

NAQI WATER COMPANY
(A Saudi Joint Stock Company)

**INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTH AND THE NINE MONTH
PERIODS ENDED 30 SEPTEMBER 2022
AND INDEPENDENT AUDITOR'S REVIEW REPORT**

NAQI WATER COMPANY
(A Saudi Joint Stock Company)

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**FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2022
(UNAUDITED)**

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INDEPENDENT AUDITOR'S REVIEW REPORT

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

Introduction

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

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (2410) "Review of Interim Financial Information Performed by the independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A Review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

For Dr. Mohamed Al-Amri & Co.



Gihad Al-Amri
Certified Public Accountant
Registration No. 362



21 Rabie II 1444 (H)
15 November 2022 (G)

NAQI WATER COMPANY
(A Saudi Joint Stock Company)

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

	Note	30 September 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Non-current assets			
Property ,Plant and equipment	5	148,397,582	161,277,195
Advance payments for the purchase of property, plant and equipment	6	1,380,000	1,982,250
Right of use Asset	7	697,013	933,493
Intangible assets	8	1,049,497	1,126,994
		<u>151,524,092</u>	<u>165,319,932</u>
Current assets			
Inventory	9	26,460,175	22,553,507
Trade and other Receivables	10	31,015,852	22,157,204
Due from related parties	16	8,907,852	217,381
Cash and cash equivalents	11	77,999,761	37,860,998
		<u>144,383,640</u>	<u>82,789,090</u>
TOTAL ASSETS		<u>295,907,732</u>	<u>248,109,022</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	200,000,000	200,000,000
Statutory reserve	13	7,727,599	7,727,599
Retained earnings		36,788,470	206,346
		<u>244,516,069</u>	<u>207,933,945</u>
LIABILITIES			
Non-current liabilities			
Long term loan	14	9,955,754	12,095,334
Employees' end of service benefits	15	2,599,606	2,283,822
Lease liability	7	558,348	558,348
		<u>13,113,708</u>	<u>14,937,504</u>
Current liabilities			
Long term loan – Current Portion	14	4,024,552	4,755,671
Due to related parties	16	7,737,579	6,899,820
Trade and other payables	17	23,989,502	11,314,755
Zakat provision	18	2,301,705	1,912,122
Lease liability - Current Portion	7	224,617	355,205
		<u>38,277,955</u>	<u>25,237,573</u>
TOTAL LIABILITIES		<u>51,391,663</u>	<u>40,175,077</u>
TOTAL EQUITY AND LIABILITIES		<u>295,907,732</u>	<u>248,109,022</u>
(SAUDI RIYALS)			

Chairman

Chief executive officer

Financial manager

The accompanying notes from (1) to (29) form an integral part of these financial statements

Naqi Water Company
(A Saudi Joint Stock Company)

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

	<u>Notes</u>	For The Three-Month Period Ended 30 September		For The Nine-Month Period Ended 30 September	
		2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Sales	19	77,513,914	77,137,052	216,502,207	215,025,229
Cost of sales	20	(52,298,625)	(43,966,707)	(142,942,169)	(126,046,324)
Gross profit		25,215,289	33,170,345	73,560,038	88,978,905
Selling and distribution expenses	21	(7,064,607)	(5,155,406)	(20,184,455)	(16,221,057)
General and administrative expenses	22	(2,528,181)	(2,828,341)	(7,017,743)	(7,584,540)
Other income (expenses), Net		484,691	(396,211)	2,708,242	162,399
Operating profit		16,107,192	24,790,387	49,066,082	65,335,707
Finance costs		(87,842)	(236,535)	(566,415)	(894,352)
Profit for the period before Zakat		16,019,350	24,553,852	48,499,667	64,441,355
Zakat expenses	18	(1,062,169)	(439,591)	(2,301,705)	(1,434,091)
Profit for the period		14,957,181	24,114,261	46,197,962	63,007,264
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Remeasurements of employees end of service benefits	15	295,584	-	384,162	-
Total comprehensive income for the period		15,252,765	24,114,261	46,582,124	63,007,264
Basic and diluted earnings per share from net profit for the period	27	0.75	1.21	2.31	3.15

Chairman



Chief executive officer



Financial manager



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Naqi Water Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(SAUDI RIYALS)

	Share capital	Statutory reserve	Retained earnings	Total
For the Nine-month period ended 30 September, 2022				
As at 1 January 2022 (Audited)	200,000,000	7,727,599	206,346	207,933,945
Comprehensive income:				
profit for the period	-	-	46,197,962	46,197,962
Other comprehensive income	-	-	384,162	384,162
Total comprehensive income for the period	-	-	46,582,124	46,582,124
Dividends Paid (Note 25)			(10,000,000)	(10,000,000)
Balance As at 30 September 2022 (Unaudited)	200,000,000	7,727,599	36,788,470	244,516,069
For the Nine-month period ended 30 September, 2021				
As at 1 January 2021 (Audited)	150,000,000	7,795,482	6,467,286	164,262,768
Comprehensive income:				
profit for the period	-	-	63,007,264	63,007,264
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	63,007,264	63,007,264
Dividends Paid (Note 25)			(17,000,000)	(17,000,000)
Balance as at 30 September 2021 (Unaudited)	150,000,000	7,795,482	52,474,550	210,270,032

Chairman



Chief executive officer



Financial manager



The accompanying notes from (1) to (29) form an integral part of these financial statements.

Naqi Water Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022 (UNAUDITED)

(SAUDI RIYALS)

	For The Nine month ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before zakat	48,499,667	64,441,355
Adjustments :		
Depreciation of Property ,Plant and equipment	16,003,606	12,892,083
Amortization of intangible assets	98,597	75,273
Amortization of Right-of-use assets	236,480	220,732
Provision for employees' end of service benefits	760,134	563,329
Finance costs	566,415	894,352
Provision for other debit balances no longer required	-	(513,000)
	66,164,899	78,574,124
Working capital changes		
Inventory	(3,906,668)	(10,137,603)
Trade and other receivables	(8,858,648)	(17,122,017)
Due from related parties	(8,690,471)	(4,905,738)
Trade and other payables	12,674,747	2,983,575
Due to related parties	837,759	4,349,773
Cash generated from operating activities	58,221,618	53,742,114
Employees' end of service benefits paid	(60,188)	(23,017)
Zakat paid	(1,912,122)	(2,751,525)
Net cash generated from operating activities	56,249,308	50,967,572
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for property ,plant and equipment	(2,521,743)	(27,096,182)
Proceeds from sale of property, equipment and plants	-	58,866
Additions to intangible assets	(21,100)	(209,975)
Net cash used in investing activities	(2,542,843)	(27,247,291)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments from loans	(2,870,699)	(2,722,221)
Finance costs paid	(566,415)	(894,352)
Payment of lease liability, net	(130,588)	(118,447)
Dividends paid	(10,000,000)	(17,000,000)
Net cash used in financing activities	(13,567,702)	(20,735,020)
Net change in cash and cash equivalents	40,138,763	2,985,261
Cash and cash equivalents at the beginning of the period	37,860,998	29,713,591
Cash and cash equivalents at the end of the period	77,999,761	32,698,852
Significant non-cash transactions:		
Transferred from Advances for the purchase of property, plant and equipment to property ,plant and equipment	602,250	14,762,166
Remeasurements of employees' end of service benefits	384,162	-

Chairman

Chief executive officer

Financial manager

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Naqi Water Company
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022 (UNAUDITED)
(SAUDI RIYALS)

1. ORGANISATION AND ACTIVITIES

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

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

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

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

The Saudi Capital Market Authority approved the listing of the company on the Saudi Stock Exchange (Tadawul) on Muharram 17, 1444 AH (corresponding to August 15, 2022 AD).

The legal procedures were completed to amend the company's articles of association to become a listed joint stock company on Rabi' Awwal 26, 1444 AH corresponding to October 26, 2022 AD, as well as Commercial Registration No. 1128018184.

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

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

Naqi Water Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022 (UNAUDITED)
(SAUDI RIYALS)

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 New standards, interpretations and amendments issued and in effect

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

3.2 Property and equipment

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

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

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

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

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

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

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

3.3 Lease

(1) Evaluation of lease contracts

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

(2) The company as a lessee

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

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

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

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

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

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

(3) Short-term lease contracts

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

3.4 Intangible Assets

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

Subsequent Expenditure

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

Amortization

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

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

3.5 Impairment of non-financial assets

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

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

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

3.6 Inventory

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

3.7 Cash and cash equivalents

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

3.8 Employees' end-of-service benefits obligation

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

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

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

3.9 Provisions

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

3.10 Financial Instruments

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

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

Financial assets

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

Initial Measurement of a Financial Asset

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

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

Subsequent measurement of the financial asset

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

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

Naqi Water Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022 (UNAUDITED)

(SAUDI RIYALS)

Derecognition of financial asset

The Company derecognizes a financial asset only when:

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

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

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

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

Impairment of financial assets

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

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

Financial liabilities

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

Derecognition of financial Liability

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

The amortized cost of a financial asset or financial liability

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

Loans

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

3.11 Provision for Zakat

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

3.12 Statutory reserve

Under the Companies Law in the Kingdom of Saudi Arabia and the Company's Articles of Association, 10% of the net profit for the year is set aside for the statutory reserve account, and this set-up may be discontinued when the said reserve reaches 30% of the paid-up capital, bearing in mind that this reserve is not distributable.

3.13 Dividend's payments

Final dividends are recorded in the period in which they are approved by the company's General Assembly.

3.14 Revenue recognition

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

Step One: Define the contract or contracts with clients.

Step Two: Determine the performance obligations in the contract.

Step Three: Determine the transaction price.

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

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

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

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

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

Dividends are recognized in profit or loss only when:

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

Discounts

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

Financing Element

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

3.15 Sector Reports

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

3.16 Foreign currency transactions

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

3.17 Borrowing costs

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

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

3.18 Fair value measurement

Fair value is the value that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date under prevailing market conditions (such as current price) regardless of whether that price is directly observable or Estimated using another valuation method. The fair value measurement is based on the presumption that the sale of the asset or transfer of the liability will take place either:

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

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

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

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

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

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

Second level: the inputs that can be observed or monitored for the asset or liability, directly or indirectly, other than the declared prices listed within the first level.

Third Level: The unobservable inputs to the asset or liability.

4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

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

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

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

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

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

The estimated life of property, plant and equipment;

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

Evaluation of employees' end-of-service benefits obligations

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

Determining the lease term with extension and termination options – As lessee

The company determines the lease term as non-cancellable for any periods covered by an option to extend the contract if the company is reasonably certain that it will be able to exercise that option, or for any periods covered by an option to terminate the contract if the company is reasonably certain that it will not be able to exercise this option. The company exercises judgment in assessing the reasonableness of ensuring that the option to extend or terminate the contract is exercised. For this purpose, the company considers all relevant factors that constitute an economic incentive to exercise the option to extend or terminate. After the commencement date of the lease, the company reassesses the term of the lease if there is a significant event or change in circumstances within its control that affects the company's ability to exercise or not to exercise the option to renew or terminate the lease.

Impairment of non-financial assets

Impairment occurs when the amount of an asset or cash-generating unit exceeds its recoverable amount as fair value less costs of disposal or its value in use - whichever is higher. The fair value minus costs of disposal is based on available data from binding arm's length sales of similar assets or observable market prices minus incremental costs of disposal of the asset. The value in use calculation is based on the discounted cash flow model. Cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that could enhance the asset performance of the cash-generating unit being tested. The recoverable amount is sensitive to the discount rate used in the discounted cash flow model as well as to the expected future cash inflows and the growth rate used for the purposes of extrapolating the future.

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Provision for slow-moving inventory

Management makes provision for obsolete and slow moving inventories. Estimates of the net realizable value of inventories are based on the most reliable evidence at the time the estimates were used. These estimates take into account fluctuations in prices or costs directly related to events occurring after the date of the consolidated statement of financial position to the extent that the circumstances of these events exist as at the end of the period.

Measuring the fair value of financial instruments

If the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the discounted cash flow model. Inputs to these models are obtained from observable markets when possible, but where this is not feasible, a degree of judgment must be used to determine fair values. Judgments include considerations for inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors may affect the disclosed fair value of financial instruments.

Provision for expected credit losses (ECLs) of receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Company's historical observed defaulter's rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss and experience and forecast of economic conditions may also not be representative of customers' actual default in the future.

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5. PROPERTY, PLANT AND EQUIPMENT

Cost:	Land	Buildings	Trucks	Cars	Furniture and fixtures	Machinery and equipment	Tools	Computer	Desalination plant and laboratory equipment	Total
As at 1 January 2021	3,800,000	30,705,707	-	6,393,064	3,466,657	100,806,124	166,028	327,451	9,045,971	154,711,002
Additions during the year	950,000	3,882,535	18,710,000	1,544,748	289,928	19,980,631	4,000	90,455	7,116,500	52,568,797
Disposals	-	-	-	(85,850)	-	-	-	-	-	(85,850)
At 31 December 2021	4,750,000	34,588,242	18,710,000	7,851,962	3,756,585	120,786,755	170,028	417,906	16,162,471	207,193,949
Additions during the period	-	1,158,099	1,540,000	56,500	310,084	15,565	-	43,745	-	3,123,993
At 30 September 2022	4,750,000	35,746,341	20,250,000	7,908,462	4,066,669	120,802,320	170,028	461,651	16,162,471	210,317,942
Accumulated depreciation:										
At 1 January 2021	-	2,322,377	-	1,810,514	1,040,084	18,833,111	58,557	130,622	3,711,914	27,907,179
Charge for the year	-	964,687	500,687	1,676,401	740,827	11,285,741	16,820	63,893	2,787,502	18,036,558
Disposals	-	-	-	(26,983)	-	-	-	-	-	(26,983)
At 31 December 2021	-	3,287,064	500,687	3,459,932	1,780,911	30,118,852	75,377	194,515	6,499,416	45,916,754
Charge for the period	-	797,113	1,519,914	1,477,294	507,486	9,328,758	12,867	54,528	2,305,646	16,003,606
At 30 September 2022	-	4,084,177	2,020,601	4,937,226	2,288,397	39,447,610	88,244	249,043	8,805,062	61,920,360
Net book value:										
At 30 September 2022	4,750,000	31,662,164	18,229,399	2,971,236	1,778,272	81,354,710	81,784	212,608	7,357,409	148,397,582
At 31 December 2021	4,750,000	31,301,178	18,209,313	4,392,030	1,975,674	90,667,903	94,651	223,391	9,663,055	161,277,195

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

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The depreciation charge was distributed over the period as follows:

	For The Nine months ended 30 September	
	2022 (Unaudited)	2021 (Audited)
Cost of revenue (note 20)	12,858,153	11,297,921
Selling and distribution expenses (note 21)	2,997,208	1,340,662
General and administrative expenses (note 22)	148,245	253,500
	<u>16,003,606</u>	<u>12,892,083</u>

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

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

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

7. RIGHT OF USE ASSETS

	30 September 2022	31 December 2021
Cost		
Balance at the beginning of the period/ year	<u>1,418,869</u>	<u>1,418,869</u>
Accumulated Depreciation:		
Balance at the beginning of the period/ year	(485,376)	(201,600)
Depreciation for the period/ year *	<u>(236,480)</u>	<u>(283,776)</u>
	<u>(721,856)</u>	<u>(485,376)</u>
Net book value		
Balance in the end period/Year	<u>697,013</u>	<u>933,493</u>

*Lease depreciation expenses are charged in full to Selling and Distribution (Note 21)

Lease Liability

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

The Disclosure of the maturity dates of lease liability is disclosed in Note (23)

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

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8. INTANGIBLE ASSETS

	<u>30 September 2022</u>	<u>31 December 2021</u>
Cost		
Balance at the beginning of the period/ year	1,334,378	864,069
Additions during the period/ year	21,100	470,309
	<u>1,355,478</u>	<u>1,334,378</u>
Amortization		
Balance at the beginning of the period/ year	(207,384)	(103,742)
Amortization during the period/ year*	(98,597)	(103,642)
	<u>(305,981)</u>	<u>(207,384)</u>
Net book value	<u>1,049,497</u>	<u>1,126,994</u>

*Amortization expenses are charged in full to administrative expenses (Note 22)

9. INVENTORY

	<u>30 September 2022</u>	<u>31 December 2021</u>
Raw materials	15,044,113	13,250,604
Finished Goods	3,278,517	4,888,266
Spare parts and others	8,137,545	4,414,637
	<u>26,460,175</u>	<u>22,553,507</u>

10. TRADE AND OTHER RECEIVABLES

	<u>30 September 2022</u>	<u>31 December 2020</u>
Trade receivables	16,663,369	10,243,139
Less: expected credit losses provision	(293,953)	(293,953)
	<u>16,369,416</u>	<u>9,949,186</u>
Letters of guarantee	5,294,902	5,294,902
Public offering project expenses	-	2,553,913
Advance payments to suppliers	5,648,128	1,897,412
Prepaid expenses	1,801,451	1,406,475
Staff Loans	601,143	717,875
Checks under collection	111,330	13,797
Petty cash	316,077	323,643
Other debit balances	1,921,456	1,048,052
	<u>32,063,903</u>	<u>23,205,255</u>
Provision for other debit balances	(1,048,051)	(1,048,051)
	<u>31,015,852</u>	<u>22,157,204</u>

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

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

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

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

11. CASH AND CASH EQUIVALENTS

	30 September 2022	31 December 2021
Cash at banks	77,640,362	37,639,457
Cash on hand	359,399	221,541
	<u>77,999,761</u>	<u>37,860,998</u>

12. SHARE CAPITAL

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

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

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

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

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

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

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

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

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

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

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

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

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

The Saudi Capital Market Authority approved the listing of the company on the Saudi Stock Exchange (Tadawul) on Muharram 17, 1444 AH (corresponding to August 15, 2022 AD). the statutory procedures were completed to amend the company's articles of association to become a listed joint stock company on Rabi' Awwal 26, 1444 AH corresponding to October 26, 2022 AD, as well as Commercial Registration No. 1128018184.

13. STATUTORY RESERVE

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

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14. LONG TERM LOANS

	<u>30 September 2022</u>	<u>31 December 2021</u>
Non-Current portion	9,955,754	12,095,334
Current portion	4,024,552	4,755,671
	<u>13,980,306</u>	<u>16,851,005</u>

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

	<u>30 September 2022</u>	<u>31 December 2021</u>
Balance at the beginning of the period/ year	16,851,005	20,500,000
Payments during period/ the year	(2,870,699)	(3,648,995)
Balance at the end of the period/ year	<u>13,980,306</u>	<u>16,851,005</u>

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

15. EMPLOYEES' END OF SERVICE BENEFITS

	<u>30 September 2022</u>	<u>31 December 2021</u>
Opening balance of the period / year	2,283,822	1,090,511
Current service cost	715,161	1,598,181
Finance cost	44,973	26,585
paid	(60,188)	(36,265)
Actuarial gains from remeasurement of employee end-of-service benefits	(384,162)	(395,190)
	<u>2,599,606</u>	<u>2,283,822</u>

The following are the significant actuarial assumptions:

Discount rate	3.2%	2.7%
Salary growth rate	4%	2%

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16. TRANSACTIONS WITH RELATED PARTIES

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

Name of related parties	Relation	Nature of transaction	THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER	
			2022	2021
Al Sadd Modern Advanced Company (shareholder)	Shareholder	Raw material purchases	70,842,696	53,976,873
		Payment	(66,530,540)	(48,844,460)
Zulal Water Factory Company	Affiliate	Closing Public offering project expenses in related party	4,201,361	-
		Finished goods purchases	(217,381)	32,446,819
Amin Al Malla / shareholder	Shareholder	Payment	-	(32,549,542)
		Payments on behalf	-	(234,190)
Middle East Machinery Factory Co. Ltd.	Affiliate	Closing Public offering project expenses in related party	4,201,361	-
		Purchase of property and machinery	15,595	25,797,333
		Purchase of spare parts	5,581,656	-
		Payments	(2,243,827)	(24,083,789)

The terms of transactions with related parties have been approved by the Company's Board of Directors .

The related party balances were as follows:

	Due from related parties		Due to related parties	
	30 September 2022	31 December 2021	30 September 2022	31 December 2021
Al Sadd Modern Advanced Company (shareholder)	4,462,331	-	4,402,155	5,761,011
Zulal Water Factory Company	217,381	217,381	-	-
Amin Al Mallah / Shareholder	4,228,140	-	-	234,190
Middle East Machinery Factory Co. Ltd.	-	-	3,335,424	904,619
	<u>8,907,852</u>	<u>217,381</u>	<u>7,737,579</u>	<u>6,899,820</u>

17. TRADE AND OTHER PAYABLES

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	30 September 2022	31 December 2021
Trade payables	20,476,919	7,573,802
Accrued expenses	2,541,027	2,447,193
VAT	971,556	1,064,188
Finance costs	-	229,572
	23,989,502	11,314,755

18. ZAKAT PROVISION

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

	30 September 2022	31 December 2021
Total items subject to zakat	279,371,288	240,747,644
Total deduction from zakat base	(158,114,378)	(165,559,268)
Zakat base	121,256,910	75,188,376
Adjusted net income	14,545,415	76,484,876
Zakat at 2.5%	2,301,705	1,912,122

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

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

	30 September 2022	31 December 2021
Balance at the beginning of the period/ year	1,912,122	3,432,244
Formed	2,301,705	1,912,122
Paid	(1,912,122)	(2,751,525)
No longer required	-	(680,719)
Balance at the end of the period/ year	2,301,705	1,912,122

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

Tax position

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

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19. SALES

	The three month ended 30 September		The nine month ended 30 September	
	2022	2021	2022	2021
Wholesale sales	37,513,303	38,622,500	105,657,331	109,159,026
Retail sales	40,000,611	38,514,552	110,844,876	105,866,203
	77,513,914	77,137,052	216,502,207	215,025,229

20. COST OF SALES

	The three month ended 30 September		The nine month ended 30 September	
	2022	2021	2022	2021
Raw materials and inventory change	40,092,253	35,158,430	109,530,013	99,370,862
Depreciation (Note 5)	4,290,955	4,221,368	12,858,153	11,297,921
Operating expenses	4,240,579	2,041,511	10,501,998	8,123,866
Salaries and other benefits	3,674,838	2,545,398	10,052,005	7,253,675
	52,298,625	43,966,707	142,942,169	126,046,324

21. SELLING AND DISTRIBUTION EXPENSES

	The three month ended 30 September		The nine month ended 30 September	
	2022	2021	2022	2021
Salaries and wages and other benefits	4,039,096	2,830,579	11,571,019	9,237,659
Sales commissions	490,760	498,375	1,524,426	2,014,432
Advertising expenses	210,106	643,838	564,516	1,482,999
Depreciation of property, plant and equipment (Note 5)	1,003,528	531,672	2,997,208	1,340,662
Maintenance and repair	18,752	65,595	45,118	270,545
Fuels	685,689	123,107	1,420,997	770,388
Opening fees for new branches	310,123	-	310,123	-
Depreciation of the right of use (Note 7)	94,592	220,732	236,480	220,732
Transportation	-	-	-	608,781
Others	211,961	241,508	1,514,568	274,859
	7,064,607	5,155,406	20,184,455	16,221,057

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22. GENERAL AND ADMINISTRATIVE EXPENSES

	The three month ended 30 September		The nine month ended 30 September	
	2022	2021	2022	2021
Salaries, and wages	2,036,653	2,025,484	5,914,948	5,391,360
Professional fees and advice	181,500	207,707	303,800	449,617
Maintenance and repair	23,198	22,688	67,023	256,413
Stationery and prints	101,125	12,168	173,423	194,011
Depreciation of property, plant and equipment (Note 5)	51,694	124,355	148,245	253,500
Government fees and subscriptions	44,949	-	103,473	126,356
Hospitality and cleanliness	7,775	-	40,610	54,411
Donations	-	-	-	50,000
Banking expense	6,091	-	13,665	34,540
Phone and internet expense	344	15,631	3,431	33,697
Amortization of Right of use assets (Note 8)	32,865	25,910	98,597	77,731
Traveling expenses	6,022	29,689	48,983	29,689
Others	35,965	364,709	101,545	633,215
	2,528,181	2,828,341	7,017,743	7,584,540

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

23.1 Liquidity Risk

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

<u>As at 30 September,</u> <u>2022</u>	<u>Book value</u>	<u>less than one year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Loan	13,980,306	4,024,552	9,955,754	-	13,980,306
Due to related parties Trade and other payables	7,737,579	7,737,579	-	-	7,737,579
Lease liability	23,989,502	23,989,502	-	-	23,989,502
	782,965	224,617	558,348	-	782,965
	46,490,352	35,976,250	10,514,102	-	46,490,352

As at 31 December,
2021

Loan	16,851,005	4,755,671	12,095,334	-	16,851,005
Due to related parties Trade and other payables	6,899,820	6,899,820	-	-	6,899,820
Lease liability	11,314,755	11,314,755	-	-	11,314,755
	913,553	355,205	558,348	-	913,553
	35,979,133	23,325,451	12,653,682	-	35,979,133

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

23.2 Commission rate risk

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

23.3 Foreign exchange risk

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

	UAE dirham	The equivalent in Saudi riyals
<u>As at 30 September, 2022</u>		
Trade payables	1,707,676	1,743,950
<u>As at 31 December, 2021</u>		
Trade payables	442,808	452,214

23.4 Credit Risk

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

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

	30 September 2022	31 December 2021
Cash At Banks	77,640,362	37,639,457
Trade receivables	16,663,369	10,243,139
	94,303,731	47,882,596

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

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

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24. SEGMENT INFORMATION

24-1 partition basis

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

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

Sector:

Production of mineral water and other bottled water.

The nature of the sector's activities

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

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

<u>Sales for the period</u>	<u>Local sales</u>	<u>Export sales</u>	<u>Total Revenue</u>
<u>30 September 2022 (Unaudited)</u>	<u>212,934,284</u>	<u>3,567,923</u>	<u>216,502,207</u>
<u>30 September 2021 (Unaudited)</u>	<u>213,661,527</u>	<u>1,363,702</u>	<u>215,025,229</u>

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

<u>Customer balances as in</u>	<u>Local costumers</u>	<u>Export costumers</u>	<u>Total</u>
<u>30 September 2022 (Unaudited)</u>	<u>15,889,186</u>	<u>774,183</u>	<u>16,663,369</u>
<u>30 September 2021 (audited)</u>	<u>10,130,625</u>	<u>112,514</u>	<u>10,243,139</u>

24-2 Basis of segmentation

The sales value of the company is distributed by region:

Sales by region:

Area	The nine months ended 30 September	
	<u>2022</u>	<u>2021</u>
Southern area	7,324,336	8,189,187
Eastern area	15,804,477	18,530,520
Northern area	21,748,453	24,434,124
Western area	22,984,641	24,370,782
Central area	143,536,961	137,208,479
Foreign export	3,567,923	1,363,702
Diverse	1,535,416	928,435
	<u>216,502,207</u>	<u>215,025,229</u>

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25. DIVIDEND

- On 2 June 2022 the General Assembly of Shareholders of the Company approved dividends distribution for the period ended 31 March 2022 amounting to SR 10 million.
- On 4 June 2021 the General Assembly of Shareholders of the Company approved dividends distribution for the period ended 31 March 2021 amounting to SR 8.5 million.
- On 26 September 2021 the General Assembly of Shareholders of the Company approved dividends distribution for the period ended 30 June 2021 amounting to SR 8.5 million.

26. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

- The company has no contingent liabilities as of 30 September, 2022 and 31 December 2021.
- The company has capital commitments related to contracts for the construction of property, machinery and equipment that the company's management expects to complete during the second half of the year 2023, the following are the details of the capital commitments:

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

27. EARNING PER SHARE

Basic and diluted earnings per share

Basic earnings per share is calculated by dividing income for the period attributable to the Company's ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

	For The Three-Month Period Ended		For The Nine-Month Period Ended	
	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)
Income for the period	14,957,181	24,114,261	46,197,962	63,007,264
No. of shares	20,000,000	20,000,000	20,000,000	20,000,000
Weighted average number of shares	20,000,000	20,000,000	20,000,000	20,000,000
Basic and diluted earnings per share (Saudi Riyals)	<u>0.75</u>	<u>1.21</u>	<u>2.31</u>	<u>3.15</u>

- The weighted average number of shares over the comparative periods has been applied retrospectively for the purposes of calculating earnings per share.
- The diluted earnings per share is the same as the basic earnings per share since the company does not have any dilutive instruments.

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28. SUBSEQUENT EVENTS

The statutory procedures were completed to amend the company's articles of association to become a listed joint stock company on Rabi' Awwal 26, 1444 AH corresponding to October 26, 2022 AD, as well as Commercial Registration No. 1128018184.

29. APPROVAL OF THE FINANCIAL STATEMENTS

These interim financial statements have been approved by the Board of Directors on 16 Rabie 'II 1444 H corresponding to 10 November, 2022 G.
