

# **NAQI WATER COMPANY**

(A Saudi Joint Stock Company)

**INTERIM CONDENSED FINANCIAL STATEMENTS**

**(UNAUDITED)**

**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2023**

**AND INDEPENDENT AUDITOR'S REVIEW REPORT**

**NAQI WATER COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM CONDENSED FINANCIAL STATEMENTS**

**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)**

---

<b>INDEX</b>	<b><u>Page</u></b>
Independent auditor's review report	2
Interim Condensed Statement of financial position	3
Interim Condensed Statement of profit or loss and other comprehensive income	4
Interim Condensed Statement of changes in equity	5
Interim Condensed Statement of cash flows	6
Notes to the Interim Condensed financial statements	7 – 18

## **INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS**

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

### **Introduction**

We have reviewed the accompanying interim condensed statement of financial position of Naqi Water Company (the "Company") as at 31 March 2023, and the related interim condensed statements of profit or loss and other comprehensive income, interim condensed statements of changes in equity, and interim condensed statements of cash flows for the three month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with the International Accounting Standard ("IAS 34") "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A Review of interim condensed 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 that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS (34) that is endorsed in the Kingdom of Saudi Arabia

For Dr. Mohamed Al-Amri & Co.



Gihad Al-Amri  
Certified Public Accountant  
Registration No. 362



5 Dhual Qa'dah 1444 (H)  
25 May 2023 (G)

**NAQI WATER COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
**(SAUDI RIYALS)**

	<b>Note</b>	<b>31 March 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property ,plant and equipment	5	141,435,226	146,387,220
Advance payments for the purchase of property, plant and equipment		2,925,600	1,380,000
Right of use Asset	6	2,714,812	2,911,197
Intangible assets		988,408	1,016,233
		<u>148,064,046</u>	<u>151,694,650</u>
<b>Current assets</b>			
Inventory		19,936,279	22,681,031
Trade and other receivables	7	26,300,388	26,604,454
Due from related parties	12	1,091,989	1,985,882
Cash and cash equivalents	8	87,163,860	88,057,270
		<u>134,492,516</u>	<u>139,328,637</u>
<b>TOTAL ASSETS</b>		<u><b>282,556,562</b></u>	<u><b>291,023,287</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	9	200,000,000	200,000,000
Statutory reserve		12,598,306	12,598,306
Retained earnings		28,232,038	36,883,080
		<u>240,830,344</u>	<u>249,481,386</u>
<b>Non-current liabilities</b>			
Long term loan – non-current portion	10	7,856,157	8,241,864
Employees’ end of service benefits	11	3,967,841	3,744,106
Lease liability - non-current portion	6	1,740,678	1,740,678
		<u>13,564,676</u>	<u>13,726,648</u>
<b>Current liabilities</b>			
Long term loan – current portion	10	4,144,116	4,755,671
Due to related parties	12	944,834	707,876
Trade and other payables		18,668,676	18,414,674
Dividends payable		6,943	-
Zakat	13	3,748,110	3,148,110
Lease liability - current portion	6	648,863	788,922
		<u>28,161,542</u>	<u>27,815,253</u>
<b>TOTAL LIABILITIES</b>		<u><b>41,726,218</b></u>	<u><b>41,541,901</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>282,556,562</b></u>	<u><b>291,023,287</b></u>

Chief financial officer

CEO & Managing director

Chairman of Board of Director

The accompanying notes from (1) to (21) form an integral part of these interim condensed financial statements.



**Naqi Water Company**  
(A Saudi Joint Stock Company)

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

For the three-month period ended 31 March			
	Note	2023	2022
Sales	18	59,340,404	60,219,572
Cost of sales	14	(38,791,606)	(41,946,432)
<b>Gross profit</b>		<b>20,548,798</b>	<b>18,273,140</b>
Selling and distribution expenses		(8,104,799)	(6,258,087)
General and administrative expenses		(2,994,288)	(2,107,725)
Other income		2,628,256	744,852
<b>Operating profit</b>		<b>12,077,967</b>	<b>10,652,180</b>
Finance cost		(306,627)	(241,113)
<b>Profit before zakat</b>		<b>11,771,340</b>	<b>10,411,067</b>
Zakat expenses	13	(600,000)	(463,097)
<b>Net profit for the period</b>		<b>11,171,340</b>	<b>9,947,970</b>
<b>Other comprehensive income</b>			
<b>Item that will not be reclassified subsequently to profit or loss:</b>			
Actuarial gain from re-measurement on employees end of service benefits		177,618	-
<b>Total comprehensive income for the period</b>		<b>11,348,958</b>	<b>9,947,970</b>
<b>Earnings per share</b>	15	<b>0,56</b>	<b>0,50</b>

Chief financial officer



CEO & Managing director



Chairman of Board of Director



The accompanying notes from (1) to (21) form an integral part of these interim condensed financial statements

**Naqi Water Company**  
(A Saudi Joint Stock Company)

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

(SAUDI RIYALS)

	Share capital	Statutory reserve	Retained earnings	Total
<b>For the three-month period ended 31 March 2023</b>				
As at 1 January 2023 (Audited)	200,000,000	12,598,306	36,883,080	249,481,386
Comprehensive income	-	-	11,171,340	11,171,340
Net profit for the period	-	-	177,618	177,618
Other comprehensive income	-	-	11,348,958	11,348,958
Total comprehensive income for the period	-	-	(20,000,000)	(20,000,000)
Dividends (Note 19)	-	-	-	-
As at 31 March 2023 (Unaudited)	200,000,000	12,598,306	28,232,038	240,830,344
<b>For the three-month period ended 31 March 2022</b>				
As at 1 January 2022 (Audited)	200,000,000	7,727,599	206,346	207,933,945
Comprehensive income:				
Net profit for the period	-	-	9,947,970	9,947,970
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	9,947,970	9,947,970
as at 31 March 2022 (Unaudited)	200,000,000	7,727,599	10,154,316	217,881,915

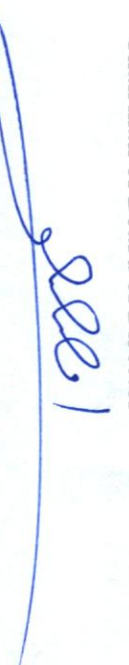
Chief financial officer



CEO & Managing director



Chairman of Board of Director



The accompanying notes from (1) to (21) form an integral part of these interim condensed financial statements.



**Naqi Water Company**  
(A Saudi Joint Stock Company)

**INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)**

(SAUDI RIYALS)

	For the three-month period ended 31 March	
	2023	2022
<b><u>OPERATING ACTIVITIES</u></b>		
Profit before zakat	11,771,340	10,411,067
<b>Adjustments:</b>		
Depreciation of property ,plant and equipment	5,549,113	5,323,331
Amortization of intangible assets	33,309	32,791
Depreciation on right-of-use asset	196,385	70,944
Provision for employees' end of service benefits	364,463	228,763
Finance costs	306,627	241,113
Provision for expected credit losses	91,326	-
<b>Working capital changes</b>		
Trade and other receivables	212,740	(1,844,171)
Inventories	2,744,756	(1,852,456)
Due from related parties	893,894	(809,395)
Trade and other payables	254,001	6,717,388
Due to related parties	236,958	(5,304,767)
<b>Cash generated from operating activities</b>	<b>22,654,912</b>	<b>13,214,608</b>
Employees' end of service benefits paid	(3,806)	(19,864)
<b>Net cash flows from operating activities</b>	<b>22,651,106</b>	<b>13,194,744</b>
<b><u>INVESTING ACTIVITIES</u></b>		
Additions to property ,plant and equipment	(597,118)	(2,433,232)
Advances for the purchase of property, plant and equipment	(1,545,600)	602,250
Additions to intangible assets	(5,484)	(4,756)
<b>Net cash flows used in investing activities</b>	<b>(2,148,202)</b>	<b>(1,835,738)</b>
<b><u>FINANCING ACTIVITIES</u></b>		
Payments from loans	(997,262)	(728,781)
Finance costs paid	(230,995)	(241,113)
Payments for lease liability	(175,000)	-
Dividends paid	(19,993,057)	-
<b>Net cash flows used in financing activities</b>	<b>(21,396,314)</b>	<b>(969,894)</b>
<b>Net change in cash and cash equivalents</b>	<b>(893,410)</b>	<b>10,389,112</b>
Cash and cash equivalents at the beginning of the period	88,057,270	37,860,998
<b>Cash and cash equivalents at the end of the period</b>	<b>87,163,860</b>	<b>48,250,110</b>

Chief financial officer

CEO & Managing director

Chairman of Board of Director

The accompanying notes from (1) to (21) form an integral part of these interim condensed financial statements

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2023 (UNAUDITED)**  
(SAUDI RIYALS)

---

## **1. ORGANISATION AND ACTIVITIES**

Naqi Water Company (the “Company”), a joint stock company, registered in the city of Unaizah, Kingdom of Saudi Arabia, under Commercial Registration No. 1128018184 dated 27 Jumada Al-Akhir 1435AH corresponding to 27 April 2014. The company’s activity is in the production and bottling of pure filtered water.

On 7 Jumada al-Awwal 1443AH 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 for initial public subscription by submitting an application and registering the securities to the Capital Market Authority and the company in the market and listing them in the financial market (“Tadawul”).

On 24 Shawwal 1443AH, 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 in the Saudi Stock Exchange (Tadawul) on 17 Muharram 1444AH, corresponding to 15 August 2022.

The Regulatory procedures have been completed to amend the company’s articles of association to become a listed joint stock company on 26 Rabi’ Al-Awwal 1444AH. Corresponding to 26 October 2022, as well as Commercial Registration No. 1128018184.

The company's fiscal year begins on 1 January and 31 ends on December of each calendar year.

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	13/03/1441 H	11 November 2019	Riyadh
2	1128183653	17/05/1441 H	13 January 2020	Unaizah

## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

These interim condensed financial statements for the three month period ended 31 March 2023 have been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’ (“IAS 34”) as 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”).

### **2.2 Basis of measurement**

The interim condensed financial statements have been prepared on the basis of historical cost except that the provision of defined benefit obligations are measured at the present value of the future obligations using the expected unit addition method. In addition, the interim condensed financial statements are prepared using the accrual basis of accounting and on the going concern principle.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the company’s annual financial statements for the year ended 31 December 2022. In addition, results for the three-month period ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)**  
(SAUDI RIYALS)

---

**2.3 Functional and presentation currency**

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2022.

**New standards, interpretations and amendments**

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2023 and has been explained in company annual Financial Statements, but they do not have a material effect on the company's interim condensed Financial Statements as at 31 March 2023.

The company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

**4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS**

The preparation of interim condensed financial statements in accordance with International Accounting Standard (34) requires management to make judgments, estimates and assumptions that affect the amounts of revenues, expenses, assets and liabilities appearing in the interim condensed financial statements and the disclosures attached to the interim condensed financial statements, and disclosures of potential liabilities and potential assets.

The significant judgments made by management in applying the company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

The assumptions and estimates are continually evaluated and they are based on past experience and other factors, including expectations of future events that are relevant to the circumstances. The company based its assumptions and estimates on parameters available when the interim condensed financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the company. Such changes are reflected in the assumptions when they occur..

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)**

(SAUDI RIYALS)

**5. PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Trucks	Cars	Furniture and fixtures	Machinery and equipment	Tools	Computer	Desalination plant and laboratory equipment	Total
<b>Cost:</b>										
<b>As at 1 January 2022</b>	<b>4,750,000</b>	<b>34,588,242</b>	<b>18,710,000</b>	<b>7,851,962</b>	<b>3,756,585</b>	<b>120,786,755</b>	<b>170,028</b>	<b>417,906</b>	<b>16,162,471</b>	<b>207,193,949</b>
Additions during the year	-	1,243,923	1,540,000	3,009,269	355,460	264,379	-	46,383	-	6,459,414
<b>As at 31 December 2022</b>	<b>4,750,000</b>	<b>35,832,165</b>	<b>20,250,000</b>	<b>10,861,231</b>	<b>4,112,045</b>	<b>121,051,134</b>	<b>170,028</b>	<b>464,289</b>	<b>16,162,471</b>	<b>213,653,363</b>
Additions during the period	-	-	-	-	84,085	158,000	-	16,774	338,259	597,118
<b>As at 31 March 2023</b>	<b>4,750,000</b>	<b>35,832,165</b>	<b>20,250,000</b>	<b>10,861,231</b>	<b>4,196,130</b>	<b>121,209,134</b>	<b>170,028</b>	<b>481,063</b>	<b>16,500,730</b>	<b>214,250,481</b>
<b>Accumulated depreciation:</b>										
<b>As at 1 January 2022</b>	-	<b>3,287,064</b>	<b>500,687</b>	<b>3,459,932</b>	<b>1,780,911</b>	<b>30,118,852</b>	<b>75,377</b>	<b>194,515</b>	<b>6,499,416</b>	<b>45,916,754</b>
Charge for the year	-	1,063,343	2,031,021	1,969,721	683,077	12,441,202	17,157	75,090	3,068,778	21,349,389
<b>As at 31 December 2022</b>	-	<b>4,350,407</b>	<b>2,531,708</b>	<b>5,429,653</b>	<b>2,463,988</b>	<b>42,560,054</b>	<b>92,534</b>	<b>269,605</b>	<b>9,568,194</b>	<b>67,266,143</b>
Charge for the period	-	267,855	511,101	676,622	177,675	3,123,375	4,290	18,923	769,272	5,549,113
<b>As at 31 March 2023</b>	-	<b>4,618,261</b>	<b>3,042,809</b>	<b>6,106,275</b>	<b>2,641,662</b>	<b>45,683,430</b>	<b>96,824</b>	<b>288,528</b>	<b>10,337,466</b>	<b>72,815,255</b>
<b>Net book value:</b>										
<b>At 31 March 2023</b>	<b>4,750,000</b>	<b>31,213,904</b>	<b>17,207,191</b>	<b>4,754,956</b>	<b>1,554,468</b>	<b>75,525,704</b>	<b>73,204</b>	<b>192,535</b>	<b>6,163,264</b>	<b>141,435,226</b>
<b>At 31 December 2022</b>	<b>4,750,000</b>	<b>31,481,758</b>	<b>17,718,292</b>	<b>5,431,578</b>	<b>1,648,057</b>	<b>78,491,080</b>	<b>77,494</b>	<b>194,684</b>	<b>6,594,277</b>	<b>146,387,220</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)**

(SAUDI RIYALS)

**6. RIGHT OF USE ASSETS**

	<b>31 March 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
<b><u>Cost:</u></b>		
At 1 January	<b>3,927,710</b>	1,418,869
Additions	-	2,508,841
	<b>3,927,710</b>	3,927,710
<b><u>Accumulated Depreciation:</u></b>		
At 1 January	<b>1,016,513</b>	485,376
Depreciation for the period/year	<b>196,385</b>	531,137
	<b>1,212,898</b>	1,016,513
Net book value	<b>2,714,812</b>	2,911,197
<b><u>Lease liability:</u></b>		
	<b>31 March 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Balance at the beginning of the period/year	<b>2,529,600</b>	913,553
Additions during the period/year	-	2,366,332
Adjustments during the period/year	-	56,731
Interest during the period/year	<b>34,942</b>	69,561
Payment during the period/year	<b>(175,000)</b>	(876,577)
	<b>2,389,542</b>	2,529,600
Current portion	<b>(648,863)</b>	(788,922)
Non-current portion	<b>(1,740,678)</b>	(1,740,678)

**7. TRADE AND OTHER RECEIVABLES**

	<b>31 March 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Trade receivables	<b>23,031,816</b>	17,467,401
Less: provision for expected credit losses	<b>(1,266,054)</b>	(1,174,728)
	<b>21,765,762</b>	16,292,673
Advance payments to suppliers	<b>2,189,975</b>	1,721,364
Prepaid expenses	<b>1,582,302</b>	2,301,781
Staff receivables	<b>561,670</b>	608,097
Petty cash	<b>283,917</b>	279,516
Checks under collection	<b>53,762</b>	5,653,198
Other debit balances	<b>892,821</b>	892,821
Accrued income from deposits	<b>115,175</b>	-
	<b>27,445,384</b>	27,749,450
Provision for other debit balances	<b>(1,144,996)</b>	(1,144,996)
	<b>26,300,388</b>	26,604,454



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)**  
(SAUDI RIYALS)

**The movement of provision for expected credit losses during the year:**

Balance at the beginning of the period/year	1,174,728	293,953
Additions during the period/year	91,326	880,775
<b>Balance at the ending of the period/year</b>	<b>1,266,054</b>	<b>1,174,728</b>

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

Balance at the beginning of the period/year	1,144,996	1,048,051
Additions during the period/year	-	252,175
Provisions no longer required	-	(155,230)
<b>Balance at the ending of the period/year</b>	<b>1,144,996</b>	<b>1,144,996</b>

**8. CASH AND CASH EQUIVALENTS**

	<b>31 March 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Term deposits	65,000,000	60,000,000
Cash at banks	21,561,826	27,482,312
Cash on hand	602,034	574,958
	<b>87,163,860</b>	<b>88,057,270</b>

\* The maturity period of deposits is less than three months from the date of acquisition.

**9. SHARE CAPITAL**

The company's capital has been set at 20,000,000 share, the value of each share is SAR 10 (31 December 2022: 20,000,000 share, the value of each share is SAR 10).

The following are the major shareholders of the company:

<u><b>Shareholder's name</b></u>	<b>Current Ownership Percentage</b>	
	<b>31 March 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Amin bin Abdullah bin Ali Al Mallah	35%	35%
Seqa United Group (Previously Al Sadd Modern Advanced Company)	35%	35%

-In addition, on 13 December 2021, the Shareholders' Assembly approved the capital increase from the amount of SAR 170,000,000 to SAR 200,000,000 divided into 20,000,000 ordinary shares with a nominal value of SAR 10 per share. By capitalizing an amount of SAR 30,000,000 from the company's retained earnings. The legal procedures related to that have been completed during the year 2021.

-On 11 December 2021, the Board of Directors approved the company's initial public offering plan, offering 30% of the company's shares for public subscription. By submitting their applications and registering their securities with the Capital Market Authority and subsequently listing it on the financial market ('Tadawul').

- On 25 May 2022, the Capital Market Authority announced its approval of offering 6,000,000 shares for public subscription, representing 30% of the company's shares.

- On 15 August 2022, the Saudi Arabian Capital Market Authority (CMA) approved the company's listing on the Saudi Arabian financial market ('Tadawul')."

- The regulatory procedures for amending the company's articles of association to become a listed joint-stock company were completed on 26 October 2022, as well as the commercial registration number 1128018184.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)**

(SAUDI RIYALS)

**10. LONG TERM LOANS**

	<b>31 March 2023</b> <b>(Unaudited)</b>	<b>31 December 2022</b> <b>(Audited)</b>
Non-Current portion	7,856,157	8,241,864
Current portion	4,144,116	4,755,671
	<b>12,000,273</b>	<b>12,997,535</b>

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

	<b>31 March 2023</b> <b>(Unaudited)</b>	<b>31 December 2022</b> <b>(Audited)</b>
Balance at the beginning of the period/ year	12,997,535	16,851,005
Payments during the period/ year	(997,262)	(3,853,470)
Balance at the end of the period/ year	<b>12,000,273</b>	<b>12,997,535</b>

During the year 2020, the company entered into a commercial financing agreement with a bank in the amount of SAR 20,500,000. 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 repayable in 20 quarterly installments of equal amount for a period of 5 years. The value of the cars amounting to SAR 20,250,000 was mortgaged as a security for financing, in addition to promissory notes to the order of the lending bank, amounting to SAR 24,600,000, which were signed by the shareholders of the company. The loan does not include financial covenants.

**11. EMPLOYEES' END OF SERVICE BENEFITS**

	<b>31 March 2023</b> <b>(Unaudited)</b>	<b>31 December 2022</b> <b>(Audited)</b>
Balance at the beginning of the period/ year	3,744,106	2,283,822
Current service cost	364,463	1,239,035
Finance cost	40,696	59,053
Paid	(3,806)	(193,315)
Actuarial (gains)/losses from remeasurement of employee end-of-service benefits	(177,618)	355,511
	<b>3,967,841</b>	<b>3,744,106</b>

**The following are the significant actuarial assumptions:**

Discount rate	3.9%	4.35%
Salary growth rate	4%	4%

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)**

(SAUDI RIYALS)

**12. TRANSACTIONS WITH RELATED PARTIES**

Name of related parties	Nature of Relation	Nature of transaction	For the three-month period ended 31 March	
			2023 (Unaudited)	2022 (Unaudited)
Seqa united group (previously Al Sadd Modern advanced company)	shareholder	Raw material purchases	<b>15,763,605</b>	19,165,574
		Expenses	<b>257,232</b>	(28,595,742)
		Payment	<b>(16,394,873)</b>	-
Zulal Water Factory Company	Associate	Purchases	<b>5,391</b>	-
Middle East Machinery Factory Co. Ltd.	Associate	Purchase of property and machinery	-	1,434,699
		Payments	<b>(1,033,452)</b>	(1,193,659)
		Spare parts	<b>1,160,412</b>	-
		Expenses	<b>109,998</b>	-

The related party balances were as follows:

	Due from related parties		Due to related parties	
	31 March 2023 (Unaudited)	31 December 2022(Audited)	31 March 2023 (Unaudited)	31 December 2022(Audited)
Seqa united group	<b>1,089,646</b>	1,978,147	-	-
Zulal Water Factory Company	<b>2,343</b>	7,735	-	-
Middle East Machinery Factory Co. Ltd.	-	-	<b>944,834</b>	707,876
	<b>1,091,989</b>	1,985,882	<b>944,834</b>	707,876



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)**  
(SAUDI RIYALS)

**13. ZAKAT PROVISION**

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

	<b>31 March 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Balance at the beginning of the period/ year	<b>3,148,110</b>	1,912,122
Formed during the period/ year	<b>600,000</b>	3,148,110
Paid during the period/ year	<b>-</b>	(1,912,122)
Balance at the end of the period/ year	<b>3,748,110</b>	3,148,110

The company submitted its zakat returns for all years until 31 December 2022, and paid zakat obligations, and obtained a valid zakat certificate until 30 April 2024 and no final assessments or claims have been made for any of the years since the 2017 up to date.

**Tax position**

The company received tax differences resulting from the examination of the Zakat, Tax and Customs Authority ("ZATCA") with amount to SAR 5,281,971 for the value added tax returns for the months from September 2020 to December 2020 (of which SAR 3,504,899 are the original tax due, and an amount of SAR 1,777,072 represents the value of fines and penalties).

The company submitted objections to these differences, and these objections were not accepted by the Zakat, Tax and Customs Authority "the Authority", and accordingly a letter of guarantee was submitted in the amount of SAR 5,294,902 in favor of the Authority for those differences drawn on Riyad Bank

The company submitted an objection for the General Secretariat of Zakat, Tax and Customs Committees "the Secretariat". During the month of October 2022, and for the purpose of reducing the risks of failure of the objection submitted by the company to the Secretariat, the company paid the principal amount of the due tax amounting to 3,504,899 riyals in exchange for canceling the full value of fines and penalties imposed by the Authority, according to what was included in the initiative to cancel fines and exemption from Financial penalty.

On 20 December 2022, the letter of guarantee was settled and the amount of SAR 5,294,902 was returned to the company's account, and the amount of the letter of guarantee was fully recovered, and the company asked the old shareholders to pay the total value of amounts paid by the company, amounting to SAR 3,504,899. The amounts paid to the Zakat, Tax and Customs Authority was collected from the old shareholders of Company before the company was listed on the stock market, as it relates to tax differences prior to the public offering process, and this process did not result in any financial impact on the profit or loss statement amounts of the company.

**14. COST OF SALES**

	<b>For the three-month period ended 31 March 2023 (Unaudited)</b>	<b>2022 (Unaudited)</b>
Raw materials and inventory change	<b>27,723,107</b>	31,955,786
Depreciation	<b>4,308,461</b>	4,285,817
Salaries and other benefits	<b>3,573,994</b>	2,863,812
Operating expenses	<b>3,186,044</b>	2,841,017
	<b>38,791,606</b>	41,946,432

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)**

(SAUDI RIYALS)

**15. EARNINGS PER SHARE**

	<b>For the three-month period ended 31 March</b>	
	<b>2023 (Unaudited)</b>	<b>2022 (Unaudited)</b>
Net profit for the year	<b>11,171,340</b>	9,947,970
Weighted average number of shares	<b>20,000,000</b>	20,000,000
	<b>0,56</b>	0,50

The diluted earnings per share are the same as the basic earnings per share as the company has no diluted instruments.

**16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**16.1 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.

<b><u>As at 31 March 2023 (Unaudited)</u></b>	<b>less than one year</b>	<b>From 1 to 5 years</b>	<b>Total</b>
Loan	<b>4,755,671</b>	<b>8,322,423</b>	<b>13,078,094</b>
Due to related parties	<b>944,834</b>	-	<b>944,834</b>
Trade and other payables	<b>18,668,676</b>	-	<b>18,668,676</b>
Lease liability	<b>876,577</b>	<b>1,754,730</b>	<b>2,631,307</b>
	<b>25,245,758</b>	<b>10,077,153</b>	<b>35,322,911</b>

<b><u>As At 31 December 2022 (Audited)</u></b>	<b>less than one year</b>	<b>From 1 to 5 years</b>	<b>Total</b>
Loan	4,755,671	9,511,341	14,267,012
Due to related parties	707,876	-	707,876
Trade and other payables	18,414,674	-	18,414,674
Lease liability	876,577	1,929,731	2,806,308
	24,754,798	11,441,072	36,195,870

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.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)**

(SAUDI RIYALS)

**16.2 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.

**16.3 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
<b><u>As at 31 March, 2023 (Unaudited)</u></b>		
Trade payables	<b>807,529</b>	<b>824,739</b>
<b><u>As at 31 December, 2022 (Audited)</u></b>		
Trade payables	<b>1,826,474</b>	<b>1,866,541</b>

**16.4 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:

	<b>31 March 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Cash at bank	<b>21,561,826</b>	27,482,312
Deposits	<b>65,000,000</b>	60,000,000
Other debit balance	<b>1,907,345</b>	6,288,636
Trade receivables	<b>23,031,816</b>	17,467,401
	<b>111,500,987</b>	111,238,349

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.



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)**

(SAUDI RIYALS)

**17. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

-The company has no contingent liabilities as of 31 March 2023 and 31 December 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 2023.

The following are the details of the capital commitments:

	<b>31 March 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Total capital contracts	<b>13,800,000</b>	13,800,000
Advance payments for the purchase of property, plant and equipment/projects under Construction	<b>(1,380,000)</b>	(1,380,000)
Capital commitments	<b>12,420,000</b>	12,420,000

**18. SEGMENT REPORTING**

The company has one operational sector represented in the production and bottling of pure filtered water. The company's operating assets are located in its factory located in the city of Qassim, kingdom of Saudi Arabia. The main sectors of the company are presented according to the geographical sectors, The company operates in the Kingdom of Saudi Arabia and exports pure filtered bottled water to some Arab countries according to the data shown below:

<b>Sales for the period ended</b>	<b>Local sales</b>	<b>Export sales</b>	<b>Total</b>
31 March 2023(Unaudited)	<b>57,609,343</b>	<b>1,731,061</b>	<b>59,340,404</b>
31 March 2022(Unaudited)	59,057,752	1,161,820	60,219,572

<b>Account Receivables As At</b>	<b>Local customers</b>	<b>Export customers</b>	<b>Total</b>
31 March 2023(Unaudited)	<b>22,001,003</b>	<b>1,030,813</b>	<b>23,031,816</b>
31 December 2022(Audited)	16,657,100	810,301	17,467,401

**Sales by region:**

<b>Region</b>	<b>For the three-month period ended 31 March 2023 (Unaudited)</b>	<b>2022 (Unaudited)</b>
South area	<b>3,077,084</b>	1,982,902
East area	<b>4,368,902</b>	4,939,188
North area	<b>6,124,879</b>	5,400,315
West area	<b>5,602,874</b>	6,467,653
Central area	<b>38,045,654</b>	39,767,784
Export sales	<b>1,731,061</b>	1,161,820
Other Multiple areas	<b>389,950</b>	499,910
	<b>59,340,404</b>	60,219,572

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)**

(SAUDI RIYALS)

---

**19. DIVIDENDS**

On 8 January 2023, The Company's Ordinary General Assembly approved the Board of Directors' recommendation to distribute cash dividends in the amount of SAR 20,000,000, which represents 10% of the company's capital, to shareholders for the second and third interim periods of 2022, at an amount of SAR 1 per share.

**20. SUBSEQUENT EVENTS**

On 6 May 2023, the Board of Directors submit a recommendation to the General Assembly of the company to split the nominal value of the share from SAR 10 to SAR 1 per share, while keeping the capital unchanged.

**21. APPROVAL OF THE FINANCIAL STATEMENTS**

These interim condensed financial statements have been approved by the Board of Directors on 2 Dhual Qa'dah 1444 H corresponding to 22 May 2023.

---