

SALEH ABDULAZIZ AL RASHED & SONS CO

(Limited Liability Company)

**SPECIAL PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
31 December 2022**

SALEH ABDULAZIZ AL RASHED & SONS CO
(Limited Liability Company)

SPECIAL PURPOSE FINANCIAL STATEMENTS

For the year ended 31 December 2022

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SALEH ABDULAZIZ AL RASHED & SONS CO
(Limited Liability Company)

SPECIAL PURPOSE STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Note	2022 SR	2021 (Restated – Note 26) SR
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	<u>128,498,469</u>	<u>75,736,166</u>
TOTAL NON-CURRENT ASSETS		<u>128,498,469</u>	<u>75,736,166</u>
CURRENT ASSETS			
Inventories	6	82,584,186	60,471,627
Trade receivables	7	30,859,705	32,487,273
Prepayments and other current assets	8	44,757,739	27,158,481
Amounts due from related parties	9	33,941,764	24,648,978
Investment in financial instruments at fair value through profit or loss	10	2,843,432	-
Cash and cash equivalents	11	<u>18,339,139</u>	<u>48,931,087</u>
TOTAL CURRENT ASSETS		<u>213,325,965</u>	<u>193,697,446</u>
TOTAL ASSETS		<u>341,824,434</u>	<u>269,433,612</u>
EQUITY AND LIABILITIES			
EQUITY			
Capital	12	500,000	500,000
Additional capital	13	185,500,000	-
Reserves	14	150,000	150,000
Retained earnings		<u>68,602,311</u>	<u>108,454,000</u>
TOTAL EQUITY		<u>254,752,311</u>	<u>109,104,000</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Employees defined benefits obligations	15	<u>9,381,546</u>	<u>9,218,498</u>
TOTAL NON-CURRENT LIABILITIES		<u>9,381,546</u>	<u>9,218,498</u>
CURRENT LIABILITIES			
Accounts payable		29,633,185	16,246,247
Amounts due to related parties	9	4,058,082	108,388,673
Accrued expenses and other current liabilities	16	42,009,276	17,915,836
Murabaha financing	17	-	6,500,000
Provision for Zakat	18	<u>1,990,034</u>	<u>2,060,358</u>
TOTAL CURRENT LIABILITIES		<u>77,690,577</u>	<u>151,111,114</u>
TOTAL LIABILITIES		<u>87,072,123</u>	<u>160,329,612</u>
TOTAL LIABILITIES AND EQUITY		<u>341,824,434</u>	<u>269,433,612</u>

The accompanying notes from 1 to 33 form an integral part of these special purpose financial statements.

SALEH ABDULAZIZ AL RASHED & SONS CO
(Limited Liability Company)

SPECIAL PURPOSE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Note	2022 SR	2021 (Restated – Note 26) SR
Revenue	19	429,460,879	349,769,400
Cost of revenue	20	(308,286,020)	(236,065,533)
GROSS PROFIT		121,174,859	113,703,867
EXPENSES			
General and administrative	21	(46,069,847)	(40,253,510)
Selling and marketing	22	(2,912,096)	(2,423,338)
PROFIT FROM MAIN OPERATIONS		72,192,916	71,027,019
Financial charges	23	(337,584)	(195,232)
Other income (loss) net	24	898,920	1,485,897
PROFIT BEFORE ZAKAT		72,754,252	72,317,684
Zakat	18	(1,964,926)	(2,035,250)
NET PROFIT FOR THE YEAR		70,789,326	70,282,434
OTHER COMPREHENSIVE INCOME			
<i>Item not to be reclassified to the Income Statement</i>			
gain from remeasurement of defined benefit obligations	15	2,262,410	187,058
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		73,051,736	70,469,492
EARNING PER SHARE			
Basic and diluted earnings per share from net income attributable to shareholders of the company	25	1,416	1,406

The accompanying notes from 1 to 33 form an integral part of these special purpose financial statements.

SALEH ABDULAZIZ AL RASHED & SONS CO
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SPECIAL PURPOSE STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Capital SR	Additional Capital SR	Reserves SR	Retained Earnings SR	Total Equity SR
1 January 2021	500,000	-	150,000	37,984,508	38,634,508
Net profit for the year (Restated – Note 26)	-	-	-	70,282,434	70,282,434
Other comprehensive income	-	-	-	187,058	187,058
Total comprehensive income for the year (Restated – Note 26)	-	-	-	70,469,492	70,469,492
31 December 2021 (Restated – Note 26)	500,000	-	150,000	108,454,000	109,104,000
1 January 2022	500,000	-	150,000	108,454,000	109,104,000
Net Profit for the Year	-	-	-	70,789,326	70,789,326
Other comprehensive income	-	-	-	2,262,410	2,262,410
Total comprehensive income for the year	-	-	-	73,051,736	73,051,736
Transfer from Amounts Due to Related Parties to Additional Capital	-	92,792,408	-	-	92,792,408
Transfer from Retained Earnings to Additional Capital	-	92,707,592	-	(92,707,592)	-
Dividends	-	-	-	(20,195,833)	(20,195,833)
31 December 2022	500,000	185,500,000	150,000	68,602,311	254,752,311

The accompanying notes from 1 to 33 form an integral part of these special purpose financial statements.

SALEH ABDULAZIZ AL RASHED & SONS CO
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SPECIAL PURPOSE STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	2022	2021 (Restated – Note 26)
	SR	SR
OPERATING ACTIVITIES		
Profit before zakat	72,754,252	72,317,684
<i>Amendments to:</i>		
Depreciation of property, plant and equipment	21,110,680	14,874,367
Provision for slow-moving inventory	-	1,835,719
Finance costs	337,584	195,232
Gain on disposal of property, plant, and equipment	(228,596)	(498,873)
Gain on sale of investments in financial instruments measured at fair value through profit or loss	(242,525)	-
Provision for expected credit losses	2,826,447	5,224,375
Loss from revaluation of investments in financial instruments at fair value through profit or loss	438,942	-
Provision for defined benefit obligations	2,808,930	1,916,269
	<u>99,805,714</u>	<u>95,864,773</u>
Changes in operating assets and liabilities		
Inventories	(17,020,607)	(20,318,672)
Trade receivables	(1,198,879)	(4,959,455)
Prepayments and other current assets	(17,599,258)	(13,435,078)
Trade payables	13,386,938	9,280,755
Accrued expenses and other current liabilities	8,633,329	6,458,943
Amounts due from / to related Parties	(20,830,969)	(18,239,724)
	<u>65,176,268</u>	<u>54,651,542</u>
Employees defined benefit obligations paid	(590,888)	(213,343)
Zakat paid	(2,035,250)	(1,350,156)
Finance costs paid	(130,168)	(79,292)
Net cash from operating activities	<u>62,419,962</u>	<u>53,008,751</u>
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(80,066,103)	(35,236,801)
Proceeds from disposal of property, plant, and equipment	1,329,764	1,086,664
Additions to investments in financial instruments at fair value through profit or loss	(5,873,005)	-
Proceeds from sale of investments in financial instruments at fair value through profit or loss	2,833,156	-
Net cash used in investing activities	<u>(81,776,188)</u>	<u>(34,150,137)</u>
FINANCING ACTIVITIES		
Repayment of Murabaha financing	(6,500,000)	-
Proceeds from Murabaha financing	-	1,500,000
Dividends	(4,735,722)	-
Net cash (used in) generated from financing activities	<u>(11,235,722)</u>	<u>1,500,000</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(30,591,948)	20,358,614
Cash and cash equivalents at the beginning of the year	48,931,087	28,572,473
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>18,339,139</u>	<u>48,931,087</u>
SIGNIFICANT NON-CASH TRANSACTIONS:		
Transfer from Property, Plant, and Equipment to Inventory	5,091,952	-
Accrued dividends	15,460,111	-
Transfer from Amounts Due to Related Parties to Additional Capital	92,792,408	-

The accompanying notes from 1 to 33 form an integral part of these special purpose financial statements.

SALEH ABDULAZIZ AL RASHED & SONS CO

(Limited Liability Company)

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

31 December 2022

1- GENERAL INFORMATION

Saleh Abdulaziz Al-Rashed & Sons Company (the "Company") is a limited liability company established in accordance with the provisions of the Companies Law and registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010008417 dated 12 Rajab 1395 AH (corresponding to 22 July 1975) in Riyadh.

The Company's registered address is Al-Aziziyah District, Riyadh, Kingdom of Saudi Arabia, P.O. Box: 4293, Riyadh 11491.

The Company's activities include importing, exporting, and wholesale and retail trading in crushers, crusher spare parts, building materials, and graded aggregates; purchasing land for building construction; investing in these buildings through cash sales, installments, or leasing for the Company; managing, maintaining, and developing real estate; purchasing and owning real estate for the Company; and selling, purchasing, and exploiting real estate and land for the Company.

During 2023, the company was transformed from a limited liability company into a closed joint-stock company with its rights and obligations, while maintaining the same commercial registration number and without changing the fiscal year. The regulatory procedures were completed on 29 Jumada Al-Akhirah 1444 H, corresponding to 22 January 2023. The company increased its capital to become 186 million Saudi riyals (18,600,000 shares), with a share value of 10 Saudi riyals.

The company operates through the following branches:

Branch	Commercial Registration No	Date	City
Saleh Abdulaziz Al-Rashed and Sons Company	1010440978	08/04/1437 H	Riyadh
Saleh Abdulaziz Al-Rashed and Sons Company	1120100785	06/11/1440 H	Ruma
Saleh Abdulaziz Al-Rashed and Sons Company Branch	2031105350	27/06/1442 H	Al-Ahsa
Saleh Abdulaziz Al-Rashed and Sons Company	1010624636	05/06/1441 H	Riyadh
Saleh Abdulaziz Al-Rashed and Sons Company	1110000810	22/01/1435 H	Dhurma
Saleh Abdulaziz Al-Rashed and Sons Company	1010829013	29/02/1444 H	Riyadh
Saleh Abdulaziz Al-Rashed and Sons Company	1011149858	14/10/1443 H	Al-Kharj
Saleh Abdulaziz Al-Rashed and Sons Company	1010773510	15/06/1443 H	Riyadh
Saleh Abdulaziz Al-Rashed and Sons Company	4651103758	28/03/1444 H	Al-Ula
Saleh Abdulaziz Al-Rashed and Sons Company	4030417830	27/10/1442 H	Jeddah
Saleh Abdulaziz Al-Rashed and Sons Company	1120001936	12/02/1437 H	Ruma
Environmental Exports Maintenance Company	1010440977	08/04/1437 H	Riyadh
Saleh Abdulaziz Al-Rashed and Sons Company	4030246026	25/06/1434 H	Jeddah
Saleh Abdulaziz Al-Rashed and Sons Company	5900120939	06/04/1441 H	Jizan
Saleh Abdulaziz Al-Rashed and Sons Company	3550126764	25/05/1444 H	Tabuk
Saleh Abdulaziz Al-Rashed and Sons Company	5855032113	12/04/1430 H	Khamis Mushait
Saleh Abdulaziz Al-Rashed and Sons Company Branch	4650227710	27/06/1442 H	Medina

The special purpose financial statements prepared attached represent the assets, liabilities, and results of operations of the commercial records mentioned above.

2- BASIS OF PREPARATION

2-1 Significant Accounting Policies Applied and Restrictions on Distribution and Use

The Company intends to register and offer its shares for public subscription. The Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority (the "Authority") in the Kingdom of Saudi Arabia require that the certified public accountant and the audit firm reviewing the issuer's financial statements be registered with the Authority in accordance with the Rules for the Registration of Auditors of Entities Subject to the Supervision of the Authority. Accordingly, these special purpose financial statements have been prepared and audited in accordance with the aforementioned requirements for the purpose of their inclusion in the Company's share offering prospectus to be submitted to the Authority, and they should not be distributed or used by any other parties.

These special purpose financial statements have been prepared in accordance with the significant accounting policies set out in Note 4.

SALEH ABDULAZIZ AL RASHED & SONS CO
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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

31 December 2022

2- BASIS OF PREPARATION (Continued)

2-2 Basis of Measurement

These special purpose financial statements have been prepared under the historical cost convention, except for certain assets, which are investments in financial instruments carried at fair value through profit or loss, and the recognition of defined benefit obligations at the present value of future obligations using the projected unit credit method.

2-3 Functional and presentation currency

These special purpose financial statements are presented in Saudi Riyals, which is the functional currency of the company.

2-4 New and Amended Standards and Interpretations

The company has applied for the first time the following standards and amendments, effective for periods beginning on or before 1 January 2022, and which have no impact on the company financial statements:

Newly Issued and Applied International Financial Reporting Standards

The following are amendments to the International Financial Reporting Standards (IFRS) and Interpretations Committee pronouncements that may be applicable to the Company and became effective on January 1, 2022, and had no material impact:

- Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract.
- Amendments to IFRS 3 – Reference to the Conceptual Framework.
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use.
- Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards: Subsidiary as a First-time Adopter.
- Amendments to IFRS 9 – Fees in the ‘10 Percent’ Test for Derecognition of Financial Liabilities.

Other Relevant Amendments to International Financial Reporting Standards Issued but Not Yet Effective

Some new and amended standards and interpretations issued but not yet effective as of 31 December 2022 have not been early adopted by the Company and will be adopted on their effective dates, as applicable. Management is assessing the potential financial impact of applying these standards, and the application of these standards and interpretations is not expected to have a material impact on the Company’s financial statements upon their effective dates.

- IFRS 17 – Insurance Contracts.
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current.
- Amendments to IAS 8 – Definition of Accounting Estimates.
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies.
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

3- SIGNIFICANT ACCOUNTING JUDGMENTS, ASSUMPTIONS AND ESTIMATES

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including future expectations.

Key sources of accounting estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

SALEH ABDULAZIZ AL RASHED & SONS CO
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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

31 December 2022

3- SIGNIFICANT ACCOUNTING JUDGMENTS, ASSUMPTIONS AND ESTIMATES (Continued)

Key sources of accounting estimation uncertainty (Continued)

Estimated useful lives of property and equipment

The company management determines the estimated useful lives of its property and equipment. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives as necessary, and future depreciation charges are adjusted when management believes the useful lives differ from previous estimates.

Impairment of Inventory

Inventory is stated at the lower of cost or market value. When inventory becomes old or obsolete, an estimate of its market value is made. For individually significant amounts, this estimate is made for each amount separately for amounts that are individually immaterial but considered old or obsolete, they are collectively assessed and the provision is made on the basis of type of inventory and its age or degree of obsolescence based on historical selling prices.

Provision for Expected Credit Losses on Trade Receivables

The company uses a provision matrix to calculate expected credit losses on trade receivables. The provision rates are determined based on days past due for groupings of various customer segments that have similar loss patterns (i.e., geographic region, product type, customer type, price, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on observed historical default rates. The Group calibrates the matrix to adjust historical credit losses for forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year, which can lead to an increased number of defaults in the entertainment sector, the historical default rates are adjusted. At each special purpose reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of expected credit losses is affected by changes in circumstances and of forecast economic conditions. The Group's past credit losses and estimated economic conditions may not be representative of a customer's actual default in the future.

Impairment of non-financial assets

Impairment occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is calculated based on available data from binding sales transactions conducted at arm's length for similar assets or observable market prices less costs incidental to the disposal of the asset. Value in use is calculated using the discounted cash flow method. Cash flows are determined based on the projected budget for the next five years and do not include restructuring activities that the company has not yet committed to, nor significant future investments that could enhance the performance of the assets of the cash-generating unit subject to impairment testing. The recoverable amount is affected by the discount rate used in the discounted cash flow method, as well as the expected future in-ash flows and the growth rate used for forecasting purposes.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgements and estimates of the outcome of future events.

Going concern

These special purpose financial statements have been prepared on a going concern basis. The company management has conducted an assessment of the company ability to continue to as going concern and the opinion that the company has sufficient resources to continue to operate in the future. Furthermore, Management is not aware of any material uncertainty that would cast doubt on the company ability to continue as going concern.

SALEH ABDULAZIZ AL RASHED & SONS CO
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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

31 December 2022

4- SIGNIFICANT ACCOUNTING POLICIES

The following are the accounting policies applied in the preparation of these special purpose financial statements:

Current versus non-current classification

The company presents assets and liabilities in the statement of special purpose financial position based on their current/non-current classification. An asset is current when:

- a) it expects to realize the asset, or intends to sell or consume it, in the company normal operating cycle;
- b) it holds the asset primarily for the purpose of trading;
- c) it expects to realize the asset within twelve months after the reporting date; or
- d) the asset is cash at banks, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date

The company shall classify all other assets as non-current. When the company normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.

The company classifies a liability as current when:

- a) it expects to settle the liability in the company normal operating cycle;
- b) it holds the liability primarily for the purpose of trading;
- c) the liability is due to be settled within twelve months after the reporting date; or
- d) the entity does not have unconditional right to defer settlement of the liability for at least twelve months after reporting date.

The company classifies all other liabilities as non-current liabilities.

Cash and cash equivalents

Bank balances include cash deposited with local banks, cash on hand. These balances are subject to an immaterial risk of changes in value.

Inventory

Inventory is initially measured at cost, which includes purchase costs, conversion costs and other costs incurred in bringing the inventory to its current location and condition. The company uses the weighted average cost method when measuring inventories. Under the weighted average cost formula, the cost of each item is determined based on the weighted average cost of similar items at the beginning of a given period and the cost of similar items purchased during the year. Inventories are subsequently measured at cost or net realizable value, whichever is lower.

The net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The Company's inventory includes the following items:

Raw Materials

Raw materials are stated at cost or net realizable value, whichever is lower. Cost is determined using the weighted average method.

Finished Goods Held for Sale

Finished goods held for sale are stated at the cost per unit of production or net realizable value, whichever is lower. The cost of finished goods held for sale is determined using the weighted average method. The cost per unit of production is calculated as the total production cost divided by the saleable production output.

Impairment

At each reporting date, inventory is assessed for impairment. If the inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognized immediately in the special purpose statement of profit and loss and other comprehensive income.

Financial instruments

Financial assets, upon initial recognition and subsequently measured at amortized cost, are classified as fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL).

The classification of financial assets upon initial recognition depends on the cash flow characteristics of the financial asset and the company business model for managing it.

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

31 December 2022

4- SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Initial recognition and measurement

Financial assets and financial liabilities are initially measured at fair value. At initial recognition, transaction costs directly related to the acquisition or issuance of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate. Transaction costs directly related to the acquisition of financial assets measured at fair value through profit or loss are recognized directly in the special purpose statement of profit or loss and other comprehensive income

Financial Assets

Subsequent measurement for financial instruments

The company has the following financial assets:

Financial Assets at amortized Cost:

This category includes accounts receivable and amounts due from related parties. Financial assets are measured at amortized cost only if they meet both of the following conditions and are not carried at fair value through profit or loss:

- Acquiring the financial asset within the business model for the purpose of acquiring financial assets to collect contractual cash flows; and
- The contractual terms of the financial asset, at specified dates, result in cash flows that consist solely of payments of principal and interest on the principal outstanding.

Subsequently measured at amortized cost using the actual commission rate method and subject to impairment. Gains and losses on profit and loss are recognized in the special purpose statement of profit and loss and other comprehensive income when an asset is derecognized, adjusted or impaired.

Equity investments held at fair value through profit or loss

Equity investments classified as held at fair value through profit or loss unless they are designated as equity investments not held for trading or are contingent consideration arising in a business combination, are measured at fair value through other comprehensive income upon initial recognition.

Reclassification

Financial assets are not reclassified after initial recognition, except for the period following a change in the business model for managing financial assets.

Impairment of financial assets

The company applies the simplified method prescribed in IFRS 9 to measure expected credit losses over the life of trade receivables. Expected credit losses on these financial assets are estimated using a provision matrix based on the company historical credit losses, adjusted for the factors of the debtors, general economic conditions, and the assessment of both the current and expected market trends at the date of the financial statements, including the time value of money if appropriate.

Derecognition of financial assets

The company ceases to prove financial assets only when the rights related to receiving cash flows from the assets or the company transfers the financial assets and all the risks and benefits associated with the asset owner to another party. In cases where the company does not transfer or retain all the risks and benefits associated with the owner or in which control over the asset is not transferred, the company proves the remaining share in the asset and the related liability by the amount it is required to pay. If the company retains all the risks and benefits associated with the transferred financial asset owner, the company continues to recognize the financial asset.

When a financial asset measured at amortized cost is derecognized, the difference between the asset's carrying amount and the amount of consideration received or receivable is recognized in the special purpose statement of profit or loss and other comprehensive income. Conversely, when the company derecognizes an equity investment that the company chose to measure at fair value through other comprehensive income upon initial recognition, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to the special purpose statement of profit or loss and other comprehensive income but is transferred to retained earnings.

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

31 December 2022

4- SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial Liabilities

The company classifies its financial liabilities as measured at amortized cost or fair value through profit or loss. Financial liabilities at initial recognition are classified at fair value through profit or loss if they are classified as financial liabilities acquired for trading purposes or as derivatives or have been designated as such on initial recognition.

The company financial liabilities include trade payables, accounts receivable, other accounts payable, and Murabaha financing.

Subsequent measurement for financial liabilities

All liabilities of the company are measured at amortized cost.

Derecognition

Financial liability is derecognized when the obligation under the liability is discharged, 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 special purpose statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the special purpose 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.

Property, plant and equipment

Property, plant and equipment are carried at cost, net of accumulated depreciation and accumulated impairment losses, if any. When these assets are created internally, their cost includes all the amounts necessary to bring the asset to its current state and location to be ready for its intended use by the Company. This excludes all other costs such as general and administrative expenses and training costs. Any costs for the business case are charged to expenses as incurred unless they relate to a specific asset that is created internally and directly attributable to it.

The company adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of that item when the cost is incurred if the replacement part is expected to generate additional future benefits to the company; and the carrying amount of the replaced part is derecognized. All other repair and maintenance expenses are charged directly to profit or loss in the special purpose statement of comprehensive income and loss during the period in which they are incurred.

Asset depreciation is charged to spread the cost of assets less their estimated residual value over their estimated useful lives using the straight-line method.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are recognized in profit or loss in the special purpose statement of profit and loss and other comprehensive income. Key spare parts are eligible for recognition as plant and equipment when the company expects to use them for more than one year. Transfers are made to the relevant operational asset class when these items are available for use.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows.

<u>Property, plant and equipment category</u>	<u>Years</u>
Buildings and Caravans	20
Transportation	5
Machinery and Equipment	7
Furniture and fixture	10
Other assets	4

Residual values, useful lives and depreciation methods for assets are reviewed and adjusted prospectively, if appropriate, at the end of each financial period. Any item of property, plant and equipment and any significant portion thereof that is initially recognized shall be derecognized when it is retired or when there are no expected future benefits from its use. Any gains or losses arising from the derecognition of the asset (which are calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are recognized in profit or loss in the special purpose statement of profit and loss and other comprehensive income.

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

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4- SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

The company as lessee

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 remeasurement 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The company applies a single recognition and measurement method for all leases, except for short-term leases and leases of low-value assets. The company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

If ownership of the leased asset transfers to the Company by the end of the lease term, or if the cost reflects the exercise of a purchase option, the asset is depreciated over its estimated useful life. Right-of-use assets are also subject to impairment. For details, refer to the accounting policies in the "Impairment of Non-Financial Assets" section. Right-of-use assets are depreciated on a straight-line basis over the lease term or the estimated useful lives of the assets, whichever is shorter. Lease terms for land and warehouse leases range from 2 to 20 years.

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. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the company uses its incremental borrowing rate at the lease commencement date because 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 remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Impairment of non-financial assets other than inventory

The company assesses, at each special purpose 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 group 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-zakat discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The company impairment calculation is based on the detailed budget and forecast calculations which are prepared separately for each of the group CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a five-year period. For longer periods, a long-term growth rate is calculated and applied to projected future cashflows after the budget period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in the special purpose statement of comprehensive income.

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

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4- SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees benefits

Short-term employees' benefits

A liability is recognized of commitment to pay the benefits due to employees on salaries, wages, annual leaves and travel tickets expected to be paid in full within twelve months after the end of the period during which employees provide related services. The liability for the undiscounted amount of the benefits expected to be paid for those services.

End of service benefits for employees

The defined benefit obligation for employees is determined using the expected credit unit method, in addition to the actuarial valuations performed at the end of each fiscal year. Re-measurements, including actuarial gains and losses, are shown immediately in the statement of financial position with the increase or decrease shown in other comprehensive income in the period in which they occur. recognized remeasurements within other comprehensive income are immediately shown in retained earnings and will not be reclassified to the special purpose statement of profit and loss and other comprehensive income in subsequent periods.

Changes in the present value of the defined benefit obligation, resulting from programmed adjustments or direct labor reductions, are recognized directly in the special purpose statement of profit and loss and other comprehensive income as pre-service costs. The commission is calculated by applying the discount rate at the beginning of the period to the net defined benefit liabilities or assets.

Defined benefit assets or liabilities consist of the present value of defined benefit liabilities, less past service costs and the present value of program assets from which the liabilities must be paid. At present, the program is not funded and has no assets.

Provisions

Provisions are recognized when there are existing (legal or constructive) obligations on the company arising from past events, and it is probable that the use of resources involving economic benefits will be required to settle the obligation, so that the amount of the obligation can be reliably estimated. Where the company expects to recover part or all of the provision, for example under an insurance contract, amounts recovered are recognized as a separate asset only when the recovery is virtually certain. The expense relating to the provision is presented in the special purpose statement of profit and loss and other comprehensive income net of any recoveries. If the effect of the time value of money is material, provisions are discounted using a current pre-Zakat rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Zakat and value added tax

Zakat

The Company is subjected to zakat in accordance with the Zakat, Tax and Customs Authority's Regulations ("ZATCA"). A provision of Zakat shall be charged to the special purpose statement of profit or loss and other comprehensive income. Differences, if any, at the finalization of assessments are accounted for when such amounts are determined In accordance with the requirements of International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors" endorsed in the Kingdom of Saudi Arabia.

Value added tax

Revenues, expenses, and assets are recognized net of VAT when the VAT incurred on the purchase of assets or services is not recoverable from the Authority. In this case, VAT is recognized as part of the cost of acquiring the asset or as part of the expense item, as the case may be. Receivables and payables are proved with VAT included. The net amount of recoverable or payable VAT shall be included as part of receivable or payables in the special purpose statement of financial position.

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

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 best economic interest.

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

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

All assets and liabilities whose fair values are measured or disclosed in the special purpose financial statements are classified in the fair value hierarchy and disclosed below, based on the lowest level input that is considered significant to the measurement as a whole:

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)
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4- SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

- First level: quoted (unadjusted) in active markets for similar assets and liabilities that can be obtained on the measurement date.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the special purpose financial statements on a recurring basis, the company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year. The company determines the policies and procedures for measuring both the fair value of recurring and non-recurring items.

On the date of each reporting date, the company analyzes the changes in the values of assets and liabilities that need to be re-measured or re-assessed in accordance with the company accounting policies. For this analysis, the company verifies the key inputs applied in the last assessment by matching the information in the valuation calculation with the contracts and other relevant documents. The company also compares the change in the fair value of each asset or liability with other external factors to determine whether the change is reasonable for fair value purposes and disclosures. The company has identified the categories of assets and liabilities based on the nature, characteristics, and risks of the asset or liability and the level of the fair value hierarchy as described above.

Revenue recognition

The company recognizes revenue under IFRS No. (15) using the five-step model:

Step 1: Identify the contract with the client	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and specifies the standards for each contract that must be met.
Step 2: Identify the performance obligations	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 that the company expects to receive in exchange for transferring the goods or services promised to the customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price to the performance obligation	For a contract that contains more than one performance obligation, the company allocates the transaction price to each performance obligation in an amount that determines the amount of consideration the Company expects to receive in exchange for satisfying each performance obligation.
Step 5: Revenue recognition	The company earns revenue when (or whenever) it fulfills a performance obligation by transferring the goods or services promised to the customer under the contract.

The Company recognizes revenue from the following main sources:

Direct sales of the following goods to customers, which include:

- Sales of construction materials.
- Sales of spare parts.

The company recognizes revenues when the control of the sold products transferred to the customer. This is assessed within the framework of the five-step revenue recognition model and in accordance with the applicable shipping terms.

Providing transportation services to customers

In some cases, the company identifies delivery services as a distinct and identifiable component of the sale of goods. Revenue from these services is recognized when the company transfers control of the goods at the company loading locations and provides delivery services to the buyer's location. The company allocates a portion of the total transaction price to the delivery services based on the best estimate of similar independent services.

Other revenue

Other revenue is recognized after services are provided in accordance with agreements and contracts concluded with customers.

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

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4- SIGNIFICANT ACCOUNTING POLICIES (continued)

Cost of Revenue

All expenses are recognized on the accrual basis. Operating costs are recognized on the historical cost basis. Direct production and manufacturing costs are classified as cost of sales. This includes raw materials, direct labor, and other attributable overhead costs.

Selling and Marketing Expenses

These expenses include any costs incurred to carry out or facilitate all of the company sales activities. These costs typically include marketing, selling, and logistics expenses, as well as provision for certain general expenses.

General and Administrative Expenses

These expenses relate to operating expenses that are not directly related to the production or sale of any goods or services. They also include allocations for general expenses not specifically attributable to cost of sales or selling and marketing expenses. Expenses are allocated to cost of revenue, selling and marketing expenses, and general and administrative expenses, where applicable, on a consistent basis based on pre-determined rates as appropriate by the company.

Foreign currency transactions

Transactions in foreign currencies shall be converted to Saudi Riyals using the prevailing exchange rates at the time of such transactions. Cash assets and liabilities denominated in foreign currencies are translated into Saudi Riyals using the prevailing exchange rates as at the date of the report. For non-monetary assets and liabilities measured at fair value in a foreign currency, they are translated into the activity currency using exchange rates at the date of determination of fair value. Non-monetary items measured at historical cost in a foreign currency are translated on the basis of exchange rates at the transaction date. Gains and losses resulting from changes in exchange rates are recognized in the special purpose statement of profit and loss and other comprehensive income.

Dividends distributions

Final dividends are recognized as a liability upon their approval by the general assembly. Interim dividends are recorded upon their approval by the board of directors. The corresponding amount is recognized directly in the special purpose statement of changes in equity.

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

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5- PROPERTY, PLANT AND EQUIPMENT

	Lands* SR	Buildings and caravans SR	machinery and equipment SR	Transportation SR	Furniture and fixture SR	Other Assets SR	Projects in progress SR	Total SR
<i>Cost:</i>								
As at 1 January 2022	1,752,000	18,498,364	101,821,638	81,304,683	4,874,991	1,287,909	5,883,384	215,422,969
Additions	-	2,826,906	41,199,165	33,409,424	738,073	47,010	1,845,525	80,066,103
Transferred from Projects in progress	-	-	670,377	16,821	-	-	(687,198)	-
Transferred to inventory	-	-	-	-	-	-	(5,091,952)	(5,091,952)
Disposals	-	(39,000)	(55,724)	(3,863,667)	-	-	(2,529)	(3,960,920)
As at 31 December 2022	1,752,000	21,286,270	143,635,456	110,867,261	5,613,064	1,334,919	1,947,230	286,436,200
<i>Accumulated depreciation:</i>								
As at 1 January 2022	-	5,878,035	72,106,210	57,035,850	3,756,697	910,011	-	139,686,803
Charged for the year	-	973,719	10,514,043	9,015,151	465,942	141,825	-	21,110,680
Disposals	-	(326)	(1,386)	(2,858,040)	-	-	-	(2,859,752)
As at 31 December 2022	-	6,851,428	82,618,867	63,192,961	4,222,639	1,051,836	-	157,937,731
<i>Net book value:</i>								
As at 31 December 2022	1,752,000	14,434,842	61,016,589	47,674,300	1,390,425	283,083	1,947,230	128,498,469

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

31 December 2022

5- PROPERTY, PLANT AND EQUIPMENT (continued)

	Lands* SR	Buildings and Caravans SR	Machinery and equipment SR	transportation SR	Furniture & fixture SR	Other Assets SR	Projects in progress SR	Total SR
<i>Cost:</i>								
As at 1 January 2021	1,752,000	15,884,357	89,185,483	65,015,995	4,438,896	10,814,690	4,530,479	191,621,900
Additions	-	2,614,007	6,257,070	4,465,054	436,095	162,099	21,302,476	35,236,801
Transferred from projects in progress	-	-	6,386,085	13,563,486	-	-	(19,949,571)	-
Disposals	-	-	(7,000)	(1,739,852)	-	(9,688,880)	-	(11,435,732)
As at 31 December 2021	<u>1,752,000</u>	<u>18,498,364</u>	<u>101,821,638</u>	<u>81,304,683</u>	<u>4,874,991</u>	<u>1,287,909</u>	<u>5,883,384</u>	<u>215,422,969</u>
<i>Accumulated depreciation:</i>								
As at 1 January 2021	-	4,975,634	64,242,343	53,507,166	3,382,325	9,552,909	-	135,660,377
Charge for the year	-	902,401	7,870,860	4,882,242	374,372	844,492	-	14,874,367
Disposals	-	-	(6,993)	(1,353,558)	-	(9,487,390)	-	(10,847,941)
As at 31 December 2021	<u>-</u>	<u>5,878,035</u>	<u>72,106,210</u>	<u>57,035,850</u>	<u>3,756,697</u>	<u>910,011</u>	<u>-</u>	<u>139,686,803</u>
<i>Net book value:</i>								
As at 31 December 2021	<u><u>1,752,000</u></u>	<u><u>12,620,329</u></u>	<u><u>29,715,428</u></u>	<u><u>24,268,833</u></u>	<u><u>1,118,294</u></u>	<u><u>377,898</u></u>	<u><u>5,883,384</u></u>	<u><u>75,736,166</u></u>

(*) All of the above-mentioned land is registered in the names of certain shareholders on behalf of the Company, and the legal formalities to transfer ownership of this land to the Company were still in process as of the date of issuance of these special purpose financial statements.

The depreciation is charged to special purpose statement of profit or loss and the other comprehensive income as follows:

	2022 SR	2021 SR
Cost of revenue	<u>19,881,315</u>	<u>14,185,430</u>
General and administrative expenses	<u>1,229,365</u>	<u>688,937</u>
	<u><u>21,110,680</u></u>	<u><u>14,874,367</u></u>

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

31 December 2022

6- INVENTORIES

	2022 SR	2021 SR
Finished goods	59,114,062	53,724,092
Spare parts	16,168,198	8,082,055
Production in progress	10,820,505	4,160,425
Raw materials	3,901,631	1,925,265
	<u>90,004,396</u>	<u>67,891,837</u>
Less: Provision for impairment of inventory (6-1)	<u>(7,420,210)</u>	<u>(7,420,210)</u>
	<u>82,584,186</u>	<u>60,471,627</u>

6-1 The movement in impairment provision is as follows:

	2022 SR	2021 SR
Balance at the beginning of the year	7,420,210	5,584,491
Provided during the year	-	1,835,719
Balance at the end of the year	<u>7,420,210</u>	<u>7,420,210</u>

7- TRADE RECEIVABLES

	2022 SR	2021 (Restated – Note 26) SR
Trade receivables	38,910,527	37,711,648
Less: provision for expected credit losses (7-1)	<u>(8,050,822)</u>	<u>(5,224,375)</u>
	<u>30,859,705</u>	<u>32,487,273</u>

7-1 The movement in provision for expected credit losses during the year was as follows:

	2022 SR	2021 (Restated – Note 26) SR
Balance at the beginning of the year	5,224,375	-
Charged for the year	<u>2,826,447</u>	<u>5,224,375</u>
Balance at the end of the year	<u>8,050,822</u>	<u>5,224,375</u>

Days past due – trade receivables

	Days past due – trade receivables						More than 1 year	Total SR
2022	0-30 days SR	31-60 days SR	61-90 days SR	91-180 days SR	181-365 days SR	SR		
Total Amount	15,586,127	9,410,689	6,198,761	2,803,548	2,614,971	2,296,431	38,910,527	
2021								
Total Amount	14,839,693	9,283,238	6,142,845	3,443,572	2,011,399	1,990,901	37,711,648	

- The trade receivables are non-interest bearing and are generally due within 30–90 business days. Their carrying amount may be affected by changes in the credit risk of counterparties.
- All trade receivables of the Company are concentrated in the Kingdom of Saudi Arabia.
- As at 31 December 2022, trade receivables decreased by SAR 8,050,822 (31 December 2021: SAR 5,224,375) and a provision has been made where appropriate.

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

31 December 2022

8- PREPAYMENTS AND OTHER CURRENT ASSETS

	2022 SR	2021 SR
Advance payments to suppliers	31,892,385	14,437,738
Prepaid Expenses	6,554,356	6,821,625
Cash advances	2,025,606	3,087,305
Deferred costs	1,367,337	-
Provision of bank guarantees	-	1,600,000
Others	2,918,055	1,211,813
	<u>44,757,739</u>	<u>27,158,481</u>

9- TRANSACTIONS WITH RELATED PARTIES

Related parties include shareholders, affiliates, executive management personnel, and entities controlled, (jointly controlled or significantly influenced by such parties). The processes with the relevant parties and their terms are approved by the Company's management. The following are the statements of transactions with related parties and their balances:

Related Party	Relationship
Abdulaziz Saleh Al-Rashed	Partner
Saud Saad Al-Rashed	Partner
Noura Saleh Abdulaziz Al-Rashed	Partner
Sarah Saleh Abdulaziz Al-Rashed	Partner
Najd Roads Contracting Company	Owned by a Partner
Abdulaziz Saleh Al-Rashed Establishment	Owned by a Partner
Abdullah Saleh Al-Rashed Establishment	Owned by a Partner

The following is a statement of significant transactions with related parties:

		Transaction Amount	
		2022 SR	2021 SR
Related Party	Nature of Transaction		
Najd Roads Contracting Company	Sales	67,358,314	22,772,903
	Waiver of a Due Balance in Exchange for an		
Abdulaziz Saleh Al-Rashed Establishment	Increase in Additional Paid-in Capital	35,000,000	-
	Waiver of a Due Balance in Exchange for an		
Abdullah Saleh Al-Rashed Establishment	Increase in Additional Paid-in Capital	52,603,713	-

Amounts Due from Related Parties in the Special Purpose Statement of Financial Position:

	2022 SR	2021 SR
Najd Roads Contracting Company (owned by a shareholder)	<u>33,941,764</u>	<u>24,648,978</u>

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

31 December 2022

9- TRANSACTIONS WITH RELATED PARTIES (Continued)

Amounts Due to Related Parties in the Special Purpose Statement of Financial Position:

	2022 SR	2021 SR
Abdulaziz Saleh Al-Rashed	3,338,927	17,169,940
Saud Saad Al-Rashed	324,269	39,067
Noura Saleh Abdulaziz Al-Rashed	197,443	197,443
Sarah Saleh Abdulaziz Al-Rashed	197,443	197,443
Sheikh Saleh Al-Rashed	-	105,200
Heirs of Saad Saleh Al-Rashed	-	3,075,867
Abdulaziz Saleh Al-Rashed Establishment	-	35,000,000
Abdullah Saleh Al-Rashed Establishment	-	52,603,713
	<u>4,058,082</u>	<u>108,388,673</u>

Compensation of key management personnel:

Key management personnel are defined as individuals who have the authority and responsibility for planning, directing, and controlling the activities of the Company, whether directly or indirectly. Compensation of key management personnel includes the benefits due to the members of the Board of Directors and senior management of the Company:

	2022 SR	2021 SR
Allowances and Remuneration of Executive Management	8,792,364	9,579,148
Salaries and Short-Term Benefits – Executive Management	2,304,884	2,160,000
	<u>11,097,248</u>	<u>11,739,148</u>

10- INVESTMENT IN FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

This item represents investments in the shares of the following companies listed on the Saudi stock markets:

	Country	2022 SR	2021 SR
Saudi Aramco Base Oil Company – Luberef	KSA	1,371,735	-
Al Saif Gallery Company	KSA	1,217,700	-
Riyadh Cables Group Company	KSA	253,997	-
		<u>2,843,432</u>	<u>-</u>

The movement in investment in financial instruments carried at fair value through profit or loss was as follows:

	2022 SR	2021 SR
Additions	5,873,005	-
Disposals*	(2,590,631)	-
Revaluation loss	(438,942)	-
At the end of the year	<u>2,843,432</u>	<u>-</u>

*During 2022, the Company sold a portion of its investments in financial instruments measured at fair value through profit or loss and recognized a gain on disposal in the special purpose statement of profit or loss and other comprehensive income amounting to SAR 242,525.

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

31 December 2022

11- CASH AND CASH EQUIVALENTS

	2022 SR	2021 SR
Bank balances	17,827,207	48,488,093
Cash in investment portfolio	477,618	-
Cash in hand	34,314	442,994
	<u>18,339,139</u>	<u>48,931,087</u>

12- CAPITAL

The Company's share capital amounts to SAR 500,000, divided into 50,000 equal shares, with a nominal value of SAR 10 each. The partners and their respective shares in the Company's share capital as at 31 December 2022 and 2021 are as follows:

Shareholders	Number of Shares	Ownership %	Total value SR
Abdulaziz Saleh Abdulaziz Al-Rashed	20,417	40%	204,170
Abdullah Saleh Abdulaziz Al-Rashed	10,417	20%	104,170
Maryam Saad Al-Rashed	1,250	2%	12,500
Noura Saleh Al-Rashed	1,458	3%	14,580
Sarah Saleh Al-Rashed	1,458	3%	14,580
Arej Saud Al-Dubaaan	1,875	4%	18,750
Abdulaziz Saad Saleh Al-Rashed	3,750	8%	37,500
Saud Saad Saleh Al-Rashed	3,750	8%	37,500
Lulwah Saad Saleh Al-Rashed	1,875	4%	18,750
Noura Saad Saleh Al-Rashed	1,875	4%	18,750
Dana Saad Saleh Al-Rashed	1,875	4%	18,750
Total	<u>50,000</u>	<u>100%</u>	<u>500,000</u>

13- ADDITIONAL CPAITAL

During 2022, the partners resolved to provide additional contributions to support and finance the Company amounting to SAR 185,500,000 which were transferred from amounts due to related parties and retained earnings.

14- RESERVES

In accordance with the provisions of the Saudi Companies Law and the Company's Articles of Association, the Company has appropriated a statutory reserve of 10% of its net income. This reserve had reached 30% of the share capital in previous years. This reserve is not available for distribution.

15- EMPLOYEE BENEFIT OBLIGATIONS

The Company provides defined benefit obligations ("the Benefits Plan") to its employees in accordance with the requirements of the Saudi Labor Law. The benefits granted under this plan represent a lump-sum amount calculated based on the employees' latest salaries, allowances, and accumulated years of service at the termination date.

The employee benefit obligations recognized in the special purpose statement of financial position for end-of-service benefits are presented at the present value of the defined benefit obligations as at the reporting date. The most recent actuarial valuation was performed by an independent qualified actuary using the Projected Unit Credit Method. The following is a summary of the movements in defined employee benefit obligations:

	2022 SR	2021 SR
As at the beginning of the year	9,218,498	7,586,690
Current service cost	2,808,930	1,916,269
Financing costs	207,416	115,940
Payments	(590,888)	(213,343)
Gain on remeasurement charged to other comprehensive income	(2,262,410)	(187,058)
At the end of the year	<u>9,381,546</u>	<u>9,218,498</u>

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15- EMPLOYEES BENEFITS OBLIGATIONS (Continued)

The following are the significant assumptions used in determining the employee end-of-service gratuity liability:

	<u>2022</u>	<u>2021</u>
Discount rate	4.95%	2.25%
Salary increase rate	4%	2%

The following is a sensitivity analysis of the employee defined benefit obligation to changes in the weighted average of the key assumptions:

<u>Significant assumptions</u>	<u>Change in assumption</u>	<u>2022</u>	<u>2021</u>
Discount rate	+1%	8,526,533	8,219,092
	-1%	10,409,969	10,439,638
Salary increase rate	+1%	10,456,272	10,452,272
	-1%	8,473,861	8,188,179

16- ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>2022</u>	<u>2021</u>
	SR	SR
Accrued Expenses	15,987,029	5,155,815
Accrued dividends	15,460,111	-
Advance payments from customers	2,913,660	-
Value added tax	2,376,218	3,524,541
Other	5,272,258	9,235,480
	<u>42,009,276</u>	<u>17,915,836</u>

17- MURABAHA FINANCING

The Company obtained credit facilities from a local bank to finance its activities in the form of a short-term Murabaha financing maturing within a period not exceeding 12 months. The financing carries a commission based on the prevailing interbank commercial rates in the Kingdom of Saudi Arabia. This financing is secured by promissory notes and joint guarantees from the partners and requires the Company to comply with certain financial covenants. Under the terms of the agreement, the bank has the right to demand immediate repayment of the financing in the event of any breach of these covenants. The loan was settled during the year.

18- ZAKAT

a. Zakat expense charged for the year:

Zakat charged for the year amounted to SAR 1,964,926 (2021: SAR 2,035,250).

b. Zakat pool:

	<u>2022</u>	<u>2021</u>
	SR	SR
Adjusted net profit	78,597,041	81,409,988
Total equity and internal financing sources	116,009,399	78,123,630
	<u>194,606,440</u>	159,533,618
Non-current assets exceeding external financing sources	<u>(144,535,773)</u>	<u>(75,736,166)</u>
Zakat base	50,070,667	83,797,452
Accrued Zakat	<u>1,964,926</u>	<u>2,060,358</u>

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18- ZAKAT (Continued)

c. Movement of Zakat provision:

	2022 SR	2021 SR
At the beginning of the year	2,060,358	1,375,264
Charged during the year	1,964,926	2,035,250
Paid during the year	(2,035,250)	(1,350,156)
At the end of the year	<u>1,990,034</u>	<u>2,060,358</u>

d. Zakat position:

The Company has filed its Zakat returns with the Zakat, Tax and Customs Authority (“ZATCA”) for all years up to 2022, settled the Zakat due thereon, and obtained the Zakat certificates. The Company has received Zakat assessments up to the year 2015 and has settled the Zakat due for those years. Zakat assessments for the remaining years have not yet been received from ZATCA.

19- REVENUE

	2022 SR	2021 SR
Sales of building materials	332,520,527	264,847,452
Spare parts sales	96,940,352	84,921,948
Sales are recognized at a point in time	<u>429,460,879</u>	<u>349,769,400</u>

All of the Company’s revenues are concentrated in the Kingdom of Saudi Arabia.

20- COST OF REVENUE

	2022 SR	2021 SR
Raw materials and operating supplies	141,403,826	105,637,154
Maintenance and repair expenses	43,664,964	27,570,295
Salaries and employee benefits	41,947,612	27,088,970
Transportation expenses	40,318,072	38,892,888
Depreciation of property, plant and equipment	19,881,315	14,185,430
Government fees	13,683,087	14,573,610
Insurance expenses	1,939,210	1,285,484
Utility expenses	1,101,276	871,112
Staff housing expenses	663,363	462,207
Equipment rental	535,603	421,668
Provision for slow moving inventory	-	1,835,719
Other expenses	3,147,692	3,240,996
	<u>308,286,020</u>	<u>236,065,533</u>

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21- GENERAL AND ADMINISTRATIVE EXPENSES

	2022	2021
	SR	SR (Restated – Note 26)
Salaries and employee benefits	35,792,330	30,718,002
Provision for expected credit losses	2,826,447	5,224,375
Depreciation of property, plant and equipment	1,229,365	688,937
Government fees	1,343,924	257,252
Short term rentals	1,133,368	806,786
Stationery internet and telephone	540,010	65,181
Transportation expenses	383,533	93,324
Professional and consulting fees	305,182	86,445
Maintenance expenses	284,171	65,803
Insurance	80,677	4,526
Bad debts	-	1,990,026
Others	2,150,840	252,853
	<u>46,069,847</u>	<u>40,253,510</u>

22- SELLING AND MARKETING EXPENSES

	2022	2021
	SR	SR
Sale commissions	2,209,405	2,251,106
Advertising	702,691	172,232
	<u>2,912,096</u>	<u>2,423,338</u>

23- FINANCING COSTS

	2022	2021
	SR	SR
Finance costs related to employee benefits	207,416	115,940
Financial charges on murabaha financing	130,168	79,292
	<u>337,584</u>	<u>195,232</u>

24- OTHER REVENUE (LOSSES), NET

	2022	2021
	SR	SR
Bad debts recovered	600,000	-
Gain on sale of investments in financial instruments measured at fair value through profit or loss	242,525	-
Gain on disposal of property, plant and equipment	228,596	498,873
Scrap Sales	169,768	990,937
Foreign currency exchange gain (loss)	96,973	(3,913)
Loss on revaluation of investments measured at fair value through profit or loss	(438,942)	-
	<u>898,920</u>	<u>1,485,897</u>

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25- EARNINGS PER SHARE

Basic EPS is calculated by dividing net profit attributable to ordinary shares by the weighted average number of common shares outstanding during the year. Diluted EPS is similar to basic EPS because the company has no dilutive shares outstanding.

	2022 SR	2021 SR
Dividends for the year attributable to shareholders	70,789,326	70,282,434
Weighted average number of outstanding shares	50,000	50,000
Basic and diluted earnings per share	<u>1,416</u>	<u>1,406</u>

26- ADJUSTMENTS AND RECLASSIFICATION

During the year, management identified a number of accounting errors in accordance with the requirements of IAS “Accounting Policies, Changes in Accounting Estimates and Errors,” as endorsed in the Kingdom of Saudi Arabia. The correction of these errors resulted in retrospective adjustments to the comparative figures for the year ended 31 December 2021. Certain comparative figures have also been reclassified to conform to the current year’s presentation.

-An accounting error related to not recording an expected credit loss provision for the year ended 31 December 2021 amounting to SAR 5,224,375.

The following table summarizes the impact on the special purpose statement of financial position as at 1 January 2022:

	Previously Reported SR	Effect of Error Correction SR	Reclassification SR	Adjusted Balance SR
Current Assets				
Trade receivables	62,360,540	(5,224,375)	(24,648,892)	32,487,273
Prepayments and other current assets	27,154,620		3,861	27,158,481
Amounts due from a related party	-		24,648,978	24,648,978
EQUITY				
Retained earnings	113,491,317	(5,224,375)	187,058	108,454,000
Actuarial reserve	187,058	-	(187,058)	-
Non-Current Liabilities				
Amounts due to related parties	20,784,960	-	(20,784,960)	-
Current Liabilities				
Trade payables	12,601,011	-	3,645,236	16,246,247
Amounts due to related parties	87,603,713	-	20,784,960	108,388,673
Accrued expenses and other current liabilities	21,557,125	-	(3,641,289)	17,915,836

The following is the impact on the special purpose statement of profit or loss and other comprehensive income for the year ended 31 December 2021:

	Previously Reported SR	Effect of Error Correction SR	Reclassification SR	Adjusted Balance SR
Revenue	349,928,524	-	(159,124)	349,769,400
Cost of revenue	(230,228,195)	-	(5,837,338)	(236,065,533)
General and administrative expenses	(32,837,776)	(5,224,375)	(2,191,359)	(40,253,510)
Selling and marketing expenses	(8,613,533)	-	6,190,195	(2,423,338)
Other expenses	(2,092,999)	-	2,092,999	-
Finance charges	(222,825)	-	27,593	(195,232)
Other Income, Net	1,608,863	-	(122,966)	1,485,897
Net profit for the year	75,506,809	(5,224,375)	-	70,282,434

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26- ADJUSTMENTS AND RECLASSIFICATION (Continued)

The following table summarizes the impact on the special purpose statement of cash flows for the year ended 31 December 2021:

	Balances Before Adjustments SR	Reclassification and Error Corrections SR	Balances After Adjustments SR
Net Cash generated from (Used in)			
Operating Activities	50,599,626	2,409,125	53,008,751
Investing Activities	(34,351,634)	201,497	(34,150,137)
Financing Activities	4,110,622	(2,610,622)	1,500,000

27- FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the value at which an asset or a liability would be exchanged between knowledgeable willing parties in an arm's length transaction.

Financial instruments consist of financial assets acquired at fair value through profit or loss, trade receivables, cash and cash equivalents, and amounts due from related parties while financial liabilities consist of Murabaha financing, trade receivables, amounts due to related parties, accrued expenses, and other current liabilities.

Management has assessed the fair values of cash and cash equivalents, trade receivables, amounts due from related parties, Murabaha financing, trade payables, accrued expenses, and other current liabilities approximate their carrying amounts, primarily due to the short-term maturity of these instruments.

Investments in financial instruments measured at fair value through profit or loss are classified within Level 1 of the fair value hierarchy. During the current and prior year, there were no transfers into or out of Levels 2 or 3 of the fair value hierarchy.

28- CONTINGENCIES AND COMMITMENTS

As at 31 December 2022, the company had outstanding letters of guarantee amounting SR 9,850,000, and the guarantees against the letters of guarantee amounted SR 0 (31 December 2021: outstanding letters of guarantee amounting SR 7,000,00 and the guarantees against the letters of guarantee amounted SR 1,600,000).

29- FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Company's primary financial liabilities comprise Murabaha financing, trade payables, accrued expenses, other payables, and amounts due to related parties. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include cash and cash equivalents, trade receivables, and other current assets, which arise directly from its operations.

The Company is exposed to market risk, credit risk, and liquidity risk. Senior management of the Company oversees the management of these risks.

A)Market Risk

Market risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in prevailing market prices. Market risk comprises three types of risk: financing cost rate risk and foreign currency exchange rate risk. The financial instruments exposed to market risk include Murabaha financing.

Financing cost price risks

The Company is exposed to changes in interest rate risk arising from fluctuations in the rates on its Murabaha financing, which are generally determined based on prevailing financing rates. The Company manages its financing rate risk by continuously monitoring changes in financing rates.

Foreign exchange rate risk

Foreign exchange risk is the risk that the fair value or future cash flows will fluctuate due to changes in foreign exchange rates. Management monitors fluctuations in foreign exchange rates, and the company believes it is not exposed to significant currency risk, as it does not conduct significant transactions in foreign currencies other than the Saudi Riyal and the US Dollar.

B) Credit Risk

Credit risk is the risk that a party fail to discharge its obligations, resulting in a financial loss to the other party. The Company seeks to manage credit risks related to banks by dealing only with banks with a good reputation, and in terms of receivables, a continuous credit risk assessment is conducted for credit risks related to receivables.

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29- FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

C) Liquidity Risk

Liquidity risk represents the risk that the Company may encounter difficulties in meeting obligations associated with financial instruments. Liquidity risk arises from the inability to sell a financial asset quickly and at an amount equal to its fair value. The Company manages liquidity risk by ensuring the availability of bank facilities. The Company's credit sales terms stipulate payment within 30 days from the date of sale, while trade payables are generally settled within 90 days from the date of purchase. All liabilities presented in the Company's special purpose statement of financial position, except for employee defined benefits and Murabaha financing, are contractually payable on demand.

Liquidity management within the Company is overseen by management and includes the following:

- a) Daily financing, which is managed by the Finance Department to ensure meeting these requirements, including arranging funds when due or investing surplus funds.
- b) Monitoring liquidity ratios in the special purpose statement of financial position against internal and regulatory requirements.
- c) Managing risk concentrations and the maturity profile of Murabaha financing.
- d) Managing liquidity and the mismatch between assets and liabilities.

D) Capital Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing returns to the partners through the optimization of the equity balance. There has been no change in the overall strategy of the Company compared to the previous year.

The company objectives when managing capital are as follows :

- Maintain the company ability to continue operating under going concern principle , so that it can continue to generate returns for partners and benefits for other related parties .
- Maintain an optimal capital structure to reduce cost of capital.

To maintain or amend the capital structure, the company may amend dividends to partner, return capital to partners, issue new shares, or sell assets to reduce debt." Consistent with others in mining, the company controls capital using leverage ratio (net debt to equity ratio) which is calculated by dividing net debt by total equity.

30- FAIR VALUE MEASUREMENT

The following table shows the hierarchy for measuring the fair value of the company financial assets:

The hierarchy for measuring the fair value of assets as at 31 December 2022:

Calendar Date	Total SR	Fair value measurement using		
		Prices traded in active markets (level 1) SR	significant observable inputs (level 2) SR	significant unobservable inputs (Level 3) SR
Financial assets measured at fair value:				
Equity investments in listed equity instruments (Note 13):				
Investments in listed entities	31 December 2021	-	-	-
Investments in listed entities	31 December 2022	2,843,432	2,843,432	-

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31- DIVIDENDS

The partners resolved on 1 November 2022 to approve a dividend distribution for the year ended 31 December 2022 amounting to SAR 20,195,833 (31 December 2021: Nil).

32- SUBSEQUENT EVENTS

During 2023, the Company was converted from a limited liability company to a closed joint stock company, assuming all its rights and obligations, while retaining the same commercial registration number and without changing its fiscal year. The legal formalities were completed on 29 Jumada Al-Akhirah 1444H (corresponding to 22 January 2023). The Company also increased its share capital to SAR 186 million, divided into 18,600,000 shares with a nominal value of SAR 10 per share.

On 3 April 2023, the Company acquired 100% of the voting shares in Quality Rocks Mining Company (a single-person company), a company specialized in operating sand and aggregates mines, including crushers and land freight transportation.

The new Companies Law, issued under Royal Decree No. M/132 dated 30 June 2022 (hereinafter referred to as “the Law”), came into effect on 19 January 2023. The new Companies Law replaces the Companies Law issued in 1437H and repeals all provisions that conflict with it. Existing companies at the time of its implementation are required to adjust their status in accordance with its provisions within a period not exceeding two years from the effective date. The Company amended its Articles of Association upon its conversion into a closed joint stock company during the subsequent period to comply with the new Law. As a result, the Company is no longer required to create a statutory reserve.

Other than the above, management is not aware of any significant subsequent events that would have a material impact on these special purpose financial statements.

33- APPROVAL OF FINANCIAL STATEMENTS

The Company’s special purpose financial statements for the year ended 31 December 2022 were approved by partners on 19 Jumada Al-Awwal) Corresponding :21 November 2024)