

**AL-JOUF MINERAL WATER BOTTLING COMPANY
(A SAUDI JOING STOCK COMPANY – CLOSED)**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021**

**AL-JOUF MINERAL WATER BOTTLING COMPANY
(A SAUDI JOINT STOCK COMPANY - CLOSED)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
AL-JOUF MINERAL WATER BOTTLING COMPANY
(A Saudi Joint Stock Company - Closed)
Kingdom of Saudi Arabia

(1/2)**Opinion**

We have audited the financial statements of Al-Jouf Mineral Water Bottling Company (the "Company"), which comprise the statement of financial position as at December 31, 2021, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements section of our report". We are independent of the Company in accordance with the professional code of conduct and ethics, that are 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 its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Management is responsible for the other information. The other information comprises information included in the Company's annual report, but does not include the financial statements and our auditors' report thereon, which is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the Company's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-Laws, 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.

INDEPENDENT AUDITORS' REPORT (continued)

(2/2)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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, that are 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 and the reasonableness of accounting estimates and related disclosures made by management .
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those chargee 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 period 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.

Al-Kharashi & Co.

Suliman A. Al-Kharashi
C.A. License No. 91
March 28, 2022 G
Shaban 25, 1443 H



AL-JOUF MINERAL WATER BOTTLING COMPANY
(A SAUDI JOINT STOCK COMPANY - CLOSED)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	December 31, 2021	December 31, 2020
ASSETS			
NON-CURRENT ASSETS			
Property, plant, and equipment	5	139,038,361	128,889,594
Right of use assets	6	3,546,592	5,180,435
TOTAL NON-CURRENT ASSETS		142,584,953	134,070,029
CURRENT ASSETS			
Trade receivables, net	7	6,991,795	9,119,373
Inventories, net	8	12,862,600	9,324,596
Due from related parties	9	3,329,123	4,581,299
Other debit balances	10	10,754,245	11,354,694
Cash and cash equivalents	11	5,760,329	9,714,260
TOTAL CURRENT ASSETS		39,698,092	44,094,222
TOTAL ASSETS		182,283,045	178,164,251
EQUITY AND LIABILITIES			
EQUITY			
Capital	12	25,000,000	25,000,000
Statutory reserve	13	7,397,306	6,927,006
General reserve		606,938	606,938
Retained earnings		24,946,839	20,714,135
TOTAL EQUITY		57,951,083	53,248,079
LIABILITIES			
NON-CURRENT LIABILITIES			
Saudi Industrial Development Fund loan - non-current portion	14	25,550,000	31,971,100
Ajil Financial Service Company loan – non-current portion	15	3,161,119	7,180,988
Lease liabilities – non-current portion	6	1,853,160	2,894,324
Due to related party - non-current portion	9	13,585,601	12,381,240
Employee benefit obligations	17	2,623,628	2,330,887
TOTAL NON-CURRENT LIABILITIES		46,773,508	56,758,539
CURRENT LIABILITIES			
Bank facilities	16	30,813,172	32,544,055
Saudi Industrial Development Fund Loan - current portion	14	11,200,000	5,000,000
AJIL Financial Service Company loan - current portion	15	4,181,675	3,111,396
Lease liabilities –current portion	6	1,287,314	1,558,465
Due to related party - current portion	9	17,425	149,269
Trade payables		22,232,547	18,000,417
Other credit balances	18	7,683,803	7,688,416
Provision for zakat	19	142,518	105,615
TOTAL CURRENT LIABILITIES		77,558,454	68,157,633
TOTAL LIABILITIES		124,331,962	124,916,172
TOTAL EQUITY AND LIABILITIES		182,283,045	178,164,251

 31/3/2022
Chief Financial Officer


Chief Executive Officer


Chairman

The accompanying notes are integral part of these financial statements.

AL-JOUF MINERAL WATER BOTTLING COMPANY
(A SAUDI JOINT STOCK COMPANY – CLOSED)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	December 31, 2021	December 31, 2020
Revenue		67,626,114	71,632,078
Cost of revenue	20	(33,386,660)	(34,868,419)
Gross profit		34,239,454	36,763,659
Marketing and distribution expenses	21	(22,337,758)	(26,007,812)
General and administrative expenses	22	(6,754,311)	(6,047,449)
Operating net profit		5,147,385	4,708,398
Other income	23	163,244	511,124
Finance charges	24	(433,853)	(545,415)
Net Profit before zakat		4,876,776	4,674,108
Zakat expense	19	(173,772)	(105,615)
Net profit for the year		4,703,004	4,568,493
OTHER COMPREHENSIVE INCOME		-	-
Total comprehensive income for the year		4,703,004	4,568,493
Earnings per share			
Basic and diluted earnings per share		1.88	1.83


Chief Financial Officer


Chief Executive Officer


Chairman

The accompanying notes are integral part of these financial statements.

AL-JOUF MINERAL WATER BOTTLING COMPANY
(A SAUDI JOINT STOCK COMPANY - CLOSED)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021
(All amounts expressed in Saudi Riyals unless otherwise stated)

	<u>Capital</u>	<u>General Reserve</u>	<u>Statutory Reserve</u>	<u>Retained Earnings</u>	<u>Total Equity</u>
Balance as at January 1, 2020	25,000,000	6,470,157	606,938	16,602,491	48,679,586
Net profit for the year	-	-	-	4,568,493	4,568,493
Transferred to Statutory reserve	-	456,849	-	(456,849)	-
Balance as at December 31, 2020	<u>25,000,000</u>	<u>6,927,006</u>	<u>606,938</u>	<u>20,714,135</u>	<u>53,248,079</u>
Balance as at January 1, 2021	25,000,000	6,927,006	606,938	20,714,135	53,248,079
Net profit for the year	-	-	-	4,703,004	4,703,004
Transferred to Statutory reserve	-	470,300	-	(470,300)	-
Balance as at December 31, 2021	<u>25,000,000</u>	<u>7,397,306</u>	<u>606,938</u>	<u>24,946,839</u>	<u>57,951,083</u>


 Chief Financial Officer


 Chief Executive Officer


 Chairman

The accompanying notes are integral part of these financial statements.

AL-JOUF MINERAL WATER BOTTLING COMPANY
(A SAUDI JOINT STOCK COMPANY - CLOSED)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	December 31, 2021	December 31, 2020
Profit for year before zakat		4,876,776	4,674,108
<i>Adjustments for reconciling the net profit to the net cash used at operation activities:</i>			
Depreciation	5	4,925,006	4,719,146
Depreciation of right of use	6	1,151,970	1,335,482
Financing charge from lease liabilities	6	100,692	120,805
Profision of Employee benefit obligation	17	823,963	800,652
Operating profit before changes in oprating assets and liabilities		11,878,407	11,650,193
Changes at Assets and liabilities			
Inventories		(3,538,004)	3,743,782
Trade receivables		2,127,577	(144,557)
Other debit balances		600,450	2,477,986
Due from related parties		1,252,176	(3,560,264)
Due to related parties		(131,844)	18,415
Other credit balances		(4,615)	1,465,004
Trade payables		4,232,130	(4,374,677)
Employee benefits obligation paid	17	(531,221)	(947,119)
Zakat paid	19	(136,866)	(95,548)
Net cash generated from operating activities		15,748,190	10,233,215
INVESTING ACTIVITIES			
Acquisition and transfers of property, plant and equipment	5.2	(1,796,003)	(8,963,729)
Proceeds from sale of property, plant and equipment		71,274	204,228
Change in Assets under construction		(13,349,044)	1,750,158
Change in capital payments		-	5,916,552
Adjustment of leased assets		187,267	171,781
Net cash used in investing activities		(14,886,506)	(921,010)
FINANCING ACTIVITIES			
Received from loans		32,816,743	31,597,781
Loans payment		(37,718,317)	(18,109,507)
Payment of lease liabilities		(1,118,401)	(1,166,051)
Due to related party – non-current portion		1,204,360	(14,295,710)
Net cash used in financing activities		(4,815,615)	(1,973,486)
Net change in cash and cash equivalents		(3,953,931)	7,338,720
Cash and cash equivalents at the beginning of the year		9,714,260	2,375,540
Cash and cash equivalents at the end of the year		5,760,329	9,714,260

Chief Financial Officer

Chief Executive Officer

Chairman

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AL-JOUF MINERAL WATER BOTTLING COMPANY
(A SAUDI JOINT STOCK COMPANY - CLOSED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(All amounts expressed in Saudi Riyals unless otherwise stated)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Al-Jouf Mineral Water Bottling Company (the Company), a Saudi Joint Stock Company - Closed, operating under Commercial Registration No. 1010611335 established in Al-Jouf, Kingdom of Saudi Arabia and incorporated on December 25, 1983, corresponding to (18 Dhu al-Hijjah 1403H), the company has branches and records as follows:

Branch	Commercial Registration No.
Dammam	2050114812
Arar	3450015724
Sakaka	3400020231
Hafar Al-Batin	2511026560
Jeddah	4040301920
Tabuk	3550039553
Riyadh - Bunyan	1010613624
Madina El Monawara	4650083725
Qurayyat	3452010998
Riyadh – Al-Sulay	1010613624
Al-Douma - Hallel	3401012867
Al-Jawf Water Factory (sub-commercial register)	3401003282

The above-mentioned branches do not keep separate books and records, and therefore the financial position, results of operations and cash flows presented include the balances of these branches.

With reference to note (28), on October 3, 2021 (corresponding to Safar 26, 1443H), the company's ordinary general assembly approved the recommendation of the Board of Directors to increase the company's capital by registering and offering new shares in the parallel market (Nomu), where the Capital Market Authority approved On December 1, 2021 (corresponding to Rabi' al-Thani 26 1443 H), the company's shares were registered and offered in the parallel market (Nomu). Subsequently, on March 2, 2022 (corresponding to Rajab 26, 1443H), the company's shares were listed on the parallel market (Nomu).

The company's main activity, according to the commercial register, is the production of healthy water bottled in plastic bottles.

2. BASIS OF PREPARATION

Statement of compliance

These Financial Statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Financial Year

The financial year of the company is twelve months from the beginning of January until the end of December of each Gregorian year.

Functional and presentation currency

The Saudi Riyal is the presentation currency for the financial statements which is the functional currency of the Company.

Basis of measurement

The financial statements have been prepared under the historical cost convention, using the accrual basis and the going concern basis, unless IFRS permit their measurement by another valuation method as explained in the note on significant accounting policies. The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts included in the financial statements. Significant estimates for the financial statements are disclosed in Note 4.

Comparative Figures

Some comparative figures have been rerecorded and reclassified where necessary, for better comparison and presentation purposes

3. SIGNIFICANT ACCOUNTING POLICIES

New Standards, Amendment to Standards and Interpretations

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

- Amendments to IFRS 7 and IFRS 16 interest rate benchmark reform – Phase 2

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

- Amendment to IFRS 16, ‘Leases’ – COVID-19 related rent concessions

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the International Accounting Standards Board (“IASB”) published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

The option of above amendments does not have any material impact on the Consolidated Financial Statements during the year.

Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2022 and earlier application is permitted; however, the Group has not early opted them in preparing these Consolidated Financial Statements.

- Amendments to IFRS 3, IAS 16, IAS 37

IFRS 3, ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

IAS 16, ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

IAS 37, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

- Amendments to IAS 1, Practice statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

- Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences

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NOTES TO THE FINANCIAL STATEMENTS
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(All amounts expressed in Saudi Riyals unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant, and equipment

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

Properties in the course of construction are carried at cost, less any recognized impairment loss. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Properties in the course of construction for production, supply or ministrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Property and equipment (except freehold land and building under construction) are depreciated over its useful lives using the straight-line method. The estimated useful life of the principal classes of assets are as follows:

	<u>Years/Operating Hours</u>
1) Buildings	20
2) Furniture and fixtures	4
3) Motor vehicles	10
4) Tools	On operating hours
5) machines and equipment	On operating hours
6) Computer and software	8-4
7) Laboratory equipment	On operating hours

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Capitalization of costs under PPE

The cost of an item of property, plant and equipment comprises:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting the discounts and rebates,
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation incurred either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Capital work in progress represents the accumulated costs incurred by the Company in relation to the construction of its building and structures in the development stage. Cost incurred are initially charged to the capital work in progress then these costs are transferred to property, plant and equipment when the construction of these facilities are completed. Finance costs on borrowings attributable to the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Derecognition of property, plant and equipment

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant, and equipment (continued)

Capital spare parts

The Company is classifying the capital spare parts to significant spare parts (Strategic spare parts) and general spare parts, by using the following instructions:

- Significant spare parts are the part which prepared for urgent situations, which is possible to be a main item / significant part which should be maintained for using to guarantees the operation continuance for operating the production equipment. Usually, it is being used only when there is malfunction, generally it is not expected to use it routinely. Significant Spare parts depreciation start from the date of purchase.
- General spare parts are the other main parts which do not consider to be significant, and it been purchased in advance according to the approved reimbursement plans (according to the approved maintenance plan) which to replace the exist main spare parts with new parts are ready for use. These items" are available for use" only in subsequent date and depreciation process are start once it being installed as a replacement part. The depreciation period for those general capitalization spare parts will be by its' useful life or the expected rest of its' useful life for related equipment, which less.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments me at or before the commencement date less any lease incentives received and restoration costs. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over underlying asset's useful life. Right-of-use assets are subject to impairment.

Intangible assets

Intangible assets anticipated to provide identifiable future benefits are classified as non-current assets. Intangible assets comprise goodwill and Enterprise resource planning (ERP) software. Enterprise resource planning (ERP) software development costs represent costs incurred to implement new system and are amortized over 10-year period from the date it is fully implemented.

Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss except for goodwill which is tested for impairment annually. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are 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 for which the estimates of future cash flows have not been adjusted.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in statement of profit or loss and other comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost incurred to get each product to its location and current state as follow:

Raw materials, packing materials and spare parts based on weighted cost including all purchase and other costs incurred to bring the inventory to its location and current condition.

Finished goods and products under manufacturing on the basis of the weighted average cost including the cost of materials, direct employment and an appropriate share of the indirect manufacturing cost based on normal operating capacity and exclusion of loan costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Where necessary, an impairment provision is made for obsolete, slow moving and defective items.

Financial instruments

A. Financial assets classification.

At the initial recognition, financial assets are classified and measured by amortized cost, fair value through other comprehensive income items or through fair value through profit or loss. As at the date of the report, the company maintains investments held at amortized cost.

Financial Assets at amortized cost

Financial assets are measured by amortized cost if it meets the following two conditions and is not designated at fair value through profit or loss.

The asset is held within a business model whose objective is to hold assets to collect contractual cash flows, and

- Their terms, under the contractual terms of the financial asset, give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount repayable.
- These assets are subsequently measured at amortized cost using the effective interest rate method. The amortized cost is reduced by any impairment. Interest income and the gain or loss of currency differences as well as impairment in value are included in the statement of profit or loss. Any gain or loss arising on derecognition is included in profit or loss.

Business Model Evaluation

The company assesses the objective of the business model in which the asset is held at the portfolio level because this is the best reflects on the way of the business is run and information is provided to management. Information considered includes:

- The announced policies and objectives of the portfolio and the mechanism of action of those policies in practice. In particular, to determine whether management's strategy focuses on earning contractual interest income, maintaining a specific interest pricing history, matching the term of financial assets to the term of the liabilities financing those assets, or generating cash flows through the sale of assets;
- How to evaluate the performance of the portfolio and submit a report in this regard to the company's management;

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (Continued)

A. Financial assets classification. (Continued)

Business Model Evaluation (Continued)

- The risks that affect the performance of the business model (and the financial assets held in that business model), and how those risks are managed;
- How to compensate business managers – for example; whether the compensation is based on the fair value of the assets being managed or the contractual cash flows collected; And the
- The number of deals, volume and timing of sales in previous periods, the reasons for these sales and their expectations regarding future sales activity. However, information about sales activity is not considered separately, but rather as part of a comprehensive assessment of how the company's stated goal of managing financial assets and how cash flows are achieved.

Evaluation of a business model is based on reasonably expected scenarios without taking into account “worst case” or “stress case” scenarios. If the cash flows after initial recognition are realized differently from the company's expectations, the company does not change the classification of the financial assets

The remaining balance is held within that business model, but this information is used to move forward when valuing a newly created or newly purchased financial asset.

Assess whether the contractual cash flows are simply payments of principal and interest

For the purposes of this assessment, the “principal amount” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding over a given period of time, for other basic lending risks and costs (such as liquidity risk and administrative costs), as well as a profit margin. For financial assets measured at fair value, gains and losses are recognized in profit or loss or other comprehensive income.

De-recognition

(a) financial assets

The Company derecognises a financial asset when the contractual rights to receive cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows through a transaction in which it transfers substantially all the risks and rewards of ownership of the financial asset, or when the Company does not transfer or retain substantially all the risks and rewards of ownership of the financial asset and the advantages of ownership, but does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount assigned to a portion of the asset disposed of) and the total of (i) the consideration received (including the acquisition of a new asset less a new liability) and (ii) the cumulative profit or loss that Recognized in the statement of other comprehensive income (if any), it is recognized in the statement of profit or loss

(b) Classification of financial liabilities

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, according to amortized cost. Amortized cost is calculated by considering any discount or premium on the value of the funds issued, and costs that are an integral part of the effective interest rate.

(c) impairment

The impairment model applies to financial assets carried at amortized cost, contract assets, debt investments at fair value through other comprehensive income, and not to investment in equity instruments. The decline methodology is based on the presence of a significant increase in credit risk. For trade receivables, the company applies the simplified approach allowed by IFRS 9.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

De-recognition (Continued)

(c) impairment (Continued)

The Company assesses at each reporting date whether financial assets carried at amortized cost are credit impaired. A financial asset is considered "credit impaired" when the occurrence of one or more events has a detrimental effect on the estimated future cash flows of the financial asset. The loss allowance for financial assets measured at amortized cost is deducted from the total value of those assets.

Financial Instruments offset

Financial assets and liabilities are offset, and the net amount presented in the consolidated statement of financial position only when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle the transactions on a net basis or to realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Effective interest rate method

The effective interest rate method is a method of calculating the amortized cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that is used to discount expected future cash payments (including all fees and points paid and received that are an integral part of the effective interest rate and transaction costs, premiums, and other discounts) within the expected life of the debt instrument or a shorter period, if This is appropriate to the net book value on initial recognition.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with the bank, all of which have maturities of 90 days or less and are available for use by the Company unless otherwise stated. In the statement of financial position, bank overdraft is shown under line-item borrowings (If any).

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Foreign currency translation

Presentation currency

These financial statements are presented in Saudi Riyals which is the functional currency and presentation currency of the company. Items included in the financial statements of each of the Company entities are measured using the currency of the primary economic environment in which the Company entity operates (the functional currency).

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

Presentation currency (continued)

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

Transaction and balances

Transactions denominated in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of each reporting period are translated at the rates prevailing at that date. Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of transaction. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Borrowing cost

Borrowing cost directly attributable to the construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to cost of those assets, until such time as the assets is substantially ready for their intended use or sale.

All other borrowing costs are recognized in statement of profit or loss in the period in which they are incurred.

Lease liabilities

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not reliably determinable. Incremental rate is the rate that the individual lessee would pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit and loss over the lease period to produce constant periodic rate of interest on the remaining balance of the liability of each year.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of rented properties (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Employee benefits

Short term employees' benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations within accruals in the statement of financial position.

Employee end of service benefits (EOSB)

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The liability recognized in statement of financial position in respect of employee benefits is the present value of defined benefits obligation at the end of reporting period.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Defined benefit costs are categorized as follows:

Service cost

Service costs includes current service cost and past service cost are recognized immediately in statement of profit or loss.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in statement of profit or loss and other comprehensive income as past service costs.

Interest cost

Interest cost is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability. This cost is included in employee benefit expense in the statement of profit or loss.

Re-measurement gains or losses

Re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Zakat

The Company is subject to a Zakat, which is computed in accordance with regulations of the General Authority for Zakat and Income Tax (GAZT).

Statutory reserve

In accordance with regulations for companies in Saudi Arabia and the by-laws of the Company, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 30% of the share capital. This reserve is not available for dividend distribution.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers

The company recognizes revenue when the customer obtains control of the goods at a specified time, ie upon delivery and acknowledgment of receipt of the goods, using the five-step model. Which includes:

- a) Defining the contract with the client, i.e. agreements with the company that create enforceable rights and obligations.
- b) Specifying performance obligations in the contract, such as a promise in such contracts to transfer products or services.
- c) Determining the transaction price based on the consideration to which the Company expects to be entitled in exchange for the performance obligations (excluding any amounts collected on behalf of third parties).
- d) Allocation of the transaction price for each performance obligation based on the estimated independent selling price of the products or services provided to the customer.
- e) Revenue is recognized when (or as soon as) the entity satisfies the conditions for performance of the obligation, such as the transfer of contracted products or services to the customer and the customer obtains control. This may be over time or at a certain point in time.

Revenue is measured at the fair value of the consideration received or receivable, taking into account the payment terms specified in the contract and excluding taxes or fees. The specific criteria described above must also be met before revenue is recognised. In the absence of specific conditions, the above policy is applied, and revenue is recorded when earned and accrued.

Other income

Other income is recognized when earned.

Administrative expenses and selling, marketing and distribution expenses

Administrative expenses include indirect costs not specifically part of production costs as required under IFRSs. Allocations between ministrative expenses and cost of sales, when required, are me on a consistent basis.

Selling, marketing and distribution expenses principally comprise of costs incurred in the distribution and sale of the Company's products. All other expenses are classified as general and administrative expenses.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Impairment of financial assets including trade receivables

The loss allowances for trade and other receivables are based on assumptions about risk of default and unexpected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
(continued)

Allowance for slow moving inventory items

The management makes an allowance for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration, fluctuations of price or cost directly related to events occurring subsequent to the statement of financial position date to the extent that such events confirm conditions existing at the end of year.

Provisions and contingencies

A provision for incurred liabilities is recognized when the Company has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resource will be required to settle the obligation and the amount has been reliably estimated.

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or all present obligations arising from past events but not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; assessed at each statement of financial position date and disclosed in the Company's financial statements under contingent liabilities.

Useful lives of 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 of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.

Impairment of non-financial assets

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are compared at the lowest levels for which there are separately identifiable cash flows. Non-current assets other than intangible assets and that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of profit or loss.

Estimation of defined benefit obligation

The cost of defined benefit obligation and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION
UNCERTAINTY (continued)

Leases

The Company cannot reliably determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity specific estimates.

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

5. PROPERTY AND EQUIPMENT, NET

	December 31,2021	December 31,2020
Property and equipment, net (5,2)	123,690,786	126,891,063
Assets under construction (5,1)	15,347,575	1,998,531
Total	139,038,361	128,889,594

5.1) Assets under construction

	December 31,2021	December 31,2020
Installation and transfer of the combi production line to Makkah Al-Mukarramah	1,250,271	-
New cap machine and building improvement work	611,451	611,451
Maintenance and repair of production lines	5,572,078	848,887
New well and reservoir project	3,790,500	-
Puc mold for techlong line for filing bottling machine	2,402,690	-
Puc plastic machine	1,182,398	-
Others	538,187	538,193
Total	15,347,575	1,998,531

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5. PROPERTY AND EQUIPMENT, NET (continued)

5.2) PROPERTY AND EQUIPMENT, NET

	Land	buildings	Furniture and fixtures	Motor Vehicles	tools	machinery and equipment	Computers and software	laboratory equipment	Total 2021	Total 2020
	SA	SA	SA	SA	SA	SA	SA	SA	SA	SA
Cost										
At 1 January 2021	14,582,341	24,949,814	2,416,195	30,005,373	5,706,773	132,697,812	4,932,950	311,358	215,602,616	207,645,545
ditions	-	-	38,257	597,060	4,500	1,124,786	31,400	-	1,796,003	8,963,729
Disposals	-	-	-	(630,614)	-	-	(4,550)	-	(635,164)	(1,006,658)
At 31 Dec 2021	14,582,341	24,949,814	2,454,452	29,971,819	5,711,273	133,822,598	4,959,800	311,358	216,763,455	215,602,616
Accumulated depreciation										
At 1 January 2021	-	9,095,288	2,056,288	19,692,048	5,162,785	50,709,466	1,721,339	274,339	88,711,553	84,794,839
Charge for the year	-	802,021	265,858	1,906,093	14,379	1,489,075	446,854	725	4,925,006	4,719,144
Disposals	-	-	-	(562,881)	-	-	(1,009)	-	(563,890)	(802,430)
At 31 Dec 2021	-	9,897,309	2,322,146	21,035,260	5,177,164	52,198,541	2,167,184	275,064	93,072,669	88,711,553
Net book value										
At 31 Dec 2021	14,582,341	15,052,505	132,306	8,936,559	534,109	81,624,057	2,792,616	36,294	123,690,786	
At 31 Dec 2020	14,582,341	15,854,526	359,907	10,313,325	543,988	81,988,346	3,211,611	37,019		126,891,063

-The lands include an absolute government grant of 2,407,341 Saudi riyals, which was evaluated by two offices of independent real estate experts, and the average evaluation was taken. The area of land granted to the company is 16,915 square meters, which has been repaired and a title deed has been issued for the company.

-Lands and buildings were mortgaged on November 5, 2014 (corresponding to Muharram 12, 1436 AH) in favor of the Saudi Industrial Development Fund in return for a long-term loan.

Allocation of depreciation of property, plant and equipment and right of use charge for the year:

	December 31,2021	December 31,2021
Cost of Revenue	(Note 21) 2,044,442	1,872,687
Selling and distribution expenses	(Note 22) 2,306,048	2,272,728
General and administrative expenses	(Note 23) 574,516	573,729
	4,925,006	4,719,144

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6. RIGHT OF USE ASSET

	December 31,2021	December 31,2020
Balance as at 1 January	7,797,326	7,430,993
Additions during the year	-	981,888
Disposals during the year	(481,873)	(615,555)
Balance as at 31 December	7,315,453	7,797,326
Depreciation:		
Balance as at 1 January	2,616,891	1,281,409
Depreciation for the year	1,151,970	1,335,482
Balance as at 31 December	3,768,861	2,616,891
Net Balance as at 31 December	3,546,592	5,180,435
LEASE LIABILITES		
Balance as at 1 January	4,452,789	4,959,921
Additions during the year	-	981,888
Disposals during the year	(294,606)	(443,774)
Lease payments	(1,118,401)	(1,166,051)
Finance charges	100,692	120,805
Balance as at 31 December	3,140,474	4,452,789
Lease liabilities – current portion	1,287,314	1,558,465
Lease liabilities – non-current portion	1,853,160	2,894,324

7. TRADE RECEIVABLES, NET

	December 31,2021	December 31,2020
Trade debtors	8,872,391	10,999,969
Allowance for impairment for trade receivables	(1,880,596)	1,880,596)
Balance as at 31 December	6,991,795	9,119,373

The company's trade receivables consist of a large number of clients, as these clients are all inside the Kingdom of Saudi Arabia, and in general, the payment terms differ from one client to another, and the repayment period available to them ranges from 60 to 180 days. additionally, the balances of the top 5 customers represent (40%) of the total trade receivables (2020: 47%).

The movement in the allowance for doubtful debts is as follows:

	December 31,2021	December 31,2020
Balance as at 1 January	1,880,596	751,015
charge during the year	-	1,129,581
Balance as at 31 December	1,880,596	1,880,596

As of 31 December, the ageing analysis of tre receivable is as follows:

	2021	2020
less than 30 days	3,176,704	2,553,205
more than 30 days	1,100,677	1,919,849
more than 60 days	756,314	1,227,087
more than 90 days	293,777	795,200
More than 120 days	111,145	1,024,920
more than 150 days	3,433,774	3,479,708
	8,872,391	10,999,969

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8. INVENTORIES

	<u>December 31,2021</u>	<u>December 31,2020</u>
Raw materials	6,462,994	3,627,878
spare parts	3,008,094	2,494,102
Finished goods	3,557,792	3,607,139
Total	<u>13,028,880</u>	<u>9,729,119</u>
Less: Provision for damaged inventories	<u>(166,280)</u>	<u>(404,523)</u>
NET	<u>12,862,600</u>	<u>9,324,596</u>

Movement in the provision for obsolete and slow-moving inventory items during the year is a follow:

	<u>2021</u>	<u>2020</u>
Balance as at 1 January	404,523	304,552
Amount provided during the year	-	99,971
Unused amount reversed	<u>(238,243)</u>	-
Balance as at 31 December	<u>166,280</u>	<u>404,523</u>

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9. RELATED PARTIES TRANSACTIONS AND BALANCES

Balances (debit and credit) resulting from related parties (sister companies) resulting from mutual services and commercial transactions related to purchases and sales, and that the terms of these invoices and expenses are similar to ordinary commercial debtors and creditors. These balances are not subject to commission.

	nature of relationship	nature of transactions	The most important transactions during the year		Balance as in	
			December 31,2021	December 31,2020	December 31,2021	December 31,2020
:Due from related parties (current)						
Alarabiya Mining Company	sister company	Acting expenses	-	-	1,021,035	1,021,035
.Implementation Utilities Co	sister company	Acting expenses	516,473	1,289,844	1,631,317	1,289,844
.Limited Development Works Co	contributor	Acting expenses and supplies	79,732	3,858,954	628,384	1,520,420
Weshaa Al Watan Security Establishment	sister company	Acting expenses and salaries	2,322,353	4,256,118	48,387	750,000
Total					3,329,123	4,581,299
:Due to related parties (current)						
Al Rai Environmental Services Company	sister company	Acting expenses	-	675	-	55,109
Al Tafeef Electrical Works Company	sister company	Acting expenses	-	315	-	76,735
Kasb Capital Group	sister company	Acting expenses	-	17,425	17,425	17,425
Total					17,425	149,269
Due to related parties (non-current):						
Business Development Restaurants Company	contributor	finance	-	-	804,054	999,922
Development Works Co (1).	contributor	finance	5,914,795	3,245,852	7,566,438	5,466,523
Al Rai Environmental Services Company (2)	sister company	finance	6,915,109	-	5,215,109	-
Over bridges Company (1)	sister company	finance	-	5,914,795	-	5,914,795
Total					13,585,601	12,381,240

(1) The company transferred the accrued balance related to Over Bridges Company by the amount of SAR 5,914,795 in the favor of the Development Works Company, after obtaining written approval from Over Bridges Company to transfer it's accrued balance accordent to an internal transactions between Over Bridges Company and Development Works Company.

(2) During the year 2021, the company obtained 2 financings from Al-Rai Environmental Services Company, amounting to SR 2,160,000 and SR 4,700,000, in return for Ajil loan to the favor of Al-Rai Environmental Services Company, where it waived a part of the loan in the favor of the company, and a cash loan, respectively, where the company has paid SR 1,700,000 for the cash loan during the year.

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9. RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

Remuneration of senior management personnel

Senior management personnel are the persons who have the authority and responsibility for planning, managing and controlling the company's activities directly and indirectly. It consists of the senior executive management including all managers (executive and non-executive) and senior management. The following is the total remuneration of senior management personnel during the year:

	December	December
	31,2021	31,2020
short term vantages	1,888,317	1,417,012
End of service	226,417	162,055
	2,114,734	1,579,067

10. OTHER DEBIT BALANCES

	December	December
	31,2021	31,2020
Prepaid expenses	1,844,932	1,867,721
Letters of credit	109,112	17,688
advances to suppliers	5,182,001	6,996,901
advances to employees	912,436	709,631
deferred charges	834,251	1,148,076
Refundable Customs Duties	118,091	83,197
VAT	845,466	352,622
Checks under collection	15,917	22,790
Others	892,039	156,069
Total	10,754,245	11,354,695

11. CASH AND CASH EQUIVALANTS

	December	December
	31,2021	31,2020
Cash at banks	5,760,329	9,714,260
	5,760,329	9,714,260

12. SHARE CAPITAL

The company's capital amounted to 25,000,000 Saudi riyals divided into 2,500,000 shares, all shares are cash of equal value, the value of each share is 10 Saudi riyals.

With reference to clarification (28), later on March 2, 2022 (corresponding to Rajab 29, 1443 AH), the Company's share capital was increased to 3,125,000 shares after offering 625,000 new shares in the parallel market (Nomu), bringing the number of the company's shares after the offering to 3,125,000 shares with a nominal value 10 Saudi riyals per share.

13. STATUTORY RESERVE

In line with the requirements of the Companies Law in the Kingdom of Saudi Arabia and in accordance with the articles of incorporation, the company must deduct 10% of its annual net profits to form a statutory reserve, and the company may stop deducting this percentage when the statutory reserve balance reaches 30% of the capital's value.

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14. INDUSTRIAL DEVELOPMENT FUND LOAN - NON-CURRENT PORTION

	December 31,2021	December 31,2020
Non-current portion	25,550,000	31,971,100
current portion	11,200,000	5,000,000
Total	36,750,000	36,971,100

According to the approval of the ministrative Committee of the Saudi Industrial Development Fund to amend the repayment schedule of loan installments, with the first installment being repaid on May 26, 2021.

In 2014, the company signed an agreement with the Saudi Industrial Development Fund to finance the production of bottled water under a financing of 41,000,000 Saudi riyals to be paid in 17 installments starting from July 20, 2017. On May 10, 2020, the Fund agreed to amend the loan repayment schedule to become 9 semi-annual installments starting on May 26, 2021 , the loan with a guarantee of mortgaging all buildings built on two plots of land with Deed No. , and signing a deed to a warrant to guarantee the value of the land.

15. AJIL FINANCIAL SERVICE COMPANY LOAN – NON-CURRENT PORTION

	December 31,2021	December 31,2020
Non-current portion	3,161,119	7,180,988
current portion	4,181,675	3,111,396
Total	7,342,794	10,292,384

In 2019, the company signed an agreement with Ajel Finance Services Company. The lease financing amounts are 5,000,000Saudi riyals with the company's guarantee and a bond to an order from one of the partners, to be paid over 36months, starting from September 2019until August 2022. On October 22, 2020, a Murabaha contract was agreed to at a value of 5,000,000Saudi riyals, and on April 2, 2020, Ajel Company postponed the installments for a period of one year starting from the date of March 17,2020

16. BANK FACILITIES

	December 31,2021	December 31,2020
Al-Rajhi	17,673,167	17,192,277
Arabi	5,432,500	6,300,350
The Saudi Investment Bank	7,707,505	9,051,428
	30,813,172	32,544,055

The company signed banking facilities contracts with local banks with Al-Rajhi Bank during the fiscal year 2019, with the bank facilities limiting SR18 million. The company signed a bank facility agreement with the Arab Bank in the amount of SR 7.5 million. The company signed a bank facility agreement with the Investment Bank in the amount of SR 10 million, guaranteed by a promissory note from the company and by Mr. Ashry Sa Al-Ashry and Mr. Sah Sanitan Al-Hudayb.

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17. EMPLOYEE BENEFIT OBLIGATIONS

The company provides a specific plan for the end of service benefits for its employees in accordance with the requirements of the labor law in the Kingdom of Saudi Arabia. Payments under the plan are based on employees' final salaries and allowances and their cumulative years of service on the date their employment ceased. In accordance with the conditions set forth in the labor laws of the Kingdom of Saudi Arabia, employee end-of-service benefit plans are unfunded plans where the relevant entities fulfill their employee benefits payment obligations when due.

The Company has performed an actuarial valuation of its employee benefit obligations as at December 31, 2021 and at December 31, 2020.

	December 31,2021	December 31,2020
Balance at beginning of the year	2,330,887	2,477,354
Current service cost	823,963	800,652
Benefits paid during the year	<u>(531,221)</u>	<u>(947,119)</u>
Balance at the end of the year	<u>2,623,628</u>	<u>2,330,887</u>

18. OTHER CREDIT BALANCES

	December 31,2021	December 31,2020
Accrued expenses	4,137,224	3,781,046
Dividend payable	1,002,632	1,002,632
advance Payments Clients	428,573	1,747,801
Commissions and incentives	527,056	340,001
VAT	1,257,142	509,131
Other	<u>331,176</u>	<u>307,804</u>
	<u>7,683,803</u>	<u>7,688,415</u>

19. PROVISION FOR ZAKAT

	December 31,2021	December 31,2020
Accounting profit for the year	4,876,776	4,674,108
Adjustments on the loss	823,962	800,652
Net adjusted profit	5,700,738	5,474,760
Added items	123,640,128	77,527,971
Deducted items	142,165,290	134,070,030
The difference between deductions and additions in Hijri	<u>(18,525,162)</u>	<u>(56,542,059)</u>
Zakat base	<u>5,700,738</u>	<u>5,474,760</u>
Accrued Zakat	<u>142,518</u>	<u>136,869</u>

The movement in zakat provision is as follows

	December 31,2021	December 31,2020
Balance beginning of the year	105,615	95,548
Provided during the year	173,772	105,615
Zakat paid during the year	<u>(136,869)</u>	<u>(95,548)</u>
Balance end of the year	<u>142,518</u>	<u>105,615</u>

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19. PROVISION FOR ZAKAT (Continued)

Zakat position

The company submitted zakat returns for the years from the beginning of incorporation until the year ended on December 31, 2020, according to which the company paid the zakat due according to those returns and obtained a zakat certificate valid until April 30, 2021

20. COST OF REVENUE

	December 31,2021	December 31,2020
Raw materials consumed	27,598,890	24,679,081
Depreciation	2,044,442	1,872,687
Employees costs	2,397,551	2,397,551
Others	1,296,430	1,337,183
Opening Work in progress and finished goods	3,607,139	8,189,056
Closing work in progress and finished goods	<u>(3,557,792)</u>	<u>(3,607,139)</u>
Cost of Revenue	<u>33,386,660</u>	<u>34,868,419</u>

21. MARKETING AND DISTRIBUTION EXPENSES

	December 31,2021	December 31,2020
Salaries and benefits	6,118,764	6,681,718
Governmental fees	655,682	612,394
Advertising and samples	1,565,331	714,177
Distribution vehicle expenses	629,186	879,111
Sale and distribution commissions	1,304,824	1,026,240
Discount permitted	3,307,179	4,362,769
Accommodation and accommodation expenses	73,694	257,694
Insurance	377,323	336,134
Depreciation	2,306,048	2,272,728
Telephone & Telex	524,024	561,946
Repairs and maintenance	661,766	1,204,993
End of service, vacations and tickets	926,143	826,653
Travel expenses	27,066	30,641
Truck rental fees	2,579,148	2,963,167
Travel and distribution expenses	184,537	185,892
Depreciation for right of use assets	836,419	1,156,201
Others	260,624	1,935,353
	<u>22,337,758</u>	<u>26,007,812</u>

22. GENERAL AND ADMINISTRATIVE EXPENSES

	December 31,2021	December 31,2020
Salaries and benefits	4,645,688	3,748,967
End of service, vacations and tickets	578,392	435,594
Governmental fees	18,053	219,193
Telephone & Telex	105,853	191,289
Repairs and maintenance	112,110	43,680
car expenses	18,154	24,499
Travel expenses	91,797	73,775
Travel allowance	32,727	-
Depreciation	574,516	573,729
Finance charge lease	126,961	168,996
vertising and samples	108,872	-
Others	341,188	567,727
	<u>6,754,311</u>	<u>6,047,449</u>

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23. OTHER INCOME

	December 31,2021	December 31,2020
scrap	19,981	-
Gain on sale of operating fixed assets	102,741	-
miscellaneous	40,521	511,124
	<u>163,244</u>	<u>511,124</u>

24. FINANCE CHARGE

	December 31,2021	December 31,2020
Finance charge	333,161	424,610
finance charge lease	100,692	120,804
	<u>433,853</u>	<u>545,414</u>

25. SEGMENTS INFORMATION

Management believes that disclosure of segment information is immaterial, because the Company's operations mainly cover only one business segment and the amounts of other segments are immaterial.

26. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to the following financial risks from its use of the financial instruments:

- Credit risk
- Liquidity risk
- Market risk (including interest rate risk and Foreign currency exchange risk)
- Capital management risk

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

Financial asset at amortized cost

	December 31,2021	December 31,2020
Trade receivables	6,991,795	9,119,373
Due from related parties	3,329,123	4,581,299
vances, prepayments and other receivables	10,754,245	11,354,694
Cash and cash equivalents	5,760,329	9,714,260
	<u>26,835,492</u>	<u>34,769,626</u>

The Company has no financial assets at fair value through profit and loss.

Financial liabilities at amortized cost

	December 31,2021	December 31,2020
Industrial Development Fund Loan - Non-current	25,550,000	31,971,100
AJIL financial service company loan - not current	3,161,119	7,180,988
Due to related parties - non-current	13,585,601	12,381,240
Bank facilities	30,813,172	32,544,055
Industrial Development Fund Loan - Current	11,200,000	5,000,000
AJIL financial service company loan - current	4,181,675	3,111,396
Due to related parties – current	17,425	149,269
Trade payables	22,232,547	18,000,417
Accrued expenses and other liabilities	7,683,803	7,688,416
Balance at the end of the year	<u>118,425,342</u>	<u>118,026,881</u>

The Company have no financial liability at fair value through profit and loss.

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26. FINANCIAL RISK MANAGEMENT (Continued)

Financial instruments and related disclosures

The Company reviews and agrees policies for managing each of the risks and these policies are summarized below:

Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company has policies in place to minimize its exposure to credit risk. The maximum exposure to credit risk at the reporting date is as follows:

	December 31,2021	December 31,2020
Tre receivables	<u>6,991,795</u>	<u>9,119,373</u>
Due from related parties	<u>3,329,123</u>	<u>4,581,299</u>
Advances, prepayments and other receivables	<u>10,754,245</u>	<u>11,354,694</u>
Cash and cash equivalents	<u>5,760,329</u>	<u>9,714,260</u>
Balance at year end	<u>26,835,492</u>	<u>34,769,626</u>

The Company seeks to manage its credit risk with respect to banks by only dealing with reputable banks with sound credit rating. With respect to credit risk arising from the financial assets of the Company, including receivables from employees and bank balances, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets in the statement of financial position. The Company manages credit risk with respect to its receivables from customers by monitoring it in accordance with the established policies and procedures which includes establishment of credit limits and regular monitoring of the ageing of tre receivables.

The Company's management determines the credit risk by regularly monitoring the creditworthiness rating its of existing customers and through a monthly review of the trade receivables' ageing analysis. In monitoring the customers' credit risk, customers are grouped according to their credit characteristics. Customers that are classified as "high risk" are placed on a separate list, and future credit sales are me only with approval of key directors, otherwise payment in advance is required. The group assess the recoverable amount of its receivables to ensure equate allowance for impairment is me.

Tre receivables are classified as past due if they are outstanding for more than 60-180 days based on respective customer credit period. For ageing of receivables refer note 8. Analysis of tre receivables is as follows:

	2021	2020
Not past due	<u>7,319,211</u>	<u>9,400,857</u>
Past due	<u>3,433,775</u>	<u>3,479,708</u>
Less: Allowance for impairment of tre receivables	<u>(1,880,596)</u>	<u>(1,880,596)</u>
Balance at year end	<u>8,872,390</u>	<u>10,999,969</u>

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26. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. The calculation of net debt was as follows:

Financial liabilities

	Book Value	Contractual Cash Payments	Less than one year	From One year to Five years	More than Five years
2021					
Industrial Development Fund Loan - Non-current	25,550,000	25,550,000	-	25,550,000	-
AJIL financial service company loan - not current	3,161,119	3,161,119	-	3,161,119	-
Due to related parties - non-current	13,585,601	13,585,601	-	13,585,601	-
Bank facilities	30,813,172	30,813,172	30,813,172	-	-
Industrial Development Fund Loan - Current	11,200,000	11,200,000	11,200,000	-	-
AJIL financial service company loan - current	4,181,675	4,181,675	4,181,675	-	-
Due to related parties - current	17,425	17,425	17,425	-	-
Trade payables	22,232,547	22,232,547	22,232,547	-	-
Accrued expenses and other liabilities	7,683,803	7,683,803	7,683,803	-	-
	118,425,342	118,425,342	76,128,622	42,296,720	-
	Book Value	Contractual Cash Payments	Less than one year	From One year to Five years	More than Five years
2020					
Industrial Development Fund Loan - Non-current	31,971,100	31,971,100	-	31,971,100	-
AJIL financial service company loan - not current	7,180,988	7,180,988	-	7,180,988	-
Due to related parties - non-current	12,381,240	12,381,240	-	12,381,240	-
Bank facilities	32,544,055	32,544,055	32,544,055	-	-
Industrial Development Fund Loan - Current	5,000,000	5,000,000	5,000,000	-	-
AJIL financial service company loan - current	3,111,396	3,111,396	3,111,396	-	-
Due to related parties - current	149,269	149,269	149,269	-	-
Tre payables	18,000,417	18,000,417	18,000,417	-	-
Accrued expenses and other liabilities	7,688,416	7,688,416	7,688,416	-	-
	118,026,881	118,026,881	66,493,553	51,533,328	-

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Company's future commitments. The Company's terms of sales require amounts to be paid either on a cash or on a credit term basis.

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26. FINANCIAL RISK MANAGEMENT (continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Company's income or the value of its holdings of financial instruments due to fluctuation in the related financial instruments value. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

Interest rate risk

Interest rate risk is the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial positions and cash flows. The Company is exposed to interest rate risk on its interest bearing assets and liabilities mainly bank overdraft, bank facilities and other borrowings. Management limits the Company's interest rate risk by monitoring changes in interest rates. Management monitors the changes in commission rates and believes that the cash flow and fair value commission rate risk to the Company is not significant.

The Company's receivables and payables carried at amortized cost are not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates. Hence, the Company is not exposed to fair value interest rate risk.

Currency risks:

Foreign currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates. The Company's major financial assets and financial liabilities are denominated in Saudi Riyal, US Dollars (USD), Euro (EUR), Emirates Dirham (AED),. Saudi riyals are pegged to the US Dollar, consequently balances in those currencies are not considered to represent a currency risk. Management monitors the fluctuations in Euro, currency exchange rates with Saudi Riyals and manages its effect on the financial statements accordingly. The Company did not have any significant foreign currency denominated monetary assets or liabilities at the reporting date except for assets and liabilities in Egyptian Pound, for which it was exposed to foreign currency fluctuations. Consequently, no foreign currency sensitivity analysis has been presented.

Fair values of financial instruments

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's financial assets consist of cash and cash equivalents, accounts receivables and some other assets, while its financial liabilities consist of the accounts payables, some accrued expenses and other liabilities. The fair values of financial instruments are not materially different from their carrying values.

Capital risk management

The Company's objectives when managing capital are 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 an optimal capital structure to reduce the cost of capital. In order to maintain or just the capital structure, the Company may just the amount of dividends paid to shareholders, issue new shares or obtain / repay financing from / to financial institutions.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total of long term finance and short term borrowings. Total capital comprises shareholders' equity as shown in the statement of financial position under 'share capital and reserves' and net debt (net of cash and cash equivalent).

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27. SUBSEQUENT EVENTS

In the opinion of the management , there have been no other significant subsequent events since the year end that would have a material impact on the financial position of the Company as reflected in these financial statement except below .

Later on, March 2, 2022 (corresponding to Rajab 29 1443H), the company's shares were listed in the parallel stock market (Nomu) after a number of procedures, which are as follows:

- 1) The approval of the Company's Ordinary General Assembly on October 3, 2021 (corresponding to Safar 26, 1443H) to the Board of Directors' recommendation to increase the company's capital to 31,125,000 shares inste of 2,500,000 shares, by registering and offering 625,000 new shares, bringing the total shares of the company after the offering to 3,125,000 shares, in Parallel Financial Market (Nomu), after obtaining the necessary approvals from the Capital Market Authority and the Saudi Stock Exchange (Tawul) and any other required approvals.
- 2) On December 1, 2021 (corresponding to Rabi' al-Thani 26, 1443H), the Capital Market Authority approved the registration and offering of the company's shares in the parallel market (Nomu).
- 3) The company's shares were listed on the parallel stock market (Nomu) and the company's capital was subsequently increased to 31,125,000 shares on March 2, 2022 (corresponding to Rajab 29, 1443H)

28. COMMITMENTS AND CONTINGENT LIABILITIES

On December 31, 2021, the Company h contingent liabilities under letters of credit and letters of guarantee amounting to SAR 2,180,000 and SR 31,094 respectively, whereby the Company deposited a cover for letters of guarantee amounting to SR 31,094 (referring to note (11)).

It is not expected that any financial obligations will arise as a result of the above mentioned potential obligations

29. IMPACT OF COVID-19 PANDEMIC

In response to the spre of the Covid-19 in GCC and other territories where the Group operates and its resulting disruptions to the social and economic activities in those markets over the last two years, management continues to proactively assess its impacts on its operations. In particular the Group is closely monitoring the current surge in cases due to the outbreak of a new variant - Omicron. The preventive measures taken by the Group in 2020 are still in effect including the creation of ongoing crisis management teams and processes, to ensure the health and safety of its employees, customers, consumers and the wider community as well as to ensure the continuity of supply of its products throughout its markets. Access of fully vaccinated individuals to farming and manufacturing facilities has been restored. Employee health continues to be a key area of focus with programs being implemented to assist with increasing awareness, identification, support and monitoring of employee health. More than 99% of the employees of the Group have been fully vaccinated for at least two doses of vaccines and the management is working on a plan to encourage booster shots.

The management of the Group believes that any lockdown measures being reintroduced will not materially affect the underlying demand from customers for the Group's products. Based on these factors, management believes that the Covid-19 pandemic has h no material effect on Group's reported financial results for the year ended 31 December 2021 including the significant accounting judgements and estimates. The Group continues to monitor the surge of the new variant closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Group's operations during 2022 or beyond.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on March 28, 2022 corresponding to Shaban25, 1443H.