

NAQI WATER COMPANY
(Saudi Closed Joint Stock Company)

**INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
AND INDEPENDENT AUDITOR'S REVIEW REPORT**

NAQI WATER COMPANY
(Saudi Closed Joint Stock Company)

INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

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INDEPENDENT AUDITOR'S REVIEW REPORT

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

Report on review of interim financial statements

Introduction

We have reviewed the accompanying interim statement of financial position of Naqi Water Company (the "Company") as at 31 March 2022, and the related interim statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the three month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of these interim financial statements in accordance with the International Accounting Standard 34 – "Interim Financial Reporting" (IAS 34), as 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 are 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 as 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, as endorsed in the Kingdom of Saudi Arabia

For Dr. Mohamed Al-Amri & Co.



Gihad Al-Amri
Certified Public Accountant
Registration No. 362



21 Shawwal 1443 (H)
22 May 2022 (G)

NAQI WATER COMPANY
(Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

(SAUDI RIYALS)

	Note	31 March 2022 (unaudited)	31 December 2021 (audited)
ASSETS			
Non-current assets			
Property ,Plant and equipment	5	158,387,096	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	862,549	933,493
Intangible assets	8	1,098,959	1,126,994
		<u>161,728,604</u>	<u>165,319,932</u>
Current assets			
Inventory	9	24,405,963	22,553,507
Trade and other Receivables	10	24,001,375	22,157,204
Due from related parties	15	1,026,776	217,381
Cash and cash equivalents	11	48,250,110	37,860,998
		<u>97,684,224</u>	<u>82,789,090</u>
TOTAL ASSETS		<u>259,412,828</u>	<u>248,109,022</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	200,000,000	200,000,000
Statutory reserve	12	7,727,599	7,727,599
Retained earnings		10,154,316	206,346
		<u>217,881,915</u>	<u>207,933,945</u>
LIABILITIES			
Non-current liabilities			
Long term loan – Non Current Portion	13	12,555,471	12,095,334
Employees' end of service benefits	14	2,492,721	2,283,822
Lease liability - Non Current portion	7	558,348	558,348
		<u>15,606,540</u>	<u>14,937,504</u>
Current liabilities			
Long term loan – Current Portion	13	3,566,753	4,755,671
Due to related parties	15	1,595,053	6,899,820
Trade and other payables	16	18,032,143	11,314,755
Zakat	17	2,375,219	1,912,122
Lease liability - Current Portion	7	355,205	355,205
		<u>25,924,373</u>	<u>25,237,573</u>
TOTAL LIABILITIES		<u>41,530,913</u>	<u>40,175,077</u>
TOTAL EQUITY AND LIABILITIES		<u>259,412,828</u>	<u>248,109,022</u>

Financial manager



Chief executive officer



The accompanying notes from (1) to (25) form an integral part of these financial statements.

Naqi Water Company
(Saudi Closed Joint Stock Company)

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

		Three-month period ended 31 March	
	Note	2022	2021
Sales	18	60,219,572	57,549,094
Cost of Sales	19	<u>(41,946,432)</u>	<u>(35,999,720)</u>
Gross profit		18,273,140	21,549,374
Selling and distribution expenses	20	(6,258,087)	(5,820,292)
General and administrative expenses	21	<u>(2,107,725)</u>	<u>(2,355,789)</u>
Operating profit		9,907,328	13,373,293
Other income		744,852	779,266
Finance cost		<u>(241,113)</u>	<u>(332,480)</u>
Profit before zakat		10,411,067	13,820,079
Zakat expenses	17	<u>(463,097)</u>	<u>(514,355)</u>
Net profit for the period		9,947,970	13,305,724
Other comprehensive income		-	-
Total comprehensive income for the period		9,947,970	13,305,724



The accompanying notes from (1) to (25) form an integral part of these financial statements.

Naqi Water Company
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INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(SAUDI RIYALS)

	Share capital	Statutory reserve	Retained earnings	Total
For the three-month period ended 31				
March, 2022				
As at 1 January 2022 (Audited)	200,000,000	7,727,599	206,346	207,933,945
Comprehensive income:				
Net profit for the period	-	-	9,947,970	9,947,970
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	9,947,970	9,947,970
Balance As at 31 March 2022 (Unaudited)	200,000,000	7,727,599	10,154,316	217,881,915
For the three-month period ended 31				
March, 2021				
As at 1 January 2021 (Audited)	150,000,000	7,795,482	6,467,286	164,262,768
Comprehensive income:				
Net profit for the period	-	-	13,305,724	13,305,724
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	13,305,724	13,305,724
Transferred for capital increase	20,000,000	(7,795,482)	(12,204,518)	-
Balance as at 31 March 2021 (Unaudited)	170,000,000	-	7,568,492	177,568,492



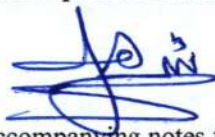

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Naqi Water Company
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INTERIM STATEMENT OF CASH FLOW (UNAUDITED)

(SAUDI RIYALS)

	For The three month ended 31 March	
	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before zakat	10,411,067	13,820,079
Adjustments :		
Depreciation of Property ,Plant and equipment	5,323,331	3,861,939
Depreciation on Right-of-use asset	70,944	70,944
Amortization of intangible assets	32,791	23,748
Provision for employees' end of service benefits	228,763	159,570
Finance costs	241,113	-
Provision for other debit balances no longer required	-	(369,000)
	16,308,009	17,567,280
Working capital changes		
Trade and other receivables	(1,844,171)	(15,162,615)
Inventories	(1,852,456)	(13,079,786)
Due from related parties	(809,395)	(272,716)
Trade and other payables	6,717,388	(1,702,933)
Due to related parties	(5,304,767)	9,216,585
Cash generated from (used in) operating activities	13,214,608	(3,434,185)
Employees' end of service benefits paid	(19,864)	(4,373)
Net cash generated from (used in) operating activities	13,194,744	(3,438,588)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property ,plant and equipment	(2,433,232)	(1,344,838)
Advances for the purchase of property, plant and equipment	602,250	(11,847,247)
Proceeds from disposal of property, plant and equipment	-	58,866
Additions to intangible assets	(4,756)	(132,102)
Net cash used in investing activities	(1,835,738)	(13,265,321)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments from loans	(728,781)	(923,042)
Finance costs paid	(241,113)	-
Net cash used in financing activities	(969,894)	(923,042)
Net change in cash and cash equivalents	10,389,112	(17,626,921)
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	48,250,110	12,086,670




The accompanying notes from (1) to (25) form an integral part of these financial statements.

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(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 G, the branch of the Corporation was transformed into a limited liability 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.

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:

Serial	Commercial Register Number	Commercial register date		
		Hijri	Georgian	City
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 each January and end at each December.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These interim financial statements for the three month period ended 31 March 2022 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

2.2 Basis of measurement

The interim financial statements have been prepared on the basis of 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. In addition, the interim financial statements are prepared using the accrual basis of accounting and on the going concern principle.

The interim financial statements do not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the company's annual financial statements for the year ended 31 December 2021.

An interim period is considered as integral part of the whole fiscal year, however, the results of operations for the interim periods may not be a fair indication of the results of the full year operations.

2.3 Functional and presentation currency

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

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(SAUDI RIYALS)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

3.1 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.

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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%
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 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.

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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.

3.4 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.

3.5 Inventory

Inventories are 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.

3.6 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and short-term deposits with banks with maturity of three month 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.

3.7 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.

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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.

3.8 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 month 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.

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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.

Derecognition of financial asset

The Company derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset have expired, or

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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 derecognised 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 derecognises 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.

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.

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3.13 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 month.

3.14 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.

3.15 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:

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

The 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.

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

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4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of interim financial statements in accordance with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the amounts of revenues, expenses, assets (assets) and obligations (liabilities) appearing in the interim financial statements and the disclosures attached to the interim financial statements, and disclosures of potential liabilities and potential assets. However, the uncertainty included in these assumptions and estimates may lead to significant adjustments to the carrying amount of assets or liabilities that may be affected in future periods.

Within the context of applying the Company's accounting policies, management has made judgments that have a material impact on the amounts recognized in the interim financial statements. In addition to the main assumptions that were taken when estimating the impact of future conditions on the numbers appearing in the interim financial statements and the disclosures related to them on the date of preparing the interim financial statements, which are associated with material risks that may cause significant adjustments to the carrying values of assets and liabilities during the next financial year. The company relied in its estimates and assumptions on the existing conditions and information available when preparing the financial statements. However, existing circumstances and assumptions about future developments may change according to changes in the market or circumstances arising outside of the Company's control. These changes are reflected in the assumptions when they occur.

a- 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.

b- 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.

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5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Cars	Trucks	Furniture and fixtures	Machinery and equipment	Tools	Computer	Desalination plant and laboratory equipment	Total
Cost:										
Balance As at 1 January 2022	4,750,000	34,588,242	7,851,962	18,710,000	3,756,585	120,786,755	170,028	417,906	16,162,471	207,193,949
Additions during the period	-	788,692	56,500	1,540,000	10,174	15,565	-	22,301	-	2,433,232
Balance As at 31 March 2022	4,750,000	35,376,934	7,908,462	20,250,000	3,766,759	120,802,320	170,028	440,207	16,162,471	209,627,181
Accumulated depreciation:										
Balance As at 1 January 2022	-	3,287,064	3,459,932	500,687	1,780,911	30,118,852	75,377	194,515	6,499,416	45,916,754
Charge for the period	-	265,919	492,437	497,707	164,138	3,112,164	4,288	17,466	769,212	5,323,331
Balance As at 31 March 2022	-	3,552,983	3,952,369	998,394	1,945,049	33,231,016	79,665	211,981	7,268,628	51,240,085
Net book value:										
At 31 March 2022	4,750,000	31,823,951	3,956,093	19,251,606	1,821,710	87,571,304	90,363	228,226	8,893,843	158,387,096

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	Land	Buildings	Trucks	Cars	Furniture and fixtures	Machinery and equipment	Tools	Computer	Desalination plant and laboratory equipment	Total
Cost:										
Balance 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 period	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)
Balance As 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
Accumulated depreciation:										
As 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 period	-	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)
Balance As 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
Net book value:										
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

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

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

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

** The advance payments for the cars item above were financed through the loan obtained by the company during the year of 2020 (note 13), and the total value of these cars amounting to 20,500,000 Saudi riyals was mortgaged in favor of the lending bank as a guarantee for the loan.

* The balance of the advance payments represents the amounts paid to the Middle East Machinery Factory Company Limited (a related party), refer to Note No. (15) for more details on transactions with related parties.

The capital commitments related to the advance payments above were disclosed in Note No. (25).

7. RIGHT OF USE ASSETS

	<u>31 March 2022</u>	<u>31 December 2021</u>
Cost		
Balance as at 1 January	1,418,869	1,418,869
Accumulated Depreciation:		
Balance as at 1 January	(485,376)	(201,600)
Depreciation for the period/ year	(70,944)	(283,776)
	<u>(556,320)</u>	<u>(485,376)</u>
Net book value	<u>862,549</u>	<u>933,493</u>

Right of use assets represent the warehouse lease contract for five years starting from 15th April 2020 with an annual lease value of 350,000 SR.

Lease Liability

The following are the book values of the lease contract liability and the movements made on them during the year:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Lease liability at the beginning of the period/ year	913,553	1,156,369
Deduct: rent payments made during the period/ year	-	(242,816)
	<u>913,553</u>	<u>913,553</u>
Current	<u>355,205</u>	<u>355,205</u>
Non-current	<u>558,348</u>	<u>558,348</u>

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>31 March 2022</u>	<u>31 December 2021</u>
Cost		
Balance as at 1 January	1,334,378	864,069
Additions during the period/ year	4,756	470,309
	<u>1,339,134</u>	<u>1,334,378</u>
Amortization		
Balance as at 1 January	(207,384)	(103,742)
Amortization during the period/ year	(32,791)	(103,642)
	<u>(240,175)</u>	<u>(207,384)</u>
Net book value	<u>1,098,959</u>	<u>1,126,994</u>

9. INVENTORY

	<u>31 March 2022</u>	<u>31 December 2021</u>
Raw materials	17,373,155	13,250,604
Finished Goods	5,303,699	4,414,637
Spare parts	1,729,109	4,888,266
	<u>24,405,963</u>	<u>22,553,507</u>

10. TRADE AND OTHER RECEIVABLES

	<u>31 March 2022</u>	<u>31 December 2020</u>
Trade receivables	8,627,595	10,243,139
Less: expected credit losses provision	(293,953)	(293,953)
	8,333,642	9,949,186
Letters of guarantee	5,294,902	5,294,902
Underwriting project expenses	2,625,974	1,897,412
Advance payments to suppliers	867,723	1,406,475
Prepaid expenses	858,566	717,875
Other debit balances	5,681,790	2,553,913
Staff Loans	313,584	323,643
Checks under collection	25,194	13,797
petty cash	1,048,051	1,048,052
	<u>25,049,426</u>	<u>23,205,255</u>
Provision for other debit balances	(1,048,051)	(1,048,051)
	<u>24,001,375</u>	<u>22,157,204</u>

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

	<u>31 March 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>

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

	<u>31 March 2022</u>	<u>31 December 2021</u>
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

	<u>31 March 2022</u>	<u>31 December 2021</u>
cash at banks	47,767,314	37,639,457
cash on hand	482,796	221,541
	<u>48,250,110</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.

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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
	150,000		150,000,000

On 14 January, 2021 G, 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:

<u>Shareholder's name</u>	<u>No. of Shares</u>	<u>Share Value</u>	<u>Amount</u>
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 12 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 riyals. Saudi from the retained earnings of the company and the following is the capital structure

<u>Shareholder's name</u>	<u>No. of Shares</u>	<u>Share Value</u>	<u>Amount</u>
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

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 income to the articles of association until 30% of the capital. This is not distributable.

13. Long term loans

	<u>31 March 2022</u>	<u>31 December 2021</u>
Non-Current portion	12,555,471	12,095,334
Current portion	3,566,753	4,755,671
	16,122,224	16,851,005

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

	<u>31 March 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	728,781	3,648,995
Balance at the end of the period/ year	16,122,224	16,851,005

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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 (note 6). 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.

14. EMPLOYEES' END OF SERVICE BENEFITS

	<u>31 March 2022</u>	<u>31 December 2021</u>
Opening balance	2,283,822	1,090,511
Current service cost	228,763	1,598,181
Finance cost	-	26,585
paid	(19,864)	(36,265)
Actuarial gains from remeasurement of employee end-of-service benefits	-	(395,190)
	<u>2,492,721</u>	<u>2,283,822</u>

The following are the significant actuarial assumptions:

Discount rate	- %2.7
Salary growth rate	- %2

15. TRANSACTIONS WITH RELATED PARTIES

			THE THREE-MONTH PERIOD ENDED 31 MARCH	
<u>Name of related parties</u>	<u>Nature of transaction</u>	<u>Relation</u>	<u>2022</u>	<u>2021</u>
Al Sadd Modern Advanced Company	Raw material purchases	shareholder	19,165,574	24,381,008
	Payment		(28,595,742)	(20,692,589)
Zulal Water Factory Company	purchases	Associate	-	10,219,450
	Purchase of machinery and equipment		-	-
	Payment		-	(9,715,165)
Middle East Machinery Factory Co. Ltd.	Purchase of property and machinery	Associate	1,434,699	975,657
	Payments		(1,193,659)	(52,397)
Amin bin Abdullah bin Ali Al Mallah	Advance payments for building construction	shareholder	-	605,000

The terms of transactions with related parties have been approved by the company's management. Transactions with related parties include VAT for the period ending on March 31, 2022 an amount of SAR 3,090,041 (2021 : 5,503,498)

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The related party balances were as follows:

	Due from related parties		Due to related parties	
	31 March 2022	31 December 2021	31 March 2022	31 December 2022
Al Sadd Modern Advanced Company	794,321	-	-	5,761,011
Zulal Water Factory Company	217,382	217,382	-	-
Amin bin Abdullah bin Ali Al Mallah	15,073	-	1,360,863	904,619
Middle East Machinery Factory Co. Ltd.	-	-	234,190	234,190
	<u>1,026,776</u>	<u>217,381</u>	<u>1,595,053</u>	<u>6,899,820</u>

16. TRADE AND OTHER PAYABLES

	31 March 2022	31 December 2021
Trade payables	14,243,696	7,573,802
Accrued expenses	2,698,220	2,447,193
Eligible financing costs	-	229,572
Vat	1,090,227	1,064,188
	<u>18,032,143</u>	<u>11,314,755</u>

17. ZAKAT PROVISION

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

	31 March 2022	31 December 2021
Balance at the beginning of the period/ year	1,912,122	3,432,244
Additions during the period/ year	463,097	1,912,122
Paid during the period/ year	-	(2,751,525)
No longer required	-	(680,719)
Balance at the end of the period/ year	<u>2,375,219</u>	<u>1,912,122</u>

- The company submitted its zakat returns for all years until 31 December, 2020, 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.

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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 month 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.

18. SALES

	The three month ended 31 March	
	2022	2021
Wholesale sales	29,146,172	44,824,093
Retail sales	31,073,400	12,725,001
	<u>60,219,572</u>	<u>57,549,094</u>

19. COST OF SALES

	The three month ended 31 March	
	2022	2021
Raw materials and inventory change	31,955,786	27,953,899
Depreciation	4,285,817	3,366,654
Operating expenses	2,841,017	2,485,168
Salaries and other benefits	2,863,812	2,193,999
	<u>41,946,432</u>	<u>35,999,720</u>

20- SELLING AND DISTRIBUTION EXPENSES

	The three month ended 31 March	
	2022	2021
Salaries and wages and other benefits	3,632,297	2,934,952
Advertising expenses	194,754	790,802
Sales commissions	381,257	648,504
Depreciation of property, plant and equipment	990,144	402,730
Maintenance and repair	9,808	145,672
Fuels	369,839	342,332
Government expenses	-	527,425
Depreciation of the right of use	70,944	-
Others	609,044	27,875
	<u>6,258,067</u>	<u>5,820,292</u>

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21- GENERAL AND ADMINISTRATIVE EXPENSES

	The three month ended 31 March	
	2022	2021
Salaries, and wages	1,813,941	1,543,525
Maintenance and repair	19,986	164,359
Stationery and prints	55,666	128,713
Depreciation of property, plant and equipment	47,370	116,304
Government fees and subscriptions	25,095	105,981
Professional fees and advice	63,000	100,274
Donations	-	50,000
Travel expenses	8,243	-
Hospitality	22,006	45,756
Banking expenses	4,469	15,727
Post, phone and internet	2,916	8,309
Others	45,033	76,841
	<u>2,107,725</u>	<u>2,355,789</u>

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

22.1 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 31 March, 2022</u>	Book value	less than one year	From 1 to 5 years	Total
Loan	16,122,224	3,566,753	12,555,471	16,122,224
Due to related parties	1,595,053	1,595,053	-	1,595,053
Trade and other payables	18,032,143	18,032,143	-	18,032,143
Lease liability	913,553	355,205	558,348	913,553
	<u>36,662,973</u>	<u>23,549,154</u>	<u>12,556,029</u>	<u>36,662,973</u>
<u>As at 31 December, 2021</u>	Book value	less than one year	From 1 to 5 years	Total
Loan	16,851,005	4,755,671	12,095,334	16,851,005
Due to related parties	6,899,820	6,899,820	-	6,899,820
Trade and other payables	11,314,755	11,314,755	-	11,314,755
Lease liability	913,553	355,205	558,348	913,553
	<u>35,979,133</u>	<u>23,325,451</u>	<u>12,653,682</u>	<u>35,979,133</u>

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.

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22.2 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.

22.3 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 31 March, 2022</u>		
Trade payables	1,245,430	1,271,885
<u>As at 31 December, 2021</u>		
Trade payables	442,808	452,214

22.4 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:

	31 March 2022	31 December 2021
Cash and cash equivalents	47,767,314	37,639,457
Trade receivables	8,627,595	10,243,139
	56,394,909	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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23. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

-The company has no contingent liabilities as of 31 March, 2022.

- The company has capital commitments related to contracts for the construction of property, machinery and equipment that the company's management expects to complete during the second half of the year 2021 G until the first half of the year 2022 , the following are the details of the capital commitments:

	31 March 2022	31 December 2021
Total capital contracts	13,800,000	15,571,000
Advance payments for the purchase of property, plant and equipment/projects under Construction	(1,380,000)	(1,982,250)
Capital commitments	12,420,000	13,588,750

24. LEGAL POSITION

There is a lawsuit filed against the company by one of the parties claiming that the company used a registered trademark of that party. The company uses it in one of its products, and it claims a compensation for the use of its registered trademark, and a court ruling has been issued.

The penal code obliges Naqi Water Company to pay a fine of 10,000 Saudi riyals (ten thousand riyals) to be paid to the public treasury and oblige the director of the company Amin bin Abdullah Al Mallah pays a fine of 10,000 Saudi riyals (ten thousand riyals) to be paid to the public treasury and an apologize to the plaintiff through Naqi's Media platform and in one of the official newspapers,

And then another lawsuit was filed by the plaintiff in the Public Court claimed an obligation from Naqi Water Company to compensate for the damage, and an initial decision was issued that ended in dismissing the plaintiff's claim for compensation, and the court proved the reasons for its decision that the plaintiff does not have any goods in order for the court to take into account the assessment of compensation, and then the plaintiff filed an appeal against the appeal due to the use of the registered trademark, and after the Appeals Chamber has studied the case and its documents, and that the plaintiff did not provide any evidence of the damage occurred to her and requesting such compensation for it, and the company did not use a trademark identical to the plaintiff's trademark. Therefore, the Commercial Court decided on 19/5/2022 G, corresponding to 18/10/1443 H, the lawsuit filed against the company was dismissed and a final judgment was issued in favor of Naqi Water Company.

25. APPROVAL OF THE FINANCIAL STATEMENTS

These interim financial statements have been approved by the Board of Directors on 20 Shawwal, 1443 H corresponding to 21 May, 2022 G .
