

NAQI WATER COMPANY

(A Saudi Joint Stock Company)

**INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND THE SIX MONTHS PERIOD
ENDED 30 JUNE 2022
AND INDEPENDENT AUDITOR'S REVIEW REPORT**

NAQI WATER COMPANY
(Saudi Closed Joint Stock Company)

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the shareholders of
Naqi Water Company
(A Saudi Joint Stock Company)
Unaizah, Kingdom of Saudi Arabia

Report on review of interim financial statements

Introduction

We have reviewed the accompanying interim statement of financial position of **Naqi Water Company a Saudi Joint Stock Company (the "Company")** as at 30 June 2022, and the related interim statements of profit or loss and other comprehensive income for the three month and six-month periods then ended, and the interim statements of changes in equity and cash flows for the six-month periods then ended and summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim financial statements in accordance with the International Accounting Standard 34 – "Interim Financial Reporting" (IAS 34), as endorsed in Kingdom of Saudi Arabia and other standards pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (2410) "Review of Interim Financial Information Performed by the independent Auditor of the Entity" that are endorsed in the Kingdom of Saudi Arabia. A Review of interim financial statements 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 as 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 financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362



26 Muharram 1444 (H)
24 August 2022 (G)

NAQI WATER COMPANY
(Saudi Closed Joint Stock Company)

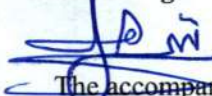
INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

(SAUDI RIYALS)

	Note	30 June 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Non-current assets			
Property ,Plant and equipment	5	153,141,564	161,277,195
Advance payments for the purchase of property, plant and equipment	6	1,380,000	1,982,250
Right of use Asset	7	791,605	933,493
Intangible assets	8	1,066,129	1,126,994
		<u>156,379,298</u>	<u>165,319,932</u>
Current assets			
Inventory	9	26,556,876	22,553,507
Trade and other Receivables	10	29,897,533	22,157,204
Due from related parties	15	1,084,800	217,381
Cash and cash equivalents	11	59,541,965	37,860,998
		<u>117,081,174</u>	<u>82,789,090</u>
TOTAL ASSETS		<u><u>273,460,472</u></u>	<u><u>248,109,022</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	200,000,000	200,000,000
Statutory reserve	12	7,727,599	7,727,599
Retained earnings		21,535,705	206,346
		<u>229,263,304</u>	<u>207,933,945</u>
LIABILITIES			
Non-current liabilities			
Long term loan	13	12,774,426	12,095,334
Employees' end of service benefits	14	2,676,872	2,283,822
Lease liability	7	558,348	558,348
		<u>16,009,646</u>	<u>14,937,504</u>
Current liabilities			
Long term loan – Current Portion	13	2,377,835	4,755,671
Due to related parties	15	8,503,300	6,899,820
Trade and other payables	16	15,842,234	11,314,755
Zakat provision	17	1,239,536	1,912,122
Lease liability - Current Portion	7	224,617	355,205
		<u>28,187,522</u>	<u>25,237,573</u>
TOTAL LIABILITIES		<u><u>44,197,168</u></u>	<u><u>40,175,077</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>273,460,472</u></u>	<u><u>248,109,022</u></u>

xx xx 2022 (G)

Financial manager



Chief executive officer



The accompanying notes from (1) to (28) form an integral part of these financial statements.

Naqi Water Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(UNAUDITED)
(SAUDI RIYALS)

	<u>Notes</u>	For The Three-Month Period Ended 30 June		For The Six-Month Period Ended 30 June	
		2022 <u>(Unaudited)</u>	2021 <u>(Unaudited)</u>	2022 <u>(Unaudited)</u>	2021 <u>(Unaudited)</u>
Sales	18	78,768,721	80,339,083	138,988,293	137,888,177
Cost of sales	19	(48,697,112)	(46,079,896)	(90,643,544)	(82,079,616)
Gross profit		30,071,609	34,259,187	48,344,749	55,808,561
Selling and distribution expenses	20	(6,861,761)	(5,655,625)	(13,119,848)	(11,065,651)
General and administrative expenses	21	(2,381,837)	(2,375,719)	(4,489,562)	(4,756,199)
Other income, Net		1,478,699	558,610	2,223,551	558,610
Operating profit		22,306,710	26,786,453	32,958,890	40,545,321
Finance costs		(237,460)	(325,337)	(478,573)	(657,817)
Profit before Zakat		22,069,250	26,461,116	32,480,317	39,887,504
Zakat expenses	17	(776,439)	(480,763)	(1,239,536)	(994,500)
Profit for the period		21,292,811	25,980,353	31,240,781	38,893,004
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Remeasurements of employees end of service benefits	14	88,578	-	88,578	-
Total comprehensive income for the period		21,381,389	25,980,353	31,329,359	38,893,004

Financial manager

Chief executive officer

The accompanying notes from (1) to (28) form an integral part of these financial statements.

Naqi Water Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(SAUDI RIYALS)

	Share capital	Statutory reserve	Retained earnings	Total
For the Six-month period ended 30 June, 2022				
As at 1 January 2022 (Audited)	200,000,000	7,727,599	206,346	207,933,945
Comprehensive income:				
Profit for the period	-	-	31,240,781	31,240,781
Other comprehensive income	-	-	88,578	88,578
Total comprehensive income for the period	-	-	31,329,359	31,329,359
Dividends Paid (Note 24)			(10,000,000)	(10,000,000)
Balance As at 30 June 2022 (Unaudited)	200,000,000	7,727,599	21,535,705	229,263,304
For the Six-month period ended 30 June, 2021				
As at 1 January 2021 (Audited)	150,000,000	7,795,482	6,467,286	164,262,768
Comprehensive income:				
Profit for the period	-	-	38,893,004	38,893,004
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	38,893,004	38,893,004
Transferred for capital increase (Note 12)	20,000,000	(7,795,482)	(12,204,518)	-
Dividends Paid (Note 24)			(8,500,000)	(8,500,000)
Balance as at 30 June 2021 (Unaudited)	170,000,000	-	24,655,772	194,655,772

Financial manager

Chief executive officer

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Naqi Water Company
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE AND THE SIX MONTHS PERIOD ENDED 30 JUNE 2022 (UNAUDITED)

(SAUDI RIYALS)

	For The Six months ended 30 June 2022 (Unaudited)	2021 (Unaudited)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before zakat	32,480,317	39,887,504
Adjustments :		
Depreciation of Property ,Plant and equipment	10,657,429	8,108,465
Amortization of intangible	65,621	48,111
Amortization of Right-of-use asset	141,888	141,888
Provision for employees' end of service benefits	507,432	451,099
Finance costs	478,573	657,817
Provision for other debit balances no longer required	-	(558,610)
	44,331,260	48,736,274
Working capital changes		
Inventory	(4,003,369)	(8,232,405)
Trade and other receivables	(7,740,329)	(14,072,950)
Due from related parties	(882,492)	(84,220)
Trade and other payables	4,527,479	5,413,615
Due to related parties	1,618,553	6,202,414
Cash generated from operating activities	37,851,102	37,962,728
Employees' end of service benefits paid	(25,804)	(6,293)
Zakat paid	(1,912,122)	(2,064,710)
Net cash generated from operating activities	35,913,176	35,891,725
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for property ,plant and equipment	(1,919,548)	(27,003,392)
Proceeds from disposal of property, plant and equipment	-	58,866
Advances for the purchase of property, plant and equipment	-	22,361
Additions to intangible assets	(4,756)	(186,788)
Net cash used in investing activities	(1,924,304)	(27,108,953)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments from loans	(1,698,744)	(1,827,952)
Finance costs paid	(478,573)	(657,817)
Obligation of paid leases	(130,588)	(118,447)
Dividends paid	(10,000,000)	(8,500,000)
Net cash used in financing activities	(12,307,905)	(11,104,216)
Net change in cash and cash equivalents	21,680,967	(2,321,444)
Cash and cash equivalents at the beginning of the period	37,860,998	29,713,591
Cash and cash equivalents at the end of the period	59,541,965	27,392,147
Significant non-cash transactions:		
Transferred from Advances for the purchase of property, plant and equipment to property ,plant and equipment	602,250	-
Remeasurements of employees' end of service benefits	88,578	-

Financial manager

Chief executive officer

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Naqi Water Company
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE AND THE SIX MONTHS PERIOD ENDED 30 JUNE 2022 (UNAUDITED)

(SAUDI RIYALS)

1. ORGANISATION AND ACTIVITIES

Naqi Water Factory - a branch of a sole proprietorship - was established for its owner Amin bin Abdullah bin Ali Al-Mallah, under Commercial Registration No. 1128018184 issued by Unaizah.

On 16 Ramadan 1438 H corresponding to June 10, 2017, the branch of the Corporation was transformed into a closed joint stock company and the shareholder Mr. Yasser Aqeel Abdulaziz Al-Aqeel joined the company and the company's capital became 45,338,000 Saudi riyals (note 12), and the amended commercial register was issued with the same commercial registration number as above, The company's articles of incorporation dated 27 Shaaban 1438 H corresponding to May 23, 2017 G.

On 7 Jumada I 1443 AH (corresponding to 11 December 2021), the Board of Directors approved the company's initial public offering plan by offering 30% of the company's shares by submitting an application and registering the securities to the Capital Market Authority and the company in the market and listing it in the financial market ("Tadawul").

On 24 Shawwal 1443 AH (corresponding to 25 May 2022), the Capital Market Authority announced its approval to offer 6,000,000 shares for public subscription, representing (30%) of the company's shares.

The Saudi Capital Market Authority approved the listing of the company on the Saudi Stock Exchange (Tadawul) on Muharram 17, 1444 AH (corresponding to August 15, 2022 AD). The company is in the process of preparing the legal procedures to amend the company's articles of association to convert it from a closed Saudi joint stock company to a Saudi public joint stock company.

The company and its branches activity represented in the production and bottling of purified, filtered water, wholesale of all kinds of bottled water, wholesale of carbonated water and juices, retail sale of beverages in specialized stores.

The company operates through its factory located in the city of Unaizah - Qassim according to the above-mentioned commercial register and the following sub-commercial registers:

Commercial register date

<u>Serial</u>	<u>Commercial Register Number</u>	<u>Hijri</u>	<u>Georgian</u>	<u>City</u>
1	1010603193	03/13/1441 H	November 11, 2019 G	Riyadh
2	1128183653	05/17/1441 H	January 13, 2020 G	Unaizah

The company's financial year start at the first of January and end at the 31 December.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These Interim Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA) and should be read in conjunction with the Company's financial statements for the year ended 31 December 2021 ("the financial statements of the previous year").

Further, the results for the six-month period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the year ended 31 December 2022.

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NOTES TO THE FINANCIAL STATEMENTS
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(SAUDI RIYALS)

2.2 Basis of measurement

The interim financial statements have been prepared on the going concern basis and the historical cost except that the accruals of defined benefit obligations are measured at the present value of the future obligations using the expected unit addition method

2.3 Functional and presentation currency

These interim financial statements are presented in Saudi Riyals, which is the company's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 New standards, interpretations and amendments issued and in effect

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2021 and has been explained in the annual Financial Statements, but they do not have a material effect on the interim Financial Statements.

3.2 Revenue recognition

Revenue is recognized when the company fulfills its obligations in contracts with customers at an amount that reflects the financial compensation that the entity expects in exchange for the goods. Specifically, the standard provides a five-step model for revenue recognition:

Step One: Define the contract or contracts with clients.

Step Two: Determine the performance obligations in the contract.

Step Three: Determine the transaction price.

Step four: Allocate the transaction price to the performance obligations in the contract.

Step Five: Recognize revenue when the entity satisfies performance obligations.

- Revenue is recognized upon performance of contractual obligations, i.e. when control of the goods entrusted with the performance of a particular obligation is transferred to the customer so that he can use them for the purpose for which they were purchased without restrictions under the contract.

Revenue from the sale of any by-products resulting from industrial waste is treated as other revenue in the statement of profit or loss and other comprehensive income.

- If the company differentiates between the selling price of the product at the delivery site at its headquarters and the selling price of the same product at the customer's site delivery, the resulting difference will be treated as transfer revenue and the corresponding cost will be included in the revenue costs.

Dividends are recognized in profit or loss only when:

- The company's right to receive the dividends paid is confirmed,
- It is likely that the economic benefits associated with dividends will flow to the company,
- It is possible to measure the amount of dividends in a reliable manner.

Discounts

Revenue from sales of merchandise is recognized on the basis of the price specified in the contract or agreed with the customer after deducting specific discounts for each customer. The experience accumulated is used to estimate and provide the discounts, using the expected value method. Revenue is recognized only to the extent that it is highly probable that Significant reversal occurs, the contractual obligation of expected discounts is recognized in the amount payable to customers in connection with sales made up to the end of the reporting period.

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NOTES TO THE FINANCIAL STATEMENTS

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(SAUDI RIYALS)

Financing Element

The Company does not expect the existence of any contracts that exceed the period between the delivery of the agreed products to be sold to the customer and payment by the customer one year, so the Company does not adjust any of the transaction prices in terms of the time value of money

3.3 Property and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The values of property, plant and equipment are reviewed to assess whether they have suffered any impairment in their value and when there are any events that indicate that the carrying value may not be recoverable, the value of property, plant and equipment must be reduced to the recoverable amount and the impairment loss, if any, is recognized in profit or Loss for the period, unless the asset is disposed of at a revalued amount, then the impairment loss is treated as a decrease in the revaluation surplus to the amount by which the impairment loss does not exceed the amount retained in the revaluation surplus for that asset.

Expenditure incurred to replace any component of the asset is recognized as a separate item and is capitalized against writing off the carrying amounts of the replaced part. Any other expenses are capitalized only when the future economic benefits related to the asset increase. As for the costs of periodic repair and maintenance of property, equipment and factories, they are recognized in the statement of profit or loss and other comprehensive income. when incurred.

The useful life of property, equipment and factories is reviewed at the end of each year. If the expected useful life differs from what was previously estimated, the residual carrying value is depreciated over the remaining useful life after reassessment, starting from the year in which the reassessment was made.

The Company uses the straight-line method to depreciate property, plant and equipment when they are ready for use over their estimated useful lives according to the following useful lives:

Assets	consumption rates:
Buildings	3%
Cars, Trucks	25%
Furniture and fixtures	20%
Machinery and equipment	10%
Tools	10%
Computer	20%
Desalination plant and laboratory equipment	20%

Projects under construction are included under property, plant and equipment at cost and are stated at cost and includes the cost of machinery and equipment as well as direct expenses. Projects under construction that will be used by the Company are not depreciated until they are ready for use as they are transferred to property, plant and equipment.

3.4 Intangible Assets

Intangible assets that include technology programs that have been acquired by the company and have a finite useful life (5 years) are measured at cost less accumulated amortization and any accumulated impairment losses.

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(SAUDI RIYALS)

Subsequent Expenditure

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other internally generated expenditures are recognized in the statement of profit or loss and other comprehensive income when incurred.

Amortization

Amortization is calculated for the cost of intangible assets less residual value using the straight-line method over their estimated useful lives. It is recognized in the statement of profit or loss and other comprehensive income.

The residual values of intangible assets, their useful lives and indicators of impairment are reviewed at the end of each financial year and adjusted prospectively if necessary.

3.5 Impairment of non-financial assets

At each statement of financial position date, the presence of indications of a decline in the value of non-financial assets is considered. If any indications exist, the recoverable amount of that asset is estimated to determine the extent of this loss. In cases where the recoverable amount of that asset alone cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit to which that asset belongs.

In cases where the recoverable amount of the asset or cash-generating unit is estimated less than its carrying amount, then the cost of that asset or cash-generating unit is reduced to its recoverable value, and impairment losses in the value of the asset are recognized as expenses in the profit or loss for the financial period in which they occur .

If the impairment loss is subsequently reversed, then the cost of the asset or cash-generating unit is increased to its revised recoverable value, provided that its cost does not exceed the original cost that would have been determined had the impairment loss not been recognized in The value of that asset or cash-generating unit in previous years. The reversal of the impairment loss is recognized as income in profit or loss for the financial period in which it occurs.

3.6 Inventory

Inventory is valued at cost or net realizable value, whichever is lower. As for the realizable value, it is the expected selling price in the normal activity of the company minus the expected selling costs. The cost of the finished production is determined on the basis of the weighted average method. The cost of finished and under-run production includes the cost of raw materials, labor and a specific percentage of indirect expenses. All other inventory types are valued on a weighted average basis. Provision is made for stagnant and slow-moving materials, if any.

3.7 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and short-term deposits with banks with maturity of three months or less and which are subject to an insignificant risk of changes in their value. Restricted cash and cash equivalents that are not available for use are excluded from cash and cash equivalents for the purposes of the statement of cash flows.

3.8 Employees' end-of-service benefits obligation

Employees' end-of-service benefits obligation is a compensation obligation paid to employees after the end of their services, and according to the Saudi labor system, the company pays amounts to employees at the end of their services, which usually depends on the years of service, salary and the reason for termination of service. The obligations recognized in the statement of financial position in respect of end-of-service benefits are the present value of the defined benefit obligations at the end of the financial reporting period, and the defined benefit obligation is calculated annually by management using the expected unit addition method.

The current service cost of the defined benefit plan recognized in profit or loss is included in employee benefits expense, unless it is included in the cost of the asset, reflecting the increase in the defined benefit obligation resulting from employee service in the current year and cases of change, curtailment and settlement of benefits.

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Past service costs are recognized immediately in the statement of profit or loss. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using the rates of return on the bonds of companies with a high credit rating, valued in the currency in which the benefits are paid and with terms approximating the relevant benefit obligations. Application of government bond market rates. Actuarial gains or losses arising from prior adjustments and changes in actuarial assumptions are charged to profit or loss and other comprehensive income in the period in which they occur.

3.9 lease

(1) Evaluation of lease contracts

At the beginning of the contract, the company makes an assessment to determine whether the contract is a lease or contains a lease. A contract is a lease or contains a lease if the contract conveys the right to control the use of a specific asset for a period of time in return for consideration. To assess whether a contract conveys control of the use of a specific asset, the company uses the definition of a lease in IFRS 16.

(2) The company as a lessee

The Company recognizes right-of-use assets and lease liabilities at the commencement date of the lease. Right-of-use assets are initially measured at cost, which consists of the initial amount of the modified lease liability with any lease payments made on or before the commencement date, plus any initial direct costs incurred and the estimated costs of dismantling and removal of the subject asset or of restoring the subject asset or the location on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated substantially using the straight-line method from the start date of the lease until the end of the lease term, except if the lease transfers ownership of the underlying asset to the company at the end of the lease term or the cost of the right-of-use assets reflects that the company will exercise purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the contract asset, which is determined on the same basis as property and equipment. In addition, the right-of-use asset is periodically reduced from impairment losses, if any, and adjusted for certain lease liability remeasurements.

The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date of the contract, discounted using the interest rate included in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses the incremental borrowing rate as the discount rate.

The company determines its incremental borrowing rate by obtaining interest rates from various external sources of financing and making some adjustments to reflect the terms of the lease and the type of asset being leased.

The lease payments recognized when measuring the lease liability consist of the following:

- Fixed payments, including payments fixed in their content,
- Variable lease payments based on an index or a price, initially measured using the index or the price at the start date,
- Amounts expected to be paid under the residual value guarantee, and
- The exercise price under the purchase option that the company reasonably guarantees to exercise, the lease payments within the optional renewal period if the company reasonably warrants the exercise of the extension option, and penalties for early termination of the lease unless the company reasonably guarantees that it will not be terminated early.

(3) Short-term lease contracts

- The Company has elected not to recognize the right-of-use assets and lease obligations for short-term lease contracts that have a lease term of 12 months or less. The Company recognizes lease payments associated with lease contracts as an expense on a straight line basis over the term of the lease.

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FOR THE THREE AND THE SIX MONTHS PERIOD ENDED 30 JUNE 2022 (UNAUDITED)

(SAUDI RIYALS)

3.10 Provisions

Provisions are recognized when the company has obligations (legal or contractual) at the balance sheet date arising from past events and it is probable that the obligation to settle the obligation will result in an outflow of economic benefits and its value can be reliably measured. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

3.11 Financial Instruments

A financial instrument is any contracts that give rise to financial assets of one entity and financial liabilities or equity instruments of another entity.

The company recognizes its financial assets and financial liabilities in the statement of financial position only when the company becomes a party to the contractual provisions of the instrument.

Financial assets

When the company acquires a financial asset, the financial asset is classified at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss on the basis of both (a) the business model for managing a Company of financial assets and (b) the contractual cash flow characteristics of the financial asset .

Initial Measurement of a Financial Asset

A financial asset is measured at initial recognition at fair value plus transaction costs, except for financial assets at fair value through profit or loss, which are measured at fair value without adding transaction costs.

Amounts receivable from trade debtors are measured at their transaction rate (as defined in IFRS 15 “Revenue from contracts with customers” if the amounts receivable from trade debtors do not have a significant financing component in accordance with IFRS 15.

Subsequent measurement of the financial asset

After the initial recognition, the company shall subsequently measure the financial assets based on the classification of the financial assets as follows:

- At amortized cost using the effective interest method, if the Company's objective is to hold a Company of financial assets to collect contractual cash flows on specified dates, which are only payments of principal and interest on the principal amount outstanding.
- At fair value through other comprehensive income, if the company's objective is to maintain a company of financial assets to collect contractual cash flows and sell the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are - only - payments of principal and interest on the principal amount outstanding .
- At fair value through other comprehensive income, if the company uses this measurement option provided in IFRS 9 “Financial Instruments” in relation to equity instruments. Subsequent changes in fair value as well as sale gains/(losses) are recognized in other comprehensive income. The resulting dividends are recognized in profit or loss.

Derecognition of financial asset

The Company derecognizes a financial asset only when:

- the contractual rights to the cash flows from the financial asset have expired, or
- Transferring the contractual rights to receive cash flows from the financial asset and transferring nearly all of the risks of ownership of the financial asset, or

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- Retains the contractual rights to receive cash flows from the financial asset while assuming a contractual obligation to pay the cash flows to one or more recipients and transfer nearly all of the risks of ownership of the financial asset, or

Transferring the contractual rights to receive cash flows from the financial asset without transferring or retaining nearly all of the risks of ownership of the financial asset if it has not retained control of the financial asset. or

- Maintaining the contractual rights to receive cash flows from the financial asset, while assuming a contractual obligation to pay the cash flows to one or more recipients without transferring and not retaining nearly all of the risks of ownership of the financial asset if you have not maintained control of the financial asset.

When a financial asset is derecognized in its entirety, the difference between the carrying amount at the date of derecognition and the consideration received (including any new asset acquired less any new liability incurred) is recognized in profit or loss.

Impairment of financial assets

The Company assesses the expected credit losses related to its financial assets on the basis of a prospective survey. The method of impairment applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the company applies the simplified approach allowed by IFRS 9, which requires that expected losses be recognized over the life of these receivables, starting from their initial recognition.

Financial liabilities

The Company classifies all financial liabilities as being subsequently measured at amortized cost.

Derecognition of financial Liability

The Company derecognizes the financial liability (or part of a financial liability) from its statement of financial position when it is amortized; That is, when the obligation specified in the contract is paid, canceled or expired.

The amortized cost of a financial asset or financial liability

The amount by which a financial asset or a financial liability is measured on initial recognition minus the principal amount payments, plus or minus the cumulative amortization using the effective interest method for any difference between that initial amount and the amount on the due date.

Loans

Borrowings are initially recognized at fair value, net of transaction costs incurred, and subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the recoverable amount is recognized in profit or loss over the term of the loans using the effective interest rate method. Loans are canceled from the statement of financial position when the obligation specified in the contract is implemented, canceled or its term expires. Loans are classified as current liabilities when the remaining maturity is less than 12 months.

3.12 Provision for Zakat

The company is subject to the instructions of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia. Zakat is deducted according to the accrual principle. The Zakat provision is calculated on the basis of the Zakat base, and any differences between the provision and the final assessment are recorded in the profit or loss in the same period in which these differences arise.

3.13 Statutory reserve

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3.14 Dividend's payments

Final dividends are recorded in the period in which they are approved by the company's board of directors.

3.15 Sector Reports

An operating segment is a component of a company related to its activities through which it obtains revenue and incurs expenses including revenue and expenses relating to transactions with any other components of the firm.

3.16 Foreign currency transactions

Transactions in foreign currencies are converted into the Saudi riyal using the exchange rates prevailing when those transactions occur. As for the monetary assets and liabilities specified in foreign currencies on the date of the financial position, they are converted to the Saudi riyal according to the exchange rates prevailing on that date, and losses or gains are included in the exchange rate differences. within profit or loss.

3.17 Borrowing costs

The financing cost directly attributable to the acquisition, construction or production of qualifying assets (which are assets that require a significant period of time, more than a year, until these assets become ready for their intended use) are added to the cost of these assets until these assets become ready for their intended use. No financing cost is capitalized during the downtime.

All other finance costs are recognized in profit or loss when incurred.

3.18 Fair value measurement

Fair value is the value 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 under prevailing market conditions (such as current price) regardless of whether that price is directly observable or Estimated using another valuation method. The fair value measurement is based on the presumption that the sale of the asset or transfer of the liability will take place either:

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

The principal or most advantageous market must be accessible to the company.

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

The fair value measurement of a non-financial asset takes into account the ability of market parties to provide economic benefits by using the asset for the best benefit from it, or by selling it to another party in the market to use it for the best benefit from it. The company uses valuation methods that are appropriate to the circumstances and conditions and have sufficient data to measure fair value, maximize the use of relevant observable data, and minimize the use of unobservable data.

All assets and liabilities that are measured at fair value or whose fair value is disclosed in the interim financial statements are categorized according to the scope of the fair value hierarchy described below, based on the lowest level inputs that are significant to the fair value measurement as a whole:

First level: the published (unadjusted) prices quoted in active markets for the assets or liabilities identical to those being measured.

Second level: the inputs that can be observed or monitored for the asset or liability, directly or indirectly, other than

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4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of the Company's financial statements requires management in accordance with International Accounting Standard No. (34) "Initial Financial Reporting" to make judgments, estimates and assumptions that affect the reported amounts of revenue, costs, assets and liabilities, and the disclosure of contingent liabilities, at the financial period date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

These estimates and assumptions are based on historical experience and factors including expectations of future events that are appropriate in the circumstances and are used to determine the carrying amounts of assets and liabilities that are not independent from other sources. The estimates and assumptions are reviewed on an ongoing basis.

Accounting estimates recognized in the period in which the estimates are reviewed in the reviewing period and future periods are reviewed if the changed estimates affect both current and future periods.

The significant estimates and judgements made by management in applying the Company's accounting policies are consistent with those disclosed in the financial statements for the year ended 31 December 2021.

The objectives and policies of the company's financial risk management and methods for determining fair values are in line with those disclosed in the last issued financial statements for the year ended 31 December 2021.

a- The estimated life of property, plant and equipment;

The cost of property, plant and equipment is amortized over the expected service life which has been estimated based on the expected usage and obsolescence of the asset, the program of maintenance and repairs as well as technical obsolescence and recoverable value considerations.

b- Evaluation of employees' end-of-service benefits obligations

The cost of employees' end of service benefits under the unfunded defined benefit plan is determined using an actuarial valuation. The actuarial valuation includes many assumptions that may differ from actual developments in the future. These assumptions include determining the discount rate, future salary increases, employee behavior, and employee turnover. Given the complexity of the valuation and its long-term nature, the unfunded defined benefit obligation is highly sensitive to changes in these assumptions. So all assumptions are reviewed one or more times per year when necessary.

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PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Trucks	Cars	Furniture and fixtures	Machinery and equipment	Tools	Computer	Desalination plant and laboratory equipment	Total
January 2021	3,800,000	30,705,707	-	6,393,064	3,466,657	100,806,124	166,028	327,451	9,045,971	154,711,002
During the year	950,000	3,882,535	18,710,000	1,544,748	289,928	19,980,631	4,000	90,455	7,116,500	52,568,797
	-	-	-	(85,850)	-	-	-	-	-	(85,850)
December 2021	4,750,000	34,588,242	18,710,000	7,851,962	3,756,585	120,786,755	170,028	417,906	16,162,471	207,193,949
During the period	-	788,692	1,540,000	56,500	86,426	15,565	-	34,615	-	2,521,798
2022	4,750,000	35,376,934	20,250,000	7,908,462	3,843,011	120,802,320	170,028	452,521	16,162,471	209,715,747
Accumulated depreciation:										
January 2021	-	2,322,377	-	1,810,514	1,040,084	18,833,111	58,557	130,622	3,711,914	27,907,179
During the year	-	964,687	500,687	1,676,401	740,827	11,285,741	16,820	63,893	2,787,502	18,036,558
	-	-	-	(26,983)	-	-	-	-	-	(26,983)
December 2021	-	3,287,064	500,687	3,459,932	1,780,911	30,118,852	75,377	194,515	6,499,416	45,916,754
During the period	-	530,847	1,008,813	984,867	329,876	6,220,459	8,577	35,576	1,538,414	10,657,429
2022	-	3,817,911	1,509,500	4,444,799	2,110,787	36,339,311	83,954	230,091	8,037,830	56,574,183
Balance:										
2022	4,750,000	31,559,023	18,740,500	3,463,663	1,732,224	84,463,009	86,074	222,430	8,124,641	153,141,564
December 2021	4,750,000	31,301,178	18,209,313	4,392,030	1,975,674	90,667,903	94,651	223,391	9,663,055	161,277,195

The lands above is represented in a land on which the company's factory is built, including 3 lands with the amount of 4,750,000 Saudi riyals whose as transferred from the partners to the company's property on February 3 and 4, 2021 AD.

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6. ADVANCE PAYMENTS FOR THE PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

Advance payments for the purchase of property, plant and equipment are as follows:

	<u>30 June 2022</u>	<u>31 December 2021</u>
Advance payments - production line	1,380,000	1,380,000
Advance Payments - Cars	-	602,250
	<u>1,380,000</u>	<u>1,982,250</u>

7. RIGHT OF USE ASSETS

	<u>30 June 2022</u>	<u>31 December 2021</u>
Cost		
Balance at the beginning of the period/ year	<u>1,418,869</u>	<u>1,418,869</u>
Accumulated Depreciation:		
Balance at the beginning of the period/ year	(485,376)	(201,600)
Depreciation for the period/ year	<u>(141,888)</u>	<u>(283,776)</u>
	<u>(627,264)</u>	<u>(485,376)</u>
Net book value		
Balance in the end period/Year	<u>791,605</u>	<u>933,493</u>

Lease Liability

The following are the book values of the lease contract liability and the movements made on them during the period / year:

	<u>30 June 2022</u>	<u>31 December 2021</u>
Lease liability at the beginning of contract lease	913,553	1,156,369
Deduct: rent payments made during the period/ year	<u>(130,588)</u>	<u>(242,816)</u>
	<u>782,965</u>	<u>913,553</u>
Current	<u>224,617</u>	<u>355,205</u>
Non-current	<u>558,348</u>	<u>558,348</u>

The Right of use asset represented in the warehouse rental contract for 5 years starting from April 15, 2020 with a rental value of 350,000 Saudi riyals, Prior to that date, the Company did not have any lease contracts that fall under the scope of IFRS 16 "Leasing Contracts".

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8. INTANGIBLE ASSETS

	30 June 2022	31 December 2021
Cost		
Balance at the beginning of the period/ year	1,334,378	864,069
Additions during the period/ year	4,756	470,309
	<u>1,339,134</u>	<u>1,334,378</u>
Amortization		
Balance at the beginning of the period/ year	(207,384)	(103,742)
Amortization during the period/ year	(65,621)	(103,642)
	<u>(273,005)</u>	<u>(207,384)</u>
Net book value	<u>1,066,129</u>	<u>1,126,994</u>

9. INVENTORY

	30 June 2022	31 December 2021
Raw materials	17,498,739	13,250,604
Finished Goods	1,719,356	4,888,266
Spare parts	6,909,115	4,414,637
Chemicals	429,666	-
	<u>26,556,876</u>	<u>22,553,507</u>

10. TRADE AND OTHER RECEIVABLES

	30 June 2022	31 December 2020
Trade receivables	11,353,684	10,243,139
Less: expected credit losses provision	(293,953)	(293,953)
	11,059,731	9,949,186
Letters of guarantee	5,294,902	5,294,902
public offering project expenses	6,348,535	2,553,913
Advance payments to suppliers	5,139,501	1,897,412
Prepaid expenses	1,009,062	1,406,475
Staff Loans	735,045	717,875
Checks under collection	17,936	13,797
petty cash	292,820	323,643
Other debit balances	1,048,052	1,048,052
	<u>30,945,584</u>	<u>23,205,255</u>
Provision for other debit balances	(1,048,051)	(1,048,051)
	<u>29,897,533</u>	<u>22,157,204</u>

The movement of allowance for expected credit losses during the year:

	30 June 2022	31 December 2021
Balance at the beginning of the period/ year	293,953	281,945
Additions	-	12,008
Balance at the end of the period/ year	<u>293,953</u>	<u>293,953</u>

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The movement of provision for other debit balances during the year is as follows:

	30 June 2022	31 December 2021
Balance at the beginning of the period/ year	1,048,051	1,561,051
Reverse	-	(513,000)
Balance at the end of the period/ year	1,048,051	1,048,051

11. CASH AND CASH EQUIVALENTS

	30 June 2022	31 December 2021
cash at banks	58,916,505	37,639,457
cash on hand	625,460	221,541
	59,541,965	37,860,998

12. SHARE CAPITAL

The company's capital has been set at 45,338,000 Saudi riyals divided into 45,338 shares, the value of each share is 1,000 Saudi riyals distributed as follows:

<u>Shareholder's name</u>	<u>No. of Shares</u>	<u>Share Value</u>	<u>Amount</u>
Amin bin Abdullah bin Ali Al Mallah	22,669	1,000	22,669,000
Yasser Aqeel Abdulaziz Al-Aqeel	22,669	1,000	22,669,000
	45,338		45,338,000

On 31 December, 2019, the shareholders decided to increase the capital by an amount of 40,000,000 Saudi riyals to become 85,338,000 Saudi riyals, in exchange by the entry of "Al-Sadd modern advanced Company by 10% of the company's capital. And until December 8, 2020, the regulatory procedures for amending the memorandum of association have not been completed by the shareholders' decision above. And in the same date the shareholders decided to increase the company's capital from 85,338,000 Saudi riyals to 150,000,000 Saudi riyals, with an increase of 64,662,000 Saudi riyals, financing from the balance of retained earnings and the statutory reserve on this date in the amount of 57,257,410 and 7,404,590 Saudi riyals, respectively.

On 8 December, 2020, the shareholder, Yasser Aqeel Abdulaziz Al-Aqeel, waived 45% share in the capital (after the shareholders agreed to enter the new shareholder, Al-Sadd Modern Advanced Company by 10%) in favor of Al-Sadd Modern Advanced Company, so that its ownership percentage in the company's capital became 55%, at the same date Al Sadd Modern advanced Company waived 5% of its share in the company's capital in favor of the shareholder / Amin bin Abdullah bin Ali Al Mallah.

On 26 December, 2020, all statutory procedures were completed to amend the company's articles of incorporation and commercial registry, as at 31 December, 2020G, the company's capital amounted to 150,000,000 Saudi riyals (150,000 shares, 1,000 Saudi riyals distributed as follows:

<u>Shareholder's name</u>	<u>No. of Shares</u>	<u>Share Value</u>	<u>Amount</u>
Amin bin Abdullah bin Ali Al Mallah	75,000	1,000	75,000,000
Al Sadd Modern Advanced Company	75,000	1,000	75,000,000
	150,000		150,000,000

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On 14 January, 2021, the shareholders decided to increase the company's capital by an amount of 20 million Saudi riyals to become 170 million Saudi riyals without any changes in the ownership ratios. The regulation to amend the company's memorandum of association and commercial registry for the amount of the capital increase to become the capital structure on January 24, 2021 as follows:

<u>Shareholder's name</u>	<u>No. of Shares</u>	<u>Share Value</u>	<u>Amount</u>
Amin bin Abdullah bin Ali Al Mallah	85,000	1,000	85,000,000
Al Sadd Modern Advanced Company	85,000	1,000	85,000,000
	170,000		170,000,000

On 13 June, 2020, the shareholders decided to change the company's legal entity to be a closed joint stock company, and on 14 March, 2021 G, the statutory procedures were completed to amend the memorandum of association and the commercial registry, and it became a closed joint stock company.

On 4/8/1443 H (corresponding to 13 December, 2021 G), the shareholders' assembly approved an increase in the capital from the amount of 170,000,000 Saudi riyals to 200,000,000 Saudi riyals, divided into 20,000,000 ordinary shares, with a nominal value of 10 Saudi riyals per share, through the capitalization of an amount of 30,000,000 SAR from the retained earnings of the company. The following is the capital structure:

<u>Shareholder's name</u>	<u>No. of Shares</u>	<u>Share Value</u>	<u>Amount</u>
Amin bin Abdullah bin Ali Al Mallah	10 000 000	10	100,000,000
Al Sadd Modern Advanced Company	10 000 000	10	100,000,000
	20 000 000		200,000,000

On 7 Jumada I 1443 AH (corresponding to December 11, 2021), the Board of Directors approved the company's initial public offering plan by offering 30% of the company's shares by submitting an application and registering the securities to the Capital Market Authority and listing them in the market and listing them in the financial market ("Tadawul").

On 24 Shawwal 1443 AH (corresponding to 25 May 2022), the Capital Market Authority announced its approval to offer 6,000,000 shares for public subscription, representing (30%) of the company's shares.

The Saudi Capital Market Authority approved the listing of the company on the Saudi Stock Exchange (Tadawul) on Muharram 17, 1444 AH (corresponding to August 15, 2022 AD). The company is in the process of preparing the legal procedures to amend the company's articles of association to convert it from a closed Saudi joint stock company to a Saudi public joint stock company.

Statutory reserve

The Saudi Companies Incorporation Law and the Company's Articles of Association, by statutory reserve by transferring at least 10% of the net profit after tax to the articles of association until 30% of the capital. This is not distributable.

13. Long term loans

	<u>30 June 2022</u>	<u>31 December 2021</u>
Non-Current portion	12,774,426	12,095,334
Current portion	2,377,835	4,755,671
	15,152,261	16,851,005

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

	<u>30 June 2022</u>	<u>31 December 2021</u>
Balance at the beginning of the period/ year	16,851,005	20,500,000
Payments during period/ the year	(1,698,744)	(3,648,995)
Balance at the end of the period/ year	<u>15,152,261</u>	<u>16,851,005</u>

During the year 2020, the company entered into a commercial financing agreement with a bank in the amount of 20,500,000 Saudi riyals. The company used this loan to finance the acquisition of cars. The loan is subject to the interest rate of SIBOR plus 4% annually. The loan is repaid in 20 quarterly installments of unequal value for a period of 5 years. The value of the cars amounting to 20,250,000 Saudi riyals was mortgaged as a security for financing, in addition to bonds to the order of the lending bank, amounting to 24,600,000 Saudi riyals, which were signed by the shareholders in the company, The loan does not include financial covenants. Necessary measures are taken to ensure compliance.

14. EMPLOYEES' END OF SERVICE BENEFITS

	<u>30 June 2022</u>	<u>31 December 2021</u>
Opening balance of the period / year	2,283,822	1,090,511
Current service cost	476,774	1,598,181
Finance cost	30,658	26,585
paid	(25,804)	(36,265)
Actuarial gains from remeasurement of employee end-of-service benefits	(88,578)	(395,190)
	<u>2,676,872</u>	<u>2,283,822</u>

The following are the significant actuarial assumptions:

Discount rate	3.2%	2,7%
Salary growth rate	4%	2%

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15. TRANSACTIONS WITH RELATED PARTIES

The following are the transactions that took place with related parties during the period. The company deals in the course of its normal business with related parties. The deal mainly consists in payments for the purchase of assets from those parties and services provided. The transactions with related parties during the period were as follows:

Name of related parties	Nature of transaction	Relation	THE SIX-MONTH PERIOD ENDED	
			30 JUNE	
			2022	2021
Al Sadd Modern Advanced Company	Raw material purchases	Shareholder	-	-
	Final product purchases Payment		47,984,948 (47,920,837)	60,631,039 (56,016,742)
Zulal Water Factory Company	Final product purchases	Affiliate	-	28,181,664
	Payment		(579,671)	(29,470,465)
Amin Al Malla / shareholder	Payments	Shareholder	260,969	-
Middle East Machinery Factory Co. Ltd.	Purchase of property and machinery	Affiliate	4,408,097	24,379,704
	Payments		(1,193,659)	(21,816,197)

The terms of transactions with related parties have been approved by the company's management.

The related party balances were as follows:

	Due from related parties		Due to related parties	
	30 June 2022	31 December 2021	30 June 2022	31 December 2022
Al Sadd Modern Advanced Company	-	-	4,399,316	5,761,011
Zulal Water Factory Company	797,052	217,381	-	-
Al Sadd Modern/ Shareholder	260,969	-	-	-
Amin Al Mallah / Shareholder	26,779	-	-	234,190
Middle East Machinery Factory Co. Ltd.	-	-	4,103,984	904,619
	<u>1,084,800</u>	<u>217,381</u>	<u>8,503,300</u>	<u>6,899,820</u>

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16. TRADE AND OTHER PAYABLES

	30 June 2022	31 December 2021
Trade payables	12,339,270	7,573,802
Accrued expenses	2,201,501	2,447,193
VAT	1,301,463	1,064,188
Eligible financing costs	-	229,572
	15,842,234	11,314,755

17. ZAKAT PROVISION

The main components of the company's zakat base are as follows:

	30 June 2022	31 December 2021
Total items subject to zakat	260,456,941	240,747,644
Total deduction from zakat base	(163,288,413)	(165,559,268)
Zakat base	97,168,528	75,188,376
Adjusted net income	32,987,748	76,484,876
Zakat at 2.5%	1,239,536	1,912,122

Sharia zakat is calculated on the basis of adjusted net income or zakat base, whichever is higher, according to the regulations of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia.

Zakat provision movement during the period / year is as follow:

	30 June 2022	31 December 2021
Balance at the beginning of the period/ year	1,912,122	3,432,244
Formed	1,239,536	1,912,122
Paid	(1,912,122)	(2,751,525)
No longer required	-	(680,719)
Balance at the end of the period/ year	1,239,536	1,912,122

- The company submitted its zakat returns for all years until 31 December, 2021, and paid zakat obligations under them in the subsequent period, and no assessments or claims have been made for any of the years since the company's transformation to date.

Tax position

The company submitted value-added tax returns on the regular dates, and the years from 2018 to 2020 were examined, and tax differences in the amount of 5,281,971 Saudi riyals were received for the declarations for the months from September to December 2020, and the company submitted objections to these differences and these objections were not accepted by "The General Authority of Zakat and Tax", and accordingly a letter of guarantee was submitted in the amount of 5,294,902 Saudi riyals in favor of the Authority for these differences (note 10). The company submitted a list of objection to the General Secretariat of the Zakat, Tax and Customs Committees "the Secretariat", and is awaiting the response of the Secretariat. The company's management expects that its tax position is strong and will not result in any differences from the returns that were previously submitted to the authority, and therefore there is no need to form provisions in this matter.

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18. SALES

	The three months ended 30 June		The six months ended 30 June	
	2022	2021	2022	2021
Wholesale sales	38,493,811	60,365,042	69,148,017	103,606,181
Retail sales	40,274,910	19,974,041	70,840,276	34,281,996
	78,768,721	80,339,083	138,988,293	137,888,177

19. COST OF SALES

	The three months ended 30 June		The six months ended 30 June	
	2022	2021	2022	2021
Raw materials and inventory change	37,481,974	36,258,532	69,437,760	64,212,432
Depreciation	4,281,381	3,733,649	8,567,198	7,076,553
Operating expenses	3,420,402	3,573,438	6,261,419	6,082,355
Salaries and other benefits	3,513,355	2,514,277	6,377,167	4,708,276
	48,697,112	46,079,896	90,643,544	82,079,616

20- SELLING AND DISTRIBUTION EXPENSES

	The three months ended 30 June		The six months ended 30 June	
	2022	2021	2022	2021
Salaries and wages and other benefits	3,899,626	3,472,128	7,531,923	6,407,080
Sales commissions	652,409	867,555	1,033,666	1,516,057
Advertising expenses	159,656	48,359	354,410	839,161
Depreciation of property, plant and equipment	1,003,536	406,260	1,993,680	808,990
Maintenance and repair	16,558	59,278	26,366	204,950
Fuels	365,469	304,949	735,308	647,281
Depreciation of the right of use	70,944	-	141,888	-
Transportation	-	491,621	-	608,781
Others	693,563	5,475	1,302,607	33,351
	6,861,761	5,655,625	13,119,848	11,065,651

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21- GENERAL AND ADMINISTRATIVE EXPENSES

	The three months ended 30 June		The six months ended 30 June	
	2022	2021	2022	2021
Salaries, and wages	2,064,354	1,822,351	3,878,295	3,365,876
Professional fees and advice	59,300	141,636	122,300	241,910
Maintenance and repair	23,839	69,365	43,825	233,725
Stationery and prints	16,632	-	72,298	181,843
Depreciation of property, plant and equipment	49,181	12,841	96,551	129,145
Depreciation of the right of use	-	141,888	-	141,888
Government fees and subscriptions	33,429	20,375	58,524	126,356
Hospitality and cleanliness	10,829	8,655	32,835	54,411
Donations	-	-	-	50,000
Banking expense	3,105	18,813	7,574	34,540
Phone and internet expense	171	9,757	3,087	18,066
Traveling expenses	34,718	-	42,961	-
Others	86,279	130,038	131,312	178,439
	<u>2,381,837</u>	<u>2,375,719</u>	<u>4,489,562</u>	<u>4,756,199</u>

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

22.1 Liquidity Risk

Liquidity risk is the difficulty that an entity encounters in raising funds to meet commitments related to financial instruments. Below are the contractual maturities of financial obligations at the end of the financial year. Amounts are shown in total and not discounted.

<u>As at 30 June,</u> <u>December, 2021</u>	<u>Book value</u>	<u>less than</u> <u>one year</u>	<u>From 1 to</u> <u>5 years</u>	<u>More</u> <u>than 5</u> <u>years</u>	<u>Total</u>
Loan	16,851,005 15,152,261	4,755,671 2,377,835	12,095,334 12,774,426	-	16,851,005 15,152,261
Due to related parties	6,899,820 8,503,300	6,899,820 8,503,300	-	-	6,899,820 8,503,300
Trade and other payables	11,314,755 15,842,234	11,314,755 15,842,234	-	-	11,314,755 15,842,234
Lease liability	913,553 782,965	355,205 224,617	558,348 558,348	-	913,553 782,965
	<u>40,280,760</u>	<u>26,927,986</u>	<u>18,362,784</u>	-	<u>40,280,760</u>

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The company manages liquidity risk by maintaining adequate reserves, bank facilities and loans, and by continuously monitoring future cash flows, as well as by matching the maturity dates of cash assets and liabilities.

22.2 Commission rate risk

Commission risk arises from the potential fluctuations in interest rates that would affect future profit or the fair values of financial instruments. The company is subject to commission risks on its commitments on which it pays commissions represented in loan balances. The company seeks to reduce the interest rate risks by monitoring potential fluctuations in interest rates and hedging these risks when needed.

22.3 Foreign exchange risk

The company's exposure to foreign currency risk is mainly limited to transactions in UAE dirhams, and the exchange rate for both the UAE dirham and the Saudi riyal is fixed against the US dollar. Thus, the risks are limited from changes in the foreign exchange rate. The following are the quantitative data related to the foreign exchange position:

	UAE dirham	The equivalent in Saudi riyals
<u>As at 30 June, 2022</u>		
Trade payables	<u>2,230,100</u>	<u>2,277,471</u>
<u>As at 31 December, 2021</u>		
Trade payables	<u>442,808</u>	<u>452,214</u>

22.4 Credit Risk

Credit risk is the risk that the company will suffer financial loss if the customer or counterparty to a financial instrument fails to meet its contractual obligations and arises mainly from receivables and bank balances. The carrying amount of each financial asset in the statement of financial position represents the maximum exposure to credit risk.

The company is exposed to credit risk on its bank balances and trade receivables as follows:

	30 June 2022	31 December 2021
Cash and cash equivalents	<u>58,916,505</u>	37,639,457
Trade receivables	<u>11,353,684</u>	<u>10,243,139</u>
	<u>70,270,189</u>	<u>47,882,596</u>

The carrying amount of the financial assets represents the maximum exposure to credit risk.

The Company manages the credit risk related to the outstanding amounts of trade receivables by monitoring in accordance with the established policies and procedures. The company limits the credit risk related to trade receivables by setting credit limits for each customer and monitoring the outstanding trade receivables on an ongoing basis.

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23. SEGMENT INFORMATION

23-1 partition basis

The company has one sector, which is considered the main sector, which includes the production and bottling of filtered pure water. This sector offers different products and services that are managed in a strategic manner and use different technical and marketing methods.

Below is a summary showing the operations of each sectoral report:

Sector:

Production of mineral water and other bottled water.

The nature of the sector's activities

The main activity includes the production and bottling of purified filtered water.

The company's sales in the domestic market and export sales are distributed as follows:

<u>Sales for the period</u>	<u>export sales</u>	<u>local sales</u>	<u>Total Revenue</u>
<u>30 June 2022</u> <u>(Unaudited)</u>	2,324,466	136,663,827	138,988,293
<u>30 June 2021</u> <u>(Unaudited)</u>	446,305	137,441,872	137,888,177

The balances of the company's clients are distributed in the local and export market as follows:

<u>Customer balances as in</u>	<u>Export costumers</u>	<u>Local costumers</u>	<u>Total</u>
<u>30 June 2022 (Unaudited)</u>	418,457	10,935,227	11,353,684
<u>30 June 2021 (audited)</u>	112,514	10,130,625	10,243,139

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23-2 Basis of segmentation

The sales value of the company is distributed by region:

Sales by region:

Area	The six months ended 30 June	
	2022	2021
Southern area	4,573,544	5,081,157
Eastern area	10,713,350	11,946,076
Northern area	13,229,115	15,802,839
Western area	14,986,369	15,777,747
Central area	93,161,449	88,834,053
Foreign export	2,324,466	446,305
	<u>138,988,293</u>	<u>137,888,177</u>

24. DIVIDEND

- On 2 June 2022 the General Assembly of Shareholders of the Company approved dividends distribution for the period ended 31 March 2022 amounting to SR 10 million.
- On 4 June 2021 the General Assembly of Shareholders of the Company approved dividends distribution for the period ended 31 March 2021 amounting to SR 8.5 million.

25. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

-The company has no contingent liabilities as of 30 June, 2022.

- The company has capital commitments related to contracts for the construction of property, machinery and equipment that the company's management expects to complete during the second half of the year 2021 until the first half of the year 2022 , the following are the details of the capital commitments:

	30 June 2022	31 December 2021
Total capital contracts	13,800,000	15,571,000
Advance payments for the purchase of property, plant and equipment/projects under Construction	(1,380,000)	(1,982,250)
Capital commitments	<u>12,420,000</u>	<u>13,588,750</u>

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26. LEGAL POSITION

There is a lawsuit filed against the company by one of the parties claiming that the company used a registered trademark of that party. The company uses it in one of its products, and it claims a compensation for the use of its registered trademark, and a court ruling has been issued.

The penal code obliges Naqi Water Company to pay a fine of 10,000 Saudi riyals (ten thousand riyals) to be paid to the public treasury and oblige the director of the company Amin bin Abdullah Al Mallah pays a fine of 10,000 Saudi riyals (ten thousand riyals) to be paid to the public treasury and an apologize to the plaintiff through Naqi's Media platform and in one of the official newspapers,

And then another lawsuit was filed by the plaintiff in the Public Court claimed an obligation from Naqi Water Company to compensate for the damage, and an initial decision was issued that ended in dismissing the plaintiff's claim for compensation, and the court proved the reasons for its decision that the plaintiff does not have any goods in order for the court to take into account the assessment of compensation, and then the plaintiff filed an appeal against the appeal due to the use of the registered trademark, and after the Appeals Chamber has studied the case and its documents, and that the plaintiff did not provide any evidence of the damage occurred to her and requesting such compensation for it, and the company did not use a trademark identical to the plaintiff's trademark. Therefore, the Commercial Court decided on 19/5/2022 G, corresponding to 18/10/1443 H, the lawsuit filed against the company was dismissed and a final judgment was issued in favor of Naqi Water Company.

27. SUBSEQUENT EVENTS

The Saudi Capital Market Authority approved the listing of the company on the Saudi Stock Exchange (Tadawul) on Muharram 17, 1444 AH (corresponding to August 15, 2022 AD). The company is in the process of preparing the legal procedures to amend the company's articles of association to convert it from a closed Saudi joint stock company to a Saudi public joint stock company.

28. APPROVAL OF THE FINANCIAL STATEMENTS

These interim financial statements have been approved by the Board of Directors on 24 Muharram, 1444 H corresponding to 22 Augustus, 2022 G.
