

Agenda for the Ordinary General Assembly meeting of Naqi Water Company shareholders (first meeting), scheduled to be held via modern technology on Thursday 16/05/2024 AD, corresponding to 08/11/1445 AH

1. Review and discuss the financial statements for the fiscal year ended 31/12/2023.
2. Review and discuss the report of the Board of Directors for the fiscal year ended 31/12/2023.
3. Vote on and discuss the auditor's report for the fiscal year ended 31/12/2023.
4. Vote on the discharge of the members of the Board of Directors for the year ended 31/12/2023.
5. Vote on the disbursement of an amount of SAR (135,000), as a reward for the members of the Board of Directors for the fiscal year ending on 31/12/2023.
6. Vote on the appointment of the auditor of the company from among the candidates based on the recommendation of the Audit Committee, in order to examine, review and audit the financial statements of the company for the second and third quarters of the fiscal year 2024 and the first quarter of 2025 and determine his fees.
7. Vote on authorizing the Board of Directors to distribute interim profits on a semi-annual or quarterly basis for the fiscal year 2024.
8. Vote on the recommendation of the Board of Directors to distribute cash dividends to shareholders for the second half of the fiscal year ending on December 31, 2023, amounting to SAR (10) million, equivalent to SAR (0.50) per share, representing (5%) of the nominal share value, thus bringing the total dividends distributed for the fiscal year ending on December 31, 2023, to an amount of SAR (30) million, equivalent to SAR (1.5) per share, representing (15%) of the nominal share value, provided that the entitlement to shareholders who own shares at the end of trading on the day of the General Assembly and are registered in the Company's shareholders' register at the Securities Depository Center (Depository Center) at the end of trading on the second trading day following the due date, provided that the distribution of profits begins on 06/06/2024.
9. Vote on the business and contracts that will take place between the company and Middle East Machinery Company Limited, in which the member of the Board of Directors, Mr. Zaid Nihad Al-Nazer, has an indirect interest, which is the purchase of production lines, supplies and spare parts for production lines and maintenance services. The period of dealing starts from 01/01/2024 AD and ends on 31/12/2024 AD. The value of transactions during the year 2023 AD amounted to SAR 3,509,527, which are transactions that took place in the course of normal business and in accordance with the prevailing commercial conditions and without any preferential conditions. (Attachment)
10. Vote on the business and contracts to be concluded between the company and the Saqa United Group Company (a company that owns 35% of Naqi Company shares), in which the member of the Board of Directors, Mr. Mustafa Hasballah Al-Hofi, and Mr. Saleh Shabab Al Salami (resigned member) has an indirect interest, which is the purchase of raw materials for production inputs. The dealing period begins. From the date of 01/01/2024 AD and ending on

31/12/2024 AD, the value of transactions during the year 2023 AD amounted to SAR 65,130,319, which are transactions that took place in the normal course of business and in accordance with the prevailing commercial conditions and without any preferential terms. (Attachment)

11. Vote on amending the work regulations of the Audit Committee. (Attachment)
12. Vote on amending the work regulations of the Nomination and Remuneration Committee. (Attachment)
13. Vote on amending the membership policy, standards and procedures of the Board of Directors. (Attachment)
14. Vote on authorizing the Board of Directors to authorize the Ordinary General Assembly with the license mentioned in paragraph (1) of Article Twenty-Seven of the Companies Law, for a period of one year from the date of approval by the General Assembly or until the end of the authorized Board of Directors session, whichever is earlier, in accordance with the conditions contained in the Executive Regulations of the Companies Law for Listed Joint Stock Companies.



شركة نقى للمياه
Naqi Water Company

Naqi Water Company

Annual Audit Committee Report

2023



M.s/ shareholders of Naqi Water Company,

Greetings,

The Audit Committee of Naqi Water Company is pleased to submit to the shareholders of the company its annual report for the fiscal year ended December 31, 2023, which includes the details of its work and its meetings to perform its competencies and tasks stipulated in the Companies Law and its work regulations. The Audit Committee is an independent committee formed by a decision of the General Assembly of the company. Main role of Committee shall be to help the Board of Directors to monitor the company's business and verify the integrity of the financial statements and reports, the internal control systems, the general and accounting policies and procedures followed, and supervise the work of the internal audit department, the external auditor of the company and its independence.

During the year 2023, the Audit Committee met (7) meetings, through which the annual and preliminary financial statements of the company, the work of the Internal Audit Department, as well as the latest work during its meetings were discussed.

❖ **Members of the Audit Committee:**

The Audit Committee consists of three members:

- Mr. Abdullah bin Abdul Rahman Al-Rabdi (Chairman of the Audit Committee, an independent member from within the Board of Directors).
- Mr. Mustafa Hasaballah Al-Houfi (Non-Executive Member, from inside the Board of Directors).
- Prof. Dr. Obaid bin Saad Al-Mutairi (independent member, from outside the Board of Directors).

❖ Meetings of the Audit Committee during 2023:

#	Name	Designation	Meeting No. and date							Attendance times	Attendance (%)	
			I	II	III	IV	V	VI	VII			
			March 29, 2023	May 10, 2023	May 22, 2023	June 20, 2023	August 10, 2023	November 6, 2023	November 28, 2023			
1	Abdullah Abdul Rahman Al-Rabdi	Chairman of the Committee	✓	×	✓	✓	✓	✓	✓	✓	6	85%
2	Mustafa Hasaballah Al-Houfi	Committee Member	✓	✓	✓	✓	✓	✓	✓	✓	7	100%
3	Obaid Saad Al-Mutairi	Committee Member	-	✓	✓	✓	✓	✓	✓	✓	6	85%

❖ The scope of work of the Audit Committee during 2023, and the most prominent activities:

During 2023, the Audit Committee carried out many activities and works. The following is a summary of the most important works, the most prominent of which are:

I: Annual and preliminary financial statements:

- Review and study the financial statements and the report of the independent auditor for the financial year ended December 31, 2023, and his observations on the financial statements and follow up on what has been done in this regard, and discuss the results of the audit process with the auditor and the representatives of the executive management concerned, and submit a recommendation to approve the annual financial statements to the Board of Directors.

- Review and study the summary preliminary financial statements and the report of the independent auditor for the periods during the fiscal year 2023, and his observations on the financial statements and follow up on what has been made in this regard, and discuss the results of the audits with the auditor and the representatives of the executive management concerned, and approve the summary preliminary financial statements, based on an authorization from the Board of Directors to approve the same.
- Review the Company's operations and verify the integrity of reports, financial statements and internal control systems, and verify accounting estimates in material matters contained in financial statements and reports.
- Examine any significant matters contained in the financial statements and reports with the independent auditor and executive management.
- Study accounting estimates in the material matters contained in the financial statements and reports and the accounting policies and procedures followed.

II: Internal Audit:

- The appointment of Mr. Ahmed bin Mohammed Al-subayel as Director of the Internal Audit Department of the Company, based on the recommendation of the Audit Committee and the approval of the Board of Directors.
- Review, study and approve the work regulations of the Internal Audit Department.
- Review, study and approve the Internal Audit Department Policies and Procedures Manual.
- Recommending to the Board of Directors to appoint one of the specialized consulting offices to assist the Internal Audit Department in assessing risks and preparing the internal audit plan, based on studying and evaluating the offers of consulting offices and companies and differentiating between them technically and financially.
- Review, study and approve the 3-year strategic internal audit plan.
- Review, study and approve the annual internal audit plan.

- Review and study the outputs of the work of the Internal Audit Department in assessing risks at the level of the company, its main functions, departments and branches, and study the effectiveness of the process of identifying, evaluating and approving important risks for the company's activities.
- Supervise and supervise the performance and activities of the internal audit department in the company, in order to ensure the effectiveness of the implementation of the work of the department and the tasks assigned thereto.
- Verify the independence of the internal audit department and the effectiveness of the department's work in line with the relevant standards.

III: Independent Auditor:

- Recommend to the Board of Directors the nomination of the External Auditor PKF Ibrahim Ahmed Al Bassam & Partners Certified Accountants Co. for the fiscal year ended 31 December 2023 and the first quarter of 2024, after submitting and evaluating the technical and financial offers from the auditors, technically differentiating between them and comparing the terms of the contract.
- Verify the independence and objectivity of the external auditor and its fairness, and the effectiveness of the audit work, taking into account the relevant rules and standards.
- Review and study the work plan of the auditor, verify that no technical or administrative work is submitted outside the scope of the audit, studying the plan of the auditor's report and his observations on the financial statements and following up on what has been taken in their regard.
- Review and study all important correspondence between the auditor and the executive management and the management letter issued by the auditor and his observations on the financial statements and follow up on what has been taken in their regard.
- Study and review all related party transactions as defined by the applicable laws, rules and regulations.

In addition to the above responsibilities, the Audit Committee undertakes to carry out any other tasks entrusted thereto by the Board of Directors of the Company and submits to the Board a periodic report on the inspections carried out by the Committee, and its recommendations in this regard.

❖ Audit Committee Opinion:

The company's management shall be responsible for preparing a comprehensive and effective control system that is commensurate with the level of risks to which the company may be exposed and at a reasonable amount of cost and provides acceptable assurances to avoid fundamental errors and losses that may result from these risks, and the adequacy and effectiveness of internal control systems may change with changing surrounding circumstances. Implementing regulatory controls or any other controls, developing the same, and evaluating the feasibility of improvements is the responsibility of the executive management, and it shall study their cost and the expected benefits from their application to verify their impact before implementation. The internal control system also aims to evaluate policies and procedures, implement the provisions of the governance rules adopted in the company, and adhere to relevant laws and regulations.

The Audit Committee to supervise the internal audit work of the Company for the purpose of ensuring the adequacy and effectiveness of the internal control system in general and the fairness of the financial statements and reports in particular, and to pay attention to any observations it finds to deal with them.

Based on the same, the Audit Committee, in accordance with its scope of work, and during its periodic meetings with the Internal Audit Department and the External Auditor, and based on the results of the work of the Internal Audit Department and the reports of the independent auditor issued by the same, and the information provided thereto by the company's management, Audit Committee did not reasonably find any material weakness in the internal control system, which makes it believe that there is a material deficiency that requires disclosure and affects the integrity and fairness of the financial statements.

During the year, the Internal Audit Department witnessed structural transformations and a shortage of its staff, which necessitated the Audit Committee to submit an urgent recommendation to the Board of Directors and the Executive Management to expedite the agreement with one of the specialized offices to support the existing management. We believe that this step will play an important role in raising the quality of the results of the internal audit work.

In addition, the internal control system has achieved many improvements, and the company continues to work under the follow-up of the Internal Audit Department and under the periodic supervision of the Audit Committee to evaluate the internal control system in order to ensure the achievement of objectives, improve the efficiency and effectiveness of operations and adhere to the applicable laws, regulations, and there is no conflict between the recommendations and decisions of the Audit Committee with the Board of Directors.

Sincerely,

Chairman of the Audit Committee

Abdullah bin Abdul Rahman Al-Rabdi

suitability, in order to review the consolidated financial statements of the company, for the second and third interim period of 2024 and the annual financial statements for the year 2024, and the first interim period of 2025, please find below the nominated auditors:

Office Name	Audit Fee (SAR)
United Accountants is a global RSM member accountants and chartered auditors.	SAR 630,000
Ibrahim Ahmed Al-Bassam & Co., Chartered Accountants, (PKF Global Member).	SAR 430,000
AlKharashi & Co. – Certified Accountants and Auditors – Member of Mazars.	SAR 385,000

All prices above are exclusive of 15% VAT.

**A statement of the dividends distributed to the shareholders for the first half
From the fiscal year ended 31 December 2023**

Statement of the details of the profits distributed for the first half, approved by the decision of the Board of Directors on 10/08/2023					
Gross Distributed Profit	Number of Dividend Shares	Equity per share	Distribution Percentage	Due Date	Date distributed
SAR 20,000,000	20,000,000 shares	SAR 1	10%	24/08/2023	14/09/2023

**A statement of the details of the proposed profits for distribution for the second half
From the fiscal year ended 31 December 2023**

Details of dividends proposed to be distributed to shareholders for the second half. Approved by the Board of Directors Resolution on 26/03/2024					
Gross Distributed Profit	Number of Dividend Shares	Equity per share	Distribution Percentage	Due Date	Date distributed
SAR 10,000,000	20,000,000 shares	SAR 0,50	5%	2024/05/16	06/06/2024

Dears/ Shareholders of the company

Subject: Report from the Board of Directors regarding related party transactions

Peace, mercy, and blessings of Allah may be upon you,

In accordance with the requirements of Article No. (71) of the Companies Law and the provisions of Chapter Six of the Corporate Governance Regulations issued by the Capital Market Authority, regarding business and contracts with related parties for the fiscal year ending on December 31, 2023 AD, in which a Board member has a direct or indirect interest. As shown below are the names of the Council members who have an interest in the contracts executed during the fiscal year 2023 AD, and they are as follows:

- The business and contracts that took place between Naqi Water Company during the fiscal year ending December 31, 2023 AD and in which a member of the Board of Directors has a direct or indirect interest and which were approved by the General Assembly of Shareholders held on October 18, 2023 AD are as follows:

Company	Nature of relationship Name of related member	Board Member Relationship	Nature of the transaction	Value of the transaction	Duration
Saqi United Group	Member of the Board of Directors Mustafa Al-Hofy	Works as Chief Financial Officer	Buying raw materials for production inputs	65,130,319 SR	During the year 2023 AD
Saqi United Group	Member of the Board of Directors *Saleh Al-Sulami	Works as CEO of Saqi United Group during 2020-2023 AD	Buying raw materials for production inputs	65,130,319 SR	During the year 2023 AD
Middle East Machinery Co. Ltd. (MEMCO)	Member of the Board of Directors Zaid Al-Nazer	Works as Deputy CEO of the company	Buying spare parts and maintenance services	3,509,527 SR	During the year 2023 AD

* Resigned from the Board of Directors on March 12, 2023 AD

The Board of Directors recommends to your esteemed association to approve these transactions and authorize them for the coming year. The company's auditor has been appointed to submit a report regarding these transactions in accordance with the regulatory requirements and in accordance with the standards issued by the Saudi Environment Agency for Certified Public Accountants. The Board of Directors would like to inform you of the following:

- 1- A vote is being held on the business and contracts that will be concluded between Naqi Water Company and Saqa United Group (a company that owns 35% of Naqi Water Company shares), in which the member of the Board of Directors, Mr. Mustafa Hasballah Al-Hofy, has an indirect interest, in order to buy raw materials for production inputs. The transaction period begins on January 01, 2024 AD and ends on December 31, 2024 AD. These are transactions that will take place in the normal course of business and in accordance with prevailing commercial terms and without preferential terms, noting that the total transactions that took place with the company in the previous year 2023 AD amounted to (65,130,319) Saudi riyals.
- 2- A vote is being held on the business and contracts that will be concluded between Naqi Water Company and Middle East Machinery Company Limited (MEMCO), in which the member of the Board of Directors, Mr. Zaid Rateb Al-Nazer, has an indirect interest, in order to buy production lines, supplies, and parts other than production lines. The transaction period begins on January 01, 2024 AD and ends on December 31, 2024 AD. These are transactions that will take place in the normal course of business and in accordance with prevailing commercial terms and without preferential terms, noting that the total transactions that took place with the company in the previous year 2023 AD amounted to (3,509,527) Saudi riyals.

The Board of Directors confirms that the Board members who informed the Board of Directors that they have a direct or indirect interest in the transactions that took place/will be completed and that they did not vote on the decision to recommend the transactions.

Chairman of Board of Directors

Amin bin Abdullah Al-Mallah





PKF

Ibrahim Ahmed Al-Bassam
& Co. Certified Public Accountants

INDEPENDENT LIMITED ASSURANCE REPORT

TO THE SHAREHOLDERS OF NAQI WATER COMPANY A SAUDI JOINT-STOCK COMPANY

(1/3)

INTRODUCTION

As requested from the management of Naqi water company (“the Company”), we have performed a limited assurance engagement with the aim of indicating whether anything has come to our attention that causes us to believe that the subject matter of the assurance detailed below (“Subject Matter”), has not been prepared, in all material respects, in accordance with the applicable criteria mentioned below (“Applicable Criteria”).

SUBJECT MATTER

The Subject Matter for our limited assurance engagement is related to the Chairman’s declaration enclosed in the attached Appendix 1 (the “Declaration”) prepared in accordance with the requirements of Article (71) of the Regulation of Companies and presented by the Chairman of Naqi water company (“the Company”). The declaration consists of the transactions that were executed by the Company during the year ended 31 December 2023, along with balances as of 31 December 2023, in which any of the members of the Company’s Board of Directors had a personal interest in it, whether directly or indirectly.

APPLICABLE CRITERIA

We have used the following as the Applicable Criteria:

- Article (71) of the Saudi Companies’ Law issued by the Ministry of Commerce and Investment (1437H - 2015).
- The accounting records and ledgers of the company for the fiscal year ended December 31, 2023.
- The purchasing and contracting policies and procedures in place

MANAGEMENT RESPONSIBILITY

The management and the Chairman of the Company’s Board of Directors are responsible for the preparation and appropriate presentation of the subject matter in accordance with the applicable criteria. Further, the Company’s management is responsible for establishing and maintaining adequate internal control relevant to the preparation and presentation of the subject matter that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate criteria; maintaining adequate records and making estimates that are reasonable in the circumstances.

OUR RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the subject matter based on our limited assurance engagement conducted in accordance with the International Standard on Assurance Engagements (ISAE) 3000, “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” endorsed in the Kingdom of Saudi Arabia and the terms and conditions for this engagement as agreed with the Company’s management.

RIYADH

Tel. +966 11 206 5333 | P.O.Box 69658
Fax +966 11 206 5444 | Riyadh 11557

JEDDAH

Tel. +966 12 652 5333 | P.O.Box 15651
Fax +966 12 652 2894 | Jeddah 21454

AL KHOBAR

Tel. +966 13 893 3378 | P.O.Box 4636
Fax +966 13 893 3349 | Al Khobar 31952



PKF

Ibrahim Ahmed Al-Bassam
& Co. Certified Public Accountants

INDEPENDENT LIMITED ASSURANCE REPORT (CONTINUED)

TO THE SHAREHOLDERS OF NAQI WATER COMPANY
A SAUDI JOINT-STOCK COMPANY

(2/3)

OUR RESPONSIBILITY "Continued"

Our procedures were designed to obtain a limited level of assurance on which to base our conclusion, and, as such, do not provide all of the evidence that would be required to provide a reasonable level of assurance. The procedures performed depend on the assurance practitioner's judgment including the risk of material misstatement of the subject matter, whether due to fraud or error. While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls.

INDEPENDENCE AND QUALITY CONTROLS

We are independent of the Company in accordance with professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our assurance engagement and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm applies International Standard on Quality Control (1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

SUMMARY OF PROCEDURES

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

As part of this engagement, we have not performed any procedures by way of audit, review, or verification of the Subject matter, nor of the underlying records or other sources from which the subject matter was extracted. Accordingly, we do not express such an opinion.

Our procedures include, but are not limited to:

- ◆ Obtaining confirmations from related parties .
- ◆ Obtaining a statement of transactions between Naqi Water Company and related parties balances.
- ◆ Reconciliation of confirmation balances, trial balance and the signed audited financial statements on December 31, 2023.
- ◆ Reconciling the data included in the declaration with the signed audited financial statements for the year ended December 31, 2023.

RIYADH

Tel. +966 11 206 5333 | P.O Box 69658
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JEDDAH

Tel. +966 12 652 5333 | P.O Box 15651
Fax +966 12 652 2894 | Jeddah 21454

AL KHOBAR

Tel. +966 13 893 3378 | P.O Box 4636
Fax +966 13 893 3349 | Al Khobar 31952



PKF

Ibrahim Ahmed Al-Bassam
& Co. Certified Public Accountants

INDEPENDENT LIMITED ASSURANCE REPORT (CONTINUED)

TO THE SHAREHOLDERS OF NAQI WATER COMPANY
A SAUDI JOINT-STOCK COMPANY

(3/3)

LIMITED ASSURANCE CONCLUSION

Based on our limited assurance procedures performed and the evidence we have obtained, nothing has come to the attention that causes us to believe that the subject matter has not been prepared, in all material respects, in accordance with the applicable criteria.

RESTRICTION OF USE OF OUR REPORT

Our report has been solely prepared upon the request of the Company's management to be presented to the shareholders in their Ordinary General Assembly Meeting in accordance with the requirements of Article (71) of the Saudi Companies' law and should not be used for any other purpose.

For Al-Bassam & Co.

Ahmed A. Mohandis
Certified Public Accountant
License No. 477

Qassim: 25 Ramadan 1445
Corresponding to: 4 April 2024



RIYADH

Tel. +966 11 206 5333 | P.O.Box 69658
Fax +966 11 206 5444 | Riyadh 11557

JEDDAH

Tel. +966 12 652 5333 | P.O.Box 15651
Fax +966 12 652 2894 | Jeddah 21454

AL KHOBAR

Tel. +966 13 893 3378 | P.O.Box 4636
Fax +966 13 893 3349 | Al Khobar 31952