NATIONAL ENVIRONMENTAL RECYCLING COMPANY
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023

NATIONAL ENVIRONMENTAL RECYCLING COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023

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Independent Auditor's Report

To the Shareholders
National Environmental Recycling Company
(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Report on Audit of the Financial Statements

Opinion

We have audited the financial statements of National Environmental Recycling Company (the "Company"), which comprise the statement of financial position as at December 31, 2023 and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements, that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Code of Ethics for professional Accountants endorsed in the Kingdom of Saudi Arabia, that is relevant to our audit of the financial statements, and we have fulfilled our ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	**How our audit addressed the key audit matter**
Revenue recognition As disclosed in the financial statements, revenues for the year ended December 31, 2023, were SAR 631.9 million (2022: SAR 402.5 million). We considered revenues as a key audit matter given the revenues are one of the Company's performance indicators and its susceptibility to the inherent risk of recognizing revenues higher than its actual amount to meet targets or expectations. Please refer to note (5) on accounting policies that are material for the revenues recognition which shows the revenue recognition policy and note (21) on related disclosures.	Our audit procedures performed, among others matters, included: - Assessed the appropriateness of the Company's accounting policies related to revenues considering the requirements of the relevant International Financial Reporting Standards. - Evaluate key contractual arrangements by referring to relevant documents and agreements with customers. - Assessed the design and implementation of the controls that relevant to revenue recognition. - Tested the supporting documents for a sample of the revenue transactions. - Tested a sample of the revenue transactions that are being performed prior and beyond the year end to assess whether revenue is recorded in the correct accounting period. - Assessed the adequacy of the disclosures in the Company's financial statements in accordance with the requirements of the relevant International Financial Reporting Standards.

Independent Auditor's Report (Continued)

To the Shareholders

National Environmental Recycling Company

Other information

Other information consists of the information included in the Company's 2023 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The company's annual report for 2023 is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the company's annual report for 2023, if we conclude that there is a material misstatement, there in, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and provisions of Companies law and the Company's Bylaws, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We are also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

Independent Auditor's Report (Continued)

To the Shareholders

National Environmental Recycling Company

Auditor Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the other legal and regulatory requirements

Article 20 of the Companies' law requires the auditor to include in his report what might come to his attention of non-compliance with the provisions of the companies' law and the Company's bylaws. During our current audit of the company's financial statements, we have noted that the company had non – compliance with the Companies' Law that having no material impact on the financial statements, the company didn't comply with Article 27 of the Implementing Regulations of the Companies' Law for Listed Joint Stock Companies "Rules of Company's Sale of Shares" Note (13-2)

Baker Tilly MKM & Co.
Certified Public Accountants

Majid Moneer Al Nemer
(Certified Accountant: License No. 381)
Riyadh on Ramadan 18, 1445 H
Corresponding to March 28, 2024 G

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BAKER TILLY
M K M & CO.

NATIONAL ENVIRONMENTAL RECYCLING COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	Note	December 31, 2023	December 31, 2022
		(Saudi Riyal)	
ASSETS			
Non-current assets			
Property, plant and equipment	6	98,867,439	70,790,077
Right of use assets	7	14,101,830	11,488,506
		112,969,269	82,278,583
Current assets			
Inventories	8	96,733,607	68,211,027
Trade receivables	9	53,126,061	38,748,977
Prepayments and other receivables	10	52,034,267	23,415,581
Cash and cash equivalents	11	9,803,459	3,309,684
		211,697,394	133,685,269
TOTAL ASSETS		324,666,663	215,963,852
EQUITY AND LIABILITIES			
EQUITY			
Capital	12	58,080,000	58,080,000
Treasury shares	13	(2,000,000)	(5,000,000)
Statutory reserve	14	6,261,941	3,880,133
Share based payment reserve	15	201,730	-
Share premium	16	67,838,889	67,838,889
Retained earnings		69,561,350	31,674,267
TOTAL EQUITY		199,943,910	156,473,289
LIABILITES			
Non-current liabilities			
Long-term loans	17	9,898,014	4,099,458
Lease liabilities	7	8,652,281	8,048,567
Employees' defined benefits obligations	19	1,598,753	1,334,522
		20,149,048	13,482,547
Current liabilities			
Short-term loans	17	63,290,233	16,732,428
Long-term loans – Current	17	5,224,672	12,929,000
Lease liabilities – Current	7	5,693,521	3,117,705
Trade payables		21,846,572	6,910,608
Other accruals	18	6,198,992	3,628,848
Zakat provision	20	2,319,715	2,689,427
		104,573,705	46,008,016
TOTAL LIABILITES		124,722,753	59,490,563
TOTAL EQUITY AND LIABILITES		324,666,663	215,963,852

Charmain of Board of Director	Chief Executives Officer	Chief Financial Officer
Eyad Abdulaziz Alnafei	Naseer Mohammed Al Dueb	Bharat Bhatnagar
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The accompanying notes form an integral part of these financial statements.

NATIONAL ENVIRONMENTAL RECYCLING COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023	2022
		(Saudi Riyal)	
Continuing operations			
Revenues from contracts with customers	21	631,908,928	402,450,017
Cost of revenues	22	(592,968,825)	(371,564,695)
Gross profit		38,940,103	30,885,322
General and administrative expenses	23	(10,205,750)	(6,600,094)
Expected credit losses	9	(118,593)	(881,151)
Operating profit		28,615,760	23,404,077
Other income (loss)	24	431,665	(340,874)
Finance cost	25	(3,084,660)	(899,010)
Profit before zakat from continuing operations		25,962,765	22,164,193
Zakat	20	(2,386,479)	(2,768,736)
Profit for the year from continuing operations		23,576,286	19,395,457
Discontinued operations			
Profit (loss) from discontinued operations	26	241,793	(1,278,420)
Profit for the year		23,818,079	18,117,037
Other comprehensive income:			
Items that will not be reclassified to profit or loss in subsequent periods			
Employees' defined benefits obligations	19	33,418	42,608
Total comprehensive income for the year		23,851,497	18,159,645
Earnings per share attributable to the shareholders of the company from continuing operations	27		
Basic		0.42	0.37
Diluted		0.41	0.33
Earing per share attributable to the shareholders of the company	27		
Basic		0.43	0.34
Diluted		0.41	0.31

Charmain of Board of Director	Chief Executives Officer	Chief Financial Officer
Eyad Abdulaziz Alnafei	Naseer Mohammed Al Dueb	Bharat Bhatnagar
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The accompanying notes form an integral part of these financial statements.

NATIONAL ENVIRONMENTAL RECYCLING COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

	Share capital	Treasury shares	Statutory reserve	Share based payment reserve	Share premium	Retained earnings	Total Equity
				(Saudi Riyal)			
For the year ended December 31, 2023							
As at January 1, 2023	**58,080,000**	**(5,000,000)**	**3,880,133**	**-**	**67,838,889**	**31,674,267**	**156,473,289**
Profit for the year	-	-	-	-	-	**23,818,079**	**23,818,079**
Other comprehensive income	-	-	-	-	-	**33,418**	**33,418**
Total comprehensive income for the year	-	-	-	-	-	**23,851,497**	**23,851,497**
Treasury shares re-issued during the year (note 13)	-	**3,000,000**	-	-	-	**16,417,394**	**19,417,394**
Share based payment (note 15)	-	-	-	**201,730**	-	-	**201,730**
Transfer to statutory reserve	-	-	**2,381,808**	-	-	**(2,381,808)**	-
As at December 31, 2023	**58,080,000**	**(2,000,000)**	**6,261,941**	**201,730**	**67,838,889**	**69,561,350**	**199,943,910**
For the year ended December 31, 2022							
As at January 1, 2022	58,080,000	(5,000,000)	2,068,429	-	67,838,889	15,326,326	138,313,644
Profit of the year	-	-	-	-	-	18,117,037	18,117,037
Other comprehensive income	-	-	-	-	-	42,608	42,608
Total comprehensive income	-	-	-	-	-	18,159,645	18,159,645
Transfer to statutory reserve	-	-	1,811,704	-	-	(1,811,704)	-
As at December 31, 2022	58,080,000	(5,000,000)	3,880,133	-	67,838,889	31,674,267	156,473,289

Charmain of Board of Director	Chief Executives Officer	Chief Financial Officer
Eyad Abdulaziz Alnafei	Naseer Mohammed Al Dueb	Bharat Bhatnagar
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The accompanying notes form an integral part of these financial statements.

NATIONAL ENVIRONMENTAL RECYCLING COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
	(Saudi Riyal)	
Operating activities		
Profit before Zakat from continuing operations	**25,962,765**	22,164,193
Profit (loss) from discontinued operations	**241,793**	(1,278,420)
Adjustments for non-cash items:		
Depreciation of property, plant, and equipment	**2,949,552**	3,048,034
Depreciation of right of use assets	**4,421,461**	1,602,656
Expected credit loss	**118,593**	891,195
(Reversal) slow-moving inventory	**(5,244,990)**	-
Profit (loss) on sale and leaseback transactions	**(106,093)**	1,768
Loss from sale of property, plant, and equipment	**83,594**	-
Profit from sale an investment in a subsidiary	**(743,984)**	-
Finance cost	**3,084,660**	924,898
Share based payment	**201,730**	-
Employees' defined benefits provision	**395,297**	399,597
	31,364,378	27,753,921
Changes in working capital:		
Trade receivables	**(14,615,205)**	(6,682,132)
Inventories	**(23,605,724)**	(24,757,004)
Prepayments and other receivables	**(28,012,496)**	(5,522,710)
Trade payables	**15,093,895**	191,579
Other accruals	**647,127**	(1,924,596)
	(19,128,025)	(10,940,942)
Zakat paid	**(2,756,191)**	(1,739,503)
Employees' defined benefits paid	**(108,952)**	(187,691)
Net cash used in operating activities	**(21,993,168)**	(12,868,136)
Investing activities		
Purchase of property, plant, and equipment	**(37,936,917)**	(53,067,461)
Proceeds from sale of property, plant, and equipment	**6,618,815**	8,611,298
Proceeds from sale of an investment in a subsidiary	**792,580**	-
Net cash used in investing activities	**(30,525,522)**	(44,456,163)
Financing activities		
Proceeds from loans	**88,366,354**	21,732,428
Repayments of loans	**(43,714,321)**	(1,080,321)
Finance costs paid	**(114,170)**	(800,091)
Repayments of lease liabilities	**(4,942,792)**	(1,160,617)
Proceeds from re-issuance of treasury shares	**19,417,394**	-
Net cash generated from financing activities	**59,012,465**	18,691,399
Net changes in cash and cash equivalents during the year	**6,493,775**	(38,632,900)
Cash and cash equivalents at the beginning of the year	**3,309,684**	41,942,584
Cash and cash equivalents at the end of the year	**9,803,459**	3,309,684
Non-cash items:		
Additions to right of use assets	**9,147,174**	10,284,463
Additions to lease liabilities	**(9,041,081)**	(9,462,138)
Investment disposal unpaid (discontinued operations)	**1,200,000**	-
Unpaid bank commissions settled against other accruals	**1,923,017**	-

Charmain of Board of Director	Chief Executives Officer	Chief Financial Officer
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Eyad Abdulaziz Alnafei	Naseer Mohammed Al Dueb	Bharat Bhatnagar
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The accompanying notes form an integral part of these financial statements.

1. ORGANIZATION AND ACTIVITY

National Environmental Recycling Company (hereinafter the "Company") is a Saudi Joint Stock company, established under the Commercial Register No. 1010465140 dated Jumada Al-Thani 27, 1436 AH (corresponding to April 16, 2015) in Riyadh, Kingdom of Saudi Arabia.

The principal activities of the Company are represented in the wholesale of waste, scrap and materials for recycling, including collection, classification, segregation, stripping, storage, and delivery.

The registered address of the Company is P.O. Box 3431, Riyadh 13524, Al-Malqa District, Riyadh Kingdom of Saudi Arabia.

These financial statements include the Company's assets, liabilities, activities and the branches:

CR Number	Issuance Location	Trade name	Registration date
1010432838	Riyadh	National Environmental Recycling Factory	29 Muharram 1438 AH

As mentioned in Note 26, the Company sold its subsidiary, "Safe Information Modern Systems," accordingly, no consolidated financial statements were prepared for the current fiscal year.

2. BASIS OF FINANCIAL STATEMENTS PREPARATION

The Company's financial statements for the year ended December 31, 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The accounting policies that are materially significant adopted by the Company have been set out in note (5).

The financial statements have been prepared on a historical cost basis, except for the Employees' defined benefits obligations that are measured using the Project Credit Unit Method as shown in the accounting policies. The financial statements are presented in Saudi Riyal ("SR") which is the functional currency for the Company, all amounts are rounded to the nearest Saudi Riyal unless otherwise indicated.

3. CHANGE IN THE ACCOUNTING POLICIES

The accounting policies and calculation methods applied in preparing the financial statements for the year ended December 31, 2023 are consistent with those applied in the preparation of the Company's financial statements for the year ended December 31, 2022, except for the application of the new standards which became effective on January 1, 2023. The Company has not early adopted any standards, interpretations or adjustments issued but not yet effective.

3.1 New and revised standards and changes

- IFRS 17 "insurance contracts"
- IAS 8: definition of the accounting estimates.
- IAS 1: disclosure of the accounting policies
- IAS 12: differed tax related to assets and liabilities arising from single transaction.
- IAS 12: reform of the international taxes – rules of the second pillar model

These standards and amendments have had no material effect on the Company's financial statements.

3.2 Standards issued but not yet effective

The new standards and interpretations issued but not yet effective till the company's financial statements issuance date are set out below. The Company intends to apply these standards and interpretation, if applicable, when become effective. It's not expected that the new and revised standards and interpretations may have a significant impact on the Company's financial statements.

- Amendments to IAS 1: current versus non-current financial liabilities classification.
- Amendments to IAS 1: non-current liabilities with covenants.
- Amendments to IFRS 16: lease liabilities on sale and leaseback.
- Amendments to IAS 7 and IFRS 7: suppliers' financing arrangements.
- Amendments to IAS 21: inability to exchange.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions at the date of preparing the financial statements that may affect the amounts of revenues, expenses, assets and liabilities recognized, the accompanying disclosures and the disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustments to the carrying amounts of assets or liabilities that will be affected in future periods.

- Financial instruments risks management, (note 30)

4.1 Judgements

In the context of applying the Company's accounting policies, management has adopted the following judgments that have a material impact on the amounts included in the financial statements:

Determination of control and significant influence

Subsidiaries are all the investees that are controlled by the company. Managements considers that the Company controls an entity when the Company is exposed to risks or it has rights in the variable returns due to its involvements with investee, as well as when it has the ability to use its power over the investee to affect the value of those returns through its ability to direct the activities related to the investee.

Generally, there is an assumption that owning majority of the voting rights leads to control. Supporting to that assumption, when the Company has voting rights equal or less than the majority in the investee, the Company considers all other facts and circumstances related to that, when assuring whether it has exercised a control over the investee, and that includes the contractual arrangements and others that have impact on the activities that effect the returns of the investees. Determining control is ceased also over those related activities and way of taking decisions related to the relevant activities and the company's rights in the investees. During the year, the Company has fully sold its share in the subsidiary along with all its rights and liabilities, accordingly, the Company has no control over the subsidiary.

4.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below. The Company based its assumptions and estimates on the data available when the financial statements were prepared. However, current conditions and assumptions about future developments may change due to market changes or circumstances arising beyond the Company's control. These changes are reflected in the assumptions when they occur.

(A) Long-term assumptions of employees' defined benefits obligations

Defined benefits payments of the post-employment and end of service benefits represent the obligations which will be paid in the future. Assumptions of the expected liabilities and fair value of the plans shall be set, if any. Management has to make additional assumptions about the variables such as discount rates, salary increase rate, return to the assets, mortality rates, employees' turnover and future healthcare costs. The Company's management periodically takes advice from external actuaries on these assumptions. Changes in key assumptions could materially affect the expected obligations and / or the periodic employees' defined benefits obligations costs incurred.

(B) Impairment of trade receivables

The Company uses a specific matrix to calculate the provision of the expected credit losses of the trade receivables. Provision rates are based on the days since the accrual of different customer sectors' groups that have identical lose modules (i.e. as per the customer type, coverage with collateral and other insurance forms on credit).

Provision matrix is initially based on historical default rates of the company, provision calculation reflects the weights of possibilities related to the results and money time value and the reasonable information at the date of reporting on the prior events the future economic circumstances. At each reporting date, default rates are updated and changes in the future estimates are analyzed.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.2 Estimates and assumptions (continued)

(B) Impairment of trade receivables (continued)

The relationship between the observable default rates, expected economic circumstances and the expected credit losses is a material estimation. The expected credit losses are sensitive to the changes in the economic conditions and expectations. The Company's historical credit loss and its expectation of the economic conditions may not also reflect the actual default of the customers in the future. Information about the expected credit losses of trade receivables is disclosed in (note 30).

(C) Useful lives of the property, plant and equipment

Management determines the estimated useful lives of property, plant and equipment to calculate depreciation. This estimate is determined after considering the expected use of the asset. Management annually reviews the residual value and useful lives of these assets and future depreciation is considered when management believes that there is a difference between the useful lives and previous estimates.

5. MATERIAL ACCOUNTING POLICES

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. When a major review is made, its cost is recognized in the carrying amount of the properties, plants and equipment as an alternative if the recognition criteria are met. Repair and maintenance costs are recognized in profit or loss as incurred. Land and capital works in progress are not depreciated. The present value of the expected cost to cancel an asset after using it, is included in the respective asset cost if the provision recognition criteria are met.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Assets	Years
Leasehold improvements	The useful life of the improvements or the lease period, whichever is shorter
Equipment	5 Years
Containers and prefabricated houses	10 Years
Computers & Printers	3 Years
Vehicles	5 Years
Furniture & fixtures	3-5 Years
Machines	7-15 Years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the assets is calculated as the difference between the net disposal proceeds and the net book value of the asset and is included in profit or loss when the asset is derecognized.

The residual values, useful lives, and methods of depreciation of property, plant and equipment are reviewed at each financial year end and accounted for any changes in the estimations prospectively, if required.

Capital work-in-progress are stated at cost less accumulated impairment losses, if any. capital work-in-progress are not depreciated until the asset under construction or development is ready for use for the purpose which it was created for or developed by management where the cost of the asset is transferred to its line item.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are recognized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5. MATERIAL ACCOUNTING POLICES (continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's of assets. Where 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.

Impairment losses of continuing operations are recognized in profit or loss from continuing operations.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Such reversal is recognized in profit or loss.

Foreign Currency

Transactions in foreign currencies are initially recorded by the Company at the spot rate ruling at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognized in OCI, as well as items that their fair value changes are recognized in profit or loss are also recognized in profit or loss.

Financial assets

Initial recognition and measurement

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

All financial assets are recognized upon the initial recognition at fair value plus the transaction cost unless the financial assets not at fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at amortized cost

After initial measurement, financial assets at amortized cost are measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

Derecognition of the financial assets

A financial asset is primarily derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

5. MATERIAL ACCOUNTING POLICES (continued)

Financial assets (continued)

Derecognition of the financial assets (continued)

If the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

When the expected credit losses of the trade receivables are assessed, the Company applies a simplified approach in accordance with IFRS 9. The simplified approach for recognition of the expected credit losses does not require tracking changes in the credit risks. In stead of that, the Company recognizes the loss provision based on the expected credit loss over life at each financial statement date.

The objective evidence of the financial assets impairment may include indicators that the debtor or a group of debtors encountering significant financial difficulties, not paying, default or failed to repay the original amount or commission, or may entered into bankruptcy or financial restructuring, and when the observable data indicate to the existence of a measurable shortage in the estimated future cash flows, such as the economic conditions associating to not paying.

The financial assets are written off when there is no reasonable expectation to refund the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as financial derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

Loans and borrowings

After initial recognition, loans and borrowings are measured at amortized cost using the EIR method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Derecognition of the financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Cash and cash equivalent

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and time deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

5. MATERIAL ACCOUNTING POLICES (continued)

Inventories

Inventory is valued at cost price or net realizable value, whichever is lower. The cost of inventory is determined on the basis of the weighted average price method and includes the expenses incurred in acquiring inventory of finished stock and raw materials, costs of production or conversion and other costs incurred in bringing the inventory to the site in its current condition. The net realizable value is the estimated selling price in the normal activity of the Company after deducting the estimated costs to complete the sale. The inventory movement is reviewed at the year end and a provision for slow moving inventory is made, if necessary.

Statutory reserve

In accordance with the Company's Bylaws, the Company transfers 10% of its profit for the year to the statutory reserve till it reaches 30% of the share capital. This reserve is not available for distribution as dividends.

Treasury shares

Treasury shares are recorded at cost and shown as a deduction from equity after being adjusted for transaction costs, dividends and gains or losses on sale of these shares. After purchase, these shares are recognized at an amount equal to the amount paid.
The Company buys these shares after obtaining the approval of the General Assembly in order to discharge its obligations under the incentive programs for the payments paid on the basis of shares, and it also includes shares for the purpose of exchange for the acquisition of shares or shares or the purchase of assets.

Employees' Defined benefits obligations

The cost of employees benefits under the defined benefit plans is determined separately for each plan using the projected credit unit method.
Re-measurements, comprising actuarial gains and losses, are recognized immediately in the statement of financial position within the retained earnings through OCI in the period in which they occur. Re-measurement is not reclassified to the statement of profit or loss in subsequent periods.

Leases

The determination of whether an arrangement is, or contains, a lease is decided at the inception date. An arrangement is, or contains, a lease if it grants the right to control a particular asset or assets for a period of time in exchange for compensation.

Company as a lessee

A- Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any 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. The recognized right-of-use assets are depreciated on a straight-line basis over its estimated useful life.

B- Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

5. MATERIAL ACCOUNTING POLICES (continued)

Leases (continued)

B- Lease liabilities (continued)

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

C- Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low value assets are items that do not meet the Company's capitalization threshold and are considered to be insignificant for the statement of financial position for the Company as a whole. Payments of short-term leases and leases of low value assets are recognized on a straight-line basis in the statement of profit or loss.

Expenses

Expenses are recorded as occur in accordance with the accrual basis, cost of revenues consist of cost of purchased materials and the direct costs related to the cost of revenues. All other expenses are classified as general and administrative expenses. Common expenses are allocated between the cost of revenues and general and administrative expenses, when required, on a reasonable basis, in accordance with the function nature of those expenses.

Zakat

The Company establishes zakat provision in accordance with the regulations of the Zakat, Tax and Customs (ZATCA) in KSA. The provision is charged to profit or loss.

Value Added Tax ("VAT")

Revenues, expenses and assets are recognized net of the amount of value added tax, except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable,
- Receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of other receivables or payables in the statement of financial position.

Revenue from contracts with customers

The Company recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15 "revenues from contract with customers". Revenues from contracts with customers are recognized when control over the goods or services is transferred to the customers based on the value which reflects the consideration that the Company expects to be entitled against this transfer.

Sales of goods

Revenue is recognized when the significant risks and rewards are transferred to the customer, and it is probable to recover the consideration, the related costs and the likelihood of returning the goods can be estimated reliably, and there is no longer any continuous interference from management in the matter of the goods, and the amount of revenue can be measured reliably. Revenue is measured at net after deducting the returns, rebates, and quantities discounts.

Sales are recognized when the goods are delivered to customers and are stated net of any discounts (if any).

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:

5. MATERIAL ACCOUNTING POLICES (continued)
Fair value measurement (continued)

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

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities,
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable,
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Provisions
General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent liabilities

Obligations that are likely to arise from past events and their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not within the Company's full control, or a current obligation that is not recorded because it is unlikely that a flow of resources will be needed to settle the obligation. If the amount of the liability cannot be reliably measured, it is not included in the contingent liabilities but is disclosed in the financial statements.

Segment reporting

An operating segment is a component of a company that engages in business activities and from which revenues are generated and expenses are incurred, and include revenues and expenses related to the transactions with any of other company's components. All operating results of the operating segments are reviewed by the company's operational decision makers to make decisions on the resources to be allocated to the sector and evaluate their performance for which separate financial information is available.

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Leasehold improvements	Equipment	Containers and prefabricated houses	Computers and Printers	Vehicles	Furniture and fixtures	Machinery	Work in Process*	Total
					(Saudi Riyals)					
Cost:										
At January 1, 2022	-	4,292,348	5,297,453	144,950	222,573	616,885	457,595	20,884,162	6,471,335	38,387,301
Additions	25,257,532	224,111	2,657,379	-	91,554	356,435	81,620	164,184	24,234,646	53,067,461
Disposals	-	-	(3,304,456)	-	-	-	-	(7,858,824)	-	(11,163,280)
Transfers	-	-	125,690	-	19,750	-	-	2,432,462	(2,577,902)	-
December 31, 2022	25,257,532	4,516,459	4,776,066	144,950	333,877	973,320	539,215	15,621,984	28,128,079	80,291,482
At January 1, 2023	25,257,532	4,516,459	4,776,066	144,950	333,877	973,320	539,215	15,621,984	28,128,079	80,291,482
Additions	**1,869,829**	**738,538**	**2,079,332**	**24,000**	**47,271**	**1,551,279**	**40,345**	**513,209**	**31,073,114**	**37,936,917**
Disposals	-	**(283,641)**	**(479,700)**	-	**(66,146)**	-	**(80,644)**	**(6,745,756)**	-	**(7,655,887)**
Transfers	-	**1,484,394**	**46,738**	-	-	-	-	**5,727,485**	**(7,258,617)**	-
December 31, 2023	**27,127,361**	**6,455,750**	**6,422,436**	**168,950**	**315,002**	**2,524,599**	**498,916**	**15,116,922**	**51,942,576**	**110,572,512**
Accumulated depreciation:										
At January 1, 2022	-	1,135,995	1,475,598	38,763	119,438	310,688	160,817	4,113,002	-	7,354,301
Depreciation	-	457,927	813,145	15,143	70,799	131,797	88,104	1,471,119	-	3,048,034
Disposals	-	-	(460,274)	-	-	-	-	(440,656)	-	(900,930)
December 31, 2022	-	1,593,922	1,828,469	53,906	190,237	442,485	248,921	5,143,465	-	9,501,405
At January 1, 2023	-	1,593,922	1,828,469	53,906	190,237	442,485	248,921	5,143,465	-	9,501,405
Depreciation	-	**640,358**	**718,379**	**16,115**	**63,997**	**236,136**	**144,937**	**1,129,630**	-	**2,949,552**
Disposals	-	**(283,641)**	**(299,906)**	-	**(36,892)**	-	**(82,098)**	**(43,347)**	-	**(745,884)**
December 31, 2023	-	**1,950,639**	**2,246,942**	**70,021**	**217,342**	**678,621**	**311,760**	**6,229,748**	-	**11,705,073**
Net book value										
As of December 31, 2023	**27,127,361**	**4,505,111**	**4,175,494**	**98,929**	**97,660**	**1,845,978**	**187,156**	**8,887,174**	**51,942,576**	**98,867,439**
As of December 31, 2022	25,257,532	2,922,537	2,947,597	91,044	143,640	530,835	290,294	10,478,519	28,128,079	70,790,077

- The land at December 31, 2023 with a net book value of SR 25,257,532 (2022: SR 25,257,532) are pledged as security against banks borrowing (note 17)

* Work in process at December 31, 2023 represented cost incurred in plant expansion and installation for new production line.

* The amount of borrowing costs capitalized during the year ended December 31, 2023, was SR 1,602,215 (2022: SR Nil)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

The value of property, plant and equipment that was fully depreciated and still in use as of December 31, 2023 amounted to SR 1,926,919 (2022: SR 814,518).

The following is the depreciation expenses' allocation based on the expense nature:

	(Saudi Riyals)	
	2023	2022
Cost of revenues (note 22)	**2,531,364**	2,719,134
General and administrative expenses (note 23)	**84,829**	101,970
Depreciation expense of discontinued operations (note 26)	**333,359**	226,930
	2,949,552	3,048,034

7. LEASES

Right of use assets

	(Saudi Riyals)	
	2023	2022
Cost		
January 1	**15,633,836**	5,972,956
Additions	**9,147,174**	10,284,463
Adjustments for leases	**(1,628,355)**	(623,583)
Disposals	**(2,292,915)**	-
December 31	**20,859,740**	15,633,836
Accumulated depreciation		
January 1	**4,145,330**	2,542,674
Additions	**4,246,342**	1,602,656
Additions to discontinued operations (note 26)	**175,119**	-
Disposals form discontinued operations (note 26)	**(1,808,881)**	-
December 31	**6,757,910**	4,145,330
Net book value		
December 31	**14,101,830**	11,488,506

Lease liabilities

	(Saudi Riyals)	
	2023	2022
January 1	**11,166,272**	3,411,508
Additions	**9,041,081**	9,462,138
Disposals from discontinued operations (note 26)	**(1,572,408)**	(624,563)
	(336,539)	-
Finance costs (note 25)	**18,298,406**	12,249,083
Payments	**990,188**	77,806
Paid for discontinued operations (note 26)	**(4,606,254)**	(1,160,617)
	(336,538)	-
December 31	**14,345,802**	11,166,272
Current portion of lease liabilities	**5,693,521**	3,117,705
Non-current portion of lease liabilities	**8,652,281**	8,048,567
Lease liabilities	**14,345,802**	11,166,272

The following is the depreciation expenses' allocation based on the expense nature:

	(Saudi Riyals)	
	2023	2022
Cost of revenues (note 22)	**4,078,063**	760,520
General and administrative expenses (note 23)	**168,279**	182,981
Amortization expense of discontinued operations (note 26)	**175,119**	659,155
	4,421,461	1,602,656

8. INVENTORIES

	(Saudi Riyals)	
	2023	2022
Finished goods	**7,467,874**	11,831,696
Raw materials	**9,237,014**	9,753,573
Work in progress	**79,255,039**	51,683,430
Spare parts	**773,680**	187,318
	96,733,607	73,456,017
Less: slow-moving inventory provision *	**-**	(5,244,990)
	96,733,607	68,211,027

*The movement of slow-moving inventory provisions is as the follows:

	(Saudi Riyals)	
	2023	2022
January 1	**5,244,990**	5,244,990
Reversal of slow-moving inventory provision	**(5,244,990)**	-
December 31	**-**	5,244,990

9. TRADE RECEIVABLES

	(Saudi Riyals)	
	2023	2022
Trade receivables	**54,057,598**	39,631,574
Less: Provision for expected credit losses*	**(931,537)**	(882,597)
	53,126,061	38,748,977

*The Movement of expected credit losses provision is as the follows:

	(Saudi Riyals)	
	2023	2022
January 1	**882,597**	59,609
Charged during the year	**118,593**	881,151
Disposals from discontinued operations (note 26)	**(69,653)**	10,044
Written off	**-**	(68,207)
December 31	**931,537**	882,597

10. PREPAYMENTS AND OTHER RECEIVABLES

	(Saudi Riyals)	
	2023	2022
Advances to suppliers	**41,852,389**	594,537
Value added tax	**6,653,892**	18,063,303
Due from discontinuing operations	**1,200,000**	-
Prepaid expenses	**1,035,142**	3,218,463
Refundable deposits	**946,229**	1,078,117
Employees receivables	**296,654**	255,850
Other	**49,961**	205,311
	52,034,267	23,415,581

11. CASH AND CASH EQUIVALENTS

	(Saudi Riyals)	
	2023	2022
Cash at banks	**9,491,712**	2,989,460
Cash on hand	**311,747**	320,224
	9,803,459	3,309,684

12. SHARE CAPITAL

On Ramadan 14, 1444 H (corresponding to April 5, 2023), the extraordinary general assembly of the company's shareholders has approved the recommendations of the Board of Directors to split the nominal value of the share from SR. 10 per share to SR. 1 per share. As a result, the company's shares number increased from 5,808,000 shares to 58,080,000 shares. The legal formalities have been completed in this respect.

13. TREASURY SHARES

	(Saudi Riyals) 2023	2022
January 1	**5,000,000**	5,000,000
Reissued during the year	**(3,000,000)**	-
December 31	**2,000,000**	5,000,000

13.1 The partners waived shares an amount of SR. 2 million (2 million shares / previously 200 shares prior shares split), in order to allocate as follows:

- One million shares (previously 100,000 shares prior shares split) for the purpose of exchange for the acquisition of shares or the purchase of assets.
- One million shares (previously 100,000 shares prior shares 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

13.2 During the year 2021, the partners waived 3 million shares (previously 300,000 shares prior the shares split) at a value of SR 3 million, in order to sell them to a strategic partner or other purpose to be determined 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 the year 2023, the Company re-issued them and resulted in gains with an amount of SR 16,417,394 and have been recorded immediately in the retained earnings.

14. STATUTORY RESERVE

In accordance with the Company's Bylaws, the Company transfers 10% of its annual profit to the statutory reserve until it reaches 30% of its share capital. This reserve is not available for dividends distribution.

15. SHARE BASED PAYMENT RESERVE

Payment on share basis represents one of the employees' incentive programs. Such a program provides a payment plan on share basis for the qualified employees participating in the program, where they are being granted shares in the Company when the criteria of service term and performance are met. Expenses associated with the program are included in the item of general and administrative expenses while registering the corresponding amount within the payment reserve on share basis within equity.

16. SHARE PREMIUM

At 20 September 2021, the Company issued 1,308 million shares as part of the capital increase process, where the nominal value was SR. 10 per share and with a market value of SR. 55 per share as a share premium, which resulted in SR. 67,838,889 after excluding related expenses.

17. BANK FACILITIES

A- Long-term loans

	(Saudi Riyals) 2023	2022
Loans from local banks (A)	**11,094,227**	5,000,000
Loans from Saudi Industrial Development Fund (C)	**4,028,459**	12,028,458
Balance at the year end	**15,122,686**	17,028,458
Current portion	**5,224,672**	12,929,000
Non-current portion	**9,898,014**	4,099,458
	15,122,686	17,028,458

B- Short term loans

	(Saudi Riyals) 2023	2022
Loans from Saudi Export and Import Bank (B)	**35,099,100**	11,732,428
Loans from local banks (A)	**28,191,133**	5,000,000
	63,290,233	16,732,428

17. BANK FACILITIES (continued)

B- Short term loans (continued)

A) The Company entered into an agreement to grant Islamic facilities from Riyad Bank during year 2022 and 2023 where SR 45 million were obtained at a profit rate of SIBOR +2.75% from those facilities to finance the working capital.

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

C) On April 25, 2017, the Company agreed with (Saudi Industrial Development Fund) to obtain a loan amounting to SR 13.8 million to finance the purchase of machinery and equipment at a predetermined rate. During the year 2021, the Company agreed with (Fund) to obtain a loan amounting to SR 6 million to finance export sales.

These loans are secured by a mortgage over the Company's property, plant and equipment (Note 6). The concluded agreement contains covenants that require, among other things, keeping a certain level of financial ratios, a certain level of capital expenditure and other requirements.

18. OTHER ACCRUALS

	(Saudi Riyals)	
	2023	2022
Accrued expenses	**2,308,958**	1,313,544
Finance cost accrued	**1,923,017**	-
Outside labour	**937,937**	1,430,217
Employee receivables	**646,829**	456,393
Advances from customers	**382,251**	428,694
	6,198,992	3,628,848

19. EMPLOYEES' DEFINED BENEFITS OBLIGATIONS

Movement of the employees' defined benefits obligations, defined benefits plan, during the year is as follows:

	(Saudi Riyals)	
	2023	2022
January 1	**1,334,522**	1,144,111
Service cost	**395,297**	399,597
Finance cost (note 25)	**57,285**	21,113
Disposal from discontinued operations	**(45,981)**	-
Costs recognized in profit or loss	**1,741,123**	1,564,821
Actuarial re-measurement gains	**(33,418)**	(42,608)
Benefits paid	**(65,733)**	(187,691)
Benefits paid from discontinued operations	**(43,219)**	-
December 31	**1,598,753**	1,334,522

Key actuarial assumptions

The following significant actuarial assumptions have been used by the Company to assess the employment termination benefits provision:

	2023	2022
Discount rate	**4.55%**	4.60%
Expected salary increase rate level	**4.55%**	4.60%

19. EMPLOYEES' DEFINED BENEFITS OBLIGATIONS (continued)

Sensitivity analysis of actuarial assumptions

	(Saudi Riyals)	
	2023	2022
Valuation discount rate		
1% increase	**1,468,658**	1,142,776
1% decrease	**1,752,483**	1,366,492
Expected salary increase rate level		
1% increase	**1,759,556**	1,371,748
1% decrease	**1,460,214**	1,136,400

Key actuarial assumptions

Sensitivity analysis of the employees' benefits have been prepared based on methodology that extrapolates the effect on the provision for employment termination benefits as a result of reasonable changes in key assumptions occurring at the end of the reporting period. Sensitivity analysis are based on the change in the underlying assumption, assuming that all other assumptions are constant. Sensitivity analysis may not be reflective of an actual change in the provision for employment termination benefit nor is it likely that changes in assumptions will occur in isolation from each other.

20. ZAKAT PROVISION

20.1 Zakat base components

The Company is subject to zakat at 2,5% of the approximate zakat base or revised net profit, whichever is greater. The most significant zakat base components in accordance with the zakat regulations mainly consist of equity, provisions and long term loans as at the year beginning and the revised net profit less the net book value of the non-current assets.

20.2 Zakat components charged to the statement of profit or loss

	(Saudi Riyals)	
	2023	2022
Equity	**159,473,289**	138,313,644
Non-current assets	**(145,300,074)**	(82,278,583)
Provisions and other reconciliations	**36,728,143**	29,548,664
Adjusted net profit	**42,976,109**	22,506,320
Zakat base	**93,877,467**	108,090,045

20.3 Zakat movement

	(Saudi Riyals)	
	2023	2022
January 1	**2,689,427**	1,660,194
Zakat charged for the current year	**2,386,479**	2,768,736
Paid during the year	**(2,756,191)**	(1,739,503)
December 31	**2,319,715**	2,689,427

20.4 Zakat status for the parent company

The Company submitted its zakat returns up to the year ending on December 31, 2022 to the Zakat, Tax and Customs Authority and obtained the zakat certificate during the year 2023. The Company received the zakat assessment for the year 2021 and concluded its position with the ZATCA. It also concluded its zakat position during the year 2020 for the years 2016, 2017, and 2018 with the ZATCA while the years 2019, 2020 and 2022 are still under review by ZATCA.

21. REVENUES FROM CONTRACT WITH CUSTOMERS

	(Saudi Riyals)	
	2023	2022
Export sales	**505,612,650**	365,066,951
Local sales	**126,296,278**	37,383,066
	631,908,928	402,450,017

Revenue is recognized at a point in time.

22. COST OF REVENUES

	(Saudi Riyals)	
	2023	2022
Cost of goods sold	**544,754,096**	338,936,218
Production cost	**35,120,913**	23,195,328
Depreciation of right of use assets (note 7)	**4,078,063**	760,520
Repair and maintenance	**3,847,343**	2,049,735
Depreciation of property, plant, & equipment (note 6)	**2,531,364**	2,719,134
Insurance cost	**450,375**	254,938
Spare parts	**265,278**	851,901
Other	**1,921,393**	2,796,921
	592,968,825	371,564,695

23. GENERAL AND ADMINISTRATIVE EXPENSES

	(Saudi Riyals)	
	2023	2022
Salaries, wages and other benefits	**6,304,255**	4,379,141
Professional fees	**1,501,188**	755,788
Office expenses	**191,998**	293,890
Depreciation of right of use assets (note 7)	**168,279**	182,981
Medical expenses	**172,064**	139,350
Government expenses	**117,778**	49,394
Depreciation of property, plant, & equipment (note 6)	**84,829**	101,970
Repair and maintenance	**32,441**	4,009
Other	**1,632,918**	693,571
	10,205,750	6,600,094

Compensation of senior management personnel and board of directors of the Company during the year:

	(Saudi Riyals)	
	2023	2022
Short term benefits and rewards	**1,716,127**	1,199,100

24. OTHER INCOME / (LOSS)

	(Saudi Riyals)	
	2023	2022
loss from currency exchange	**(53,776)**	(382,184)
Other	**485,441**	41,310
	431,665	(340,874)

25. FINANCE COST

	(Saudi Riyals)	
	2023	2022
Long-term loans	**2,037,187**	800,091
Lease liabilities (note 7)	**990,188**	77,806
Employment termination benefits provision (note 19)	**57,285**	21,113
	3,084,660	899,010
Disposed related to discontinued operations	**-**	25,888
	3,084,660	924,898

26. DISCONTINUED OPERATIONS

During 2023, the Company has sold its investment in the subsidiary "Safe Information Modern Systems" at an amount of SR 2 million, which resulted in a gain on sale of investment with an amount of SR.241,793. Accordingly, the results of the subsidiary for the year ended December 31, 2023 have been included within the discontinued operations in the statement of profit or loss and other comprehensive income as follows:

	(Saudi Riyals)	
	2023	2022
Revenues	**328,986**	2,164,700
Cost of revenues	**(80,406)**	(396,644)
Gross profit	**248,580**	1,768,056
General and administrative expenses	**(898,028)**	(3,020,588)
Finance costs	**-**	(25,888)
Operating loss	**(649,448)**	(1,278,420)
Other income (loss)	**147,257**	-
Loss for the year	**(502,191)**	(1,278,420)
Other comprehensive income items:		
<u>Items will not be subsequently reclassified to profit or loss</u>		
Employees' defined benefits obligations	**-**	-
Total comprehensive income for the year	**(502,191)**	(1,278,420)
Add:		
Gains on disposal	**743,984**	-
Net profit (loss) from discontinued operations	**241,793**	(1,278,420)

The following are the details of subsidiary's assets and liabilities "Safe Information Modern Systems" at the disposal date:

	(Saudi Riyal)
	2023
Assets	
Properties, plants and equipment	**207,596**
Right of use assets	**484,034**
Inventory	**328,134**
Trade receivables	**119,528**
Prepayments and other receivables	**561,499**
Cash and cash equivalent	**7,420**
Total assets	**1,708,211**
Liabilities	
Employees' defined benefits obligations	**45,981**
Lease liabilities	**336,539**
Trade payables	**157,931**
Due to related party	**2,367,689**
	2,908,140
Net asset book value	**1,199,929**
Against sale	**2,000,000**
Less: accruals reconciliations	**(2,455,945)**
Gains on disposal	**743,984**

27. EARNING PER SHARE

Basic and diluted earnings per share are calculated by dividing the annual profit attributable to shareholders on the weighted average number of ordinary shares outstanding during the year.

	2023	2022
Continuing operations (Saudi Riyals)	**23,576,286**	19,395,457
Discontinued operations (Saudi Riyals)	**241,793**	(1,278,420)
Profit for the year	**23,818,079**	18,117,037
Number of shares:		
Weighted average number of shares for the purpose of calculating the basic earnings per share (share)	**55,710,137**	53,080,000
Weighted average number of the repurchased shares (Shares)	**2,369,863**	5,000,000
Weighted average number of shares for the purpose of calculating the diluted earnings per share (share)	**58,080,000**	58,080,000
Earnings per share from discontinued operations:		
Basic	**0,00**	(0,02)
Diluted	**0,00**	(0,02)

The number of shares for the year ended December 31, 2022 has been modified retroactively to reflect the shares split (note 12), where represents a change in the number of the basis shares with no change against the resources.

28. CONTINGENT LIABILITIES

	(Saudi Riyals)	
	2023	2022
Letters of Guarantee	**716,666**	716,666
	716,666	716,666

29. OPERATING SEGMENTS

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, sorting, storage and distribution, and the group has a geographical sector represented in the Kingdom of Saudi Arabia and the United Arab Emirates. Local and export sales have also been disclosed in note 21 "revenues from contracts with customers".

30. FAIR VALUE AND FINANCIAL INSTRUMENT RISKS MANAGEMENT

30.1 Financial instrument fair value measurement

As of December 31, 2023, the Company has had no financial instruments measured at fair value (2022: Nil).

30.2 Financial instruments risks management

The Company's activities expose it to various financial risks, such as credit risks, liquidity risks and market prices risks which include currency risks and interest rate risks.

Credit risks

Credit risks are represented in inability of one party to the financial instruments to fulfil his obligations, causing to incur the other party a financial loss. The Company is exposed to credit risks on the trade receivables and bank balances. The carrying amount of the financial assets represents the maximum exposure to credit risks. The Company does not retain guarantees for these instruments.

The Company manages the credit risks in relation with the trade receivables by setting credit thresholds for each customer and monitoring the account receivables that are continually uncollected. Trade receivables are monitored as to prevent incurring the Company material bad debts.

Cash balances are placed at banks and financial institutes with a high credit rating.

30. FAIR VALUE AND FINANCIAL INSTRUMENT RISKS MANAGEMENT (continued)

30.2 Financial instruments risks management (continued)

Assessing the expected credit losses of the trade receivables:

Management performs an impairment analysis at each reporting date using a specific matrix for calculating the expected credit losses provision. The allowance rate based on days past due per groupings at various customers segments with similar loss pattern.

The below table represents information on exposure to credit risks and the expected credit losses for the trade receivables from customers:

	Days past due					
As of December 31, 2023	**Less than 90 days**	**91 - 190 days**	**191 – 270 days**	**271 – 360 days**	**More than 360 days**	**Total**
			(Saudi Riyal)			
Lose rate	**0,78%**	**5,90%**	**18,77%**	**44,30%**	**100%**	**1,7%**
Exposure	**50,017,633**	**3,284,697**	**319,326**	**267,165**	**168,777**	**54,057,598**
Expected lose	**390,626**	**193,830**	**59,952**	**118,352**	**168,777**	**931,537**

	Days past due					
As of December 31, 2022	Less than 90 days	91 - 190 days	191 – 270 days	271 – 360 days	More than 360 days	Total
			(Saudi Riyal)			
Lose rate	1,9%	4,5%	11,0%	23,0%	-	2,2%
Exposure	36,877,134	1,783,354	880,808	90,278	-	39,631,574
Expected lose	684,430	80,468	96,964	20,735	-	882,597

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risks may result from inability to sell an finance assets quickly at an amount close to its fair value. The following are the contractual maturities at the end of reporting period of financial liabilities.

	December 31, 2023		
	Contractual value	**Less than a year**	**More than a year**
		(Saudi Riyal)	
Financial liabilities			
Long term loans	**18,294,635**	**6,175,326**	**12,119,309**
Short term loans	**64,491,413**	**64,491,413**	**-**
Lease liabilities	**16,806,700**	**6,305,545**	**10,501,155**
Trade payables	**21,846,572**	**21,846,572**	**-**
Other accruals	**6,198,992**	**6,198,992**	**-**
Total	**127,638,312**	**105,017,848**	**22,620,464**

	December 31, 2022		
	Contractual value	Less than a year	More than a year
		(Saudi Riyal)	
Financial liabilities			
Long term loans	18,718,691	13,963,320	4,755,371
Short term loans	18,071,022	18,071,022	-
Lease liabilities	7,794,535	3,367,121	4,427,414
Trade payables	6,910,608	6,910,608	-
Other accruals	3,628,848	3,628,848	-
Total	55,123,704	45,940,919	9,182,785

30. FAIR VALUE AND FINANCIAL INSTRUMENT RISKS MANAGEMENT (continued)

30.2 Financial instruments risks management (continued)

Market price risks

Market price risk is the risk that the value of financial instruments will fluctuate due to changes in market prices, such as foreign exchange rates and interest rates, which affect the company's profit or the value of its financial assets. The objective of market risks management is to manage and to keep the exposure to the market risks with acceptable limits, while maximizing the return.

Currency risks

Currency risks are the risks resulting from the fluctuation of the value financial instruments due to the changes in foreign exchange rates. Currency risks arise from assets and liabilities recognized and denominated in currency other that the functional currency of the company. The Company does not believe that it is exposed materially to the currency risks, where most of the company's transactions and balances are denominated in Saudi Riyal, USD Dollar, or Euro. The company's exposure to the currency risks associated to USD are limited, as the Saudi Riyal exchange rate is pigged with the USD. Management periodically monitors the change in Euro exchange rate in order to avoid any adverse effects on the company's business results.

Interest rate risks

Interest rate risks arise from the fluctuation of fair value or future cash flows for a financial instrument, due to the changes in the market prices.

The financial liabilities of the variable rate as of December 31, 2023 amounted to SR 45,098,747 for (2022: SR 4,099,458).

Increment in interest rate at 100 basis points will increase the finance costs for the year ended December 31, 2023 at an amount of SR 450,987 (2022: SR 40,995).

31. Capital management

For the purpose of the company's capital management, capital includes share capital and all other equity reserves attributable to the company's shareholders, less the treasury shares. The main objective of the company's capital management is to maintain a sound capital ratio in order to support its operations and maximize the benefits to the shareholders.

The Company manages its capital structure and performs amendments to it in light of changes in the economic condition.

There were no changes on the objectives and policies of the capital management during the years ended December 31, 2022, and 2023.

32. Comparative figures

Certain comparative figures have been reclassified to conform the current year's presentation, which is mainly related to discontinued operations, (note 26).

33. SUBSEQUENT EVENTS

In the opinion of the company's management, there are no subsequent events since the end of the financial year that require additional disclosures on these financial statements.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on Ramadan 18, 1445 H (corresponding to March 28, 2024).