

NAQI WATER COMPANY
(A SAUDI JOINT STOCK COMPANY)

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
WITH INDEPENDENT AUDITOR'S REPORT**

NAQI WATER COMPANY
(A SAUDI JOINT STOCK COMPANY)

AS AT 31 DECEMBER 2023

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF / NAQI WATER COMPANY REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In Our Opinion, The accompanying financial statement present fairly, In All Material Respects, The Financial Position of The NAQI WATER COMPANY (A Saudi Joint Stock Company) (The "Company") as at 31 December 2023 and Its Financial Performance and Its Cash Flows For The Year Then Ended In Accordance With International Financial Reporting Standards That Are Endorsed In The Kingdom Of Saudi Arabia And Other Standards And Pronouncements Issued By Saudi Organization For Chartered And Professional Accountants (SOCPA).

We have audited the financial statement of the company, which comprise of the following:

- The statement of financial position as at 31 December 2023;
- The statements of profit or loss and comprehensive income for the year then ended;
- The statement of changes in equity for the year then ended;
- The statement of cash flows for the year then ended, and;
- The notes to the financial statements, including a summary of significant accounting policies.

BASIS FOR OPINION

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

Other matter

The financial statements for the year ended December 31, 2022, were audited by another auditor who expressed an unmodified opinion in their report dated Ramadan 13, 1444H corresponding to April 4, 2023.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the of the current year. These matters were addressed in the context of our audit of the as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matters, a description of how our audit addressed the matter is set out below:

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF / NAQI WATER COMPANY REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

KEY AUDIT MATTERS (CONTINUED)

KEY AUDIT MATTERS	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
REVENUE RECOGNITION- SALES	
<p>With reference to the accounting policy for revenue recognition, the company's revenues for the year ended December 31, 2023 amounted to SAR 238,822,627 (2022: SAR 284,290,176).</p> <p>Revenue recognition is considered a key audit matter due to:</p> <p>Revenue recognition has been identified as a key audit matter due to the following:</p> <ul style="list-style-type: none"> Significant volume of transactions; The auditing professional standards presume that there is significant risk related to revenue recognition. <p>The accounting policy for revenue is outlined in (note 3) and a breakdown of revenue is presented in (note 20).</p>	<p>We performed the following procedures in relation to revenue recognition:</p> <ul style="list-style-type: none"> Testing the design and implementation of the internal controls related to Sales recognition and their operating effectiveness. Testing sales transactions and performing cut off procedures to ensure that revenues are recorded in the correct periods. Performing substantive test of details and analytical procedures.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF / NAQI WATER COMPANY REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

KEY AUDIT MATTERS (CONTINUED)

KEY AUDIT MATTERS	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
EXPECTED CREDIT LOSSES- TRADE RECEIVABLES	
<p>As of 31 December 2023, the trade receivables were SAR 24,435,677 (2022: SAR 17,559,551), with allowance for the expected credit losses amounting to SAR 1,767,773 (2022: SAR 1,174,728).</p> <p>Trade receivables are recorded net of the expected credit losses. The Company has adopted IFRS 9 - Financial Instruments and the 'Expected Credit Losses' model, which requires the use of significant judgements related to the impact of the changes in the economic factors on the expected credit losses models. Accordingly, we have considered this matter as a key audit matter.</p> <p>The accounting policy for the trade receivables is outlined in (note 3) and a breakdown of revenue is presented in (note 9).</p>	<p>The audit procedures we performed included, among other things, based on our judgement, the following:</p> <ul style="list-style-type: none"> ■ Obtaining an understanding of the revenue recognition, trade receivables and the calculation of the expected credit losses processes considering the relevant accounting standards and assessing the appropriateness of the accounting policies used. ■ Testing the design and implementation of the internal controls related to trade receivables balances and the follow up on the collection of these balances. ■ Selecting a sample from the trade receivables, and requested sending balance confirmations to verify the correctness of the balances at year end, and for customers where no confirmations were received, we performed alternative audit procedures including vouching of the supporting documents and the follow up on subsequent collections for the selected samples. ■ Reviewing the expected credit losses study prepared by management and the adequacy of the provision formed. ■ Evaluating the basis used by management in determining the expected credit losses and their reasonableness. Involving our specialists to review the methods used by management compared to what is generally accepted. ■ Evaluating the assumptions, approach and judgements used by management in the expected credit losses model. ■ Assessing the adequacy of disclosures included by management in the financial statements.

OTHER INFORMATION

The other information consists of the information included in the company's annual report for the year 2023, other than the financial statements and the auditor's report thereon. Management is responsible for the other information in its annual report.

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

**PKF****Ibrahim Ahmed Al-Bassam
& Co. Certified Public Accountants****INDEPENDENT AUDITOR'S REPORT****TO THE SHAREHOLDERS OF / NAQI WATER COMPANY
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****OTHER INFORMATION (CONTINUED)**

In connection with our audit of the financial statements, our responsibility is to read the other information described above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Substantial in any other way. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report on this matter.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE

Management is responsible for the preparation and fair presentation of the in accordance with IFRSs as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, Company's By-laws and the applicable requirements of Company's regulations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the company's financial reporting process

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used, the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exist related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosure in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF / NAQI WATER COMPANY REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

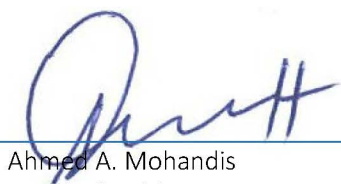
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Based on the information that has been made available to us while performing our audit procedures, nothing has come to our attention that causes us to believe that the company is not in compliance, in all material respects, with the applicable requirements of the Regulation for Companies in the Kingdom of Saudi Arabia and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

For Al-Bassam & Co.



Ahmed A. Mohandis
Certified Public Accountant
License No. (477)
Qassim: 25 Shaaban 1445H
Corresponding to: 6 March 2024



NAQI WATER COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(Expressed in Saudi Arabian Riyals)

	Note	31 December 2023	31 December 2022
Assets			
Non-current assets			
Property, plant and equipment	4	137,183,701	146,387,220
Advance payments for the purchase of property, plant and equipment	5	8,440,314	1,380,000
Biological assets, net	6	1,850,513	--
Right of use assets, net	7	4,462,430	2,911,197
Intangible assets, net	8	4,903,880	1,016,233
Non-current assets		156,840,838	151,694,650
Current assets			
Trade receivables, net	9	22,667,904	16,384,822
Inventory	10	22,210,632	22,681,031
Due from related parties	11	4,805,893	1,985,882
Prepaid expenses and other receivables, net	12	7,180,338	10,311,781
Cash and cash equivalents	13	78,797,294	88,057,270
Current Assets		135,662,061	139,420,786
Total Assets		292,502,899	291,115,436
Shareholders' equity and liabilities			
Shareholders' Equity			
Share capital	14	200,000,000	200,000,000
Statutory reserve	15	16,893,318	12,598,306
Retained earnings		36,238,434	36,883,080
Total shareholder's equity		253,131,752	249,481,386
Liabilities			
Non-current liabilities			
Employees' end of service benefits	16	4,390,338	3,744,106
Long term loan – noncurrent portion	17	4,157,968	8,241,864
Lease liability – noncurrent portion	2/2/8	3,063,508	1,740,678
Total Non-current liabilities		11,611,814	13,726,648
Current liabilities			
Trade payables		13,132,764	14,686,444
Lease liability – current portion	1/2/8	878,810	788,922
Long term loan –current portion	17	4,755,671	4,755,671
Accrued expenses and other credit balances	18	3,986,780	3,820,379
Due to related parties	12	1,975,917	707,876
Zakat	19	3,029,391	3,148,110
Current liabilities		27,759,333	27,907,402
Total Liabilities		39,371,147	41,634,050
Total equity and liabilities		292,502,899	291,115,436

Chief Financial Officer

Dr. Qasim Zureigat

Chief Executive Officer

Mr. Abdulaziz Alsayegh

Chairman

Mr. Amin Al Mallah

The accompanying notes form an integral part of these financial statements.

NAQI WATER COMPANY
(A SAUDI JOINT STOCK COMPANY)

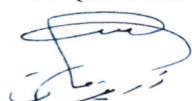
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

(Expressed in Saudi Arabian Riyals)

	Note	2023	2022
Revenues	20	238,822,627	284,290,176
Cost of sales	21	(153,663,556)	(194,252,724)
Gross profit		85,159,071	90,037,452
Selling and Distribution expenses	22	(27,761,046)	(23,783,101)
Administrative expenses	23	(14,379,254)	(11,236,658)
Other operating income	24	565,070	1,597,915
Expected credit losses Provision – Trade receivables	9	(593,045)	(880,775)
Expected credit losses Provision – Other debit balances	12	--	(252,175)
Provision no longer required	12	--	155,230
Initial public offering costs and first year expenses		--	(3,195,886)
Profit from operation		42,990,796	52,442,002
Time deposits income		4,013,813	214,417
Finance costs	25	(1,025,097)	(801,243)
Profit before zakat		45,979,512	51,855,176
Zakat	19	(3,029,391)	(3,148,110)
Net profit after zakat		42,950,121	48,707,066
Other comprehensive income:			
Items that will not be reclassified under profit or loss:			
Re-measurement of employee benefit liabilities	16	700,245	(355,511)
Total comprehensive income		43,650,366	48,351,555
Earnings per share:			
Basic and Diluted	26	2.15	2.44

Chief Financial Officer

Dr. Qasim Zureigat



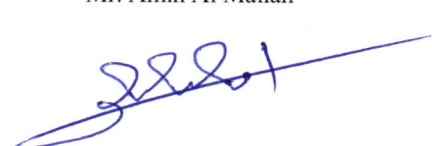
Chief Executive Officer

Mr. Abdulaziz Alsayegh



Chairman

Mr. Amin Al Mallah



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NAQI WATER COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in Saudi Arabian Riyals)

	<u>Note</u>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
<u>2022:</u>					
Balance at 1 January 2022		200,000,000	7,727,599	206,346	207,933,945
Comprehensive income for the year					
Net profit for the year		--	--	48,707,066	48,707,066
Other comprehensive income		--	--	(355,511)	(355,511)
Total comprehensive income for the year		--	--	48,351,555	48,351,555
Transfer to statutory reserve		--	4,870,707	(4,870,707)	--
Amounts Covered by Existing Shareholders for IPO Cost		--	--	3,195,886	3,195,886
Dividends		--	--	(10,000,000)	(10,000,000)
Balance at 31 December 2022		<u>200,000,000</u>	<u>12,598,306</u>	<u>36,883,080</u>	<u>249,481,386</u>
<u>2023:</u>					
Balance at 1 January 2023		200,000,000	12,598,306	36,883,080	249,481,386
Net income for the year		--	--	42,950,121	42,950,121
Other comprehensive income		--	--	700,245	700,245
Total comprehensive income for the year		--	--	43,650,366	43,650,366
Transfer to statutory reserve		--	4,295,012	(4,295,012)	--
Dividends	30	--	--	(40,000,000)	(40,000,000)
Balance at 31 December 2023		<u>200,000,000</u>	<u>16,893,318</u>	<u>36,238,434</u>	<u>253,131,752</u>

Chief Financial Officer

Dr. Qasim Zureigat

Chief Executive Officer

Mr. Abdulaziz Alsayegh

Chairman

Mr. Amin Al Mallah

The accompanying notes form an integral part of these financial statements.

NAQI WATER COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in Saudi Arabian Riyals)

	Note	2023	2022
<u>Cash flows from operating activities</u>			
Net income for the year before zakat		45,979,512	51,855,176
Adjustments:			
Depreciation of Property, Plant and Equipment	4	22,149,667	21,349,389
Initial Public Offering Costs		--	3,195,886
Amortization of intangible assets	8	167,837	131,861
Amortization of biological assets	6	408,120	--
Amortization of right-of-Use assets	7	1,145,046	531,137
Provisions for employees' end of service benefits	16	1,304,048	1,239,035
Provision for expected credit losses for trade receivables	9	593,045	880,775
Provision for expected credit losses for other debit balances	12	--	252,175
Finance costs		1,025,097	801,243
Provision No Longer Required - Other debit balances	12	--	(155,230)
Capital gain		(96,792)	--
Loss on disposals on biological assets	6	164,579	--
		<u>72,840,159</u>	<u>80,081,447</u>
<u>Changes in operating assets and liabilities</u>			
Inventories		470,399	(127,524)
Trade receivables		(6,876,127)	(7,568,586)
Prepayments and other receivables		3,131,443	1,896,237
Due from related party		(2,820,011)	(1,768,501)
Trade payable		(1,553,680)	7,112,642
Accrued expenses and other payables		270,851	234,657
Due to related party		1,268,041	(6,191,944)
		<u>66,731,075</u>	<u>73,668,428</u>
<u>Cash generated from operating activities</u>			
Employee's end -of-service benefits paid		(117,876)	(193,315)
Paid Zakat		(3,148,110)	(1,912,122)
Net cash generated from operating activities		<u>63,465,089</u>	<u>71,562,991</u>
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment	4	(13,622,356)	(5,857,164)
Purchase of biological assets	6	(2,423,212)	--
Proceeds from the disposal of property, plant and equipment		668,550	--
Advanced payments for the purchase of property, plant and equipment	5	(7,060,314)	--
Addition on property, plant and equipment	8	(4,055,484)	(21,100)
Net cash used in investing activities		<u>(26,492,816)</u>	<u>(5,878,264)</u>
<u>Cash flows from financing activities</u>			
Repayment of loans		(4,083,896)	(3,853,470)
Finance costs paid		(671,772)	(758,408)
Payment of lease liabilities	7	(1,476,581)	(876,577)
Dividends paid		(40,000,000)	(10,000,000)
Net cash used in financing activities		<u>(46,232,249)</u>	<u>(15,488,455)</u>
Net change in cash and cash equivalents		<u>(9,259,976)</u>	<u>50,196,272</u>
Cash and cash equivalent at the beginning of the period		<u>88,057,270</u>	<u>37,860,998</u>
Cash and cash equivalents at end of the period		<u>78,797,294</u>	<u>88,057,270</u>

The accompanying notes form an integral part of these financial statements

NAQI WATER COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in Saudi Arabian Riyals)

<u>Non-cash transaction</u>	<u>Note</u>	<u>2023</u>	<u>2022</u>
Right of use assets	7	2,696,279	--
Property plant and equipment		--	(602,250)

Chief Financial Officer

Dr. Qasim Zureigat



Chief Executive Officer

Mr. Abdulaziz Alsayegh



Chairman

Mr. Amin Al Mallah



The accompanying notes form an integral part of these financial statements

NAQI WATER COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in Saudi Arabian Riyals)

1. BRIEF ABOUT THE COMPANY AND ACTIVITIES

Naqi Water Company is a Saudi joint stock company registered in the city of Unaizah in Qassim, Saudi Arabia under commercial registration number 1128018184 issued on 27 Jumada Al-Thani 1435H corresponding to April 27, 2014, and its subsequent amendments.

Head Office Address: Al-Obaisah District, P.O. Box 5228, Qassim, Unaizah, Kingdom of Saudi Arabia.

Initial Public Offering (IPO) Plan:

On 7 Jumada al-Ula 1443 AH, corresponding to December 11, 2021 AD, the Board of Directors approved the company's initial public offering plan by offering 30% of the company's shares for initial year subscription by submitting an application and registering the securities to the Capital Market Authority and placing the company on the market and listing the Company on the financial market (Tadawul). On Shawwal 24, 1443 AH, corresponding to May 25, 2022 AD, the Capital Market Authority announced its approval to offer 6,000,000 shares for public subscription this year, representing 30% of the company's shares. The Saudi Capital Market Authority approved the company's listing on the Saudi Stock Exchange (Tadawul) on Muharram 17, 1444 AH, corresponding to August 15, 2022 AD.

Date of completion of the regulatory procedures for amending the company's articles of association to become a listed joint stock company: 26 Rabi' Al-Awwal 1444H corresponding to October 26, 2022.

The Company Activities are:

- Production and bottling of filtered pure water.
- Wholesaling of bottled water, soft drinks, and juices.
- Retailing of beverages in specialized stores.
- Land transportation of goods.
- Rearing and producing broiler breeder hens, operating their hatcheries, and producing eggs.

The Company operates through its branches in the following cities in the Kingdom and these factories operate under the following commercial registrations and their dates:

Factory	City/Place	CR Number	Hijri Date of CR	Gregorian Date of CR
NAQI WATER COMPANY	Riyadh	1010603193	13/3/1441H	10/11/2019
NAQI's Qatra WATER COMPANY	Riyadh	1010460840	17/1/1440H	24/9/2018
NAQI WATER COMPANY	Unaizah	1128183653	18/5/1444H	11/12/2022
NAQI WATER COMPANY	Unaizah	1128184884	14/3/1442H	29/11/2020
NAQI WATER COMPANY	Jeddah	4030498557	27/6/1444H	19/1/2023
NAQI WATER COMPANY	Unaizah	1128189986	29/1/1445H	15/8/2023
NAQI WATER COMPANY	Dammam	2050180099	12/6/1445H	24/12/2023
NAQI WATER COMPANY	Jezan	5900145516	16/5/1445H	28/11/2023

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in Saudi Arabian Riyals)

2. BASIS OF PREPARATION

2/1 Statement of compliance

The financial statement (hereinafter referred to as “financial statements”) have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Certified Public Accountants.

2/2 Basis of measurement

The financial statements were prepared according to the historical cost principle, with the exception of defined benefit obligations for employees (the provision for end-of-service benefits), and at the present value of future obligations using the projected unit credit method, trade receivables, right-of-use assets, and lease obligations, and using the accrual principle of accounting and the going concern principle.

2/3 Functional and presentation currency

The financial statements are measured using the currency of the primary economic environment in which the Company operates (“the functional currency”). The financial statements are presented in Saudi riyals, which is the functional and presentation currency.

2/4 Use of judgements and estimates

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and actual results may differ from these estimates.

Estimates and assumptions are based on previous experience and factors that may include expecting suitable future events which are used to extend book period of dependent assets and liabilities from other resources and estimates and assumptions are continuously being evaluated. Revised accounting estimates are reviewed in the period in which the estimates are revised in the audit period and future periods, if the changed estimates affect current and future periods.

Significant judgments made by the management (Note 3/26) upon the adopting the Company’s accounting policies correspond to the disclosed policies in last year’s financial statements.

2/5 Going Concern

The Company's management has assessed the Company's ability to continue as a going concern, and is convinced that the Company has sufficient resources to continue its business in the near future. In addition, the management does not have any material doubts about the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in Saudi Arabian Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES

Mentioned below an overview of the significant accounting policies applied in the preparation of these financial statements of the company. These policies are consistently applied to all periods presented,

3/1 New and amended IFRS standards issued and effective in the year 2023

The following amendments to standards relevant to the Company are effective for the annual periods beginning on or after January 1, 2023 (unless otherwise stated). The Company adopted these standards and / or amendments, however, there is no significant impact of these on the financial statements:

Amendments to standards	Description	Effective from accounting period beginning on or after	Summary of amendment
IFRS 9 (Amendments to IFRS 4)	Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	January 1, 2023	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
IFRS 17	Insurance Contracts and its amendments	January 1, 2023	This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements.
IAS 8	Amendment to the definition of accounting estimate	January 1, 2023	These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023	These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences
IAS 12	International tax reform (pillar two model rules)	January 1, 2023	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3/2 New and amended IFRS Standards issued but not yet effective

The company has not applied the following new and revised IFRS Standards and amendments to IFRS that have been issued but are not yet effective:

Amendments to standards	Description	Effective from accounting period beginning on or after	Summary of amendment
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information	January 1, 2024	IFRS S1 is new standard requiring an entity to prepare and report sustainability-related financial disclosures in accordance with IFRS Sustainability Disclosure Standards. An entity may apply IFRS Sustainability Disclosure Standards irrespective of whether the entity's related general-purpose financial statements are prepared in accordance with IFRS Accounting Standards.
IFRS 16	Leases on sale and leaseback	January 1, 2024	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024	These amendments require to add disclosure requirements to enhance transparency of supplier finance arrangements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.
IAS 21	Lack of Exchangeability	January 1, 2025	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3/3 Foreign Currencies translation

Transactions in currencies other than the company's functional currency (foreign currencies) are recorded at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the end of each reporting period at the exchange rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the exchange rates prevailing at the date when the fair value was determined.

Exchange differences on monetary items are recognized in the financials statement of profit or loss in the year in which they arise except for foreign exchange differences on monetary items due from or due to a foreign operation that are not likely or due to be settled (and therefore form part of the net Investment in the foreign operation) which is initially recognized in other comprehensive income and is reclassified from shareholders' equity to the statement of profit or loss upon settlement of the monetary items.

3/4 Property, plant and equipment

Assets, Machinery and Equipment Presented at cost less accumulated depreciation and any impairment losses. Values are reviewed periodically to assess whether they have been impaired. If there is an indication that the carrying amount may not be recoverable, the asset is reduced to its recoverable amount. The impairment loss, if any, is recognized in profit or loss for the period. Exception: If an asset is derecognized with a revalued amount, the impairment loss is treated as a reduction in the revaluation surplus to the extent that the impairment loss does not exceed the revaluation surplus retained for that asset.

The costs incurred to replace any components of an asset are recognized as a separate item and capitalized against the carrying amount of the replaced part. Other expenditures are capitalized only when they increase the future economic benefits expected from the asset. Repair and maintenance costs of properties, equipment and factories are recognized in profit or loss and other comprehensive income as incurred.

The useful lives of properties, equipment and factories are reviewed at the end of each year. If the expected useful life differs from the previous estimate, the remaining book value is depreciated over the remaining useful life after re-estimation.

The cost less the estimated residual value is depreciated on a straight-line basis over the following estimated useful lives of the assets. Depreciation is charged on the basis of expected usage:

<u>Item</u>	<u>Years</u>
Buildings and improvements	3%
Trucks	10%
Vehicles	25%
Furniture and fixtures	20%
Machinery and equipment	10%
Tools	10%
Computers	20%
Desalination plant and laboratory equipment	20%

In respect of additions and disposals during the year, depreciation is charged from the months of acquisition or capitalization and up to the months preceding of disposal respectively.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3/4 Property, plant and equipment (Continued)

projects under construction

The cost of the projects under construction is calculated on the basis of the actual cost and is shown as projects under implementation until the project is received from the contractor, then it is transferred to the various items within property, machinery and equipment, and then depreciation is started.

3/5 Biological assets

The biological assets are measured at purchase cost plus the cost of raising or growing to the point of commercial production, less accumulated depreciation and accumulated impairment losses, if any. Cost of young biological assets is determined by purchase cost plus the cost of raising or growing according to age company. Fair value cannot be reliably measured due to the lack of available market prices and alternative measures of fair value are considered unreliable. Depreciation is not applied to young biological assets. Cost of raising includes the cost of related labor, feed, and other rearing expenses.

The biological assets are depreciated on a straight-line basis based on their estimated residual value based on commercial production periods as follows:

Laying hens	18 Months
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3/6 Intangible assets

Intangible assets include software licenses and right to use leased land. Acquired intangible assets are measured at cost initially, then at cost less accumulated amortization and impairment losses if any. Internally developed intangible assets are not capitalized except for capitalized development costs. Subsequent expenditures are capitalized only when they create probable future economic benefits for the asset company and are reliably measurable. Intangible assets with finite life are amortized over their estimated useful lives, reviewed for impairment when evidence exists, and adjusted prospectively if necessary. Amortization expenses of intangible assets with finite life are included in the statement of profit or loss as an expense in accordance with the function of the assets.

Software licenses	20%
Right to use Rented land	5% - 10%

3/7 Inventories

Inventories recorded at lower of cost or net realizable value. Cost determined on weighted average basis, including all direct manufacturing costs based on normal activity levels, transportation and handling costs, and reclassification from equity of any gains or losses from qualified cash flow hedges related to inventory purchases. Net realizable value comprises estimated selling price less additional manufacturing costs to completion and an appropriate portion of selling and distribution costs.

Spare parts valued at lower of cost or net realizable value, with cost determined on a weighted average basis.

3/8 Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at banks, and other short-term, highly liquid investments with maturities within three months from the original investment, readily available to the company without restrictions. Statement of cash flows prepared using the indirect method.

Restricted cash and cash equivalents not available for use (if any) excluded by the company from cash and cash equivalents for preparing the statement of cash flows.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3/9 Time deposit

Time deposits are bank deposits and other short-term, highly liquid investments with maturities exceeding three months but not exceeding one year from deposit date. Placed with investment-grade financial institutions and considered low credit risk. Investment income accrues on a time basis over the outstanding principal and at the applicable effective interest rate.

3/10 Financial instruments

Non-derivative financial instruments

The Company has applied the following classification and measurement requirements for financial instruments.

Recognition of financial instruments

Financial asset and liability is recognized when the Company represents a part of contractual obligations of the instrument, which is usually at the date of trade. The Company derecognizes financial asset when contractual cash flows of these assets are expired, or when the Company transfers financial asset's contractual cash flows in a transaction in which all risks and rewards of ownership of assets are substantially transferred. Any interests resulted from transferred financial assets that the Company has established or held as separate assets or liabilities are recognized.

De-recognition

On de-recognition of a financial asset, the difference between the carrying amount of the asset and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in the profit or loss. However, in respect of equity securities designated as at FVOCI, any cumulative gain / loss recognized in OCI is not recognized in the profit or loss on de-recognition.

A financial liability is derecognized from the financial statement of financial position when the company has discharged its obligation or the contract is cancelled or expires.

The company de-recognizes financial assets primarily when:

- contractual rights of cash flows from financial assets expire; or
- the company transfers the rights to collect contractual cash flows in the transaction through which all risks and rewards of ownership of the financial assets are transferred or through which the Company does not make a material transfer; or
- retain all risks and rewards of ownership and do not maintain control over financial assets.

The company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The company also derecognizes financial liabilities when its terms are modified and when the cash flows of the adjusted liabilities are significantly different. In such case, new financial liabilities are recognized at fair value based on the modified terms.

Upon discontinuing the recognition of financial liabilities, the difference between the carrying amount paid and the financial consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the income statement.

Non-derivative financial instruments

Classification of financial instruments

The Company classified its financial assets into the following measurement categories:

- Assets to be measured at amortized cost; or
- Fair value through profit or loss (FVTPL); or
- FVOCI - investment in equity instruments

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3/10 Financial instruments(continued)

Classification of financial instruments

The classification depends on the Company's business model for managing financial assets and the contractual terms of the financial assets cash flows. Financial assets are not reclassified subsequently to initial recognition unless the Company changed business model for managing the financial assets. In such case, all affected financial assets are reclassified at the first day of the first financial period subsequent to business model change.

Financial assets are measured at amortized cost if it meets both of the following conditions and are not recognized as financial assets at fair value through profit or loss:

- Kept in business model which aims to keep assets to gain contractual cash flows; and
- The contractual conditions lead to enter into certain dates for cash flows which represent the principal and the interests of the basic pending amount.

Upon the initial measurement of equity instruments, which the Company does not hold for trading purpose, the Company can elect to present any subsequent changes in fair value for these investments in the statement of other comprehensive income. This election is made on an investment by investment basis.

Any other financial assets not classified or measured at amortized cost or fair value through other comprehensive income as above mentioned, are measured at fair value through profit or loss, including derivative financial assets.

Financial assets- subsequent measurement - profits or losses:

Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses (see below). Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss is recognized in profit or loss.
FVOCI (Equity instruments)	These assets are subsequently measured at fair value. Dividends are recognized as revenues in the statement of profit or loss, unless these dividends represent recoverable amounts for part of the investment cost. Any other profits or losses are recognized in the statement of other comprehensive income and shall not be reclassified to the statement of profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net profits or losses, including any benefits or dividends are recognized in the statement of profits or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3/10 Financial instruments (Continued)

Reclassification

When an entity changes its business model for managing financial assets it shall reclassify all affected financial assets in accordance with the above-mentioned classification requirements.

Offsetting of financial instruments

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

Share capital

Instruments issued by the Company are classified as equity (shareholders' equity) only to the extent that the definition of the asset or liability does not apply. The Company's ordinary shares are classified as equity instruments (Shareholders' equity).

Impairment

Impairment of financial assets

IFRS 9 requires an entity to follow an expected credit loss model for the impairment of financial assets.

Expected credit loss should be measured for financial assets measured at amortized cost or fair value through other comprehensive income, except for equity instruments investments.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECL. These are ECLs that result from possible default events within the 12 months after the reporting date;
- Lifetime expected credit loss. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a credit asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. The Company can assume that credit risks on a financial instrument didn't significantly increase since the initial recognition; if the financial instrument is previously determined as low credit risk instrument at the date of report. However, lifetime expected credit loss measurement is always applied on trade receivables and assets of the contracts without the presence of a significant finance item, in which the Company can adopt this policy to trade receivables with a non-significant finance item.

The company elected to evaluate trade receivables impairment using 12-month expected credit loss model.

The carrying amount of financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in the profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write - off is later recovered, it is recognized in profit or loss in the period of recovery.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3/10 Financial instruments (Continued)

Impairment of non-financial assets

The carrying amounts of the company's non-financial assets are reviewed at each reporting date to determine whether there is any impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or companies of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to the recoverable amount. In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

The losses arising from impairment are recognized in the statement of profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (company of units) on a pro rata basis.

An assessment is conducted at each reporting date to determine whether there is an evidence of impairment loss previously recorded or curtailed. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

Non-financial assets other than goodwill, if any, that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3/11 Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognized within the statement of profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

3/12 Advances and loans

After initial recognition, interest bearing borrowings and borrowings (including trade and other payables) are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement on disposal of liabilities as well as through the amortization process.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3/13 Trade payables and accruals

Trade payables and other payables are recognized at fair value and are subsequently carried at amortized cost using the effective interest method. The Company derecognizes a financial liability (or part of a financial liability) from its statement of financial position when, and only when, it is extinguished; that is, when the liability specified in the contract is discharged or canceled or expires.

3/14 Borrowing Cost

Capitalizing borrowing costs that are directly attributable to the purchase, construction or production of an asset, which takes Created or prepared over a long period of time so that the asset is ready for the purpose for which it was created, or for It is sold as part of the cost of that asset. All other borrowing costs are recognized as an expense during the period in which they are incurred. Borrowing costs consist of financial interest and other costs that an entity incurs on Loans are obtained using the effective interest method.

3/15 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-Zakat rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to passage of time is recognized as interest expenses.

3/16 Employee's benefits

General description of a defined benefit plan for employee's - end of service benefits

The Company is required by law to pay end of service benefits (defined benefit plan) in accordance with the Saudi Labor Law. The benefit of the end of service benefit equals half the salary of the last month of each of the first five years of service, including the fractions of the year, in addition to the salary of the last month in full for each year of the remaining / subsequent service, including fractions of the year. Entitlement factors are applied in cases of resignation. The end of service benefit plan is unfunded.

Evaluation methodology and key assumptions for the actuarial study

In compliance with the requirements of IAS 17 "Employee's Benefits", the end of service indemnity is determined by actuarial valuation using the projected unit credit actuarial cost method at the end of each fiscal year. The gain or loss arising from actuarial revaluation is recognized in the statement of comprehensive income for the period in which the revaluation occurred. They are not included in profit or loss. The cost of the current service of the defined benefit plan is recognized in the statement of profit or loss under employee's benefit expense to reflect the increase in the liability resulting from staff services for the current year and the cases of change, reduction or adjustment of benefits. Service costs for the previous years are directly are also recognized in profit or loss. Interest is calculated using the effective discount rate at the beginning of the period.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3/16 Employee's benefits (continued)

Defined benefit costs are classified as follows:

- cost of service (including current service costs, past service cost, as well as gains and losses resulting from the scaling up and reimbursement of staff benefits);
- Interest cost; and
- Re-measurement.

Short-term employee's benefits

Liabilities are recognized and measured for benefits in respect of wages, salaries, annual leave and sick leave in the period in which they are rendered in the undiscounted amounts of the benefits expected to be paid for these services.

Retirement benefit costs

The Company contributes to the retirement benefits of employee's in accordance with the regulations of the General Organization for Social Insurance and is calculated as a percentage of the employee's remuneration. Payments are treated to government-managed pension benefit plans as payments to specific contribution plans as the Company's liabilities against these plans are equivalent to those that arise in a defined contribution retirement plan. Payments to retirement benefit plans are charged as an expense when due.

3/17 Revenue recognition

Revenues from contracts with customers

The Company recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15- revenue from contracts with customers.

Step 1 - Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 - Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 - Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4 - Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5 - Recognize revenue when (or as) the entity satisfies a performance obligation.

If the consideration promised in a contract includes a variable amount, the Company shall estimate the amount of consideration to which the company will be entitled in exchange for transferring the promised goods or services to a customer.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3/17 Revenue recognition (continued)

An amount of consideration can vary because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items. The promised consideration can also vary if the company's entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event.

The Company's revenue comes from:

- Sales from bottled water.
- Sales from egg production.

Revenue recognized when contract exists with customer to transfer products across categories and regions. Recognized in income statement when performance obligation met at allocated price. This is when control of products transfers to customer, revenue amount reliably measured, and collection probable. Control transferred according to commercial agreement terms. Revenue represents fair value of consideration received or receivable for goods sold net of returns and trade discounts.

Revenues from goods transport and logistics Services

The Company, in some cases, provides delivery services for sold goods or provides freight transport services to some customers. In some cases, a separate transaction price is not explicitly available in the contract, and the Company uses the estimation method to allocate the transaction price to performance obligations. The estimated price is based on the standalone selling price. This service is fulfilled during the delivery period to the customer and is recognized as revenue accordingly.

Other Income

Other income includes amounts recovered from scrap sales, profits from the sale of property, plant and equipment, and other refunds. Revenue from scrap sales, profits from the sale of property, plant and equipment, and other refunds are recognized in the income statement on the date that the Company's right to receive the payment is established.

3/18 Zakat & Tax

The Company and its subsidiaries are subject to zakat in accordance with the regulations of the Saudi General Authority of Zakat and Tax ("GAZT"). Zakat is provided for the period ratably and charged separately in the statement of profit or loss and other comprehensive income. Additional zakat, if any, related to prior years' assessments arising from GAZT are accounted for in the period in which the final assessments are finalized.

Withholding tax expense

The company withholds taxes on transactions with non-resident parties and on dividends paid to non-resident shareholders in accordance with GAZT regulations applicable in Kingdom of Saudi Arabia.

Value added tax

The value added tax was introduced in Saudi Arabia as of 1 January 2018 (14 Rabea Al Thani 1439H), which is tax on the supply of goods and services ultimately borne by the consumer, but collected at each stage of the production and distribution chain as a general principle. The value added tax (VAT) transaction in the Company's accounts should reflect its role as a tax collector and the VAT should not be included in income or expenditures, whether of capital nature or income. However, there will be circumstances in which the Company will incur VAT, and in such cases where VAT is non-refundable, it must be included in the cost of the product or service.

3/19 Expenses

Selling and Distribution expenses arising from the Company's efforts underlying the Distribution, selling and distribution functions. All other expenses, excluding cost of sales and financial charges, are classified as administrative expenses. Allocation of common expenses between cost of sales, selling and distribution and general and administrative expenses, where required, is made on a reasonable basis with regards to the nature and circumstances of the common expenses.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3/19 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. Asset is classified as current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current assets.

A liability is classified as current when:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the date of financial position.

The company classifies all other liabilities as non-current.

3/21 Dividends

Dividends are recorded as a liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the year in which they were approved by the General Assembly of shareholders.

3/21 Segmental information

An operating segment is a Company of assets and processes that jointly engage in the rendering of products or services subject to risks and rewards that differ from those of other business segments and which are measured in accordance with the reports used by the executive management.

A geographical segment is associated with the provision of products or services in a specific economic environment that is subject to risks and rewards that differ from those of segments of business in other economic environments.

3/23 Statutory reserve

In accordance with the Regulations for Companies and the Company's By-Laws, the Company is required to transfer 10% of its annual net income to a statutory reserve until such reserve equals 30% of share capital. This reserve is not available for distribution to shareholders.

3/24 Related parties' transactions

The Company has transactions and relationships with related parties consisting of related companies, associate companies, directors, key management personnel and entities over which directors and senior management personnel exercise significant influence. In the normal course of business, the Company enters into transactions with various related parties. On the date of each financial position, those related parties and the nature and volume of transactions with them during the relevant period/year are disclosed in addition to the balances due from/to those related parties in the notes to the financial statements.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3/25 Right of use assets and lease liabilities

The company assesses whether a contract is or contains a lease, at the inception of the contract. The Company recognizes the right-of-use asset and the corresponding lease obligation in respect of all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. The Company recognizes payments for these leases as an operating expense on a straight-line basis over the lease term unless there is another systematic basis that is more representative of the time pattern in which the economic benefits from the leased asset are exhausted.

A) Right of use assets

Right-of-use assets include the initial measurement of the corresponding lease liability, lease payments made on or before the commencement date and any initial direct costs. They are subsequently remeasured at cost less accumulated depreciation and impairment losses.

A provision is recognized and measured under International Accounting Standard No. (37), when the Company incurs an obligation for the costs of dismantling and removing a leased asset, rehabilitating the site on which it is located, or restoring the underlying asset to the condition required under the terms and conditions of the lease contract. Costs are included in the related right-of-use asset, unless these costs are incurred to produce the inventory.

The right to use assets is depreciated over the lease period or the useful life of the underlying asset, whichever is shorter. The right-of-use asset in question is depreciated over the useful life of the underlying asset, if the lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise the purchase option. Depreciation begins on the lease start date.

Right to use assets are presented as a separate item in the statement of financial position. The Company applies International Accounting Standard No. (36) - Impairment of Assets to determine whether the right-to-use asset is impaired and to account for any impairment loss.

Variable rents that depend on an index or rate are included in measuring the lease obligation and the right to use the asset. The related payments are recognized as an expense in the period in which the event or condition giving rise to those payments is incurred and are included in "other expenses" in the statement of profit or loss.

b) Lease liabilities

The lease liability is initially measured at the present value of the lease payments not made at the commencement date, discounted using the rate implicit in the lease. The Company uses an incremental borrowing rate if the rate is not readily identifiable. Lease payments included in measuring the lease liability consist of:

- Fixed lease payments (including fixed implicit payments), less any leasing incentives,
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the start date,
- The amount expected to be payable by the lessee under the residual value guarantees,
- The exercise price of the purchase options, if the lessee is reasonably certain to exercise the options, and
- Penalty payments in the event of termination of the lease, if the terms of the lease reflect the exercise of the option to terminate the lease.

The lease liability is presented as a separate line item in the statement of financial position. The lease liability is subsequently measured by increasing the book value to reflect the interest on the lease liability (using the effective interest rate method) and by reducing the book value to reflect what has been paid for the lease.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3/25 Right of use assets and lease liabilities (Continued)

b) Lease liabilities (continued)

The company remeasures the lease liability (and makes the corresponding adjustment to the right-of-use asset) whenever:

- The contract term is changed or there is a change in the valuation of exercising the purchase option, in which case the lease obligation is remeasured by discounting the modified lease payments using the modified discount rate,
- The lease payments change because of a change in the index or rate or a change in the expected payment under the guaranteed residual value. In these cases, the lease liability is remeasured by discounting the modified lease payments using the initial discount rate (unless the lease payments change because of the change in the interest rate Float, in this case the adjusted discount rate is used).

The lease is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the modified lease payments using a modified discount rate.

C) Short-term leases and leases with low value assets

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

3/26 Use of Judgements and Estimates

The preparation of the requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and actual results may differ from these. Estimates and assumptions are based on previous experience and factors that may include expecting suitable future events which are used to extend book period of dependent assets and liabilities from other resources and estimates and assumptions are continuously being evaluated. Revised accounting estimates are reviewed in the period in which the estimates are revised in the audit period and future periods, if the changed estimates affect current and future periods.

Significant judgments made by the management upon the adopting the Company's accounting policies correspond to the disclosed policies in last year's financial statements

Information about significant estimates and uncertainties and significant judgments in applying accounting policies that have the most significant effect on the amount recognized in the are described in the following notes:

Measuring employee benefits Liabilities

The Company's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount to arrive at present value. The calculation is performed annually by a qualified actuary using the projected unit credit method. Judgments are used in estimating the actuarial assumptions. Key assumptions are disclosed in Note (16).

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3/26 Use of Judgements and Estimates (continued)

Impairment of non-financial assets

At each reporting date, the company reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For impairment testing, assets are companyed together into the smallest company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or other CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in the statement of profit or loss. They are collected first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis (Note 9).

Impairment of trade and other receivables

The company follows an expected credit loss ("ECL") model for the impairment of trade receivables, this requires the Company to take into consideration certain estimates for forward looking factors while calculating the probability of default (Note 9 & 12).

Impairment for inventories

Management estimates the impairment to reduce the inventories to its net realizable value if the cost of the inventories is not recoverable or the inventories is damaged or become an obsolete in whole or in part, or if the selling price is lower than cost or any other factors that cause the net realizable value to become less than the carrying amount. Management valuation of net realizable value is based on the most reliable evidence at the time the estimates are used. These estimates consider fluctuations in prices or costs directly attributable to events occurring after the date of the financial statements to the extent that they confirm that the circumstances of such events exist as at end of the financial period (Note 10).

Useful lives of Buildings, property, plant and equipment

The Management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage physical wear and tear. Management reviews the residual value and useful lives annually and change in amortisation charges (if any) are adjusted in current and future periods (Note 4).

Intangible assets

Expected useful lives of intangible assets are estimated at a specific point in time or in undefined period. As for intangible assets with defined useful lives, they are amortized during the period of the asset's economic useful life and the impairment is estimated when an indicator of impairment exists. The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected amortization method of the future economic benefits included in the asset are accounted when a change in the period or method of amortization occurs, as needed, and they are treated as changes in the accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with undefined useful life are not amortized, but they are tested on annually basis, whether in a separate way or at the level of cash generating units. The evaluation of the indefinite life of asset is reviewed annually to determine whether the use of the indefinite useful life is still justified. In the event that these justifications do not persist, the estimate of the useful life is changed to a specified useful life on a future basis (Note 8).

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3/26 Use of Judgements and Estimates (continued)

Fair value of assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the access is available at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorized into levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The Company has no assets or liabilities under this level.

Level 3: Inputs for assets and liabilities that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Significant judgment in determining the lease term for contracts that include a renewal option

The Company determines the lease term as the irrevocable term of the lease, plus any periods covered by an option to extend the lease if it is certain to be exercised, or any periods covered by an option to terminate the lease, if it is Certain not to be practiced.

The Company has the option, under some lease agreements, to lease the assets for an additional period of up to 5 years. The Company applies judgment in assessing whether it is reasonable to exercise the renewal option. That is, they consider all relevant factors that create an economic incentive to exercise the renewal option. After the start date, the Company reassesses the lease term if there is a material event or change in circumstances within its control that affects its ability to exercise (or not exercise) the renewal option.

Contingent liabilities

Contingent liabilities, depending on their nature, will be settled on the occurrence or non-occurrence of one or more future events. Estimating these inherent liabilities involves the exercise of significant judgment and making estimates as to the outcome of future events.

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue to operate its business in the foreseeable future as disclosed in the financial statements. The Company's ability to continue as a going concern depends on its ability to generate additional cash flows from its operations and its success in raising additional capital through the issuance of equity. The Company has performed an assessment of its going concern and management is not aware of any material uncertainties that cast significant doubt on the Company's ability to continue as a going concern.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3/26 Use of Judgements and Estimates (continued)

Provisions

Provisions, by their nature, rely on estimates and evaluations to confirm whether recognition criteria are met, including an estimate of the likelihood of cash outflows. Management's estimates of provisions for environmental matters are based on an estimate of costs, after considering legal advice and other information currently available. It also includes provisions for end-of-service benefits and exit costs, if any, in addition to management's expression of judgment in estimating the expected cash outflows for end-of-service payments, site closure, or other exit costs. Provisions for contracts whose costs are greater than their benefits or uncertain liabilities involve management's best estimate of whether the cash outflows are probable.

Expected credit losses

The allowance for expected credit losses is determined by referring to a company of factors to ensure that the balances of receivables are not exaggerated as a result of the possibility that they will not be collected, based on the age from the date of initial recognition of the receivables. To measure expected credit losses, the receivables are companyed based on the characteristics of common credit risks and the number of Gone days. Expected loss rates have been derived from the Company's historical information and have been adjusted to reflect the expected future outcome, which includes any forward-looking information on macroeconomic factors such as inflation and GDP growth rate. The main assumptions are disclosed in Note No. (9).

Provisions for onerous contract losses

Management estimates the decline in the value of contracts whose implementation costs are greater than their benefits. In the event of such contracts, the company's ability to cancel the contract is evaluated based on the potential loss amount and the value of the contract's penalty clause. If management is unable to determine the value of the penalty clause in the event If the contract is not fulfilled, the estimated loss may be considered less than the value of the penalty clause that can be incurred. The loss is recorded in the statement of profit or loss.

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4. PROPERTY, PLANT AND EQUIPMENT, NET

	Land	Buildings and constructions on owned and leased lands	Trucks	Vehicles	Furniture and fixtures	Machinery and equipment	Tools	Computers	Desalination plant and laboratory equipment	Total
<u>Cost:</u>										
As at 1 January 2023	4,750,000	35,832,165	20,250,000	10,861,231	4,112,045	121,051,134	170,028	464,289	16,162,471	213,653,363
Additions	*7,350,000	2,636,559	--	2,029,500	383,963	258,800	471,406	124,966	367,162	13,622,356
Disposals	--	--	(810,000)	--	(1,900)	--	--	--	--	(811,900)
As at 31 December 2023	12,100,000	38,468,724	19,440,000	12,890,731	4,494,108	121,309,934	641,434	589,255	16,529,633	226,463,819
<u>Accumulated depreciation:</u>										
As at 1 January 2023	--	4,350,407	2,531,708	5,429,653	2,463,988	42,560,054	92,534	269,605	9,568,194	67,266,143
Depreciation for period	--	1,083,978	1,996,635	2,773,134	708,210	12,501,402	32,341	84,499	2,969,468	22,149,667
Accumulated depreciation of Disposals	--	--	(135,596)	--	(96)	--	--	--	--	(135,692)
As at 31 December 2023	--	5,434,385	4,392,747	8,202,787	3,172,102	55,061,456	124,875	354,104	12,537,662	89,280,118
<u>Net book value:</u>										
As at 31 December 2023	12,100,000	33,034,339	15,047,253	4,687,944	1,322,006	66,248,478	516,559	235,151	3,991,971	137,183,701
At 31 December 2022 (Audited)	4,750,000	31,481,758	17,718,292	5,431,578	1,648,057	78,491,080	77,494	194,684	6,594,277	146,387,220

*The land addition represents in a plot of land purchased during the year in the "Ghuwaymid" district of "Unaizah" in the city of Qassim for the purpose of establishing egg production lines at a cost of 7,350,000 Saudi Riyals (seven million three hundred and fifty thousand Saudi Riyals). The total value of the contract was paid during the year, and the procedures for transferring ownership and all related regulatory procedures were completed. No related parties involved in this transaction.

*Property, Plant and Equipment includes trucks mortgaged to a commercial bank under a trade finance agreement as collateral for the loan (Note 17).

5/1 The following is the breakdown of depreciation charged for the fiscal year ended December 31:

	Note	31 December 2023	31 December 2022
Cost of Sales	(21)	18,056,818	17,148,869
Selling and Distribution expenses	(22)	3,900,095	4,000,742
Administrative expenses	(23)	192,754	199,778
		22,149,667	21,349,389

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4. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

	Land	Buildings and constructions on owned and leased lands	Trucks	Vehicles	Furniture and fixtures	Machinery and equipment	Tools	Computers	Desalination plant and laboratory equipment	Total
<u>Cost:</u>										
As at 1 January 2022	4,750,000	34,588,242	18,710,000	7,851,962	3,756,586	120,786,755	170,028	417,906	16,162,471	207,193,950
Additions	--	1,243,923	1,540,000	3,009,269	355,460	264,379	--	46,383	--	6,459,414
As at 31 December 2022	<u>4,750,000</u>	<u>35,832,165</u>	<u>20,250,000</u>	<u>10,861,231</u>	<u>4,112,046</u>	<u>121,051,134</u>	<u>170,028</u>	<u>464,289</u>	<u>16,162,471</u>	<u>213,653,364</u>
<u>Accumulated depreciation:</u>										
As at 1 January 2022	--	3,287,064	500,687	3,459,932	1,780,911	30,118,853	75,377	194,515	6,499,416	45,916,755
Depreciation charge for the year (Note 4/1)	--	1,063,343	2,031,021	1,969,721	683,077	12,441,202	17,157	75,090	3,068,778	21,349,389
As at 31 December 2022	<u>--</u>	<u>4,350,407</u>	<u>2,531,708</u>	<u>5,429,653</u>	<u>2,463,988</u>	<u>42,560,055</u>	<u>92,534</u>	<u>269,605</u>	<u>9,568,194</u>	<u>67,266,144</u>
<u>Net book value:</u>										
As at 31 December 2022	<u>4,750,000</u>	<u>31,481,758</u>	<u>17,718,292</u>	<u>5,431,578</u>	<u>1,648,058</u>	<u>78,491,079</u>	<u>77,494</u>	<u>194,684</u>	<u>6,594,277</u>	<u>146,387,220</u>

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5. ADVANCED PAYMENTS FOR THE PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	<u>31 December 2023</u>	<u>31 December 2022</u>
<u>Cost</u>		
Advance payments – for establishment of the Riyadh factory*	7,060,314	--
Advance payments – Production line**	1,380,000	1,380,000
	<u>8,440,314</u>	<u>1,380,000</u>

*The Advance payments – for establishment of the Riyadh factory represents the value of the contract signed with the Saudi Pump Spare Parts Company on December 28, 2023, in consideration waiver for land plot number (0020M00216) granted with lease contract number (810025) of the Saudi Industrial Cities and Technology Zones Authority (MODON) in the second industrial city in Riyadh. The sale contract includes the properties and construction works erected on the land.

** The advance payment for establishing a production line represents the value of the amount paid in 2021 to the Middle East Machinery Factory Company - a related party.

6. BIOLOGICAL ASSETS

	<u>31 December 2023</u>	<u>31 December 2022</u>
<u>Cost:</u>		
At 1 January	--	--
Additions year	2,423,212	--
Adjustment during the year	(192,970)	--
Balance at year end	<u>2,230,242</u>	<u>--</u>
<u>Accumulated Depreciation:</u>		
At 1 January	--	--
Depreciation during the year (Note 21)	408,120	--
Amortization for disposal during the year	(28,391)	--
Balance at year end	<u>379,729</u>	<u>--</u>
<u>Net book value</u>		
Balance at year end	<u>1,850,513</u>	<u>--</u>

7. RIGHT OF USE ASSETS

7/1 Right of use assets

	<u>31 December 2023</u>	<u>31 December 2022</u>
<u>Cost:</u>		
At 1 January	3,927,710	1,418,869
Additions year	2,696,279	2,366,332
Adjustment during the year	--	142,509
Balance at year end	<u>6,623,989</u>	<u>3,927,710</u>
<u>Accumulated Depreciation:</u>		
At 1 January	1,016,513	485,376
Depreciation during the year (Note 22)	1,145,046	531,137
Balance at year end	<u>2,161,559</u>	<u>1,016,513</u>
<u>Net book value</u>		
Balance at year end	<u>4,462,430</u>	<u>2,911,197</u>

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7. RIGHT OF USE ASSETS (CONTINUED)

7/2 The movement in the lease liabilities is as follows:

	31 December 2023	31 December 2022
Balance at the beginning of the period/year	2,529,600	913,553
Additions during the period/year	2,696,279	2,366,332
Interest during the year (note25)	193,020	69,561
Adjustments during the period/year	--	56,731
Payment during the period/year	(1,476,581)	(876,577)
	3,942,318	2,529,600
Current portion	878,810	788,922
Non-current portion	3,063,508	1,740,678
	3,942,318	2,529,600

The discount rates used in calculating the right to use assets and lease liabilities range from 5 to 5.77%.

Amortization was charged to the profit and loss statement as follows:

	2023	2022
Selling and Distribution expenses (Note 22)	1,145,046	531,137
	1,145,046	531,137

8. INTANGIBLE ASSETS, NET

Movement in carrying value of intangible assets was as follows:

	software and computer licenses	Right of use leased land	31 December 2023	31 December 2022
<u>Cost</u>				
Balance at 1 January	1,355,478	-	1,355,478	1,334,378
Additions for the year	5,484	4,050,000	4,055,484	21,100
Balance at 31 December	1,360,962	4,050,000	5,410,962	1,355,478
<u>Accumulated Amortization</u>				
Balance at 1 January	339,245	-	339,245	207,384
Amortization charged on the year	133,515	34,322	167,837	131,861
Balance at 31 December	472,670	34,322	507,082	339,245
<u>Net book value</u>				
Balance at 31 December	888,202	4,015,678	4,903,880	1,016,233

The additions to the right of use leased land are represents in value of the portion specified for the right of use leased land from the total value of the contract of assignment of the right to lease a plot of land No. (0020M00077) included in the lease contract No. (23002060) of the Industrial Cities and Technology Zones Authority (MODON) in the Second Industrial City in Riyadh. This is based on an independent evaluation report (License No. 1210000474). The contract includes the assignment of the plot of land and the above-mentioned property and construction buildings.

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9. TRADE RECEIVABLES, NET

Trade receivables, net

	31 December 2023	31 December 2022
Trade receivables	24,435,677	17,559,551
Less: Expected credit loss provision	(1,767,773)	(1,174,728)
	22,667,904	16,384,823

The movement in allowance for expected credit losses during the year is as follows:

	31 December 2023	31 December 2022
Balance, at beginning of the year	1,174,728	293,953
Provided during the year	593,045	880,775
Balance at end of year	1,767,773	1,174,728

C) Ageing of the trade receivables as at 31 December is as follows:

Duration	31 December 2023		31 December 2022	
	Balance	Impairment In value	Balance	Impairment In value
Not due	14,170,801	17,004	11,285,032	--
From 0 to 90 days	6,339,249	91,618	4,917,085	167,050
From 91 to 180 days	1,060,962	15,333	435,328	159,708
Over 181 Days	2,864,666	1,643,818	922,055	847,970
	24,435,677	1,767,773	17,559,550	1,174,728

Collections in the subsequent period amounted to 14 million Saudi riyals from the balances of the company's existing trade payables as of December 31, 2023 (2022: 12 million Saudi riyals), which were excluded from trade payables when calculating expected credit losses, resulting in a net balance subject to calculation of 24,435,677 Saudi riyals (2022: 17,467,401 million Saudi riyals) classified according to their age.

10. INVENTORIES, NET

Inventories at 30 September comprise the following:

	31 December 2023	31 December 2022
Raw materials	12,797,982	14,628,372
Spare parts	6,631,791	6,066,026
Finished goods	2,147,477	1,399,992
Chemicals	408,932	586,641
Vehicle spare parts	224,450	--
	22,210,632	22,681,031

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11. RELATED PARTY

Transactions with related parties mainly consist of purchases of raw materials and provision of services, which are carried out according to agreed and approved terms by management.

The following is a statement of transactions with related parties during the year:

<u>Name of related parties</u>	<u>Nature of Relation</u>	<u>Nature of transaction</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
Seqa united company (previously Al Sadd Modern advanced company)	shareholder	Raw material purchases		
			65,309,527	88,542,171
		Raw material purchases		
		Payments	(61,176,254)	(88,954,324)
		expenses on behalf	--	(1,881,208)
		Collection of expenses paid on behalf	--	--
		Discounts and returned	(1,121,507)	(5,445,798)
		Other expenses	(4,994)	3,892,470
Amin Al Mallah	Shareholder	Raw material purchases		
		Advanced Payments	947,292	--
		Closing public offering project expenses in related party	--	3,892,470
Zulal Water Factory Company	Associate	Other expenses	(5,392)	--
		Raw material purchases	--	(209,647)
		Short term benefits	1,832,908	1,586,027
Advantages of senior management	Associate	End of service benefits	77,647	66,504
		Purchase of property, plant and equipment	3,522,580	7,076,653
		Raw material purchases		
Middle East Machinery Factory Co. Ltd.	Associate	Payments	(9,020,955)	(7,273,396)
		Returns	(13,053)	--
		Expenses	75,805	--

Due from Related parties:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Middle East Machinery Factory Co. Ltd.	4,803,552	--
Zulal Water Factory Company	2,341	7,735
Seqa united company (previously Al Sadd Modern advanced company)	--	1,978,147
	4,805,893	1,985,882

An allowance for expected credit losses was calculated for the balances due from related parties, considering the movement of those balances and subsequent collections. According to the best estimates of the management, it was found that the allowance is not material and did not affect the financial statements.

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11. RELATED PARTY (CONTINUED)

Due to related parties

	31 December 2023	31 December 2022
Seqa united company (previously Al Sadd Modern advanced company)	1,975,917	--
Al Sharq Factory Steel Industries Co. Ltd. (ASF)	--	707,876
	1,975,917	707,876

Advantages of senior management

Senior management employees are the people who exercise the authority and responsibility for planning, directing and monitoring the activities of the company directly or indirectly, including the manager (whether executive or otherwise)

Nature of the transaction	31 December 2023	31 December 2022
Salaries, allowances and incentives – senior management	1,832,908	1,416,176
End-of-service benefits – senior management	342,336	201,877
Board members	123,000	--

12. PREPAYMENTS AND OTHER RECEIVABLES, NET

Prepayments and other receivables comprise of the following:

	31 December 2023	31 December 2022
Advance to suppliers	3,415,707	1,721,364
Prepaid expenses	2,573,892	2,301,781
Employee's custody	671,595	279,516
Employee's loans	554,029	608,097
Accrued time deposit interest	205,820	--
Checks under collection	11,470	5,653,198
Other debit balances	892,821	892,821
Less:		
Provision for Other debit balances	(892,821)	(892,821)
Provision for Employee's custody	(252,175)	(252,175)
	7,180,338	10,311,781

The movement in the allowance for impairment in prepaid expenses and other receivables is as follows:

	31 December 2023	31 December 2022
Opening balance	1,144,996	1,048,051
Addition during year	--	252,175
Reversal of the provision during the year	--	(155,230)
Ending balance	1,144,996	1,144,996

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12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31 comprise the following:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Time deposits	66,800,000	60,000,000
Cash at banks	11,268,661	27,482,312
Cash on hand	724,557	574,958
Credit cards	4,076	--
	<u>78,797,294</u>	<u>88,057,270</u>

The maturity period of the deposits is less than three months from the date of acquisition, and according to Islamic law, they are distributed among commercial banks. The company achieved revenues during the fiscal year of 4,013,813 Saudi riyals (2022: 214,417 Saudi riyals).

All balances are estimated to be of low credit risk as they are deposited with well-known institutions with high credit ratings. There were no indications of default at any time on any of the company's bank balances. Therefore, the probability of default based on future factors or any default cases resulting from losses is almost negligible or non-existent.

14. 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).

On May 6, 2023 AD, the Board of Directors took its decision to submit a recommendation to the company's general assembly to split the nominal value of the share from ten riyals per share to ten halalas per share, while keeping the company's capital unchanged. On October 18, 2023, the General Assembly rejected the Board of Directors' recommendation to split the nominal value of the share.

Major shareholders as at 31 December are as follows:

	<u>31 December 2023</u>	
	<u>No. of shares</u>	<u>Ratio</u>
Seqa united company	7,000,000	35%
Amin Abdullah Al mallah	7,000,000	35%

15. STATUTORY RESERVE

In accordance with the provisions of the Companies Law in the Kingdom of Saudi Arabia and the Articles of Association until January 1, 2023, the company had to transfer 10% of the net income for the year to form a statutory reserve until the balance of this reserve reached 30% of the capital. This statutory reserve is not available for distribution to shareholders.

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16. EMPLOYEE END OF SERVICE BENEFITS

The valuation was prepared by an independent external actuary using the following key assumptions:

	31 December 2023	31 December 2022
	(Percentage per annum)	
Discount rate	4%	4%
Salaries increase rate	4.20%	4.35%

The following are the significant actuarial assumptions:

	31 December 2023	31 December 2022
Balance as of 1 January	3,744,106	2,283,822
Current service cost	1,304,048	1,239,035
Finance cost (Note 25)	160,305	59,053
paid during year	(117,876)	(193,315)
Actuarial (gains) / losses from remeasurement of employee end-of-service benefits during period/year	(700,245)	355,511
Balance at the end of the year from remeasurement of employee end of service benefits	4,390,338	3,744,106

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

Factor	Change in assumption	31 December 2023	31 December 2022
Discount rate	1%	4,054,453	3,214,725
	-1%	4,754,154	3,769,509
Long term salary	1%	4,754,049	3,769,426
	-1%	4,054,403	3,214,686
Deaths rate	1%	4,346,977	3,446,663
	-1%	4,432,236	3,514,264
Employee turnover rates	10%	4,301,253	3,388,984

The sensitivity analysis above is based on a change in a hypothesis while all other assumptions remain constant. In practice, this is unlikely to happen, and changes in some assumptions may be interconnected. The same method was used in calculating employees' end-of-service benefit liabilities recognized in the statement of financial position when calculating Sensitivity of the employee end-of-service obligation to significant actuarial assumptions (present value of the employee benefit obligation calculated by the projected unit credit method at the end of the report)

the undiscounted expected cash flows for employee termination benefits is as follow:

	31 December 2023	31 December 2022
Within one year	248,362	185,475
From one to five years	913,035	472,928
More than five years	5,374,913	3,458,741

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17. LOANS AND CREDIT FACILITIES

17/1 Classification of the loan between current and non-current portion:

	31 December 2023	31 December 2022
Current portion	4,755,671	4,755,671
No Current Portion	4,157,968	8,241,864
	8,913,639	12,997,535

17/2 Movement in loans:

The movement in loans consists of the following:

	31 December 2023	31 December 2022
Balance at January 1	12,997,535	16,851,005
Payment during the year	(4,083,896)	(3,853,470)
Balance at December 31	8,913,639	12,997,535

During the year 2020, the company entered into an Islamic financing agreement with Riyadh Bank for an amount of 20,500,000 Saudi riyals. The company used this loan to finance the purchase of cars. The loan is subject to a profit rate of SAIBOR plus 4% per annum, and is to be repaid in 20 quarterly installments over a period of 5 years. The value of the trucks, amounting to 20,250,000 Saudi riyals, was pledged as collateral for the financing, in addition to promissory notes in favor of the lending bank amounting to 24,600,000 Saudi riyals, which were signed by the company's shareholders. The loan does not include any financial covenants.

The total financing cost charged to the income statement for the loan during the year was 671,774 Saudi riyals (2022: 902,201 Saudi riyals) (Note 25).

17/3 Classification of the loan between current and non-current portion:

As at 31 December 2023	Less than year	From year to 5 years	Total
Loans	4,755,671	4,157,968	8,913,639
	4,755,671	4,157,968	8,913,639
As at 31 December 2022	Less than year	From year to 5 years	Total
Loans	4,755,671	8,241,864	12,997,535
	4,755,671	8,241,864	12,997,535

18. ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables as at 30 September comprise the following:

	31 December 2023	31 December 2022
Accrued expenses	2,902,397	2,929,148
Value added tax (VAT)	1,042,686	799,082
Advances from customers	31,157	92,149
Other Payables	10,540	--
	3,986,780	3,820,379

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19. ZAKAT

a) Zakat base

	31 December 2023	31 December 2022
Net profit before Zakat	45,979,527	51,855,176
Provisions created during the year	2,791,767	2,431,038
Adjusted net profit	48,771,294	54,286,214
Additions		
Share capital	200,000,000	200,000,000
Reserves	12,598,306	7,727,599
Loans	8,913,642	12,997,535
Lease liability	3,942,318	2,529,600
Provisions	7,726,090	3,277,281
Related party	707,876	707,876
Advances from customers	31,157	--
Total additions	233,919,389	227,239,891
Discounts		
Property, plant and equipment (net)	(137,183,701)	(146,387,220)
Advances for property plant and equipment's	(8,440,314)	(1,380,000)
Right-to-use assets	(4,462,430)	(2,911,197)
Biological assets	(1,850,513)	--
Intangible assets	(4,903,880)	(1,016,233)
Spare-parts inventory	(6,856,242)	(6,066,026)
Total deductions	(163,697,080)	(157,760,676)
Zakat base	70,222,309	69,479,215
Adjusted base According to zakat law	72,404,358	71,638,174
Zakat base	121,175,652	125,924,388
Zakat charge (Zakat base @ 2.5%)	3,029,391	3,148,110

b) Movement of Zakat provision during the year

The movement of the zakat provision of the year is as follows

	31 December 2023	31 December 2022
Balance, at beginning of the year	3,148,110	1,912,122
Add: Charge for the Year	3,029,391	3,148,110
Less: payments during the year	(3,148,110)	(1,912,122)
Balance at the end of the year	3,029,391	3,148,110

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20. SALES, NET

	<u>2023</u>	<u>2022</u>
Product Sales:		
Local Wholesale Sales - Bottled Water	104,402,605	128,875,378
Local Retail Sales - Bottled Water	120,717,709	141,134,886
Export Sales - Bottled Water	5,054,303	4,639,281
Local Wholesale Sales - Egg Production	1,412,371	--
Services revenue:		
Net Logistics Service Revenue	7,235,639	9,640,631
	<u>238,822,627</u>	<u>284,290,176</u>

All of the company's sales are at a specific point in time, and there are no contracts with customers to supply products over long periods of time.

21. COST OF SALES

	<u>2023</u>	<u>2022</u>
Consumed Raw materials	103,782,501	137,914,572
Depreciation of property plant and equipment (Note 4)	18,056,818	17,148,869
Salaries, wages and equivalents	14,057,431	14,714,716
Consumed Spare Parts	5,487,656	5,651,580
Operating expenses	3,685,529	5,041,770
Electricity and Water	3,609,785	3,837,499
Logistics expenses	2,452,586	6,921,971
Operating Expenses - Egg Production Lines	1,583,514	--
Maintenance and Insurance	539,616	3,021,747
Amortization of Biological Assets (Note 6)	408,120	--
	<u>153,663,556</u>	<u>194,252,724</u>

22. SELLING AND DISTRIBUTION EXPENSES

	<u>2023</u>	<u>2022</u>
Salaries, wages and equivalents	14,551,784	13,530,472
Depreciation of property plant and equipment (Note 4)	3,900,095	4,000,742
Fuel	2,683,870	1,565,056
Advertisements expenses	1,597,620	1,316,764
Depreciation for right of use (Note7)	1,145,046	531,137
Sales commissions	876,005	1,848,347
Repair and Maintenance	263,505	89,325
Others	2,743,121	901,258
	<u>27,761,046</u>	<u>23,783,101</u>

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23. ADMINISTRATIVE EXPENSES

	2023	2022
Salaries, wages and equivalents	11,197,462	9,075,440
Professional and consultation fees	542,051	662,288
Government Fees and Subscriptions	552,540	275,884
Mail, Phone, and Internet	221,396	224,497
Hospitality and Cleaning	220,046	66,011
Depreciation of property plant and equipment (Note 4)	192,754	199,778
Stationery and Printing	171,664	309,552
Amortization of intangibles assets (Note 8)	167,837	131,861
Repair and Maintenance	9,195	96,082
Bank Charges	8,595	20,727
Others	1,095,714	174,538
	14,379,254	11,236,658

24. OTHER REVENUES

	2023	2022
Scrap Sales Revenue	551,630	979,907
Others	13,440	618,008
	565,070	1,597,915

25. FINANCE COSTS

	Note	2023	2022
Bank Loans and Facilities	17	(671,772)	(672,629)
Finance Leases	7	(193,020)	(69,561)
Financing Costs for Employee End-of-Service Benefits	16	(160,305)	(59,053)
		(1,025,097)	(801,243)

26. EARNINGS LOSSES PER SHARE

The Calculation of Basic earnings per share was calculated based on the distributable profit to shareholders from ordinary shares and the weighted average number of ordinary shares outstanding as of the financial statement date.

	For the year ended December 31	
	2023	2022
Net income attributable to equity holders	42,956,136	48,707,066
Number of shares	20,000,000	20,000,000
earnings per share attributable to Company’s shareholders	2.15	2.44

Diluted loss per share

The calculation of diluted loss per share has been based on the net loss for the year attributable to the company's shareholders on ordinary shares and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, if any.

During the year there were no diluted shares, accordingly the diluted earnings / (loss) per share does not differ from the basic loss per share.

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27. FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks: Market risk (including currency risk, fair value and cash flow, interest rate risks and price risk), credit risk and liquidity risk.

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

27/1 Financial risk management framework

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The most important types of risk are credit risk, currency risk and fair value and cash flow interest rate risks.

The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees compliance by management with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Financial instruments carried on the balance sheet include cash and cash equivalents, trade and other receivables, Financial assets at fair value through Profit or loss, loans, trade payables and accrued expenses and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

27/2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: Interest rate risk, currency risk and another price risk.

27/2/1 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to fluctuations in foreign exchange rates. The Company is not significantly exposed to fluctuations in foreign exchange rates during its normal course of business, as the company core transactions during the period were denominated in Saudi Riyals and UAE Dirham. Since the exchange rate of the Saudi riyal is fixed against the UAE dirham, there are no significant risks associated with transactions and balances denominated in the UAE dirham.

The following is the quantitative data related to the foreign currency position:

As at 31 December 2023

	<u>UAE Dirham</u>	<u>Saudi Riyal</u>
Trade payable	<u>769,454</u>	<u>786,334</u>

As at 31 December 2022:

	<u>UAE Dirham</u>	<u>Saudi Riyal</u>
Trade payable	<u>1,826,474</u>	<u>1,866,541</u>

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27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27/2 Market risk (continued)

27/2/2 Risks of change in other purchasing prices

These are the risks associated with changes in the prices of some commodities, which the company is exposed to, which may have an undesirable impact on the company's costs and cash flows. These commodity price risks arise from anticipated purchases of certain goods from the raw materials used by the company.

27/3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration risk arises when a number of counterparties engaged in similar business activities or activities in the same geographical region or have economic features that would cause them to fail their contractual obligations. To reduce exposure to credit risk, the Company has developed a formal approval process whereby credit limits are applied to its customers, which are based on comprehensive customer ratings and past repayment rates.

The management also continuously monitors the credit exposure related to its customers and makes provision against the expected credit losses. Standing balances of customers are continuously monitored. Cash and cash equivalents are placed with national banks with sound credit ratings. Trade and other receivables are mainly due from local customers and the company's trade receivables are due from eight main customers. Trade receivables are stated at their estimated realizable values.

The following is the total maximum credit risk that the company is exposed to:

	2023	2022
Time deposit (Note 13)	66,800,000	60,000,000
Trade receivable (Note9)	22,667,904	16,384,823
Cash and cash equivalents (Note 13)	11,272,737	27,482,312
Due from related party (Note 11)	4,805,893	1,985,882
Other Debit balances (Note 12)	1,190,739	6,288,636
	106,737,273	112,141,653

27/4 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell financial assets quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available. The concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowings or reliance on a particular market in which to realize liquid assets. The following is the contractual maturities for financial liabilities at the end of the period, which are presented in gross and undiscounted amounts:

As at 31 December 2023	Less than year	From year to 5 years	Total
Trade payable	13,132,764	--	13,132,764
Accrued expenses	3,986,780		3,986,780
Loans	4,755,671	4,157,968	8,913,639
Due to related party	1,975,917	--	1,975,917
Lease Liabilities	878,810	3,063,508	3,942,318
	24,729,942	7,221,476	31,951,418

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27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27/4 Liquidity risk (CONTINUED)

As at 31 December 2022	Less than year	From year to 5 years	Total
Trade payable and other credit balances	14,686,444	--	14,686,444
Accrued expenses and other credits	3,820,379	--	3,820,379
Loans	4,755,671	8,241,864	12,997,535
Due to related party	788,922	1,740,678	2,529,600
Lease Liabilities	707,876	--	707,876
	<u>24,759,292</u>	<u>9,982,542</u>	<u>34,741,834</u>

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

27/5 Capital management

The company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Company's adjusted net debt to net equity ratio was as follows:

	<u>2023</u>	<u>2022</u>
Total obligations	<u>39,371,147</u>	<u>41,634,050</u>
Less: Cash and cash equivalents	<u>(11,997,294)</u>	<u>(28,057,270)</u>
Less: Time deposit	<u>(66,800,000)</u>	<u>(60,000,000)</u>
Net obligations	<u>(39,426,147)</u>	<u>(46,423,220)</u>
 Total shareholders' equity	 <u>253,131,752</u>	 <u>249,481,386</u>
Adjusted shareholders' equity	<u>253,131,752</u>	<u>249,481,386</u>
Net obligations to equity	<u>(16%)</u>	<u>(19%)</u>

28. CONTINGENCIES AND CAPITAL COMMITMENTS

The company has no potential obligations against the covered portion of bank guarantees or documentary credits as of December 31, 2023 and December 31, 2022.

The company has capital commitments related to advance payments for the purchase of properties.

The following are the details of the capital commitments:

	<u>2023</u>	<u>2022</u>
Advance payments for the purchase of properties, plant and equipment	<u>(8,440,314)</u>	<u>(1,380,000)</u>
Total capital commitments	<u>20,860,314</u>	<u>13,800,000</u>
Net obligations to equity	<u>12,420,000</u>	<u>12,420,000</u>

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29. SEGMENT REPORTING

Segment report

The presentation of key segments is determined on the basis that the risks and rewards of the Company are substantially affected by the differences in the products of those segments. These segments are organized and managed separately according to the nature of the services and products, each forming a separate unit. The operational segments set out below are determined by distinguishing business activities from which the Company generates revenues and incurs costs.

The economic characteristics are reviewed and the operating segments are aggregated on the basis of the organization made by the Chief Operating Decision Maker at least every quarter and reviewed by Company's senior management.

The Company is operating its activities in the Kingdom of Saudi Arabia through the following main business sectors:

Revenue for the year ending at	Local Sales-Water	Export Sales-Water	Logistic sales	Egg sales	Total
31 December 2023	225,120,314	5,054,302	7,235,639	1,412,371	238,822,627
31 December 2022	270,010,264	4,639,281	9,640,631	--	284,290,176

Trade receivables as at	Local Customers-Water	Export Customers - Water	Total
31 December 2023	23,938,190	497,487	24,435,677
31 December 2022	16,749,249	810,301	17,559,550

Geographical segment

	2023	2022
Southern Region	7,449,781	8,043,546
Eastern Region	12,763,336	20,485,444
Northern Region	20,143,569	27,277,719
Western Region	24,427,535	28,309,632
Central Region	161,748,463	185,893,923
Other areas	7,235,639	9,640,631
Export	5,054,304	4,639,281
	238,822,627	284,290,176

30. DIIVIDENDS

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 the cash dividends were disbursed during the first quarter in accordance with the decision of the General Assembly.

On September 14, 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 third and fourth quarters of 2022, at a rate of SR 1 per share. The value of the cash dividends was distributed during the financial year in accordance with the decision of the ordinary general assembly

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31. COMPARATIVE FIGURES

Some comparative figures have been reclassified to conform with the presentation of the financial statements for the current year.

32. SUBSEQUENT EVENTS

There have been no material events since the end of the year that require adjustment or disclosure in these financial statements.

33. APPROVAL OF THE FINANCIAL STATEMENTS

This financial statement was authorized for issue by the Board of Directors on 19 of Shaaban 1445 (corresponding to 29 February 2024).