

NATIONAL ENVIRONMENTAL RECYCLING COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE SIX-MONTH PERIOD
ENDED JUNE 30, 2023

NATIONAL ENVIRONMENTAL RECYCLING COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT FOR THE SIX-MONTH PERIOD ENDED
JUNE 30, 2023

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Independent Auditor's Review Report**To the Shareholders****National Environmental Recycling Company**

(A Saudi Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed statement of financial position of National Environmental Recycling Company (the "Company") as at June 30, 2023, and the related interim condensed statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the six-month period then ended, and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard (IAS 34) "Interim Financial Reporting", as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with 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. 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 interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Baker Tilly MKM & Co.
Certified Public Accountants**Majed Moneer AlNemer**
(License No. 381)
Riyadh, on August 13, 2023
Corresponding to Muharram 26, 1445

NATIONAL ENVIRONMENTAL RECYCLING COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

| | <u>Note</u> | <u>June 30, 2023</u> <u>Saudi Riyals</u> <u>(Unaudited)</u> | <u>December 31, 2022</u> <u>Saudi Riyals</u> <u>(Audited)</u> |
|--|-------------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant, and equipment | | 80,118,422 | 70,790,077 |
| Right of use assets | | 16,764,413 | 11,488,506 |
| Total non-current assets | | 96,882,835 | 82,278,583 |
| Current Assets | | | |
| Inventory | 4 | 81,868,791 | 68,211,027 |
| Trade receivables | 5 | 42,581,107 | 38,748,977 |
| Prepayments and other debit balances | | 25,297,321 | 23,415,581 |
| Cash and cash equivalents | 6 | 19,288,873 | 3,309,684 |
| Total current assets | | 169,036,092 | 133,685,269 |
| Total assets | | 265,918,927 | 215,963,852 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 8 | 58,080,000 | 58,080,000 |
| Treasury shares | 10 | (2,000,000) | (5,000,000) |
| Statutory reserve | | 3,880,133 | 3,880,133 |
| Share-based payment reserve | 13 | 102,415 | - |
| Share premium | | 67,838,889 | 67,838,889 |
| Retained earnings | | 58,240,834 | 31,674,267 |
| Total Equity | | 186,142,271 | 156,473,289 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Long-term loans | 7 | 30,076,605 | 4,099,458 |
| Lease liabilities | | 15,788,744 | 8,048,567 |
| Employees' end of service benefits | | 1,407,304 | 1,334,522 |
| Total non-current liabilities | | 47,272,653 | 13,482,547 |
| Current liabilities | | | |
| Long-term loans – current | 7 | 17,929,000 | 29,661,428 |
| Lease liabilities – current | | 2,067,635 | 3,117,705 |
| Trade payables | | 8,769,537 | 6,910,608 |
| Accrued expenses and other credit balances | | 2,304,595 | 3,628,848 |
| Zakat provision | 11 | 1,433,236 | 2,689,427 |
| Total current liabilities | | 32,504,003 | 46,008,016 |
| Total liabilities | | 79,776,656 | 59,490,563 |
| Total equity and liabilities | | 265,918,927 | 215,963,852 |

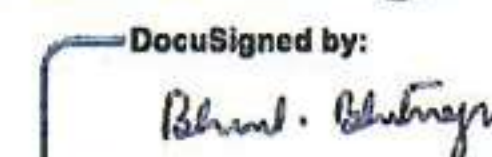
Chairman of Board of Directors
Eyad Abdulaziz Alnafei

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Managing Director
Nasser bin Mohammed Al-Dueb

DocuSigned by:


Chief Financial
Bharat Bhatnagar

DocuSigned by:


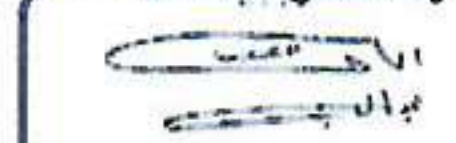
The accompanying notes form an integral part of these interim condensed financial statements

NATIONAL ENVIRONMENTAL RECYCLING COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

| | Note | For the six-month period ended June 30, | |
|---|------|---|-------------------|
| | | 2023 | 2022 |
| | | Saudi Riyals | Saudi Riyals |
| Revenue | | 257,993,851 | 191,693,767 |
| Cost of revenue | | (240,856,199) | (177,677,560) |
| Gross profit | | 17,137,652 | 14,016,207 |
| General and administrative expenses | | (4,030,476) | (2,603,466) |
| Expected credit losses | 5 | - | (306,247) |
| Operating profit | | 13,107,176 | 11,106,494 |
| Other income/(loss), net | | 269,382 | (203,842) |
| Finance cost | | (1,969,178) | (127,740) |
| Profit before zakat | | 11,407,380 | 10,774,912 |
| Zakat | 11 | (1,500,000) | (1,438,402) |
| Net profit for the period from continuing operations | | 9,907,380 | 9,336,510 |
| Profit (loss) from discontinued operations | 9 | 241,793 | (862,946) |
| Profit for the period | | 10,149,173 | 8,473,564 |
| Other comprehensive income: | | | |
| Other comprehensive income for the period | | - | - |
| Total comprehensive income for the period | | 10,149,173 | 8,473,564 |
| Earnings per share for the period: | | | |
| Basic | 12 | 0.18 | 0.18 |
| Diluted | | 0.17 | 0.16 |

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Chairman of Board of Directors
Eyad Abdulaziz Alnafei

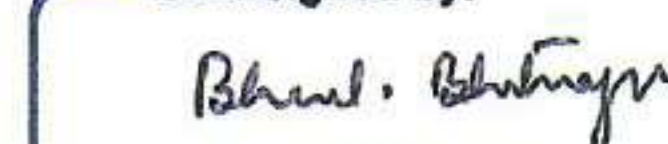
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Managing Director
Nasser bin Mohammed Al-Dueb

DocuSigned by:



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Chief Financial Officer
Bharat Bhatnagar

The accompanying notes form an integral part of these interim condensed financial statements

**NATIONAL ENVIRONMENTAL RECYCLING COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

| | Share Capital | Treasury shares | Statutory reserve | Share-based payment reserve | Share premium | Retained earnings | Total equity |
|--|---------------|-----------------|-------------------|-----------------------------|---------------|-------------------|--------------|
| | Saudi Riyals | Saudi Riyals | Saudi Riyals | Saudi Riyals | Saudi Riyals | Saudi Riyals | Saudi Riyals |
| For the six-month period ended June 30, 2023: | | | | | | | |
| Balance as at January 1, 2023 | 58,080,000 | (5,000,000) | 3,880,133 | - | 67,838,889 | 31,674,267 | 156,473,289 |
| Net profit for the period | - | - | - | - | - | 10,149,173 | 10,149,173 |
| Other comprehensive income | - | - | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | - | - | 10,149,173 | 10,149,173 |
| Treasury shares reissued during the year (note 10) | - | 3,000,000 | - | - | - | 16,417,394 | 19,417,394 |
| Share-based payment transactions (note 13) | - | - | - | 102,415 | - | - | 102,415 |
| Balance as at June 30, 2023 | 58,080,000 | (2,000,000) | 3,880,133 | 102,415 | 67,838,889 | 58,240,834 | 186,142,271 |

For the six-month period ended June 30, 2022:

| | | | | | | | |
|---|------------|-------------|-----------|---|------------|------------|-------------|
| Balance as at January 1, 2022 (Adjusted) | 58,080,000 | (5,000,000) | 2,068,429 | - | 67,838,889 | 15,326,326 | 138,313,644 |
| Net profit for the period | - | - | - | - | - | 8,473,564 | 8,473,564 |
| Other comprehensive income | - | - | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | - | - | 8,473,564 | 8,473,564 |
| Balance as at June 30, 2022 | 58,080,000 | (5,000,000) | 2,068,429 | - | 67,838,889 | 23,799,890 | 146,787,208 |

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Chairman of Board of Directors
Eyad Abdulaziz Alnafe

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Managing Director
Nasser bin Mohammed Al-Dueb

DocuSigned by:

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Chief Financial Officer
Bharat Bhatnagar

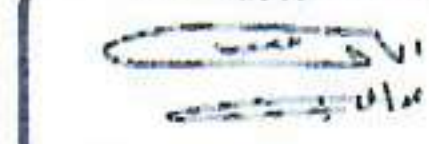
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NATIONAL ENVIRONMENTAL RECYCLING COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

| | June 30, 2023 | June 30, 2022 |
|---|----------------------|----------------------|
| | Saudi Riyals | Saudi Riyals |
| Operating activities | | |
| Net profit before zakat | 11,407,380 | 10,774,912 |
| Profit (loss) from discontinued operations | 241,793 | (862,946) |
| Adjustments for: | | |
| Depreciation of property, plant, and equipment | 1,187,247 | 1,497,327 |
| Depreciation of right of use assets | 2,187,774 | 364,649 |
| Expected credit losses | - | 306,247 |
| Finance cost | 1,969,178 | 153,129 |
| Share-based payment transactions | 102,415 | - |
| Employees' end of service benefits | 105,782 | 210,404 |
| | <u>17,201,569</u> | <u>12,443,722</u> |
| Changes in working capital items: | | |
| Inventory | (13,657,764) | (11,856,714) |
| Trade receivables | (3,832,130) | 2,647,058 |
| Prepaid expenses and other debit balances | (1,881,740) | 1,736,698 |
| Trade payables | 1,858,929 | 583,996 |
| Accrued expenses and other credit balances | (1,324,253) | (3,581,260) |
| | <u>(1,635,389)</u> | <u>1,973,500</u> |
| Zakat Paid | (2,756,191) | (1,769,412) |
| Employees' end of service benefits paid | (33,000) | (101,271) |
| Net cash (used in) generated from operating activities | <u>(4,424,580)</u> | <u>102,817</u> |
| Investing activities | | |
| Purchase of property, plant, and equipment | (13,308,052) | (36,456,493) |
| Proceeds from sale of property, plant, and equipment | 2,792,460 | - |
| Net cash used in investing activities | <u>(10,515,592)</u> | <u>(36,456,493)</u> |
| Financing activities | | |
| Change in loans | 12,532,396 | (1,109,601) |
| Lease liabilities paid | (1,030,429) | (659,030) |
| Proceeds from reissuance of treasury shares | 19,417,394 | - |
| Net cash generated from (used in) financing activities | <u>30,919,361</u> | <u>(1,768,631)</u> |
| Net change in cash and cash equivalents | <u>15,979,189</u> | <u>(38,122,307)</u> |
| Cash and cash equivalents at beginning of the period | <u>3,309,684</u> | <u>41,942,584</u> |
| Cash and cash equivalents at end of the period | <u>19,288,873</u> | <u>3,820,277</u> |

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Chairman of Board of Directors
Eyad Abdulaziz Alnafei

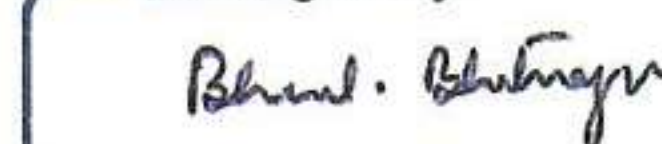
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Managing Director
Nasser bin Mohammed Al-Dueb

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Chief Financial Officer
Bharat Bhatnagar

The accompanying notes form an integral part of these interim condensed financial statements

NATIONAL ENVIRONMENTAL RECYCLING COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

1. COMPANY INFORMATION

National Environmental Recycling Company (the "Company") is a Saudi Joint Stock company registered in the Kingdom of Saudi Arabia under the Commercial Register No. 1010465140 dated Jumada Al- Thani 27, 1436H (corresponding to April 16, 2015). The Company began its operations on January 1, 2016.

The principal activities of the Company are in the import, export, wholesale and retail trade of scrap, aluminum, copper, plastic, electrical and electronic appliances, spare parts, tires, glass and all kinds of iron. Also in sorting, storing and distributing it.

The company carries out its activities through the factory of National Environmental Recycling Company (the branch), which is registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration No. 1010432838 on Muharram 29, 1438H (corresponding to October 30, 2016). The branch is engaged in the production of copper, aluminum and iron blocks, plastic granules and blocks containing precious metals under industrial license No. 634330.

The registered address of the Company is Riyadh, Al-Malqa District, Wadi Hajer St. 13524,34310, Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICIES

2-1 Statement of compliance with International Financial Reporting Standards

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia, these interim condensed financial statements do not include all the information required to prepare a complete set of financial statements prepared in accordance with International Financial Reporting Standards. These interim condensed financial statements should be read along with the company's financial statements for the previous year ended on December 31, 2022.

The interim period is considered to be an integral part of the full fiscal year; still, the results of operations for the interim periods may not be a fair indication of the results for the full-year operations.

2-2 General considerations

The accounting policies and calculation methods applied in preparing the interim condensed financial statements are consistent with those followed in preparing the Company's annual financial statements for the year ended December 31, 2022, except for the application of the new standards that became effective on January 1, 2023. The Company did not early adopt any other standard, interpretation or amendment issued but not yet effective. There are a number of amendments to standards which are effective from January 1, 2023, but they do not have a material effect on the Company's interim condensed financial statements.

The interim condensed financial statements have been prepared on the historical cost basis.

The interim condensed financial statements are presented in Saudi riyals, which is the company's functional currency, and all amounts are rounded to the nearest Saudi riyal, unless otherwise indicated.

NATIONAL ENVIRONMENTAL RECYCLING COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

3. USE OF JUDGMENTS AND ESTIMATES

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual results may differ from these estimates and assumptions.

The significant estimates made by management in applying the Company's accounting policies and the primary sources of estimation of uncertainty were the same as those that were applied in the financial statements for the year ended December 31, 2022.

4. INVENTORY

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> |
|---|----------------------|--------------------------|
| | Saudi Riyals | Saudi Riyals |
| Work in progress | 57,309,986 | 51,683,430 |
| Finished goods | 19,997,005 | 11,831,696 |
| Raw materials | 9,619,472 | 9,753,573 |
| Spare parts | 187,318 | 187,318 |
| | <u>87,113,781</u> | <u>73,456,017</u> |
| Less: provision for slow-moving inventory | <u>(5,244,990)</u> | <u>(5,244,990)</u> |
| | <u>81,868,791</u> | <u>68,211,027</u> |

5. TRADE RECEIVABLES

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> |
|---|----------------------|--------------------------|
| | Saudi Riyals | Saudi Riyals |
| Trade receivables | 43,463,704 | 39,631,574 |
| Less: provision for expected credit losses* | <u>(882,597)</u> | <u>(882,597)</u> |
| | <u>42,581,107</u> | <u>38,748,977</u> |

* Movement in provision for expected credit losses is as follows:

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> |
|------------------------------------|----------------------|--------------------------|
| | Saudi Riyals | Saudi Riyals |
| Balance as at January 1 | 882,597 | 59,609 |
| Charged during the period / year | - | 891,195 |
| Write-off during the year | - | (68,207) |
| Balance as at end of period / year | <u>882,597</u> | <u>882,597</u> |

6. CASH AND CASH EQUIVALENTS

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> |
|---------------|----------------------|--------------------------|
| | Saudi Riyals | Saudi Riyals |
| Cash at banks | 15,250,704 | 2,989,460 |
| Cash in hand | 4,038,169 | 320,224 |
| | <u>19,288,873</u> | <u>3,309,684</u> |

NATIONAL ENVIRONMENTAL RECYCLING COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

7. LONG-TERM LOANS

On April 25, 2017, the Company agreed with (Saudi Industrial Development Fund) to obtain a loan in the amount of 13.8 million Saudi riyals to finance the purchase of machinery and equipment at a predetermined rate.

During 2021, the Company agreed with (Saudi Industrial Development Fund) to obtain a loan in the amount of 6 million Saudi riyals to finance export sales.

The Company entered into an agreement to be granted Islamic facilities from Riyadh Bank during the year 2022, where 25 million Saudi riyals were obtained at a profit rate of SIBOR +2.75% to finance working capital.

The Company entered into an agreement to grant Murabaha facilities from the Saudi Export-Import Bank during the year 2022, where 11.5 million Saudi riyals were obtained at a profit rate of SIBOR +225 basis points to finance working capital.

These loans are secured by a mortgage over the Company's property, plant and equipment. The concluded agreement contains covenants that require, among other things, the maintenance of a certain level of financial ratios, a certain level of capital expenditures and other requirements.

8. SHARE CAPITAL

On Ramadan 14, 1444H (corresponding to April 5, 2023), the Extraordinary General Assembly of the Company's shareholders approved the recommendation of the Board of Directors to split the nominal value of the share from 10 Saudi riyals per share to 1 Saudi riyal per share, and as a result, the number of shares of the Company increased from 5,808,000 shares to 58,080,000 shares. The statutory procedures in this regard have been completed.

9. DISCONTINUED OPERATIONS

The company sold its investment in the subsidiary "Safe Information Modern Systems FZE" during 2023 for an amount of 2 million Saudi riyals, which resulted in a profit amounted to 241,793 Saudi riyals. Accordingly, the results of the subsidiary have been reclassified, for the six months ended June 30, 2022, and 2023, to discontinued operations in the interim condensed statement of profit or loss and other comprehensive income.

10. TREASURY SHARES

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> |
|---|----------------------|--------------------------|
| | <u>Saudi Riyals</u> | <u>Saudi Riyals</u> |
| Balance as at January 1 | 5,000,000 | 5,000,000 |
| Number of shares reissued during the period | (3,000,000) | - |
| Balance as at end of period / year | <u>2,000,000</u> | <u>5,000,000</u> |

The company purchased part of its shares at a value of 2 million Saudi riyals (2 million shares / 200 thousand shares prior to the stock split) for the purpose of allocating them according to the following:

- 1- One million shares (100,000 shares prior to the stock split) for the purpose of exchange for the acquisition of shares, quotes, or the purchase of assets.
- 2- One million shares (100,000 shares prior to the stock split) for the purpose of allocating them to the long-term employee incentive program. The "Taqdeer" plan and program for employee incentive shares was approved by the Board of Directors.

NATIONAL ENVIRONMENTAL RECYCLING COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

10. TREASURY SHARES (Continued)

During 2021, the partners waived 3 million shares (300,000 shares prior to the stock split) at a value of 3 million Saudi riyals, with the aim of selling them to a strategic partner or disposing of them by the company. The shares have been registered with one of the managements, arranging, advising and custody companies in the securities business, where the benefit and ownership devolve in favor of the company. During the first quarter of 2023, the company reissued the shares and this resulted in a profit of 16,417,394 Saudi riyals, which was recognized in retained earnings directly.

11. ZAKAT PROVISION

The Company submits its financial statements and Zakat returns to the Zakat, Tax and Customs Authority. Zakat is due at the rate of 2.5% of the approximate Zakat base or adjusted net profit, whichever is higher.

The movement of the Zakat provision during the period / year is as follows:

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> |
|--|----------------------|--------------------------|
| | Saudi Riyals | Saudi Riyals |
| Balance as at January 1 | 2,689,427 | 1,660,194 |
| Charge during the period / year | 1,500,000 | 2,768,736 |
| Paid during the period / year | <u>(2,756,191)</u> | <u>(1,739,503)</u> |
| Balance as at the end of the period / year | <u>1,433,236</u> | <u>2,689,427</u> |

The Company submitted its zakat returns to the Zakat, Tax and Customs Authority for all the years until December 31, 2022. The Company is still awaiting final assessments from the Zakat, Tax and Customs Authority.

12. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the period profit attributable to shareholders by the weighted average number of common shares outstanding during the period.

| | <u>June 30, 2023</u> | <u>June 30, 2022</u> |
|--|----------------------|----------------------|
| <u>Net profit:</u> | | |
| Continuing operations (Saudi riyals) | 9,907,380 | 9,336,510 |
| Discontinued operations (Saudi riyals) | 241,793 | (862,946) |
| <u>Number of shares:</u> | | |
| Weighted average number of shares for purposes of calculating basic earnings per share (share) | 55,580,000 | 53,080,000 |
| Weighted average number of shares repurchased (share) | 2,500,000 | 5,000,000 |
| Weighted average number of shares for purposes of calculating diluted earnings per share (share) | 58,080,000 | 58,080,000 |
| <u>Earnings per share from continuing operations:</u> | | |
| Basic | 0.18 | 0.18 |
| Diluted | 0.17 | 0.16 |
| <u>Earnings per share from discontinued operations:</u> | | |
| Basic | 0.004 | (0.02) |
| Diluted | 0.004 | (0.01) |

The number of shares for the period ended June 30, 2022 has been retrospectively adjusted to reflect the split of shares (note 8). It represents a change in the number of underlying shares without change of resources.

NATIONAL ENVIRONMENTAL RECYCLING COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

13. SHARE-BASED PAYMENT

Share-based payment is one of the employee incentive programs. The program provides a share-based payment plan for eligible employees participating in the program so that they are given shares in the company upon meeting the conditions of duration of service and performance. Expenses associated with the program are included in general and administrative expenses with the corresponding amount recorded under the share-based payment reserve in equity.

14. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

- Compensation of senior management and Board of Directors of the Company

| | <u>June 30, 2023</u> Saudi Riyals | <u>June 30, 2022</u> Saudi Riyals |
|---------------------------------|--------------------------------------|--------------------------------------|
| Short-term benefits and rewards | 1,086,811 | 599,550 |

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below shows book values and fair values of financial assets and liabilities including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities that are not measured at fair value if the book value reasonably approximates fair value.

| | <u>June 30, 2023</u> | | | | |
|--|----------------------|-----------------------|---------------------|---------------------|---------------------|
| | <u>Book value</u> | | <u>Fair value</u> | | |
| | <u>Fair value</u> | <u>Amortized cost</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| | <u>Saudi Riyals</u> | <u>Saudi Riyals</u> | <u>Saudi Riyals</u> | <u>Saudi Riyals</u> | <u>Saudi Riyals</u> |
| Financial assets at amortized cost | | | | | |
| Trade receivables | - | 42,581,107 | - | - | - |
| Cash and cash equivalents | - | 19,288,873 | - | - | - |
| Total financial assets | <u>-</u> | <u>61,869,980</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities at amortized cost | | | | | |
| Loans | - | 48,005,605 | - | - | - |
| Trade payables | - | 8,769,537 | - | - | - |
| Accrued expenses and other credit balances | - | 2,304,595 | - | - | - |
| Total financial liabilities | <u>-</u> | <u>59,079,737</u> | <u>-</u> | <u>-</u> | <u>-</u> |

NATIONAL ENVIRONMENTAL RECYCLING COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

15. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

| | December 31, 2022 | | | | |
|--|-------------------|----------------|--------------|--------------|--------------|
| | Book value | | Fair value | | |
| | Fair value | Amortized cost | Level 1 | Level 2 | Level 3 |
| | Saudi Riyals | Saudi Riyals | Saudi Riyals | Saudi Riyals | Saudi Riyals |
| Financial assets at amortized cost | | | | | |
| Trade receivables | - | 38,748,977 | - | - | - |
| Cash and cash equivalents | - | 3,309,684 | - | - | - |
| Total financial assets | - | 42,058,661 | - | - | - |
| Financial liabilities at amortized cost | | | | | |
| Loans | - | 33,760,886 | - | - | - |
| Trade payables | - | 6,910,608 | - | - | - |
| Accrued expenses and other credit balances | - | 3,628,848 | - | - | - |
| Total financial liabilities | - | 44,300,342 | - | - | - |

The risk management policies of financial instruments during the period did not change from those followed by management during the year ended December 31, 2022.

16. SEGMENT INFORMATION

The Company has one business sector mainly represented in the import, export, wholesale and retail trade in scrap, aluminium, copper, plastic, electrical and electronic appliances, spare parts, tires, glass and all types of iron. Also in sorting, storing and distributing it. The Company has one geographical sector represented in the Kingdom of Saudi Arabia.

17. CONTINGENT LIABILITIES

| | June 30, 2023 | June 30, 2022 |
|----------------------|----------------------|----------------------|
| | Saudi Riyals | Saudi Riyals |
| Letters of Guarantee | 716,666 | 716,666 |

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in line with the current period presentation. The reclassification consisted mainly of discontinued operations as mentioned in note 9.

19. SUBSEQUENT EVENTS

Management believes that there have been no significant subsequent events since June 30, 2023, up to the date of approval of these condensed interim financial statements that may have a material impact on the Company's interim condensed financial statements.

20. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed financial statements were approved by the Company's Board of Directors on Muharram 26, 1445 (corresponding to August 13, 2023).