the Company	(39,054,503)
	(44,054,503)
Merger reserve	(37,554,503)

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
Goodwill	1,090,669,302
Cash and cash equivalents	81,541,989
Derivative financial instruments	55,905,238
Property, plant and equipment	18,976,176
Inventories	4,548,065
Prepayments and other current assets	1,747,310
Long term loans	(1,685,019,806)
Current portion of long-term loans	(58,886,931)
Cash flow hedge reserve	(42,519,997)
Accrued expenses and other liabilities	(19,523,199)
Retained earnings	(19,229,430)
Net assets of the Parent Company	(571,791,283)
Share capital reduced	534,236,780
Merger reserve	(37,554,503)

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31. SUBSEQUENT EVENTS

In addition to what is disclosed in note 13, the members of the Extraordinary General Assembly have approved the offering and listing of the Company’s shares in Tadawul on 6 November 2022 (corresponding to 12 Rabi Al Thani 1444H). The legal formality is under process.

32. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved and authorised for issuance by the Company's Board of Directors on 8 December 2022, corresponding to 14 Jumada Al Awal 1444H.

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