Prospectus of Naqi Water Company

A Saudi closed joint stock company pursuant to Ministerial Resolution No. 255, dated 1 Sha'ban 1442H (corresponding to 14 March 2021G), and with commercial registration No. 1128018184, dated 27 Jumada al-Akhirah 1435H (corresponding to 27 April 2014G).

Offering of six million (6,000,000) ordinary shares representing thirty percent (30%) of the share capital of Naqi Water Company through an initial public offering at an offer price of Sixty-nine Saudi Arabian Riyals (SAR 69) per Share.

Offering Period: Two (2) days starting from 28/12/1443H (corresponding to 27/7/2022G) to 29/12/1443H (corresponding to 28/7/2022G)

Financial Advisor, Lead Manager, Bookrunner and Underwriter

Receiving Agents

Naqi Water Company (hereinafter referred to as the "**Company**" or "**Issuer**") is a Saudi closed joint stock company incorporated by virtue of Ministerial Resolution No. 255, dated 1 Sha'ban 1442H (corresponding to 14 March 2021G), and registered under Commercial Registration No. 1128018184, dated 27 Jumada al-Akhirah 1435H (corresponding to 27 April 2014G) issued in Unaizah, Kingdom of Saudi Arabia (the "**Kingdom**"). The Company's head and registered office is located in Al Absah District, P.O. Box 608, Unaizah 51911, Kingdom of Saudi Arabia. The current share capital of the Company is two hundred million Saudi Arabian Riyals (SAR 200,000,000), consisting of twenty million (20,000,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share (the "**Shares**").

The Company started as a sole proprietorship under the name "**Naqi Water Establishment**" owned by Ameen Abdullah Ali Almallah under commercial registration number 1128018184, dated 27 Jumada al-Akhirah 1435H (corresponding to 27 April 2014G). In accordance with the main and branch Commercial Registrations, the Company's activities consist of the production and bottling of pure filtered water, the wholesale of all kinds of bottled water, the wholesale of soft drinks and juices and the retail sale of beverages in Specialized stores. On 16 Ramadan 1438H (corresponding to 10 June 2017G) the sole proprietorship was converted into a limited liability company owned by Ameen Abdullah Ali Almallah and Yasser Aqeel Abdulaziz Al Aqeel at 50% each, with a capital of forty-five million three hundred and thirty-eight thousand Saudi Arabian Riyals (SAR 45,338,000) divided into forty-five thousand three hundred and thirty-eight (45,338) in-kind shares (8,160 shares of which represent real estate value and 37,178 shares of which represent machines, equipment, cars, desalination plants, pre-operating expenses, laboratory equipment, computers, and fire and conditioning devices contributed by the shareholders Ameen Abdullah Ali Almallah and Yasser Aqeel Abdulaziz Al Aqeel at 50% each) with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share. On 5 Jumada al-Ula 1441H (corresponding to 31 December 2019G) the capital of the Company was increased from forty-five million three hundred and thirty-eight thousand Saudi Arabian Riyals (SAR 45,338,000) divided into forty-five thousand three hundred and thirty-eight (45,338) in-kind shares (8,160 shares of which represent real estate value and 37,178 shares of which represent machines, equipment, cars, desalination plants, pre-operating expenses, laboratory equipment, computers and fire and conditioning devices contributed by the shareholders Ameen Abdullah Ali Almallah and Yasser Aqeel Abdulaziz Al Aqeel at 50% each) with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share to eighty-five million three hundred and thirty-eight thousand Saudi Arabian Riyals (85,338,000) divided into eighty-five thousand three hundred and thirty-eight (85,338) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share, by issuing forty thousand (40,000) new cash shares whose value was fully paid by Ameen Abdullah Ali Almallah and Yasser Aqeel Abdulaziz Al Aqeel, each of whom paid for fifteen thousand seven hundred and thirty-three (15,733) shares. The value of the remaining eight thousand five hundred and thirty-four (8,534) shares, with an ownership percentage of 10%, was paid by a new shareholder, Alsad Modern Advanced Company, resulting in the following new ownership structure of the Company: Ameen Abdullah Ali Almallah (45%), Yasser Aqeel Abdulaziz Al Aqeel (45%) and Alsad Modern Advanced Company (10%). On 23 Rabi' al-Thani 1442H (corresponding to 8 December 2020G) Yasser Aqeel Abdulaziz Al Aqeel assigned his entire share of thirty-eight thousand four hundred and two (38,402) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1000) per share amounting to 45% of the Company's capital to Alsad Modern Advanced Company. In return, Alsad Modern Advanced Company assigned four thousand two hundred and sixty-six (4,266) shares amounting to 5% of the Company's capital to the other shareholder Ameen Abdullah Ali Almallah. As a result, the Company became fully owned by Ameen Abdullah Ali Almallah and Alsad Modern Advanced Company each with a 50% ownership share. The capital was also increased from eighty-five million three hundred and thirty-eight thousand Saudi Arabian Riyals (SAR 85,338,000) divided into eighty-five thousand three hundred and thirty-eight (85,338) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1000) per share to one hundred and fifty million Saudi Arabian Riyals (SAR 150,000,000) divided into one hundred and fifty thousand (150,000) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1000) per share through the capitalisation of fifty-seven million two hundred and fifty-seven thousand four hundred and ten Saudi Arabian Riyals (SAR 57,257,410) in retained earnings and the capitalisation of seven million four hundred and four thousand five hundred and ninety Saudi Arabian Riyals (SAR 7,404,590) from the Company's statutory reserve. On 17 Jumada al-Akhirah 1442H (corresponding to 30 January 2021G) the Company's capital increased from one hundred and fifty million Saudi Arabian Riyals (SAR 150,000,000) divided into one hundred and fifty thousand (150,000) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1000) per share to one hundred and seventy million Saudi Arabian Riyals (SAR 170,000,000) divided into one hundred and seventy thousand (170,000) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1000) per share through the capitalisation of twelve million two hundred four thousand five hundred and eighteen Saudi Arabian Riyals (SAR 12,204,518) in retained earnings and the capitalisation of seven million seven hundred and ninety-five thousand four hundred and eighty-two Saudi Arabian Riyals (SAR 7,795,482) from the Company's statutory reserve. On 15 Sha'ban 1442H (corresponding to 28 March 2021G), the Company was converted from a limited liability company into a closed joint stock company pursuant to Ministerial Resolution No. 255, dated 1 Sha'ban 1442H (corresponding to 14 March 2021G) under the name "**Naqi Water Company**", without any change in the Company's ownership structure, with a capital of one hundred and seventy million Saudi Arabian Riyals (SAR 170,000,000) divided into seventeen million (17,000,000) ordinary shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share. On 8 Rabi' al-Thani 1443H (corresponding to 12 December 2021G) the Company's capital increased from one hundred and seventy million Saudi Arabian Riyals (SAR 170,000,000) divided into seventeen million (17,000,000) ordinary shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share to two hundred million Saudi Arabian Riyals (SAR 200,000,000) divided into twenty million (20,000,000) ordinary Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share through the capitalisation of thirty million Saudi Arabian Riyals (SAR 30,000,000) in retained earnings (for further details of the Company's history see Section 4.2 (**Corporate History and Evolution of Capital**)).

The Company's current capital is two hundred million Saudi Arabian Riyals (SAR 200,000,000), divided into twenty million (20,000,000) ordinary Shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per Share.

The initial public offering of the Company's Shares (the "**Offering**") will consist of six million (6,000,000) Shares (collectively, the "**Offer Shares**" and each an "**Offer Share**"). The Offering price will be Sixty-nine (SAR 69) per Offer Share (the "**Offer Price**"), with each Offer Share carrying a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per Offer Share. The Offer Shares represent thirty percent (30%) of the issued share capital of the Company. The Offering shall be restricted to the following two groups of investors (collectively, the "**Investors**"):

Tranche (A) Participating Parties: Comprising the parties entitled to participate in the book-building process as specified under the Instructions for the Book-Building Process and Allocation Method in Initial Public Offerings (the "**Book-Building Instructions**") issued by the Capital Market Authority (the "**CMA**"), including investment funds, companies, Qualified Foreign Investors, GCC Corporate Investors and certain other Foreign Investors pursuant to swap agreements (collectively referred to as the "**Participating Parties**" and each a "**Participating Party**") (for further details, see Section 1 (**DEFINITIONS AND ABBREVIATIONS**)). The number of Offer Shares to be provisionally allocated to the Participating Parties actually involved in the book-building process from amongst the Participating Parties (collectively, the "**Participating Entities**" and each a "**Participating Entity**") is six million (6,000,000) Offer Shares, representing one hundred percent (100%) of the Offer Shares. The final allocation will be made after the end of the Individual Investors' subscription (as defined in Tranche (B) below), using the discretionary allocation mechanism. As a result, some of the Participating Entities may not be allocated any Offer Shares. The Bookrunner (as defined in Section 1 (**DEFINITIONS AND ABBREVIATIONS**)) shall have the right, if there is sufficient demand by Individual Investors, to reduce the number of Offer Shares allocated to Participating Entities to five million four hundred thousand (5,400,000) ordinary Shares, representing ninety percent (90%) of the Offer Shares.

Tranche (B) Individual Investors: Comprising Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor Saudi Arabian children, as well as any non-Saudi natural persons resident in the Kingdom or GCC natural persons holding a bank account with a Receiving Agent and entitled to open an investment account (the "**Individual Investors**" and each an "**Individual Investor**", and any such Individual Investor participating in the Offering together with the Participating Entities, the "**Subscribers**"). A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of six hundred thousand (600,000) Offer Shares, representing ten (10%) of the total Offer Shares, shall be allocated to Individual Investors. If the Individual Investors do not subscribe in full to the Offer Shares allocated to them, the Bookrunner may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed by them.

The Company's current shareholders (collectively, "**Current Shareholders**"), whose names are stated on page (x), hold all of the Company's Shares prior to the Offering. The Offer Shares are being sold by all of the Current Shareholders (collectively, the "**Selling Shareholders**") in accordance with Table 5 (**Direct Ownership Structure of the Company Pre- and Post- Offering**). Upon completion of the Offering, the Current Shareholders will collectively own seventy percent (70%) of the Shares and will consequently retain a controlling interest in the Company. After deducting the Offering expenses (the "**Net Offering Proceeds**"), the Offering proceeds (the "**Offering Proceeds**") will be paid to the Selling Shareholders on a pro-rata basis according to the number of Shares owned by each Selling Shareholder. The Company will not receive any part of the Net Offering Proceeds (for further details, see Section 8 (**USE OF PROCEEDS**)). The Offering is fully underwritten by the Underwriter (for further details, see Section 13 (**UNDERWRITING**)). The substantial shareholders of the Company (collectively, the "**Substantial Shareholders**") each owning five percent (5%) or more of the Shares, will be subject to a lock-up period during which they will be prohibited from selling their Shares for a period of six (6) months from the date of commencement of trading of the Company's Shares on the Saudi Exchange ("**Tadawul**" or the "**Exchange**") (the "**Lock-up Period**") as specified on page (xiii). The Substantial Shareholders of the Company are Ameen Abdullah Ali Almallah and Alsad Modern Advanced Company. Table 2 (**Substantial Shareholders and their Ownership in the Company**) sets out their shareholding of the Company's capital.

The Offering will commence on 28/12/1443H (corresponding to 27/7/2022G) and will remain open for a period of two (2) days up to and including the closing day on 29/12/1443H (corresponding to 28/7/2022G) (the "**Offering Period**"). Subscription to the Offer Shares by the Individual Investors can be made through the websites, smart phone applications, or ATMs of the receiving agents (collectively, the "**RECEIVING AGENTS**") listed on page (viii) during the Offering Period (for further details, see Section 17 (**SUBSCRIPTION TERMS AND CONDITIONS**)). Participating Entities can bid for the Offer Shares through the Bookrunner within the book-building period before the Shares are offered to the Individual Investors.

Each Individual Investor who subscribes to the Offer Shares must apply for a minimum of ten (10) Offer Shares. The maximum number of Offer Shares that can be subscribed to is two hundred and fifty thousand (250,000) Offer Shares. The minimum number of allocated Offer Shares will be ten (10) Offer Shares per Individual Investor, with a maximum of two hundred and fifty thousand (250,000) Offer Shares per Individual Investor, and the balance of the Offer Shares, if any, will be allocated on a pro rata basis based on the number of Offer Shares applied for by each Individual Investor. If the number of Individual Investors exceeds sixty thousand (60,000) Individual Investors, the Company will not guarantee the minimum allocation. The Offer Shares will be allocated at the discretion of the Company and the Financial Advisor. Excess subscription monies, if any, will be refunded to the Individual Investors without charge or withholding by the relevant Receiving Agent. An announcement of the final allocation shall be made on 5/1/1444H (corresponding to 3/8/2022G) and the refund of excess subscription monies, if any, will be made no later than 6/1/1444H (corresponding to 4/8/2022G) (for further details, see "**KEY DATES AND SUBSCRIPTION PROCEDURES**" on page (xiv) and Section 17 (**SUBSCRIPTION TERMS AND CONDITIONS**)).

The Company has one class of ordinary Shares. Each Share entitles its holder to one vote, and each shareholder (a "**Shareholder**") has the right to attend and vote at general assembly meetings of the Company (the "**General Assembly**"). No Shareholder shall benefit from any preferential voting rights. The Offer Shares will entitle their holders to receive dividends declared by the Company starting from the date of this Prospectus (the "**Prospectus**") and for subsequent financial years (for further details, see Section 7 (**DIVIDEND DISTRIBUTION POLICY**)).

Prior to the Offering, there has been no public market for the Shares in the Kingdom or elsewhere. The Company has submitted an application for the registration and offer of the Shares to the Capital Market Authority (the "**CMA**"), and an application for the listing of the Shares on Tadawul. This Prospectus has been approved and all required documents have been submitted to the relevant authorities. All requirements have been met and all relevant regulatory and corporate approvals for the Offering have been obtained. It is expected that trading in the Shares will commence on the Exchange shortly after the final allocation of the Offer Shares and the satisfaction of necessary conditions and procedures (for further details, see "**KEY DATES AND SUBSCRIPTION PROCEDURES**" on page (xiv)). Saudi natural persons, non-Saudi natural persons holding valid residency permits in the Kingdom, companies, banks, and investment funds established in the Kingdom or in countries of the Cooperation Council for the Arab States of the Gulf (the "**GCC**"), as well as GCC natural persons, will be permitted to trade in the Shares after the commencement of trading on the Exchange. Moreover, Qualified Foreign Investors will be permitted to trade in the Shares in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities (all as defined in Section 1 (**DEFINITIONS AND ABBREVIATIONS**)). Furthermore, non-GCC natural persons who are not residents in the Kingdom and non-GCC institutions incorporated outside the Kingdom (collectively, the "**Foreign Investors**" and each a "**Foreign Investor**") will be permitted to make indirect investments to acquire an economic interest in the Shares by entering into a SWAP agreement with a capital market institution licenced by the CMA to acquire, hold and trade the Shares on the Exchange on behalf of a Foreign Investor (the "**Capital Market Institution**"). Under such SWAP agreements, the Capital Market Institutions will be the registered legal owner of such Shares.

Investment in the Offer Shares involves certain risks and uncertainties. For a discussion of certain factors to be carefully considered before determining whether to subscribe for the Offer Shares, the "**Important Notice**" section on page (i) and Section 2 (**RISK FACTORS**) of this Prospectus should be considered.

This Prospectus is dated 24/10/1443H (corresponding to 25/05/2022G)

IMPORTANT NOTICE

This Prospectus contains detailed and accurate information relating to the Company and the Offer Shares. When submitting an application for the Offer Shares, institutional and individual investors will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available for collection by visiting the websites of the Company (www.naqiwater.com), the CMA (www.cma.org.sa), the Exchange (www.saudiexchange.sa) or the Financial Advisor, Lead Manager and Bookrunner (www.aljaziracapital.com.sa).

With respect to the Offering, Aljazira Capital Company (Aljazira Capital) has been appointed by the Company as the financial advisor (the "**Financial Advisor**"), the lead manager (the "**Lead Manager**"), the underwriter for the Offering (the "**Underwriter**") (for further details, see Section 13 ("**UNDERWRITING**")), and bookrunner (the "**Bookrunner**").

This Prospectus includes information that has been presented in accordance with the Rules on the Offer of Securities and Continuing Obligations issued by the CMA and the Listing Rules of the Saudi Exchange ("**Tadawul**" or the "**Exchange**"). The Directors (as defined below), whose names appear on page (iv), collectively and individually, accept full responsibility for the accuracy of the information contained in this Prospectus, and they affirm that to their knowledge and belief, and after undertaking all possible reasonable enquiries, there are no other facts whose omission would make any statement contained herein misleading.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as of the date hereof, a substantial portion of the information in this Prospectus relevant to the markets and industry in which the Company operates is derived from external sources. While neither the Company, the Financial Advisor nor any of the Company's other advisors, whose names appear on pages (vi) and (vii) of this Prospectus (together with the Financial Advisor, the "**Advisors**"), have any reason to believe that any of the market and industry information is materially inaccurate, neither the Company nor any of the Advisors has independently verified such information, and no representation or assurance is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as of the date hereof is subject to change. In particular, the actual financial position of the Company and the value of the Offer Shares may be adversely affected by future developments, such as inflation, interest rates, taxation or other economic, political or other factors, over which the Company has no control (for further details, see Section 2 (**RISK FACTORS**)). Neither the delivery of this Prospectus nor any oral, written or printed information in relation to the Offer Shares is intended to be, or should be construed as, or relied upon in any way, as a promise, affirmation or representation as to future earnings, results or events.

This Prospectus is not to be regarded as a recommendation on the part of the Company, the Directors, the Selling Shareholders, the Receiving Agent or Advisors to participate in the Offering. Moreover, the information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, the financial situation or particular investment needs of the persons who intend to invest in the Offer Shares. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice from a CMA-licenced financial advisor in relation to the Offering and must rely on its own examination of the Company and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and needs, including the merits and risks involved in investing in the Offer Shares. An investment in the Offer Shares may be appropriate for some investors but not others, and prospective investors should not rely on another party's decision whether to invest as a basis for their own examination of the investment opportunity and such investor's individual circumstances.

The Offering is directed at, and may be accepted only by:

Tranche (A): Participating Parties comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions, including investment funds, companies, Qualified Foreign Investors, GCC Corporate Investors and certain other Foreign Investors pursuant to swap agreements (for further details, see Section 1 (**DEFINITIONS AND ABBREVIATIONS**)).

Tranche (B): Individual Investors comprising Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor Saudi Arabian children, as well as any non-Saudi natural persons resident in the Kingdom or GCC natural persons holding a bank account with a Receiving Agent and entitled to open an investment account. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than the Kingdom are expressly prohibited, except for certain GCC investors, Qualified Foreign Investors, foreign strategic investors and/or certain other Foreign Investors through SWAP agreements, taking into account the relevant rules and instructions. The Offering does not constitute an offer to sell, or the solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be unlawful or prohibited. All recipients of this Prospectus must inform themselves of any legal restrictions relevant to the Offering and sale of Offer Shares and observe all such restrictions. Both eligible Individual Investors and Participating Entities must read this Prospectus in full and seek advice from their attorneys, financial advisors, and any professional advisors regarding statutory, tax, regulatory, and economic considerations related to their investment in the Offer Shares, and they will personally bear the fees associated with such advice derived from their attorneys, accountants, and other advisors regarding all matters related to investment in the Offer Shares. There is no guarantee that any profits will be realised from an investment in the Offer Shares.

MARKET AND INDUSTRY DATA

The information in Section 3 (**MARKET AND INDUSTRY DATA**) is derived from public sources and the market study report prepared by Euromonitor International Limited Company (the "**Market Study Consultant**") exclusively for the Company in August 2021G. The Market Study Consultant's head office is located in London, United Kingdom. For further details about the Market Study Consultant, visit its website (www.euromonitor.com).

Neither the Market Study Consultant nor any of its subsidiaries, affiliates, partners, shareholders, directors, managers or their relatives, owns any shares or any interest of any kind in the Company. As of the date of this Prospectus, the Market Study Consultant has given, and not withdrawn, its written consent for the use of its name and logo, and market information and data supplied by it to the Company in the manner and format set out in this Prospectus.

The Board of Directors believes that the information and data from third party sources contained in this Prospectus, including those provided by the Market Study Consultant, are reliable. However, such information and data have not been independently verified by the Company, the Directors, the Advisors or the Selling Shareholders, and thus none of them bears any liability for the accuracy or completeness of such information or data.

FINANCIAL AND STATISTICAL INFORMATION

The Company's audited financial statements for the financial year ended 31 December 2019G and the accompanying notes thereto were prepared in accordance with the International Financial Reporting Standards (the "IFRS") as endorsed in the Kingdom and other standards and pronouncements issued by the Saudi Organization for Charted and Professional Accountants ("SOCPA"), and were audited by Al Yousif Al Saeed Co. (Certified Public Accountants), and the Company's audited financial statements for the financial years ended 31 December 2020G and 2021G, and the accompanying notes thereto, were prepared in accordance with the IFRS as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA, and were audited by Dr. Mohammed Al-Amri & Co. The financial information for the financial year 2019G was extracted from the financial information described in the Company's audited financial Statements for the financial year ended 31 December 2020G, which was prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed in the Kingdom.

The Company prepares its financial statements in Saudi Arabian Riyals.

The financial and statistical information contained in this Prospectus is rounded off to the nearest integer. Accordingly, where numbers have been rounded up or down, there may be minor differences between the figures set out in this Prospectus and the audited financial statements. In cases where amounts in this Prospectus are converted from USD to Saudi Riyals, the exchange rate shall be USD 0.27 for each Saudi Riyal.

Unless otherwise expressly provided in this Prospectus, any references to "year" or "years" include references to Gregorian years.

FORECASTS AND FORWARD-LOOKING STATEMENTS

The forecasts set forth in this Prospectus have been prepared on the basis of assumptions based on the Company's information according to its market experience, as well as publicly available market information. Future operating conditions may differ from the assumptions used; as a result, no affirmation, representation, or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company confirms, to the best of its reasonable knowledge, that the statements were prepared with the necessary due diligence.

Certain statements in this Prospectus constitute, or may be deemed to constitute, "forward-looking statements". Such statements can generally be identified by their use of forward-looking words and terms, such as "intends", "plans", "estimates", "believes", "expects", "anticipates", "may", "will", "should", "expected", "would be" or the negative thereof or other variations of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events but are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied. Some of the risks and factors that could have such an effect are described in more detail (for further details, see Section 2 (**RISK FACTORS**)). Should any of these risks or uncertainties materialise or any underlying assumptions prove to be incorrect or inaccurate, the Company's actual results may vary materially from those described as estimated, believed, expected or planned in this Prospectus.

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations, the Company must submit a supplementary prospectus to the CMA if, at any time after the publication of this Prospectus and before completion of the Offering, the Company becomes aware of: (i) a significant change in any material information contained in this Prospectus or any document required under the Rules on the Offer of Securities and Continuing Obligations; or (ii) the occurrence of additional significant matters which would have been required to be included in this Prospectus. Except for the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the aforementioned and other risks, uncertainties and assumptions, the expectations of future events and circumstances set forth in this Prospectus may not occur as expected by the Company or may not occur at all. Consequently, prospective investors should consider and review all forward-looking statements in light of these explanations and should not place undue reliance on them.

DEFINITIONS AND ABBREVIATIONS

For an explanation of certain defined terms and abbreviations used in this Prospectus, see Section 1 (DEFINITIONS AND ABBREVIATIONS).

CORPORATE DIRECTORY

Company's Board of Directors

The Company is managed by a Board of Directors comprised of six members in accordance with the Company's Bylaws, as is set out in the following table:

Table No. (1): Company's Board of Directors

Name	Position	Nationality	Membership Status	Direct Share Ownership		Indirect Share Ownership		Date of Appointment[1]
				Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Ameen Abdullah Ali Almallah	Chairman	Saudi	Non-Executive	50%	35%	-	-	27 Rajab 1442H (corresponding to 10 March 2021G)
Saleh Shbab Ateeq Altrjmy Alsolami	Deputy Chairman	Saudi	Non-Executive	-	-	-	-	27 Rajab 1442H (corresponding to 10 March 2021G)
Yousef Mohammed Nasser Algafari	Director	Saudi	Independent	-	-	-	-	27 Rajab 1442H (corresponding to 10 March 2021G)
Abdullah Abdulrahman Mohammed Alrebdi	Director	Saudi	Independent	-	-	-	-	27 Rajab 1442H (corresponding to 10 March 2021G)
Moustafa Hassaballah Hassan Alhoufi	Director	Egyptian	Non-Executive	-	-	-	-	27 Rajab 1442H (corresponding to 10 March 2021G)
Zed Nhad Ratib Alnathir	Director	Jordan	Non-Executive	-	-	-	-	27 Rajab 1442H (corresponding to 10 March 2021G)

Source: The Company.

(1) The dates listed in this table are the dates of appointment to the current positions in the Board of Directors. Their respective biographies in Section 5.2.3 (**Biographies of the Directors and the Secretary**) describe the dates of their appointment to the Board of Directors or any other position.

COMPANY'S REGISTERED ADDRESS, REPRESENTATIVES, BOARD SECRETARY

Company

Naqi Water Company
Al-Qassim – Unaizah, Al Absah
P.O. Box 608, Unaizah 51911
Kingdom of Saudi Arabia
Tel: + 966 (11) 6363448
Fax: + 966 (11) 63603222
Website: www.naqiwater.com
E-mail: info@naqiwater.com

Company's Representatives

Moustafa Hassaballah Hassan Alhoufi
Member of the Board of Directors
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Kingdom of Saudi Arabia
Tel: + 966 (11) 256795, Ext. (510)
Fax: + 966 (16) 3632220
Website: www.naqiwater.com
E-mail: moustafa.elhoufi@seqagroup.com

Abdulaziz Yousef Abdulaziz Alsayegh
Chief Executive Officer
Unit 1, Unaizah 56226 - 6712
Kingdom of Saudi Arabia
Tel: + 966 (11) 6363448 Ext. (101)
Fax: + 966 (16) 3632220
Website: www.naqiwater.com
E-mail: a.alsayegh@naqiwater.com

Secretary of the Board of Directors

Abdulaziz Khalid Saleh Almohaimeed
Secretary of the Board of Directors
Al-Qassim – Unaizah, Al Absah
P.O. Box 608, Unaizah 51911
Kingdom of Saudi Arabia
Tel: + 966 (11) 6363448
Fax: + 966 (16) 6363222
Website: www.naqiwater.com
E-mail: a.almohaimeed@naqiwater.com

Stock Exchange

The Saudi Exchange (Tadawul)
Tawuniya Towers, Northern Tower
King Fahad Road – Olaya 6897
Unit 15, P.O. Box 60612
Riyadh 3388-12211
Kingdom of Saudi Arabia
Tel: +966 (11) 920001919
Fax: +966 (11) 218 9133
Website: www.tadawul.com.sa
E-mail: webinfo@tadawul.com.sa

Share Registrar

Securities Depository Center Company (Edaa)
Tawuniya Towers
King Fahad Road - Olaya 6897
Unit No. 11, Riyadh 3388-12211
Kingdom of Saudi Arabia
Tel: +966 92 002 6000
Website: www.edaa.com.sa

من مجموعة تداول السعودية
From Saudi Tadawul Group

ADVISORS

Financial Advisor, Lead Manager, Bookrunner and Underwriter
Aljazira Capital Company (Aljazira Capital) King Fahad Road P.O. Box 20428 Riyadh 11455 Kingdom of Saudi Arabia Tel: + 966 (11) 2256000 Fax: + 966 (11) 2256811 Website: www.aljaziracapital.com.sa Email: contactus@aljaziracapital.com.sa
Legal Advisor
Zeyad Yousef AlSalloum and Yazeed Abdulrahman AlToaimi Company for Legal Services and Consultation Sky Towers, North Tower, 2nd Floor 8899, King Fahad Road, Al Olaya P.O. Box 230020 Riyadh 11321 Kingdom of Saudi Arabia Tel: +966 (11) 272 0003 Fax: +966 (11) 237 0005 Website: www.statlawksa.com E-mail: capitalmarkets@statlawksa.com
Financial Due Diligence Advisor
PricewaterhouseCoopers (Public Accountants) Kingdom Tower, twenty-first floor, King Fahad Road P.O. Box 8282 Riyadh 11482 Kingdom of Saudi Arabia Tel: +966 (11) 211 0400 Fax: +966 (11) 211 0250 Website: www.pwc.com E-mail: imad.matar@pwc.com
Market Study Consultant
Euromonitor International Limited Company 61-60 Brighton Street EC1M5UX London United Kingdom Tel: +44 (20) 725 18024 Fax: +44 (20) 71083149 Website: www.euromonitor.com E-mail: info-mena@euromonitor.com

Auditors for the financial year ended 31 December 2019G
Al Yousif Al Saeed Co. (Certified Public Accountants) Salah Aldeen Alayoubi Road, Al Malaz District P.O. Box: 255045 Riyadh 11511 Kingdom of Saudi Arabia Tel: +966 (11) 4776141 Fax: +966 (11) 4791828 E-mail: info@yscpa-sa.com

Auditors for the financial years ended 31 December 2020G and 2021G
Dr. Mohammed Al-Amri & Co. Al Sulaimi Commercial Center Prince Mohammed Bin Fahd Road P.O. Box 7676 Dammam 32451 - 4120 Kingdom of Saudi Arabia Tel: +966 (13) 8344311 Fax: +966 (13) 8338553 Website: www.alamri.com E-mail: info@bdoalamri.com

Note: All of the above-mentioned Advisors and Auditors have given and, as of the date of this Prospectus, have not withdrawn their written consent to the inclusion of their respective names, addresses, logos and statements attributed to each of them in the context in which they appear in the Prospectus, and neither they, their employees (forming part of the engagement team serving the Company), or any of their employees' relatives have any shareholding or interest of any kind in the Company as of the date of this Prospectus which would impair their independence.

RECEIVING AGENTS

Bank Aljazira
King Abdulaziz Road
P.O. Box 6277
Jeddah 21442
Kingdom of Saudi Arabia
Tel: + 966 (12) 609 8888
Fax: + 966 (12) 609 1888
Website: www.baj.com.sa
E-mail: shakwa@baj.com.sa

Al Rajhi Bank
King Fahd Road
P.O. Box 28
Riyadh 11411
Kingdom of Saudi Arabia
Tel: + 966 (11) 828 2515
Fax: + 966 (11) 279 8190
Website: www.alrajhibank.com.sa
E-mail: contactcenter1@alrajhibank.com.sa

OFFERING SUMMARY

This Offering Summary is intended to provide a brief overview of the information contained in this Prospectus. As such, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary must be read as an introduction to this Prospectus, and prospective investors should read the entire Prospectus in full. Any decision to invest in the Offer Shares by prospective investors should be based on a consideration of this Prospectus as a whole.

In particular, it is important to carefully consider the "**IMPORTANT NOTICE**" section on page (i) and Section 2 (**RISK FACTORS**) prior to making any investment decision with respect to the Offer Shares.

Company Name, Description and Establishment Information	Naqi Water Company is a Saudi closed joint stock company incorporated by virtue of Ministerial Resolution No. 255, dated 1 Sha'ban 1442H (corresponding to 14 March 2021G), and registered under Commercial Registration No. 1128018184, dated 27 Jumada al-Akhirah 1435H (corresponding to 27 April 2014G) issued in Unaizah, Kingdom of Saudi Arabia. The current share capital of the Company is two hundred million Saudi Arabian Riyals (SAR 200,000,000), consisting of twenty million (20,000,000) ordinary Shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share. The Company started as a sole proprietorship under the name "Naqi Water Establishment" owned by Ameen Abdullah Ali Almallah under commercial registration number 1128018184, dated 27 Jumada al-Akhirah 1435H (corresponding to 27 April 2014G); in accordance with the main and branch Commercial Registrations the Company's activities consist of the production and bottling of pure filtered water, the wholesale of all kinds of bottled water, the wholesale of soft drinks and juices and the retail sale of beverages in Specialized stores. On 16 Ramadan 1438H (corresponding to 10 June 2017G) the sole proprietorship was converted into a limited liability company owned by Ameen Abdullah Ali Almallah and Yasser Aqeel Abdulaziz Al Aqeel at 50% each, with a capital of forty-five million three hundred and thirty-eight thousand Saudi Arabian Riyals (SAR 45,338,000) divided into forty-five thousand three hundred and thirty-eight (45,338) in-kind shares (8,160 shares of which represent real estate value and 37,178 shares of which represent machines, equipment, cars, desalination plants, pre-operating expenses, laboratory equipment, computers and fire and conditioning devices contributed by the shareholders Ameen Abdullah Ali Almallah and Yasser Aqeel Abdulaziz Al Aqeel at 50% each) with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share. On 5 Jumada al-Ula 1441H (corresponding to 31 December 2019G) the capital of the Company was increased from forty-five million three hundred and thirty-eight thousand Saudi Arabian Riyals (SAR 45,338,000) divided into forty-five thousand three hundred and thirty-eight (45,338) in-kind shares (8,160 shares of which represent real estate value and 37,178 shares of which represent machines, equipment, cars, desalination plants, pre-operating expenses, laboratory equipment, computers and fire and conditioning devices contributed by the shareholders Ameen Abdullah Ali Almallah and Yasser Aqeel Abdulaziz Al Aqeel at 50% each) with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share to eighty-five million three hundred and thirty-eight thousand Saudi Arabian Riyals (85,338,000) divided into eighty-five thousand three hundred and thirty-eight (85,338) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share, by issuing forty thousand (40,000) new cash shares whose value was fully paid by Ameen Abdullah Ali Almallah and Yasser Aqeel Abdulaziz Al Aqeel, each of whom paid for fifteen thousand seven hundred and thirty-three (15,733) shares. The value of the remaining eight thousand five hundred and thirty-four (8,534) shares, with an ownership percentage of 10%, was paid by a new shareholder, Alsad Modern Advanced Company, resulting in the following new ownership structure of the Company: Ameen Abdullah Ali Almallah (45%), Yasser Aqeel Abdulaziz Al Aqeel (45%) and Alsad Modern Advanced Company (10%). On 23 Rabi' al-Thani 1442H (corresponding to 8 December 2020G) Yasser Aqeel Abdulaziz Al Aqeel assigned his entire share of thirty-eight thousand four hundred and two (38,402) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1000) per share amounting to 45% of the Company's capital to Alsad Modern Advanced Company. In return, Alsad Modern Advanced Company assigned four thousand two hundred and sixty-six (4,266) shares amounting to 5% of the Company's capital to the other shareholder Ameen Abdullah Ali Almallah. As a result, the Company became fully owned by Ameen Abdullah Ali Almallah and Alsad Modern Advanced Company, each with a 50% ownership share. The capital was also increased from eighty-five million three hundred and thirty-eight thousand Saudi Arabian Riyals (SAR 85,338,000) divided into eighty-five thousand three hundred and thirty-eight (85,338) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1000) per share to one hundred and fifty million Saudi Arabian Riyals (SAR 150,000,000) divided into one hundred and fifty thousand (150,000) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1000) per share through the capitalisation of fifty-seven million two hundred and fifty-seven thousand four hundred and ten Saudi Arabian Riyals (SAR 57,257,410) in retained earnings and the capitalisation of seven million four hundred and four thousand five hundred and ninety Saudi Arabian Riyals (SAR 7,404,590) from the Company's statutory reserve. On 17 Jumada alAkhirah 1442H (corresponding to 30 January 2021G) the Company's capital increased from one hundred and fifty million Saudi Arabian Riyals (SAR 150,000,000) divided into one hundred and fifty thousand (150,000) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1000) per share to one hundred and seventy million Saudi Arabian Riyals (SAR 170,000,000) divided into one hundred and seventy thousand (170,000) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1000) per share through the capitalisation of twelve million two hundred four thousand five hundred and eighteen Saudi Arabian Riyals (SAR 12,204,518) in retained earnings and the capitalisation of seven million seven hundred and ninety-five thousand four hundred and eighty-two Saudi Arabian Riyals (SAR 7,795,482) from the Company's statutory reserve.

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Company Name, Description and Establishment Information (Continued)	On 15 Sha'ban 1442H (corresponding to 28 March 2021G), the Company was converted from a limited liability company into a closed joint stock company pursuant to Ministerial Resolution No. 255, dated 1 Sha'ban 1442H (corresponding to 14 March 2021G) under the name "Naqi Water Company", without any change in the Company's ownership structure, with a capital of one hundred and seventy million Saudi Arabian Riyals (SAR 170,000,000) divided into seventeen million (17,000,000) ordinary shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share. On 8 Rabi' al-Thani 1443H (corresponding to 12 December 2021G) the Company's capital increased from one hundred and seventy million Saudi Arabian Riyals (SAR 170,000,000) divided into seventeen million (17,000,000) ordinary shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share to two hundred million Saudi Arabian Riyals (SAR 200,000,000) divided into twenty million (20,000,000) ordinary Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share through the capitalisation of thirty million Saudi Arabian Riyals (SAR 30,000,000) in retained earnings. For further details of the Company's history see Section 4.2 (**Corporate History and Evolution of Capital**).
Company's Activities	In accordance with the Bylaws, the Company's activities consist of the following: 1. transformative manufacturing; 2. transportation and storage; 3. wholesale and retail trade; repair of motor vehicles and motorcycles; 4. trade; and 5. manufacturing, mining and recycling (manufacturing of beverages). In accordance with the main and branch Commercial Registrations, the Company's activities consist of the following: 1. production and bottling of pure filtered water; 2. wholesale of all kinds of bottled water; 3. wholesale of soft drinks and juices; and 4. retail sale of beverages in specialized stores. 5. The Company's core activities consist of the following key business segments: 6. water wholesale segment; and 7. water retail segment.

Substantial Shareholders

The Substantial Shareholders' names and ownership in the Company pre- and post-Offering are provided in the table below:

Table No. (2): Substantial Shareholders and their Ownership in the Company

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%)	Value of Shares (SAR)	Number of Shares	Ownership (%)	Value of Shares (SAR)
Ameen Abdullah Ali Almallah	10,000,000	50%	100,000,000	7,000,000	35%	70,000,000
Alsad Modern Advanced Company	10,000,000	50%	100,000,000	7,000,000	35%	70,000,000
Total	20,000,000	100%	200,000,000	14,000,000	70%	140,000,000

Source: The Company.

Selling Shareholders

The following table shows the selling shareholders' details, the number of their shares and their ownership percentages in the Company pre- and post- Offering:

Table No. (3): Selling Shareholders and their Ownership in the Company

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%)	Overall Nominal Value (SAR)	Number of Shares	Ownership (%)	Overall Nominal Value (SAR)
Ameen Abdullah Ali Almallah	10,000,000	50%	100,000,000	7,000,000	35%	70,000,000
Alsad Modern Advanced Company.	10,000,000	50%	100,000,000	7,000,000	35%	70,000,000
Total	20,000,000	100%	200,000,000	14,000,000	70%	140,000,000

Source: The Company.

Company's Share Capital Pre- and Post-Offering	The Company's Share Capital prior to the Offering is two hundred million Saudi Arabian Riyals (SAR 200,000,000) and will remain so after the Offering.
Total Number of Issued Shares Pre- and Post- Offering	The number of the Company's shares before the Offering is twenty million (20,000,000) fully paid ordinary shares and will remain so after the Offering.
Nominal Value per Share	SAR 10 per Share.
Offering	The initial public offering of the Company's Shares will consist of six million (6,000,000) ordinary Shares with a fully paid-up nominal value of ten Saudi Arabian Riyals (SAR 10) per share, representing (30%) of the Company's capital and at an Offer Price of Sixty-nine SAR (69) per share.
Total Number of Offer Shares	Six million (6,000,000) fully paid ordinary Shares.
Percentage of Offer Shares to the Total Number of Issued Shares	The Offer Shares represent 30% of the Company's share capital.
Offer Price	Sixty-nine SAR (69) per Offer Share.
Total Value of Offer Shares	Four hundred and fourteen million SAR (414,000,000).
Use of Proceeds	The Net Offering Proceeds amounting to approximately three hundred and ninety four million SAR (394,000,000) (after deducting the Offering expenses estimated at twenty million SAR (20,000,000)), will be paid to the Selling Shareholders on a pro rata basis according to the number of Shares owned by each Selling Shareholder from the Offer Shares. The Company will not receive any part of the Offering Proceeds (for further details, see Section 8 (**USE OF PROCEEDS**)).
Total Number of Shares Underwritten	Six million (6,000,000) ordinary Shares.
Total Offering Amount Underwritten	Four hundred and fourteen million SAR (414,000,000).
Categories of Targeted Investors	Subscription to the Offer Shares is restricted to two groups of Investors, namely: • **Tranche (A) Participating Parties:** This tranche includes parties entitled to participate in the book-building process in accordance with the Book-Building Instructions, including investment funds, companies, Qualified Foreign Investors, GCC Corporate Investors and certain other Foreign Investors pursuant to swap agreements (for further details, see Section 1 (**DEFINITIONS AND ABBREVIATIONS**)); and • **Tranche (B) Individual Investors:** This tranche includes natural Saudi persons, including a divorced Saudi woman or widow with minor children from a non-Saudi husband, who can subscribe for her own benefit or in the names of her minor children, provided that she proves that she is divorced or widowed and the mother of her minor children, as well as any non-Saudi natural persons resident in the Kingdom or GCC citizens holding a bank account with a Receiving Agent and entitled to open an investment account. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.
Total Number of Shares Offered for Each Category of Targeted Investors	
Number of Shares Offered for the Participating Parties	Six million (6,000,000) Offer Shares, representing 100% of the total Offer Shares. If there is sufficient demand from Individual Investors, and the Participating Entities subscribe to all of the Offer Shares allocated to them, the Bookrunner shall have the right to reduce the number of Shares allocated to the Participating Entities to five million four hundred thousand (5,400,000) ordinary Shares, representing 90% of the total Offer Shares.
Number of Offer Shares Available to Individual Investors	A maximum of six hundred thousand (600,000) ordinary Shares, representing 10% of the total Offer Shares.
Subscription Method for Each of the Targeted Investors' Categories:	
Subscription Method for Participating Parties	The Participating Parties as identified in Section 1 (**DEFINITIONS AND ABBREVIATIONS**) may apply for participation in the book-building process by filling out a Bidding Participation Application that will be provided by the Bookrunner for the Participating Entities during the book-building process period. After the provisional allocation, the Participating Entities shall complete the Subscription Application Forms that will be made available to them by the Bookrunner in accordance with the instructions mentioned in Section 17 (**SUBSCRIPTION TERMS AND CONDITIONS**).

Subscription Method for Individual Investors	Subscription Application Forms will be provided during the Offering Period through the websites of the Receiving Agent. The Subscription Application Forms shall be completed in accordance with the instructions mentioned in Section 17 (**SUBSCRIPTION TERMS AND CONDITIONS**). Individual Investors who have recently participated in previous initial public offerings can also subscribe through the websites, smart phone applications, or automated teller machines ("ATMs") of the Receiving Agents' branches that offer any or all such services to its customers, provided that: (i) the Individual Investor has a bank account with a Receiving Agent which offers such services; (ii) there have been no changes in the personal information or data of the Individual Investor since his subscription in a recent initial public offering; and (iii) Individual Investors who are not Saudi or GCC nationals must have an account with one of the Capital Market Institutions which offer such services.
Minimum Number of Offer Shares to be Applied for by Each of the Targeted Investors' Categories:	
Minimum Number of Offer Shares to be Applied for by Participating Entities	One hundred thousand (100,000) Offer Shares.
Minimum Number of Offer Shares to be Applied for by Individual Investors	Ten (10) Offer Shares.
Minimum Subscription Amount for Each of the Targeted Investors' Categories:	
Minimum Subscription Amount for Participating Entities	Six million nine hundred thousand SAR (6,900,000).
Minimum Subscription Amount for Individual Investors	Six hundred ninety SAR (690).
Maximum Number of Offer Shares to be Applied for by Each of the Targeted Investors' Categories:	
Maximum Number of Offer Shares to be Applied for by Participating Entities	Nine hundred and ninety-nine thousand nine hundred and ninety-nine (999,999) Offer Shares and, in relation to public funds only, no more than the maximum number of Offer Shares to be calculated for each participating public fund pursuant to the Book-Building Instructions.
Maximum Number of Offer Shares to be Applied for by Individual Investors	Two hundred and fifty thousand (250,000) Offer Shares.
Maximum Subscription Amount for Each of the Targeted Investors' Categories:	
Maximum Subscription Amount for Participating Entities	Sixty-eight million nine hundred and ninety-nine thousand nine hundred and thirty-one SAR (68,999,931).
Maximum Subscription Amount for Individual Investors	Seventeen million two hundred and fifty thousand SAR (17,250,000).
Allocation and Refund of Excess Subscription Monies Method for Each of the Targeted Investors' Categories:	
Allocation of Offer Shares to Individual Investors	The allocation of the Offer Shares to Individual Investors is expected to be completed no later than 5/1/1444H (corresponding to 3/8/2022G). The minimum allocation per Individual Investor is ten (10) Shares, and the maximum allocation per Individual Investor is two hundred and fifty thousand (250,000) Shares, with any remaining Offer Shares being allocated on a pro-rata basis of the number of Offer Shares applied for by that Individual Investor to the total Offer Shares. In the event that the number of Individual Investors exceeds sixty thousand (60,000) Individual Investors, the Company will not guarantee the minimum allocation of ten (10) Shares for each Individual Investor. In this case, the Offer Shares will be allocated in accordance with the proposals made by the Company and the Financial Advisor.

Allocation of Offer Shares to Participating Entities	The final allocation of the Offer Shares to Participating Entities shall be made through the Bookrunner after the completion of the Individual Investors' subscription process as the Financial Advisor deems appropriate in coordination with the Issuer, using the discretionary allocation mechanism. As a result, some of the Participating Entities may not be allocated any Offer Shares. The number of Offer Shares to be provisionally allocated to Participating Entities is six million (6,000,000) Offer Shares representing 100% of the total Offer Shares. If there is sufficient demand by Individual Investors for the Offer Shares, the Bookrunner shall have the right to reduce the number of Offer Shares allocated to Participating Entities to five million four hundred thousand (5,400,000) Shares as a minimum, representing 90% of the total Offer Shares.
Refund of Excess Subscription Monies	Excess subscription monies, if any, will be refunded to Subscribers without withholding any charge or commission by the Bookrunner or the Receiving Agent, as applicable. The announcement of the final allocation will be made no later than 5/1/1444H (corresponding to 3/8/2022G), and the refund of excess subscription monies will be made no later than 6/1/1444H (corresponding to 4/8/2022G) (for further details, see "**KEY DATES AND SUBSCRIPTION PROCEDURES**" on page (xiv) and Section 17 (**SUBSCRIPTION TERMS AND CONDITIONS**)).
Offering Period for Individual Investors	The Offering will commence on 28/12/1443H (corresponding to 27/7/2022G) and will remain open for a period of two days up to and including the Offering closing date which is 29/12/1443H (corresponding to 28/7/2022G) (for further details, see "**KEY DATES AND SUBSCRIPTION PROCEDURES**" on page (xiv)).
Entitlement to Dividends	The Offer Shares will entitle their holders to receive any dividends declared and paid by the Company starting from the date of this Prospectus and for subsequent financial years (for further details, see Section 7 (**DIVIDEND DISTRIBUTION POLICY**)).
Voting Rights	The Company has one class of Shares only. None of the Shares carries any preferential voting rights. Each Share entitles its holder to one vote and each Shareholder has the right to attend and vote at the meetings of the General Assembly. A Shareholder has the right to delegate another Shareholder, but not a Director or employee of the Company, to attend the General Assembly meetings (for further details, see Section 12.13 (Summary of Bylaws) and Section 12.14 (**Description of Shares**)).
Restrictions on the Shares (Lock-up Period)	The Substantial Shareholders are subject to a Lock-up Period of six (6) months from the date of commencement of trading of the Offer Shares on the Exchange. They may not dispose of any of their Shares during such period. After the end of the Lock-up Period, the Substantial Shareholders may dispose of their Shares without prior approval from the CMA (for further details regarding Substantial Shareholders, see Table 2 (**Substantial Shareholders and their Ownership in the Company**).
Listing of Shares	Prior to the Offering, the Company's Shares have never been listed in the Kingdom or elsewhere. An application was made by the Company to the CMA for the registration and offer of the Shares in accordance with the Rules on the Offer of Securities and Continuing Obligations. The Company also submitted an application to the Exchange for the listing of its Shares on the Exchange in accordance with the Listing Rules. All relevant approvals required to conduct the Offering have been granted. All supporting documents requested by the CMA and Tadawul have been met. It is expected that trading in the Shares will commence on the Exchange after the final allocation of the Offer Shares (for further details, see "**KEY DATES AND SUBSCRIPTION PROCEDURES**" on page (xiv)).
Risk Factors	There are certain risks related to the investment in the Offer Shares. They can be categorized as follows: (i) risks related to the activities and operations of the Company; (ii) risks related to the market, industry and regulatory environment; and (iii) risks related to the Offer Shares. These risks are described in Section 2 (**RISK FACTORS**) and should be considered carefully prior to any investment decision being made in relation to the Offer Shares.
Offering Expenses	The Selling Shareholders will bear all Offering expenses and costs estimated at around twenty million SAR (20,000,000). These expenses and costs will be deducted from the Offering Proceeds and include the fees of the Financial Advisor, the Lead Manager, the Bookrunner, the Underwriter, the Legal Advisor, the Financial Due Diligence Advisor and the Market Study Consultant, in addition to the fees of the Receiving Agents, and marketing, printing and distribution expenses and other relevant expenses.
Underwriter	**Aljazira Capital Company (Aljazira Capital)** King Fahad Road P.O. Box 20428 Riyadh 11455 Tel: +966 (11) 225 6000 Fax: +966 (11) 2256811 Website: www.aljaziracapital.com.sa E-mail: contactus@aljaziracapital.com.sa

Note: The "**IMPORTANT NOTICE**" section on page (i) and Section 2 (**RISK FACTORS**) should be read thoroughly prior to an investment decision being made with respect to the Offer Shares under this Prospectus.

KEY DATES AND SUBSCRIPTION PROCEDURES

Table No. (4): Expected Offering Timetable

Expected Offering Timetable	Date
Offering and Book-Building Period for Participating Entities	From Sunday, 18/12/1443H (corresponding to 17/7/2022G), until the end of Thursday, 22/12/1443H (corresponding to 21/7/2022G)
Offering Period for Individual Investors	From Wednesday, 28/12/1443H (corresponding to 27/7/2022G) until the end of Thursday, 29/12/1443H (corresponding to 28/7/2022G)
Deadline for Submission of Subscription Application Forms Based on the Number of Offer Shares Provisionally Allocated for the Participating Entities	Thursday, 29/12/1443H (corresponding to 28/7/2022G)
Deadline for Payment of the Subscription Amount by Participating Entities Based on their Provisionally Allocated Offer Shares	Thursday, 29/12/1443H (corresponding to 28/7/2022G)
Deadline for Submission of Subscription Application Forms and Payment of the Subscription Amount by Individual Investors	Thursday, 29/12/1443H (corresponding to 28/7/2022G)
Announcement of the Final Allocation of the Offer Shares	Wednesday, 5/1/1444H (corresponding to 3/8/2022G)
Refund of Excess Subscription Monies (if any)	Thursday, 6/1/1444H (corresponding to 4/8/2022G)
Expected Commencement Date for Trading the Shares on the Exchange	Trading of the Company's Shares on the Exchange is expected to start after the completion of all of the relevant legal requirements and procedures. The trading commencement date of the Shares will be announced in local newspapers and Tadawul's website (www.saudiexchange.sa).

Note: The above timetable and dates therein are indicative. Actual dates will be communicated on the websites of Tadawul (www.saudiexchange.sa), the Financial Advisor (www.aljaziracapital.com.sa) and the Company (www.naqiwater.com).

How to Apply for Offer Shares

Subscription to Offer Shares is restricted to the following two groups of Investors:

- Tranche (A): Participating Parties comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions, including investment funds, companies, Qualified Foreign Investors, GCC Corporate Investors and certain other Foreign Investors pursuant to swap agreements (for further details, see Section 1 (DEFINITIONS AND ABBREVIATIONS) and Section 17 (SUBSCRIPTION TERMS AND CONDITIONS)).
- Tranche (B): Individual Investors comprising individuals holding Saudi Arabian nationality, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, as well as any non-Saudi natural persons resident in the Kingdom or GCC natural persons holding a bank account with a Receiving Agent and being entitled to open an investment account. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

A. Participating Parties

Participating Parties may apply for participation in the book-building process by an approach determined by the Financial Advisor and by filling out the Bidding Participation Application that will be provided by the Bookrunner during the book-building process period and obtaining the Subscription Application Forms from the Bookrunner after the provisional allocation. Upon the approval of the CMA, the Bookrunner shall offer the Offer Shares to the Participating Parties only during the bookbuilding period. Subscriptions by the Participating Entities, which also includes the Individual Investors, shall commence during the Offering Period according to the terms and conditions detailed in the Subscription Application Forms. A signed and sealed Subscription Application Form must be submitted to the Bookrunner representing a legally binding agreement between the Selling Shareholders and the relevant Participating Entity submitting the same.

B. Individual Investors

Subscription Application Forms for Individual Investors will be provided during the Offering Period through the website of the Receiving Agent. Individual Investors can also subscribe through the website, smart phone applications, or ATMs of the Receiving Agent that provide some or all of these channels to Individual Investors who have recently participated in previous initial public offerings, provided that:

- the Individual Investor has a bank account with a Receiving Agent which offers such services; and
- there are no changes in the personal information or data of the Individual Investor (by way of exclusion or addition of any member of his/her family) since he/she last participated in an initial public offering.

Subscription Application Forms must be filled out by each individual applicant according to the instructions mentioned in Section 17 (SUBSCRIPTION TERMS AND CONDITIONS). An applicant must complete all of the relevant sections in the Subscription Application Form. The Company reserves the right to reject any Subscription Application Form, in part or in whole, if any of the subscription terms and conditions are not met. After being submitted, the Subscription Application Form cannot be amended or withdrawn. If the Subscription Application Form is submitted twice, the second submission shall be considered null and void, and only the first submission shall be considered. Upon submission, the Subscription Application Form shall be considered to be a legally binding agreement by the relevant Subscriber and the Selling Shareholders (for further details, see Section 17 (SUBSCRIPTION TERMS AND CONDITIONS)).

Excess subscription monies, if any, will be refunded to the primary Individual Investor's account held with a Receiving Agent from which the subscription amount was debited in the first place, without withholding any charge or commission by the Lead Manager or the Receiving Agent. Excess subscription monies shall not be refunded in cash or to third-party accounts.

For further details regarding subscription by Individual Investors and the Participating Entities, see Section 17 (SUBSCRIPTION TERMS AND CONDITIONS).

SUMMARY OF KEY INFORMATION

This summary of key information is intended to give an overview of the information contained in this Prospectus. However, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary must be treated as an introduction to this Prospectus, and persons wishing to subscribe for the Offer Shares are advised to read the entire Prospectus in full so that any decision to invest in the Offer Shares by prospective investors should be based on the consideration of this Prospectus as a whole. In particular, it is important for an investor to carefully consider the "IMPORTANT NOTICE" section on page (i) and Section 2 (RISK FACTORS) prior to making an investment decision with respect to the Offer Shares.

OVERVIEW OF THE COMPANY

History of the Company

The Company started as a sole proprietorship under the name "Naqi Water Establishment" owned by Ameen Abdullah Ali Almallah under commercial registration number 1128018184, dated 27 Jumada al-Akhirah 1435H (corresponding to 27 April 2014G). In accordance with the main and branch Commercial Registrations, the Company's activities consist of the production and bottling of pure filtered water, the wholesale of all kinds of bottled water, the wholesale of soft drinks and juices and the retail sale of beverages in Specialized stores.

On 16 Ramadan 1438H (corresponding to 10 June 2017G) the sole proprietorship was converted into a limited liability company owned by Ameen Abdullah Ali Almallah and Yasser Aqeel Abdulaziz Al Aqeel, each with a 50% ownership share, with a capital of forty-five million three hundred and thirty-eight thousand Saudi Arabian Riyals (SAR 45,338,000) divided into forty-five thousand three hundred and thirty-eight (45,338) in-kind shares (8,160 shares of which represent real estate value and 37,178 shares of which represent machines, equipment, cars, desalination plants, pre-operating expenses, laboratory equipment, computers and fire and conditioning devices contributed by the shareholders Ameen Abdullah Ali Almallah and Yasser Aqeel Abdulaziz Al Aqeel at 50% each) with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share.

On 5 Jumada al-Ula 1441H (corresponding to 31 December 2019G) the capital of the Company was increased from forty-five million three hundred and thirty-eight thousand Saudi Arabian Riyals (SAR 45,338,000) divided into forty-five thousand three hundred and thirty-eight (45,338) in-kind shares (8,160 shares of which represent real estate value and 37,178 shares of which represent machines, equipment, cars, desalination plants, pre-operating expenses, laboratory equipment, computers and fire and conditioning devices contributed by the shareholders Ameen Abdullah Ali Almallah and Yasser Aqeel Abdulaziz Al Aqeel at 50% each) with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share to eighty-five million three hundred and thirty-eight thousand Saudi Arabian Riyals (85,338,000) divided into eighty-five thousand three hundred and thirty-eight (85,338) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share, by issuing forty thousand (40,000) new cash shares whose value was fully paid by Ameen Abdullah Ali Almallah and Yasser Aqeel Abdulaziz Al Aqeel, each of whom paid for fifteen thousand seven hundred and thirty three (15,733) shares. The value of the remaining eight thousand five hundred and thirty-four (8,534) shares, with an ownership percentage of 10%, was paid by a new shareholder Alsad Modern Advanced Company, resulting in the following new ownership structure of the Company: Ameen Abdullah Ali Almallah (45%), Yasser Aqeel Abdulaziz Al Aqeel (45%) and Alsad Modern Advanced Company (10%).

On 23 Rabi' al-Thani 1442H (corresponding to 8 December 2020G) Yasser Aqeel Abdulaziz Al Aqeel assigned his entire share of thirty-eight thousand four hundred and two (38,402) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1000) per share amounting to 45% of the Company's capital to Alsad Modern Advanced Company. In return, Alsad Modern Advanced Company assigned four thousand two hundred and sixty-six (4,266) shares amounting to 5% of the Company's capital to the other shareholder Ameen Abdullah Ali Almallah. As a result, the Company became fully owned by Ameen Abdullah Ali Almallah and Alsad Modern Advanced Company each with a 50% ownership share. The capital was also increased from eighty-five million three hundred and thirty-eight thousand Saudi Arabian Riyals (SAR 85,338,000) divided into eighty-five thousand three hundred and thirty-eight (85,338) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1000) per share to one hundred and fifty million Saudi Arabian Riyals (SAR 150,000,000) divided into one hundred and fifty thousand (150,000) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1000) per share through the capitalisation of fifty-seven million two hundred and fifty-seven thousand four hundred and ten Saudi Arabian Riyals (SAR 57,257,410) in retained earnings and the capitalisation of seven million four hundred and four thousand five hundred and ninety Saudi Arabian Riyals (SAR 7,404,590) from the Company's statutory reserve.

On 17 Jumada al-Akhirah 1442H (corresponding to 30 January 2021G) the Company's capital increased from one hundred and fifty million Saudi Arabian Riyals (SAR 150,000,000) divided into one hundred and fifty thousand (150,000) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1000) per share to one hundred and seventy million Saudi Arabian Riyals (SAR 170,000,000) divided into one hundred and seventy thousand (170,000) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1000) per share through the capitalisation of twelve million two hundred four thousand five hundred and eighteen Saudi Arabian Riyals (SAR 12,204,518) in retained earnings and the capitalisation of seven million seven hundred and ninety-five thousand four hundred and eighty-two Saudi Arabian Riyals (SAR 7,795,482) from the Company's statutory reserve.

On 15 Sha'ban 1442H (corresponding to 28 March 2021G), the Company was converted from a limited liability company to a closed joint stock company pursuant to Ministerial Resolution No. 255, dated 1 Sha'ban 1442H (corresponding to 14 March 2021G) under the name "Naqi Water Company", without any change in the Company's ownership structure, with a capital of one hundred and seventy million Saudi Arabian Riyals (SAR 170,000,000) divided into seventeen million (17,000,000) ordinary shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share.

On 8 Rabi' al-Thani 1443H (corresponding to 12 December 2021G) the Company's capital increased from one hundred and seventy million Saudi Arabian Riyals (SAR 170,000,000) divided into seventeen million (17,000,000) ordinary shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share to two hundred million Saudi Arabian Riyals (SAR 200,000,000) divided into twenty million (20,000,000) ordinary Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share through the capitalisation of thirty million Saudi Arabian Riyals (SAR 30,000,000) in retained earnings. For further details of the Company's history see Section 4.2 (**Corporate History and Evolution of Capital**).

Overview of the Company's Business

The Company is one of the leading companies in the water production and bottling sector, achieving continuous growth and an increasing presence, including the business of water extraction, purification, desalination, distribution and sale in various regions and cities of the Kingdom. The Company's business consists of two main segments, namely:

- wholesale segment; and
- retail segment.

The Company has extensive experience related to the main business segments mentioned above, including sales to small and medium-sized accounts, such as supermarkets, grocery stores, etc., and larger accounts such as hypermarkets, as well as houses and final consumers, in addition to sales to institutions, governmental entities, schools, universities, mosques, etc., along with HORECA sales, including hotels and restaurants, etc., as well as sales to agents and distributors in various regions and cities of the Kingdom.

Revenues from the wholesale segment accounted for 99.5%, 66.7% and 67.1% of the Company's total revenues in the financial years ended 31 December 2019G, 2020G and 2021G, respectively, while revenues from the retail segment accounted for 0.5%, 33.3% and 32.9%, respectively, of the Company's total revenues for the same period. For further details, see Section 6.6.1 (**Statement of profit or loss and other comprehensive income**).

Ownership Structure

The following table sets out the direct ownership structure of the Company pre- and post-Offering:

Table No. (5): Direct Ownership Structure of the Company Pre- and Post- Offering

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%)	Value of Shares (SAR)	Number of Shares	Ownership (%)	Value of Shares (SAR)
Ameen Abdullah Ali Almallah	10,000,000	50%	100,000,000	7,000,000	35%	70,000,000
Alsad Modern Advanced Company	10,000,000	50%	100,000,000	7,000,000	35%	70,000,000
Total	**20,000,000**	**100%**	**200,000,000**	**14,000,000**	**70%**	**140,000,000**

Source: The Company.

Vision, Mission, and Strategy

Vision

To have a leading role in the field of water production and bottling throughout the Kingdom, GCC countries, and MENA region by improving its trademark and consequently building a pioneering trade name in the industry, in addition to meeting the highest quality and customer service standards, developing business relations and recruiting, training while retaining the best human resources.

Mission

To develop a modern business model relevant to its object by providing various types of products of different sizes and weights in line with the highest standards of quality and value at competitive prices. The Company is also keen to attend to all of the needs of its partners and customers in a sustainable manner by increasing its research and development efforts in order to create added and sustainable value for its Shareholders and encourage effective and constructive participation to keep pace with the aspirations of Shareholders and stakeholders.

Strategy

The Company has set key strategic objectives based on its strengths and market opportunities that are consistent with its vision and mission. The Company's strategic objectives include strengthening its leadership position in the water production and bottling sector by developing the Company's business strategies; growing its customer base; expanding its operations in new markets in the Kingdom, GCC countries and MENA region; developing production and manufacturing operations and production capacity; improving working capital efficiency; enhancing the competencies of the team; and improving the Company's governance. The Company is also adopting complementary strategies that include marketing development, sales and distribution strategy in addition to promoting, advertising and having a market penetration pricing strategy in line with its business strategies to ensure the growth of its customer base and the expansion of its operations.

Strengths and Competitive Advantages of the Company

The Company has developed sustainable strengths and competitive advantages that allow it to pursue available market opportunities that are in line with its vision and mission. The strengths and competitive advantages include a quick response to the market changes and its customers' requirements through the ability to produce various products in its plants and production lines, in addition to the efficient operation of its production lines, accompanied by the strategic location of the plant, facilitating the introduction of the Company's products into the major regions in the Kingdom. The Company strives to meet the requirements and needs of its customers by relying on modern machinery, equipment and manufacturing resources. These allow the Company to design and produce a wide range of products, and it is continuously developing and updating its production lines, machines and equipment. The Company benefits from its ability to obtain sufficient funding from financial institutions, allowing it to continuously finance the expansion of its business and growth in line with the excellence of the Company's operational performance and its expansionary executive decisions, in addition to its distinctive brand. The Company is run by a management team that has extensive experience in the industry and the field of water bottling. This allows the Company to take advantage of its resources as required, and to establish strategic partnerships with sister companies and close relations with business partners in order to facilitate the Company's operations and growth.

Market Overview

The data and information related to the water production and bottling sector in the Kingdom and contained in this section are derived from the report prepared by the Market Study Consultant. However, there is no reason to believe that this information is inaccurate or incorrect. Accordingly, the Board of Directors, Shareholders and Advisors did not independently verify the accuracy of such data and information. Hence, there is no guarantee that such data and information is accurate or complete.

Overview of the Saudi Economy

The Kingdom boasted the largest total Gross Domestic Product (GDP) in the MENA region, with an estimated SAR 2.6 trillion (USD 700 billion) in 2020G. Following economic growth at an average annual rate of 1.4% during the period from 2017G to 2020G (supported by factors including the rise in Government revenues resulting from measures to control public financial conditions, the continued implementation of economic reforms to increase private sector participation, in addition to the recovery of international oil prices), the Saudi economy (GDP) declined by 4.1% in real value in 2020G, following the crisis of the coronavirus (COVID-19) pandemic and the drop of low oil prices, which led to a deficit in financial revenues.

Overview of the Water Production and Bottling Sector

The total market size for bottled water in the Kingdom was estimated at 6.1 billion litres in terms of volume in 2020G (equivalent to around SAR 7.8 billion or USD 2.1 billion, in terms of value). Since the beginning of the first decade of the 21st Century, the bottled water sector in the Kingdom recorded a steady positive growth rate over a long period of time. However, in the period from 2017G to 2020G, the bottled water sector slightly decreased by 2.3% as a result of the decrease in total consumer spending (due to factors including financial control measures taken by the Kingdom's Government, the application of value-added tax, the inflation subsequent thereto, and the Saudisation of workforce policies), as well as the impact of the coronavirus (COVID-19) pandemic on the Kingdom's macro economy. However, the bottled water market in the Kingdom recorded a positive growth rate by 3.7% during the period from 2017G to 2020G in terms of value as a result of the increase in the prices of bottled water products in the local market. This compensated for the decrease in volume experienced during that period.

Per capita consumption levels of bottled water in the Kingdom were estimated at 187 litres per person annually in 2020G, which is one of the highest levels in the world, as a result of several factors including the general climate of the Kingdom and the increasing trend of consuming products to promote a healthy lifestyle among families in the Kingdom (which the local bottled water sector pays special attention to by promoting its products as "healthy and safe for family consumption"). In addition to the above, there is a favourable socio-economic background (including increasing levels of disposable income, population expansion and increased urbanisation, which we fully analysed in Section 3.1 (The Macroeconomic Environment in the Kingdom) and the supporting legal framework, which ensured support for the long-term expansion of the bottled water sector in the Kingdom.

The bottled water market in the Kingdom is expected to experience a recovery during the forecast period from 2020G to 2025G, supported by factors including the expected improvement in the macroeconomic conditions of the Kingdom, an increase in the flow of inbound tourists, high levels of disposable income per capita and an increasing trend towards products promoting a healthy lifestyle. As such, it has grown at a compound annual growth rate of 5.7%, in terms of volume, and will reach 8.1 billion litres by 2025G. Furthermore, the bottled water market in the Kingdom is expected to increase at an average annual rate of 7.9% in nominal value during the period from 2020G to 2025G to reach SAR 11.4 billion (USD 3.1 billion) by the end of that period. This reflects the expected rise in prices due to factors including the increasing demand for bottled water in the local market, allowing for the exportation of local bottled water products and the expected recovery of the Kingdom's economy during the same period.

SUMMARY OF FINANCIAL INFORMATION AND KEY PERFORMANCE INDICATORS

The financial information and key performance indicators set out below should be read together with the financial statements for the financial years ended 31 December 2019G, 2020G and 2021G, including all notes thereto included in Section 19 (**FINANCIAL STATEMENTS AND AUDITORS' REPORT**).

Table No. (6): Summary of the Company's Financial Information for the Financial Years Ended 31 December 2019G, 2020G and 2021G

Currency: SAR'000	Financial Year Ended 31 December		
	2019G Audited	2020G Audited	2021G Audited
Consolidated Statement of Profit or Loss and Other Comprehensive Income			
Revenues	207,300	264,514	277,823
Cost of revenue	164,375	160,493	164,869
Gross profit	**42,925**	**104,021**	**112,954**
General and administrative expenses	3,606	7,847	10,750
Selling and distribution expenses	4,416	14,836	23,937
Operating profit	**34,904**	**81,337**	**78,267**
Other revenues / expenses	781	(725)	1,434
Financing costs	-	592	1,194
Impairment loss on financial assets		-	-
Profit before Zakat	**35,685**	**80,020**	**78,507**
Zakat	906	2,065	1,231
Profit from continuing operations	**34,779**	**77,955**	**77,276**
Loss from discontinued operations	-	-	-
Net Profit / (loss) for the year	**34,779**	**77,955**	**77,276**
Other comprehensive income / (loss)	320	(161)	395
Non-controlling interest	-	-	-
Total comprehensive income / (loss)	**34,811**	**77,794**	**77,671**
Statement of financial position			
Total current assets	28,855	56,956	82,789
Total non-current assets	113,925	148,298	165,320
Total assets	**142,780**	**205,254**	**248,109**
Total current liabilities	24,226	22,223	25,238
Total non-current liabilities	154	18,768	14,938
Total liabilities	**24,381**	**40,991**	**40,175**
Total equity	118,400	164,263	207,934
Total liabilities and equity	**142,780**	**205,254**	**248,109**
Summary of statement of cash flows			
Net cash generated from (utilised in) operating activities	46,389	82,594	82,689
Net cash generated from (utilised in) investing activities	(28,228)	(48,134)	(35,446)
Net cash generated from (utilised in) financing activities	(14,093)	(12,286)	(39,095)
Cash and cash equivalents at the beginning of the year	3,472	7,540	29,714
Cash and cash equivalents disposed upon disposal of a subsidiary	-	-	-
Cash and cash equivalents at the end of the year / period	**7,540**	**29,714**	**37,861**

Table No. (7): Key Performance Indicators for the Financial Years Ended 31 December 2019G, 2020G and 2021G

	Year Ended 31 December		
	2019G Audited	2020G Audited	2021G Audited
Gross Profit Margin (%)	20.7	39.3	40.7
Operating Profit Margin (%)	16.8	30.7	28.2
Net Profit Margin (%)	16.8	29.4	27.8
Return on Assets (%)	31.9	44.7	34.1
Return on Equity (%)	39.5	55.2	41.5
Current Assets to Current Liabilities	1.2	2.6	3.3
Liabilities to Equity(%)	20.6	25.0	19.3

SUMMARY OF RISK FACTORS

Prior to making an investment decision with respect to the Offer Shares, prospective investors should carefully consider all of the information contained in this Prospectus, particularly the risks stated below, which are described in detail in Section 2 (**RISK FACTORS**).

A. Risks Related to the Activities and Operations of the Company

- Risks Related to the Unavailability of Raw Materials
- Risks Related to Fluctuations in Raw Materials Prices
- Risks Related to Production Lines Management
- Risks Related to Structural Changes in the Bottled Water Sector
- Risks Related to the Company's Reliance on a Single Source of Water
- Risks Related to the Company's Inability to Obtain the Required Operational Licences for Water Activities
- Risks Related to the Concentration of Revenues in the Top Three Products and the Concentration of Revenues in the Wholesale Sector
- Risks Related to Malfunctions in the Company's Plants
- Related to the Company's Inability to Implement the Future Growth Strategy
- Risks Related to the Company's Future Revenue Growth Rates and the Company's Inability to Exploit Future Growth Opportunities
- Risks Related to the Company's Short Operating History
- Risks Related to the Development of a New Facility and the Replacement of Assets
- Risks Related to Seasonal Factors
- Risks Related to Poor Inventory Management
- Risks Related to the Performance of the Company's Main Distributors
- Risks Related to Epidemics
- Risks Related to the Company's Reputation and the Quality of Services Provided
- Risks Related to the Concentration of Revenue in Specific Geographic Areas
- Risks Related to Related Party Transactions and Agreements
- Risks Related to the Engagement of the Board Directors or Senior Executives in Businesses Competing with the Company's Business
- Failure to Adequately Maintain the Confidentiality and Integrity of Client and Employee Data
- Risks Related to Credit Cards and Mada Card Payments
- Credit Risks Related to Collecting Receivables from the Company's Customers
- Risks Related to Accounts Receivable
- Risks Related to Financing
- Risks Related to Personal Guarantees Provided by Shareholders
- Risks Related to Adverse Changes in Interest Rate
- Risks Related to Reliance on Executive Management and Key Personnel
- Risks Related to the Inability to Attract and Retain Qualified Employees
- Risks Associated with Employee Misconduct or Errors
- Risks Related to Reliance on Information Technology Infrastructure
- Risks Related to the Adequacy and Availability of Insurance Coverage
- Risks Related to Contracts with Third Parties
- Risks Related to Sponsoring Non-Saudi Employees
- Risks Related to Litigation
- Risks Related to Licences and Approvals
- Risks Related to Developing and Maintaining Favourable Brand Recognition
- Risks Related to Marketing Activities
- Risks Related to Financial Reporting
- Risks Related to the Protection of Intellectual Property Rights
- Risks Related to Potential Zakat and Tax Liability
- Risks Related to Newly Implemented Corporate Governance Regulations and Compliance with the Provisions of the Companies Law

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TABLES

EXHIBITS

1

DEFINITIONS AND ABBREVIATIONS

Admission	Admission of the Shares to full listing on the Exchange in accordance with the Listing Rules and, where the context requires, an application to the Exchange for listing of securities.
Advisors	Advisors of the Company in relation to the Offering, whose names appear on pages (vi) and (vii) of this Prospectus.
Alsad Modern Advanced Company	A Substantial Shareholder owning 50% of the Company's Shares.
Audit Committee	The Audit Committee of the Company.
Auditors	It means: 1. Al Yousif Al Saeed Co. (Certified Public Accountants) for the audited financial statements for the financial year ended 31 December 2019G; and 2. Dr. Mohammed Al-Amri & Co. for the audited financial statements for the financial years ended 31 December 2020G and 2021G.
Bidding Participation Application	The application submitted by the Participating Entities to the Bookrunner for participation in the book-building process, to be submitted no later than the last day of the book-building process period. This term includes, when applicable, the appended applications upon the change of the price range.
Board of Directors or Board	The Board of Directors of the Company.
Book-Building Instructions	The Instructions for the Book-Building Process and Allocation Method in Initial Public Offerings, issued pursuant to CMA Board Resolution No. 2-94-2016, dated 15 Shawwal 1437H (corresponding to 20 July 2016G), as amended by CMA Board Resolution No. 3-102-2019, dated 18 Muharram 1441H (corresponding to 17 September 2019G).
Bookrunner	Aljazira Capital Company (Aljazira Capital).
Bottled Water	This category includes all types of bottled water (spring water, mineral water and pure water), gaseous bottled water (spring water, mineral water and pure water), flavoured bottled water and functional bottled water. This category includes sizes of bottled water (spring water, mineral water and pure water) with a capacity up to six litres sold through retail sites, which are delivered directly to consumer houses, as well as bottled water sold and consumed by the hospitality sector (hotels, restaurants and cafes), water sold to institutions, including but not limited to companies, offices and schools.
Business Day	Any day (other than Fridays, Saturdays and official holidays) on which the Receiving Agents are open for business in the Kingdom.
Bylaws	The Bylaws of the Company, which are summarised in Section 12.13 (**Summary of Bylaws**).
Capital Market Institution	A Person authorised by the CMA to practice securities business.
Chairman	The Chairman of the Board of Directors.
Chief Executive Officer	The Chief Executive Officer of the Company.
Chief Financial Officer	The Chief Financial Officer of the Company.
CMA	The Capital Market Authority of the Kingdom.
CML	The Capital Market Law issued under Royal Decree M/30, dated 2 Jumada alAkhirah 1424H (corresponding to 31 July 2003G), as amended.
Committees	The Audit Committee and the Nomination and Remuneration Committee of the Company.
Companies Law	The Companies Law, issued under Royal Decree No. (M/3), dated 28 Muharram 1437H (corresponding to 10 November 2015G), as amended.
Company or Issuer	Naqi Water Company.

Control	The ability to directly or indirectly influence the acts or decisions of another person, individually or collectively with a relative or affiliate, through any of the following: (a) holding 30% or more of the voting rights in the Company, or (b) the right to appoint 30% or more of the administrative staff; and the word "controller" shall be construed accordingly.
Corporate Governance Regulations	The Corporate Governance Regulations, issued pursuant to CMA Board Resolution No. 8-16-2017, dated 16 Jumada al-Ula 1438H (corresponding to 13 February 2017G), and amended pursuant to CMA Board Resolution No. 17-2021, dated 1 Jumada al-Akhirah 1442H (corresponding to 14 January 2021G), as may be amended.
Current Shareholders	The Shareholders whose names and shareholding percentages are set out in Table 5 (**Direct Ownership Structure of the Company Pre- and Post- Offering**).
Directors	The members of the Company's Board of Directors appointed by the General Assembly and whose names appear in Section 5 (**ORGANIZATIONAL STRUCTURE AND CORPORATE GOVERNANCE**).
Exchange or Tadawul	The Saudi Exchange (Tadawul).
Executive Management	The Senior Executives of the Company.
Extraordinary General Assembly	An Extraordinary General Assembly of the Company's Shareholders convened in accordance with the Bylaws.
Financial Advisor	Aljazira Capital Company (Aljazira Capital).
Financial Due Diligence Advisor	PricewaterhouseCoopers (Public Accountants).
Financial Institutions	Banks and financial services companies.
Financial Statements	The Company's audited financial statements for the financial year ended 31 December 2019G, and the accompanying notes thereto, that were prepared in accordance with the IFRS as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA and audited by Al Yousif Al Saeed Co. (Certified Public Accountants). The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G and the accompanying notes thereto, that were prepared in accordance with the IFRS as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA and audited by Dr. Mohammed Al-Amri & Co.
Financial year	The Company's financial year starting from 1 January to 31 December of each calendar year.
Foreign Investors	Non-GCC individuals living outside the Kingdom and non-GCC institutions incorporated outside the Kingdom who have the right to invest indirectly to acquire an economic benefit in the Offer Shares by entering into SWAP agreements with Capital Market Institutions to purchase shares listed on the Exchange.
G	The Gregorian calendar.
GCC	The Cooperation Council for the Arab States of the Gulf, consisting of the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia and the United Arab Emirates.
GCC Corporate Investors	Any company with the majority of its share capital owned by GCC natural persons or Governments and having the nationality of a GCC State according to the definition stipulated in the Resolution of the Supreme Council of GCC issued in the 15th session and approved by the Council of Ministers' Resolution No. 16 dated 20 Muharram 1418H (corresponding to 26 May 1997G), as well as GCC funds with the majority of its capital owned by GCC citizens or Governments.
GCC Countries	The Gulf Cooperation Council countries
GDP	Gross Domestic Product (the broadest quantitative measure of a nation's total economic activity, which represents the monetary value of all goods and services produced within a nation's geographical borders over a specified period of time).
GDP per Capita	GDP per capita is the measure of average income per person in a country (it divides the GDP by the population).
General Assembly	An Extraordinary General Assembly and/or an Ordinary General Assembly of the Company's Shareholders.
GOSI	The General Organization of Social Insurance in the Kingdom.
Government	The Government of the Kingdom (and "Governmental" shall be interpreted accordingly).
H	The Hijri calendar.
IASB	The International Accounting Standard Board.
IFRS	The International Financial Reporting Standards issued by IASB as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA.

Individual Investors	Individuals holding Saudi Arabian nationality, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, as well as any non-Saudi residents or GCC nationals holding a bank account with a Receiving Agent and entitled to open an investment account.
Investment Funds Regulations	The Investment Funds Regulations issued pursuant to CMA Board Resolution No. 1-219-2006, dated 3 Thul-Hijjah 1427H (corresponding to 24 December 2006G), based on the Capital Market Law promulgated by Royal Decree No. M/30, dated 2 Jumada al-Akhirah 1424H (corresponding to 31 July 2003G), as amended by CMA Board Resolution No. 2-22-2021 on 12 Rajab 1442H (corresponding to 24 February 2021G).
Investors	The Participating Parties and Individual Investors.
Kingdom	The Kingdom of Saudi Arabia.
Labour Law	The Saudi Arabian Labour Law issued under Royal Decree No. M/51, dated 23 Sha'ban 1426H (corresponding to 27 September 2005G), as amended.
Lead Manager	Aljazira Capital Company (Aljazira Capital).
Legal Advisor	Zeyad Yousef AlSalloum and Yazeed Abdulrahman AlToaimi Company for Legal Services and Consultation.
Listing Rules	The Listing Rules approved by CMA Board Resolution No. 3-123-2017, dated 9 Rabi' al-Thani 1439H (corresponding to 27 December 2017G), as amended by CMA Board Resolution No. 1-19-2021 dated 12 Rajab 1443H (corresponding to 13 February 2022G).
Lock-up Period	The six-month period starting on the date on which trading of the Shares commences on the Exchange during which the Substantial Shareholders may not dispose of any of their Shares.
Main Market	The market in which the registered and offered shares are traded under Part IV of the Rules on the Offer of Securities and Continuing Obligations.
Market Study Consultant	Euromonitor International Limited Company.
Middle East Factory for Machines	Middle East Factory for Machines Limited Company is a sister company 60% owned by the indirect Shareholder Yasser Al Aqeel, who owns 50% of Alsad Modern Advanced Company, which in turn owns 50% of the Company's Shares.
Ministry of Commerce	The Saudi Arabian Ministry of Commerce.
National Transformation Program (NTP)	The programme developed to help realise Saudi Vision 2030 and define the challenges faced by Government agencies in the economic and development sectors.
Net Offering Proceeds	The Offering Proceeds net of expenses related to the Offering.
Nominal Value	SAR 10 per share.
Nomination and Remuneration Committee	The Nomination and Remuneration Committee of the Company emanating from the Board of Directors.
Offer Price	Sixty-nine SAR (69) per Share.
Offer Shares	Six million (6,000,000) ordinary Shares, representing 30% of the Company's share capital.
Offering	The initial public offering of six million (6,000,000) ordinary Shares with a fully paid-up nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, representing 30% of the Company's share capital, and at an Offer Price of Sixty-nine SAR (69) per Share.
Offering Period	A period of two days starting from Wednesday, 28/12/1443H (corresponding to 27/7/2022G), until the end of the Offering on Thursday, 29/12/1443H (corresponding to 28/7/2022G).
Offering Proceeds	The total value of the Shares subscribed for in the Offering.
Ordinary General Assembly	An Ordinary General Assembly of the Company's Shareholders convened in accordance with the Bylaws.
Participating Entities	Entities involved in the book-building process from amongst the Participating Parties.

Participating Parties	In accordance with the Book-Building Instructions, parties entitled to participate in the book-building process, as follows: 1. public and private funds that invest in securities listed on the Exchange, if permissible under the terms and conditions of such funds, in compliance with the provisions and restrictions set forth in the Investment Funds Regulations and the Book-Building Instructions; 2. Capital Market Institutions authorised by the CMA to trade in securities as principals, in compliance with the provisions of the Prudential Rules upon the submission of a Subscription Application Form; 3. clients of a Capital Market Institution authorised by the CMA to conduct management activities in accordance with the provisions and restrictions set forth in the Book-Building Instructions; 4. legal persons allowed to open an investment account in the Kingdom, and an account with the Securities Depository Center, including foreign legal persons who are allowed to invest on the Exchange, in accordance with the Controls on Investment by Listed Companies in Exchange-Listed Securities set forth in CMA Circular No. 6/05158, dated 11 Sha'ban 1435H (corresponding to 9 June 2014G), issued pursuant to CMA Board Resolution No. 9-28-2014, dated 20 Rajab 1435H (corresponding to 19 May 2014G); 5. governmental entities, any supranational authority recognised by the CMA, the Exchange, or any other stock exchange recognised by the CMA or the Securities Depository Center; 6. government-owned companies, whether investing directly or through a portfolio manager; and 7. GCC companies, and GCC funds, if permissible under the terms and conditions of such funds.
Person	A natural or a legal person under the laws of the Kingdom.
Prospectus	This document prepared by the Company in relation to the Offering.
Prudential Rules	The Prudential Rules issued pursuant to CMA Board Resolution No. 1-40-2012, dated 17 Safar 1434H (corresponding to 30 December 2012G), as amended.
Public	Persons other than the following: 1. affiliates of the Issuer; 2. substantial Shareholders of the Issuer; 3. directors and Senior Executives of the Issuer; 4. directors and senior executives of the Issuer's affiliates; 5. directors and senior executives of the Issuer's Substantial Shareholders; 6. any relatives of the persons referred to in paragraphs 1, 2, 3, 4, or 5 above; 7. any company controlled by any person referred to in paragraphs 1, 2, 3, 4, 5 or 6 above; or 8. Persons acting in concert, with a collective shareholding of 5% or more of the class of shares to be listed.
QFI or Qualified Foreign Investor	A qualified foreign investor who is qualified in accordance with the QFI Rules to invest in listed securities. The qualification application must be submitted to a Capital Market Institution to evaluate and approve the application in accordance with the QFI Rules.
QFI Rules	The Rules for Qualified Foreign Financial Institutions Investment in Listed Securities issued pursuant to CMA Board Resolution No. 1-42-2015, dated 15 Rajab 1436H (corresponding to 4 May 2015G) and amended pursuant to CMA Board Resolution No. 3-65-2019, dated 14 Shawwal 1440H (corresponding to 17 June 2019G).
Receiving Agents	The Receiving Agents whose names appear on page (viii) of this Prospectus.
Related Party	The term "**Related Party**" or "**Related Parties**" in accordance with the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority issued by CMA Board Resolution No. 4-11-2004 dated 20 Sha'ban 1425H (corresponding to 4 October 2004G), as amended by CMA Board Resolution No. 5-5-2022 dated 2 Jumada al-Akhirah 1443H (corresponding to 5 January 2022G) as follows: 1. affiliates of the Issuer; 2. substantial Shareholders of the Issuer; 3. directors and Senior Executives of the Issuer; 4. directors and senior executives of an affiliate of the Issuer; 5. directors and senior executives of the Issuer's Substantial Shareholders; 6. any relatives of the persons described in paragraphs (1), 2, 3, 4 or 5 above; or 7. any company controlled by any person described in paragraphs 1, 2, 3, 4, 5 or 6 above.
Relatives	Husbands, wives and minor children. For the purposes of the Corporate Governance Regulations: 1. fathers, mothers, grandfathers and grandmothers (and their ancestors); 2. children and grandchildren and their descendants; 3. siblings, maternal and paternal half-siblings; and 4. husbands and wives.

Risk factors	A group of potential risks that should be understood and considered prior to making an investment decision in relation to the Offer Shares.
Rules on the Offer of Securities and Continuing Obligations	The Rules on the Offer of Securities and Continuing Obligations issued by CMA Board Resolution No. 3-123-2017 dated 9 Rabi' al-Thani 1439H (corresponding to 27 December 2017G) in accordance with the Capital Market Law promulgated by Royal Decree No. M/30 dated 2 Jumada al-Akhirah 1424H (corresponding to 31 July 2003G), and amended by CMA Board Resolution No. 55-2022 dated 2 Jumada al-Akhirah 1443H (corresponding to 5 January 2022G).
SAR	The Saudi Arabian Riyal, which is the lawful currency of the Kingdom.
Saudi Central Bank (SAMA)	Saudi Central Bank.
Secretary	The Secretary of the Board of Directors.
Selling Shareholders	The Shareholders whose names and shareholding percentages are set out in Table 3 (**Selling Shareholders and their Ownership in the Company**) who will sell part of their Shares in the Offering.
Senior Executives	The members of the Company's Executive Management whose names appear in Table 5.5 (**Details of Senior Executives**).
Shareholder	Any holder of Shares in the Company.
Shares	Twenty million (20,000,000) ordinary Shares of the Company, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share.
SOCPA	The Saudi Organization for Charted and Professional Accountants.
Subscribers	The Participating Entities and Individual Investors participating in the Offering.
Subscription Application Form	The subscription application form to be used by Participating Entities and Individual Investors (as the case may be) to subscribe for the Offer Shares.
Substantial Shareholder	Each Shareholder who individually owns 5% or more of the Issuer's shares.
Underwriter	Aljazira Capital Company (Aljazira Capital).
Underwriting Agreement	The Underwriting Agreement entered into between the Company, the Selling Shareholders and the Underwriter in connection with the Offering.
Value Added Tax (VAT)	The Council of Ministers of the Kingdom resolved on 2 Jumada Al-Awwal 1438H (corresponding to 30 January 2017G) to approve the Unified GCC Value Added Tax Agreement, which came into effect on 1 January 2018G, as a new tax to be added to the system of taxes and other duties to be applied by specific sectors in the Kingdom and the other GCC Countries. The amount of this tax was initially 5%, and a number of products (such as basic food, health care and education services) are exempted from such tax. As of 1 July 2020G, the VAT was further increased to 15% by the Ministry of Finance of the Kingdom.
ZATCA	Zakat, Tax and Customs Authority in the Kingdom.
Zulal Company	Zulal Water Factory Company is a sister company 100% owned by the indirect Shareholders Fahad Almasnad and Yasser Al Aqeel, who collectively own 100% of Alsad Modern Advanced Company, which in turn owns 50% of the Company's Shares.

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RISK FACTORS

An investor considering investing in the Offer Shares should carefully consider the risk factors set out below and the other information contained in this Prospectus, in light of his investment objectives and conditions prior to making an investment decision with respect to the Offer Shares. The risks and uncertainties described below are those that the Company currently believes could affect the Company and any investment in the Offer Shares. However, the risks listed below do not necessarily comprise every risk that could affect the Company or be associated with an investment in the Offer Shares. There may be additional risks and uncertainties that the Company is currently not aware of or that the Company currently believes are immaterial. The occurrence of any such risks and uncertainties may materially and adversely affect the Company's business, financial position, results of operations and prospects. As a result, the price of the Shares may decline, the Company's ability to pay dividends to investors could be impaired and investors may lose all or part of their investment.

The Company's Directors confirm that, to the best of their knowledge and belief, there are no other material risks as of the date of this Prospectus besides those mentioned in this Section that may affect investors' decisions to invest in the Offer Shares. All prospective investors considering investing in the Offer Shares should assess the risks related to them, the Offering in general, and the economic and regulatory environment in which the Company operates.

An investment in the Offer Shares is only suitable for investors who are able to evaluate the risks and benefits of such investment and who have sufficient resources to bear any losses resulting from such investment. Prospective investors who have doubts about which actions to take should refer to a financial adviser licenced by the CMA for advice about investing in the Offer Shares.

The risks described below are not presented in any assumed order of priority that could reflect their expected impact on the Company.

2.1 Risks Related to the Activities and Operations of the Company

2.1.1 Risks Related to the Unavailability of Raw Materials

The Company's main raw materials are plastic bottle preforms and plastic caps used to bottle water, as well as cardboard, labels, and wood panels. Plastic bottle preforms and plastic caps represent 66.0%, 60.3% and 69.0% of the Company's total procurement of raw materials in the financial years ended 31 December 2019G, 2020G and 2021G respectively. The Company's procurement from its two largest suppliers amounted to 58.2%, 67.3% and 61.9% (which amounted to SAR 43.3 million, SAR 48.4 million and SAR 84.1 million) of the Company's total procurement of raw materials for the financial years ended 31 December 2019G, 2020G and 2021G, respectively. In particular, Riyadh Carton Factory provided 15.0%, 8.4% and 7.9% of the Company's total procurement of raw materials for the financial years ended 31 December 2019G, 2020G and 2021G, respectively, with a total value of SAR 11.1 million, SAR 6.0 million and SAR 10.7 million for the same periods respectively, while Alsad Modern Advanced Company (which is a Related Party) provided 43.2%, 58.9% and 54.0% of the Company's total procurement of raw materials for the financial years ended 31 December 2019G, 2020G and 2021G, respectively, with a total value of SAR 32.1 million, SAR 42.3 million and 73.4 million for the same periods respectively. Previously, the Company also purchased finished goods of 200 ml of bottled water from Zulal Company (which is a Related Party), before the Company acquired the production line owned by Zulal Company and operated it on its own starting from September 2021G. The Company's procurement from Zulal Company amounted to SAR 26.0 million in the financial year ended 31 December 2021G, representing 19.1% of the Company's procurement for the same period. Accordingly, there is a concentration in the Company's raw material procurement, in particular from the Related Parties (for further details on the risks related to Related Party transactions and agreements, see Section 2.1.19 (**Risks Related to Related Party Transactions and Agreements**).

The Company's operations and productivity are highly sensitive to the availability of raw materials. Accordingly, the unavailability of any of the raw materials, the Company's failure to obtain them due to the high demand for them by manufacturers, or the inability of the suppliers of raw materials to provide them for any reason, whether temporarily or permanently, will lead to impeding the Company's production operations. Moreover, in the event of any other factors related to suppliers or raw materials, including but not limited to, the issuance of new laws or regulations related to the production of raw materials, the extent to which the Company's main suppliers deal with other purchasers and give them preference over the Company, the inability of suppliers to provide the required quantities at the times agreed with the Company, production stoppages for any reason, material accidents arising in the suppliers' production or supply chain, or due to wars, natural disasters, political disturbances and similar events of force majeure, would fundamentally affect the Company's ability to provide raw materials in the form required for their production. This would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.2 Risks Related to Fluctuations in the Raw Materials Prices

The Company's revenues and profits depend on several factors, the most important of which are the prices of raw materials represented in plastic bottle preforms and plastic caps, which are subject to price fluctuations based on the prevailing prices in the local and global markets driven by supply and demand locally and globally. The Company is not able to control the factors affecting the prices of raw materials, which are closely related to oil prices, in addition to the fact that the actual changes in supply and demand, market fluctuations, and international economic factors may significantly affect the prices of raw materials, such as oil prices, which can significantly affect the prices of raw materials. The Company's buying policy does not rely on clear hedging procedures for high or fluctuating raw material prices. Basic raw materials are usually subject to time constraints in terms of the duration of storage when processed to maintain their quality; for example, raw materials are not allowed to be stored after processing for more than 7 to 12 days. The Company may not be able to increase product prices to reflect the increase in production costs, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.3 Risks Related to Production Lines Management

As of the date of this Prospectus, the Company owns seven production lines for various products (either Naqi products or Naqi Qatra), in addition to a production line (line 6) owned and operated by Zulal Company (which is a Related Party), but which the Company used during peak periods, especially in the years 2019G and 2020G, until it acquired other production lines in the years 2020G and 2021G. Three of the seven production lines owned by the Company were also owned by Related Parties - namely, line 3 and line 4 were acquired by Alsad Modern Advanced Company, and line 5 was acquired by Zulal Company - who operate them in the Company's plant and for its benefit, where the Company bears the full electricity costs in addition to 50% of the costs of workers who work on the lines and who are under the sponsorship of the concerned Related Parties. The Company previously purchased raw materials on behalf of Zulal Company to take advantage of economies of scale and wholesale prices. The Company sold them to Zulal Company at cost, and then Zulal Company sold the finished goods to the Company at cost plus one and a half riyals per carton; the Company then distributed them and sold them to the final consumer at the prevailing prices and profit margins. On 31 December 2019G, the Company acquired two production lines owned by Alsad Modern Advanced Company, with a replacement cost of SAR 40.0 million. The Company also acquired the production line owned by Zulal Company during the year 2020G at a book value of SAR 12.3 million, while Zulal Company continued operating production line 5 until September 2021G, and the Company started operating production lines 3 and 4 owned by AlSad Modern Advanced Company in October 2020G. During the period between the Company's acquisition of line 5 from Zulal Company in the year 2020G until the Company directly operated this line as of September 2021G, the Company continued to pay Zulal Company 50% of the labour costs of this line, in addition to paying additional monthly costs amounting to SAR 450 per employee, for a total number of 20 employees. All of those employees' sponsorships transferred to the Company as of the date of this Prospectus. It is also worth noting that the aforementioned acquisition value is based on the Company's evaluation and estimates, as no external valuer has prepared an evaluation report on the acquired assets. When the Company acquired such production lines, the other production lines it owned at the time (namely, production lines 1 and 2) were not operating at maximum capacity - they were operating at a capacity of 68% and 79% in 2020G, and 59% and 89% in 2019G, respectively. As of the date of this Prospectus, all of the employees who used to operate the aforementioned production lines have moved to the Company's sponsorship, where all of the production lines are operated by the Company itself as of 1 October 2021G. Accordingly, if the Company fails to manage all of these production lines on its own, or if it fails to operate all of them at maximum capacity, this would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.4 Risks Related to Structural Changes in the Bottled Water Sector

The water bottling sector is generally undergoing continuous development and is subject to material structural changes, as there are companies that provide bottled water solutions that specifically contain non-potable water purification systems (tap water), which may affect the demand for bottled water and may lead to a change in customers' preferences and uses. Some of these companies may have the ability to provide large capital, innovative technologies or launch new services at a relatively low cost. Accordingly, the Company's ability to continuously improve its operations and current offerings in response to structural changes in the water bottling sector in general as well as technological changes are essential for maintaining its competitive position and confidence in customer satisfaction. On the other hand, the absence of a clear and comprehensive approach to deal with such changes may lead to a loss of competitive advantage, negatively affecting the Company's profitability, its market share and ability to grow, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.5 Risks Related to the Company's Reliance on a Single Source of Water

The Company relies on its own well to produce water, which is located within its plant in the city of Unaizah, in the Al-Qassim region. The depth of the well is 360 m, and the pumping capacity is 84 cubic metres per hour. The Company recruited a specialised consulting company to provide a geological study on the Company's well to determine the available amount of water. However, the amount of water in the well was not calculated due to the well's large area and the varying thickness of the geological formation from one place to another, as well as the different rates of water extraction from one area to another. Accordingly, the Company cannot guarantee the sufficiency of the raw water available in the Company's well, and in the event of a decrease or depletion of the raw water in the Company's well, the Company would have to use other sources of water which will increase the costs and negatively affect the Company's profit margin, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.6 Risks Related to the Company's Inability to Obtain the Required Operational Licences for Water Activities

The Water Law was issued pursuant to Royal Decree No. M/159 dated 11 Thul-Qi'dah 1441H (corresponding to 2 July 2020G), whose provisions apply to all water resources and affairs in the Kingdom, except for Zamzam water. The law imposed new requirements and operational licences for companies engaged in water service activities (such as drilling, cleaning, maintaining, and using well water; purifying and treating water; water production activities for urban use through the pumping and purification of well water; transporting this water to distribution points and retailing it; and collecting, transporting, treating, and reusing sewage for urban purposes). The aforementioned activities are among the activities performed by the Company. Accordingly, under the Water Law, the Company shall be obliged to obtain the necessary operational licences from the Ministry of Environment, Water and Agriculture; they include well digging licences (for the purposes of drilling, cleaning, and maintaining wells), a licence to use water sources, and a service provider licence (which includes water purification, water production and purification activities, as well as transportation of this water to distribution points

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and retailing it). The Company submitted a request to the Ministry of Environment, Water and Agriculture on 16 Thul-Hijjah 1442H to obtain these licences. The Ministry responded to the request on 24 Thul-Hijjah 1442H with a list of the necessary requirements before granting the required licences, including the submission of an environmental impact assessment study and a copy of the licence issued for using water sources. The aforementioned Royal Decree provides for the continuous enforcement of the rights related to the use of water granted under the previous regulations for a period of two years starting from the effective date of the law until 19 Safar 1444H (corresponding to 15 September 2022G). However, as per the Decree, the companies engaged in water service activities must rectify their status in accordance with the provisions of the law during this period. Although the period granted to companies to obtain the necessary licences has not expired, there is no guarantee that the Company will be able to obtain these licences during this period. In the event that the period expires and the Company continues to practise its activities without obtaining the required licences, the Company will be exposed to regulatory penalties, including the entire or partial suspension of its activities and business for a period not exceeding one year; the revocation of its licence; the imposition of a fine not exceeding SAR 20 million for each violation or all of these penalties, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.7 Risks Related to Concentration of Revenues on the Top Three Products and the Concentration of Revenues on the Wholesale Sector

The total revenues from the Company's top three products, namely bottled water (200 ml, 330 ml, and Naqi Qatra 200 ml), amounted to 82.9%, 92.4% and 93.2% of the Company's total revenues as of the financial years ended 31 December 2019G, 2020G and 2021G, respectively. The revenues from sales in the 200 ml bottle category amounted to SAR 86.6 million, SAR 111.1 million and SAR 108.8 million for the financial years ended 31 December 2019G, 2020G and 2021G, respectively, representing 41.8%, 42.0% and 39.2% of the Company's total revenues during the same periods. The revenues from sales in the 330 ml bottle category amounted to SAR 75.9 million, SAR 97.0 million and SAR 99.6 million for the financial years ended 31 December 2019G, 2020G and 2021G, respectively, representing 36.6%, 36.7% and 35.9% of the Company's total revenues during the same periods. The revenues from sales in the "Naqi Qatra 200 ml" bottle category amounted to SAR 9.3 million, SAR 36.2 million and SAR 50.4 million for the financial years ended 31 December 2019G, 2020G and 2021G, respectively, representing 4.5%, 13.7%, and 18.1% of the Company's total revenues during the same periods. It should be noted that the wholesale segment represents the main segment of the Company's sales with total revenues amounting to SAR 206.2 million, SAR 176.3 million and SAR 186.6 million for the financial years ended 31 December 2019G, 2020G and 2021G, respectively, representing 99.5%, 66.7% and 67.1% of the Company's total revenues during the same periods. While revenues generated from the retail segment amounted to SAR 1.1 million, SAR 88.2 million and SAR 91.3 million for the financial years ended 31 December 2019G, 2020G and 2021G, respectively, representing 0.5%, 33.3% and 33.3% of the Company's total revenues during the same periods. There is no guarantee that the Company will be able to maintain its revenues from these products and segments or diversify its revenues to include other products or segments. The decrease in revenues generated from these products or segments would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.8 Risks Related to Malfunctions in the Company's Plants

The Company has only one plant, consisting of sophisticated and complex equipment (for further details, see Section 4.6.1 (**Production Process and Facilities**)). Essential equipment, or any other equipment involved in any of the production operations, may malfunction due to, inter alia, the Company failing to perform periodic or emergency maintenance, wear and tear of parts or other unexpected events, such as fires or weather fluctuations. The occurrence of any such events would impair the production capability of the Company, which in turn would lead to a decline in the volume of bottled water products that it can process and sell, in addition to the Company's inability to fulfil its contractual obligations. This would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.9 Risks Related to the Company's Inability to Implement the Future Growth Strategy

The Company regularly evaluates expansion plans, such as purchasing new production lines and increasing its production capacity. Expansion involves risks, including but not limited to the Company's ability to obtain additional financing and its effect on the Company's financial position, and the Company's ability to integrate the new production lines into the Company's operations. It also involves risks related to the Company's ability to efficiently manage the expansion process, to respond to industry changes and developments in the water bottling sector on a cost-effective and timely basis, and to attract managers and key employees for the Company and train them to manage its operations. If the Company fails to take advantage of growth opportunities through expansion and implementation of the future growth strategy, or if it is unable to manage the expansion process as required, this would have a material adverse effect on its business, financial position, results of operations and prospects.

2.1.10 Risks Related to the Company's Future Revenue Growth Rates and Its Inability to Exploit Future Growth Opportunities

The Company had a revenue growth of 43.7%, 27.6 and 5.0% in the financial years ended 31 December 2019G, 2020G and 2021G, respectively, and a profit growth of 33.3%, 124.1% and (0.9)% in the financial years ended 31 December 2019G, 2020G and 2021G, respectively. The Company's revenue consists of revenue from the wholesale and retail sale of bottled water. Such sectors are affected by various factors (see Section 6 (**MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS**) for more information on the financial and operational performance of business segments and the factors affecting them). In addition, these segments are subject to many of the risks stated in this Section of the Prospectus, which, if they occur, may affect the business of these segments and thus the growth rates of the Company's revenue. Accordingly, the Company may not achieve success in its efforts to increase revenue or the pace of growth in its business. In addition, revenue growth rates in previous periods should not be taken as an indication of their future growth rates. The Company may not be able to overcome the risks and difficulties it may face in the water bottling sector. The demand for its products may decrease or the Company may be forced to reduce its prices. Consequently, the Company's total revenue would decrease, many factors may also fall outside the Company's control, which may affect its ability to maintain growth equivalent to what it achieved in the past, expand its operations or develop its business. This would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.11 Risks Related to the Company's Short Operating History

The Company does not have an operating history that potential investors can use to assess its performance and successes, since it started as a sole proprietorship under the name "Naqi Water Establishment" on 27 Jumada al-Akhirah 1435H (corresponding to 27 April 2014G), and then converted into a limited liability company on 16 Ramadan 1438H (corresponding to 10 June 2017G). Accordingly, the previous results achieved by the Company are not necessarily indicative of its future performance, as the Company's newness is one of the risks that are difficult to predict, and which may have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.12 Risks Related to the Development of a New Facility and the Replacement of Assets

For any new plant that the Company builds, its ability to complete construction on a timely basis and within budget is subject to certain risks and challenges. In particular, when establishing a new plant, it is necessary to make an accurate assessment of the market size and the economic feasibility of such establishment and to obtain the necessary permits and approvals from the relevant governmental entities, none of which is guaranteed. The establishment of a new plant also depends on the Company's ability to secure the necessary financing to complete the construction process. If the Company fails to assess the economic feasibility of establishing new plants or to obtain the necessary permits and approvals to operate these new plants, this could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

Moreover, the competitiveness, success and growth of the Company's business depends on its ability to replace or refurbish assets needed for the operation of the water bottling plant and other auxiliary facilities, which could result in a substantial increase in its capital expenditures. As the Company's plant in the city of Unaizah, Al-Qassim is operating at 65% of capacity, the Company may need to establish a new plant to accommodate the expansion of production sought by the Company, which would result in higher capital expenditures than it has previously incurred.

If the Company fails to complete construction on schedule, find sites to expand its range of operations, find customers for the additional products generated by the new plant, run the plant efficiently or otherwise achieve the expected benefits of the new plant, while also replacing or refurbishing obsolete assets, the available capacity may prove to be a bottleneck in meeting customer orders in a timely manner. This would adversely affect the Company's ability to increase its revenues and operating income and have a material adverse effect on its business, financial position, results of operations and prospects.

2.1.13 Risks Related to Seasonal Factors

The Company's business is, to a certain extent, affected by seasonality during the year. High demand usually coincides in summer compared to winter. Moreover, demand rises simultaneously at certain times of the year, such as the month of Ramadan due to higher levels of purchasing bottled water in the Kingdom, either for personal consumption or for distribution to charitable organizations. Accordingly, the Company's revenues may be affected by seasonal fluctuations and supply and demand for its products, which may affect sales prices and demand volume, especially in the winter season. This could result in lower revenues and profitability of the Company, which would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

2.1.14 Risks Related to Poor Inventory Management

The Company depends on its understanding of the bottled water market, as well as its products demand forecasts to manage its inventory of bottled water. Demand for water products, however, can be significantly different from forecasts since it may be affected by new product launches in the market, changes in product cycles, pricing, changes in customer spending patterns, new competitors and other factors, which may result in lower demand for the Company's products. If the Company fails to accurately estimate the volume of products sought by its customers and adequately manage production quantities, it may produce more water products than needed by its customers, resulting in excess inventory levels. It should be noted that the total inventory for the financial years ended 31 December 2019G, 2020G and 2021G amounted to SAR 8.2 million, SAR 16.3 million and SAR 22.6 million, respectively, representing 5.7%, 7.9% and 9.1% of the total assets of the Company for the same periods respectively, while the Company allocated SAR 0.66 million, none and none as allocations for inventory for the mentioned periods, respectively, although there is a policy for the Company's inventory allocation. Total inventory losses for the financial years ended 31 December 2019G, 2020G and 2021G amounted to SAR 0.28 million, none and none, respectively, accounting for 3.4%, none and none of total inventory in the same periods. It should be noted that, in general, the inventory losses resulted from the expiration and disposal of the inventory in the financial years ended 31 December 2019G, 2020G and 2021G. It should also be noted that the Company's current inventory allocation policy does not reflect the Company's recent expansions in terms of segment and volume of operations. Therefore, the Company may be forced to adopt and implement a more conservative inventory allocation policy in light of its expansion strategy. Therefore, delaying the adoption of a more conservative inventory management and increase policy may lead to excess inventory, and its poor management might lead to water products expiring and becoming unacceptable for sale in the market, or the Company having to lower prices in order to sell its inventory prior to expiration dates, which in turn would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.15 Risks Related to the Performance of the Company's Main Distributors

In all regions and cities of the Kingdom, the Company relies on a number of local distributors it has appointed as non-exclusive distributors for its products, except for the city of Riyadh and the Al-Qassim region, where the Company sells its products directly to its customers (sales in the retail segment). Revenues generated from procurement by the Company's distributors (in the wholesale segment) amounted to SAR 206.2 million, SAR 176.3 million and SAR 186.6 million for the financial years ended 31 December 2019G, 2020G and 2021G, respectively, representing 63.7%, 55.2% and 67.2% of the Company's total revenue for the same periods respectively. The Company's top distributors are Ali Abu Saeed Trading Establishment (Dammam city), Taif Al Raki for Trading Establishment (Tabuk city), and Sulaiman Al Ajmi Establishment (Al Madinah Al Munawara), whose procurement from the Company during the financial year ended 31 December 2020G amounted to SAR 13.4 million, SAR 12.5 million, and SAR 11.3 million, respectively, representing 4.7%, 4.3% and 3.9% respectively, of the Company's total revenue for the same year. Their procurement during the financial year ended 31 December 2021G amounted to SAR 11.5 million, SAR 11.8 million, and SAR 13.3 million, respectively, representing 4.1%, 4.3% and 4.8% respectively, of the Company's total revenue for the same period. The Company's contracts also oblige distributors to purchase a minimum of the Company's products per month, noting that these contracts are concluded for a period of one year only and are automatically renewed for a similar period unless a party notifies the other of its intention to not renew. There is no guarantee of the stability or sustainability of the volume of sales provided to the Company's main customers under the contractual relations with them, which may change at any time. The loss of any of these main customers or a decrease in the volume of sales to any of them would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.16 Risks Related to Epidemics

In December 2019G, a novel strain of coronavirus disease (COVID-19) was first reported in Wuhan, Hubei Province, China. This disease spread to most countries of the world, causing many countries, including the Kingdom, to take various measures to limit the spread, including imposition of temporary restrictions, such as travel bans, curfews, bans on movement between cities within the Kingdom and restrictions of activities that do not allow social distancing, as well as requiring people coming from other countries to stay in quarantine for a certain period of time. As a result, the imposed restrictions limited the movement of the Company's employees, which resulted in a slowdown in the operations of the Company's plant and its selling points, and the postponement of some expansion projects, such as adding new production lines, as well as the impact of the periodic maintenance plans for production machines due to the failure of some technicians from the manufacturers of those machines carry out maintenance. In addition, the Company's supply chain has also been affected by the impact of coronavirus on the manufacturers of raw materials in the Kingdom. There are also risks associated with the Company's employees becoming infected with the virus, which may lead to restrictions on their movements and work, and thus affect the daily operations of the Company. There are also risks related to the collection of debts owed by Company clients due to the pandemic. It is also difficult to assess the magnitude of the expected impact of Coronavirus pandemic at the current time, which may have long-term implications for the relevant business segments, the supply chain in general and the Company and its resources in particular.

The scale of the Coronavirus impact on the Company's business will depend on the development of current events and new information that may appear in relation to the severity of the virus and the necessary measures to contain it or remedy its impact, including regulatory changes or changes to Government fees that the Company may have to pay. The further spread of the virus and continued restrictions imposed to limit its spread would a material and adverse impact on the Company's business, financial position, results of operations and future growth.

2.1.17 Risks Related to the Company's Reputation and the Quality of Services Provided

Since its establishment, the Company has sought to build a good reputation associated with its trademark, and seeks to preserve its reputation and trademark in the future by enhancing the quality of services it provides to its clients. Its reputation depends on several factors, including the ease of purchasing bottled water through electronic means, as well as the availability of bottled water in several sizes. Accordingly, the Company's failure to provide or maintain the quality of services provided to its clients would have a material adverse effect on its brand and reputation.

In addition, the Company's inability to provide high-quality services may expose it to negative publicity that may harm its reputation, which may lead to a decrease in the percentage of customers' demand for the Company's products, or in some cases may expose it to lawsuits. The Company's reputation may be affected if it is not able to maintain the quality of products provided to its clients, which would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.18 Risks Related to Concentration of Revenue in Specific Geographic Areas

Revenues generated from sales in two regions of the Kingdom, namely Al-Qassim and Riyadh, accounted for 40.6%, 47.1% and 49.0% of the Company's total revenue for the financial years ended 31 December 2019G, 2020G and 2021G, respectively. These two regions are where the Company sells its products directly to its customers (i.e., sales in the retail segment). Revenues generated from Al-Qassim accounted for 18.6%, 23.5% and 23.5% for the same periods respectively, while in Riyadh accounted for 19.7%, 21.4% and 25.5% for the same period. There is no guarantee that the Company will be able to maintain the growth of its revenues from the retail segment derived from the sales in these two regions. If the revenues generated from these two regions decreased substantially, this could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.19 Risks Related to Related Party Transactions and Agreements

In its ordinary course of business, the Company enters into agreements with certain Related Parties, including companies fully or partly owned by the Directors and their relatives (see Section 12.9 (**Related Party Contracts and Transactions**)). Most of such transactions related to the supply of raw materials with a total value of SAR 32.1 million, SAR 42.3 million and SAR 73.4 million in the financial years ended 31 December 2019G, 2020G and 2021G, respectively, representing 16.1%, 30.1% and 46.0% of the Company's total procurement for the same periods respectively, while the rest of the transactions included the purchase of finished goods from Related Parties through the production lines which they operate, the supply and acquisition of production lines and the purchase of spare parts with a total value of SAR 153.1 million, SAR 74.5 million and SAR 43.0 million in the financial years ended 31 December 2019G, 2020G and 2021G, respectively, representing 77.9%, 52.9% and 27.0% of the Company's total procurement for the same periods respectively. In particular, the Company's procurement of finished goods through production lines operated by Related Parties amounted to SAR 106.0 million, SAR 74.5 million and SAR 26.0 million in the financial years ended 31 December 2019G, 2020G and 2021G, respectively. These production lines were acquired from Related Parties; on 31 December 2019G, the Company acquired production lines 3 and 4 owned by Alsad Modern Advanced Company at a replacement cost of SAR 40.0 million. The Company also acquired production line 5 owned by Zulal Company during the year 2020G, with a book value of SAR 12.3 million. The aforementioned acquisition values were based on the Company's evaluation and estimates, as no evaluation report of the acquired assets has been prepared by an external evaluator. It should also be noted that the Company relies for its expansion on Middle East Factory for Machines (which is a Related Party) as the main contractor responsible for supplying and installing the new production lines acquired by the Company in the years 2020G and 2021G, namely production lines 7 and 8, respectively.

The total value of procurement from Related Parties (which includes supplying raw materials, selling the Company's products, supplying and acquiring production lines and spare parts) accounted for 94.0%, 83.0% and 73.0% of the Company's total expenses for the financial years ended 31 December 2019G, 2020G and 2021G, respectively, with a total value of SAR 185.2 million, SAR 116.8 million and SAR 116.4 million, for the same periods respectively. The General Assembly approved all such transactions and agreements currently in place at its meeting held on 7 Muharram 1443H (corresponding to 15 August 2021G).

Al Kharashi & Co. Certified Accountants and Auditors was appointed as an independent consultant for the purpose of conducting an assessment of the transactions concluded with Related Parties. In its report, it indicated the following: (a) the remuneration of Senior Executives in the Company's financial statements for the years from 2018G to 2020G were not disclosed; (b) the acquisition of production lines from Alsad Modern Advanced Company in the year 2019G was not independently disclosed; and (c) the discounted cash flows of the production lines acquired from Alsad Modern Advanced Company were evaluated internally and not through an independent evaluation report, while the production line from Zulal Company was acquired at its book value, and no independent evaluation report was prepared for it.

The total amounts payable to Related Parties by the Company were SAR 14.6 million, SAR 2.7 million and SAR 6.9 million during the financial years ended 31 December 2019G, 2020G and 2021G, respectively, comprising 60.3%, 6.7% and 17.2% of the Company's total liabilities in the same periods. The total value of revenues from transactions with Related Parties amounted to SAR 138.4 million, SAR 105.6 million and SAR 100.4 million during the financial years ended 31 December 2019G, 2020G and 2021G, respectively, comprising 53.5%, 40.0% and 36.2% of the total revenues of the Company in the same periods.

In the event that contracts and transactions with Related Parties are not executed in accordance with framework agreements, concluded on an arm's length basis, or approved by the General Assembly, this may have an adverse effect on the Company's business, financial condition, results of operations and prospects.

2.1.20 Risks Related to the Engagement of the Board Directors or Senior Executives in a Business Competing with the Company's Business

As of the date of this Prospectus, none of the Directors or Senior Executives participate in any activities that compete with the Company's activities. However, some of the Company's Directors or Senior Executives may compete with the Company through their membership on boards of directors or ownership in businesses that fall within the framework of the Company's business and which are similar to or competitive with the Company's business, directly or indirectly. In the event of a conflict of interest between the business of the Company and the business of the Directors or Senior Executives, this would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

Some Directors and Senior Executives can access the internal information of the Company, and may use that information for their own interests or to the detriment of the Company's interests and objectives. If the Directors and Senior Executives who have interests conflicting with the Company have a negative influence on the Company's decisions, or if they use the information available to them about the Company in a way that harms its interests, it would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

As of the date of this Prospectus, none of the Directors or Senior Executives is a party to any agreement, arrangement or understanding under which they are subject to any obligation that prevents them from competing with the Company or any similar obligation in relation to the Company's business. However, to engage in businesses competing with the Company, the Directors must obtain approval from the General Assembly in accordance with Article 46 of the Corporate Governance Regulations and Article 72 of the Companies Law.

2.1.21 Failure to Adequately Maintain the Confidentiality and Integrity of Client and Employee Data

The Company collects, transfers and processes client and employee data in the normal course of its business through information systems, and such information kept by the Company, or other parties that the Company contracts with to obtain their services, includes data on clients and employees, ID numbers, dates of birth and other private data. Some of this data is private and may be targeted by external parties, such as criminals or organized criminal groups, "electronic hackers", disgruntled current or former employees and others. The failure of the Company to maintain the confidentiality and integrity of client and employee data could lead to a change in the behaviour of current or potential clients in a way that affects the Company's ability to retain its current clients and attract new clients, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

Adherence to variable privacy and security laws may also lead to an increase in costs due to the necessary changes in laws and because of the imposition of new restrictions or controls on the Company's business models and the development of new administrative processes. In addition, these laws, conditions and regulations may impose further restrictions on the Company's process of collecting, disclosing and using identity data in one or more of the Company's databases. Failure to comply with privacy laws or the general requirements of the sector or any security breach that includes embezzlement, loss or disclosure of personal, sensitive or confidential data without authorization may result in the imposition of fines, penalties and lawsuits which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.22 Risks Related to Credit Cards and Mada Card Payments

The Company accepts payment electronically through credit cards and Mada cards. With regard to payment with credit cards and Mada cards, the Company pays specific fees to the concerned Financial Institutions, which may increase from time to time. If the Company encounters problems with point of sale devices and software or its ability to process payments via any payment system for credit cards or Mada cards, this will impair the Company's ability to collect revenues from its sales operations. The occurrence of any of these factors would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

2.1.23 Credit Risks Related to Collecting Receivables from the Company's Customers

The Company may face difficulties in its ability to effectively collect accounts receivable. As of 31 December 2019G, 2020G and 2021G, the Company's accounts receivable that were more than 90 days past their due date amounted to 15.7%, 21.8% and 11.1%, respectively, of its accounts receivable, corresponding to SAR 0.66 million, SAR 1.9 million and SAR 1.3 million for the same periods respectively. It should be noted that the accounts receivable of the top 20 customers accounted for 67.9% of the total accounts receivable owed to the Company as of 31 December 2021G, with a total value of SAR 7.0 million. The Company's accounts receivable that were more than one year past their due date amounted to 2.6%, 3.1% and 11.0% of its accounts receivable as of 31 December 2019G, 2020G and 2021G, respectively. Provisions for doubtful debts amounted to SAR 0.1 million, SAR 1.9 million and SAR 1.3 million as of 31 December 2019G, 2020G and 2021G respectively, while there is no guarantee that such provisions are sufficient, especially in light of the Company's debt amounting to SAR 0.11 million, SAR 1.9 million, and SAR 1.3 million as of 31 December 2019G, 2020G and 2021G respectively, that has been due for more than a year and the fact that the Company has not created a provision for it in its financial statements. It should be noted that as of 31 December 2021G, the accounts payables to the Company's top five suppliers accounted for 65.0% of its total accounts payables as of 31 December 2021G, with a total value of SAR 4.9 million. It should also be noted that the Company's current debt allocation policy depends on its management estimation and does not reflect the Company's recent expansions, especially in the retail segment, which requires the adoption and implementation of a more conservative debt allocation policy. If any of the Company's debtors experience difficulties in their businesses or financial positions, they may fail to pay their debts to the Company when due and may lead to the insolvency and bankruptcy of such debtors. Any failure to make payments when due or the bankruptcy or insolvency of the Company's customers, especially its major customers, would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.24 Risks Related to Accounts Receivable

The balance of accounts receivable to the Company as of 31 December 2019G, 2020G and 2021G accounted for 31.3%, 29.5% and 28.2% of total liabilities, respectively, representing SAR 7.6 million, SAR 12.1 million and SAR 11.3 million in the same periods, respectively. The percentage of accounts receivable to the Company's top five suppliers amounted to 52%, 43% and 43% of the total accounts receivable balance, representing SAR 4.0 million, SAR 5.2 million and 4.9 million, while the repayment period granted to the Company by its suppliers ranges from 0 to 60 days, in general. The average days of accounts receivable ranged from 14 to 19 days during the financial years 2019G, 2020G and 2021G. If the Company fails to pay its full accounts receivable or to pay at the agreed period with suppliers, this may prevent it in the future from obtaining purchase agreements on credit on reasonable terms. This would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.25 Risks Related to Financing

The Company entered into one financing agreement with Riyad Bank for the purpose of purchasing trucks and vehicles and re-mortgaging them when needed. The Company did not have any indebtedness in the financial year ended 31 December 2019G. It had a total indebtedness of SAR 20.5 million, representing 9.5% of its total assets as of 31 December 2020G, and a total indebtedness of SAR 16.9 million, representing 6.8% of its total assets as of 31 December 2021G. The terms of the existing financing facilities limit the Company's ability to perform certain types of procedures; for example, the agreement with Riyad Bank includes restrictions on the mortgaging any of the Company's assets without obtaining Riyad Bank's consent. It should also be noted that the Company's obligations under the financing agreement with Riyad Bank were guaranteed through personal guarantees amounting to SAR 20.5 million provided by a direct Shareholder (specifically the Chairman of the Board of Directors) and indirect Shareholders (for further details regarding the risks related to personal guarantees provided by Shareholders, see section 2.1.26 (**Risks Related to the Unavailability of Raw Materials**)).

A breach of any of these covenants may result in expediting the payment of other Company debts. In the event of a default under the Company's financing agreements, the relevant lenders could elect to terminate borrowing commitments and declare due and payable all outstanding loans, together with accrued and unpaid commissions and any fees and other obligations. In the event that the relevant lenders accelerate the repayment of loans due to them, the Company may not have sufficient assets to repay such loans, which could force the Company into bankruptcy or liquidation. The agreement concluded with Riyad Bank provides the lender with the right terminate the agreements and declare all outstanding loans due and payable without providing reasonable cause. In addition, the bank may exercise its rights to execute the collateral provided in relation to the Company's financial facilities. The occurrence of any of the above events would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

The Company relies on several other factors for its business expansion, in particular, its ability to secure funding sources through internal and external cash resources for the purpose of establishing new plants or purchasing new production equipment to expand its production capacity. In the event that these loans are not available or not continued or granted on the same terms by banks, or if the Company incurs a higher cost of financing or is unable to secure adequate alternative sources of financing in a timely manner and on favourable terms, the Company may not be able to expand its business. This would have a material adverse effect on the Company's future strategy, business, results of operations, financial position and prospects.

Moreover, the Company's indebtedness, combined with other current and future financial obligations and contractual commitments, could have other important negative consequences, such as:

- allocating a substantial portion of the Company's cash flow from operations to payments on its indebtedness, thereby reducing funds available for working capital, capital expenditures, sales and marketing efforts and other purposes (the Company had obligations under letters of credit as of 31 December 2021G; for further details, see Section 6.6.2.10 (**Non-current liabilities**));
- increasing the Company's vulnerability to adverse economic and commercial conditions which could place it at a competitive disadvantage compared to its competitors that have proportionately less indebtedness;
- limiting the Company's ability to plan for changes in its business and the water bottling sector; and
- limiting the Company's ability to sustain its operations or achieve its planned rate of growth, including its ability to make investments in new geographic areas in the Kingdom or to purchase new production lines to support the growth of its business.

The occurrence of any of the above factors would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.26 Risks Related to Personal Guarantees Provided by Shareholders

Ameen Abdullah Almallah (a Shareholder and Chairman of the Board of Directors), Yasser Aqeel Al Aqeel (an indirect Shareholder) and Fahad Sulaiman Almasnad (an indirect Shareholder) provided personal guarantees in the amount of SAR 20.5 million to guarantee the Company's obligations under the financing agreement concluded with Riyad Bank. The Company has not yet obtained written consent from Riyad Bank to waive such personal guarantees. In the event that Riyad Bank does not agree to waive such guarantees upon the completion of the Offering, and does not waive the requirement of providing such guarantees upon the renewal of the relevant financing agreement, and if neither Ameen Abdullah Almallah, nor Yasser Aqeel Al Aqeel, nor Fahad Sulaiman Almasnad agrees to continue providing such guarantees in the future, the bank may request additional guarantees, which the Company may not be able to provide without incurring or increasing the cost of financing or at all. Moreover, the bank may refuse to provide financing on appropriate terms or at all, which would have a material adverse effect on the Company's business, financial condition, results of operations and prospects (for further information on these guarantees, see Section 12.6 (**Financing Agreements**)).

2.1.27 Risks Related to Adverse Changes in Interest Rates

The Company's external financing arrangements are largely affected by interest rates, which are deemed highly sensitive to a number of factors that are beyond the control of the Company, including Government, monetary and tax policies as well as domestic and international economic and political circumstances. An increase in interest rates and related financing costs may lead to reducing the Company's profitability and cash flow, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.28 Risks Related to Reliance on Executive Management and Key Personnel

The Company's success depends upon the continued service and performance of its Executive Management and other key personnel due to their extensive experience in the industry and contribution to its operations. In particular, the Company relies on certain key individuals who have valuable experience in the water bottling industry and who have made substantial contributions to the development of its operations. The Company may not be able to retain such personnel with the required skills and technical knowledge.

It is worth noting that the Company recently completed the restructuring of its management in order to comply with the Corporate Governance Regulations and best practices, which include the creation of the Chief Executive Officer position in 2020G, who was appointed on 10 Shawwal 1441H (corresponding to 1 June 2020G) and the position of Chief Financial Officer at the end of 2021G, who was appointed on 15 Rabi' alThani 1443H (corresponding to 19 December 2021G) and the composition of the Internal Audit Department of the Company where the director of the Internal Audit Department was appointed on 4 June 2021G. As a result, the Company may need to invest significant financial and human resources to attract and retain new employees for the Internal Audit Department and it may not realise returns on these investments. The loss of the services of members of the Executive Management or key employees could prevent or delay the implementation and completion of its strategic objectives and could divert management's attention to seek certain qualified replacements, which would adversely affect its ability to manage its business effectively.

2.1.29 Risks Related to the Inability to Attract and Retain Qualified Employees

There is intense competition to attract qualified employees in the water bottling sector, especially sales personnel with the technical skills and knowledge required by the Company. The Company may need to invest financial and human resources to attract and retain new employees and it may not realise returns on these investments. The Company's failure to attract and retain qualified employees in the future would negatively affect its ability to effectively and efficiently manage its business, which would have an adverse impact on the Company's business, financial position, results of operations and prospects.

2.1.30 Risk Associated with Employee Misconduct or Errors

Employee misconduct or errors could result in violations of the law which would lead to sanctions being imposed on the Company by the competent authorities. They could also result in health and safety violations that could lead to contractual breaches and payment of indemnities for damages. Such monetary consequences would vary based on the misconduct and errors, but they could damage the Company's reputation. Such misconduct and errors may be due to the failure to observe the applicable laws or internal controls and procedures, including the failure to document transactions properly in accordance with the Company's standardised documentation and processes (or to take appropriate legal advice in relation to nonstandard documentation, as required by the Company's internal policies) or to obtain proper internal authorisation or permission. Any such misconduct or errors would materially and adversely affect the Company's business, financial position, results of operations and prospects.

2.1.31 Risks Related to Reliance on Information Technology Infrastructure

The Company depends on the information technology systems at its production and sales management services for billing and financial reporting and for digital marketing and public information. Furthermore, the efficiency of its operations depends on effectiveness and efficiency of these systems.

The Company's information technology systems may be negatively impacted by computer viruses, natural disasters, hacker attacks, hardware or software malfunctions, electrical current fluctuations, cyberterrorism, and other similar factors. Additionally, a breach of the Company's cyber security measures could result in the loss, destruction or theft of confidential or proprietary data, which could cause the Company to bear liability or incur material losses to customers, suppliers or parties dealing with the Company.

Cyber-attacks and other cyber incidents are occurring more frequently, and are constantly evolving in terms of their nature and sophistication. The Company's failure to maintain appropriate cyber security measures and to keep abreast of new and evolving threats may make its systems vulnerable. The vulnerability or failure of the Company's information system or the Company's failure to detect or respond to information system incidents in a timely manner would have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Similar risks exist with respect to third parties who may possess confidential Company data, such as its information technology support providers, professional advisors and banks and Financial Institutions with whom the Company deals, which would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

2.1.32 Risks Related to the Adequacy and Availability of Insurance Coverage

The Company maintains a variety of insurance policies to cover its operations, plant and equipment, including general liability, automobile liability, workers' compensation, its employee group health programme, and other types of coverage. The insurance coverage may not be sufficient in all cases or may not cover all of the risks that the Company is exposed to. Uninsured losses may occur or the amount of such losses may exceed the insurance coverage. In addition, the Company's insurance policies include exceptions or limitations to coverage under which certain types of loss, damage and liability are not covered, such as losses resulting from natural disasters, wars and otherwise. In these cases, the Company could incur losses that could have an adverse effect on the Company's business and results of operations. As of the date of this Prospectus, the Company has one expired insurance policy out of six insurance policies issued to the Company. The Company's inability to renew its existing levels of coverage on commercially acceptable terms, or at all, or the lack or unavailability of adequate insurance for the various areas at its business would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.33 Risks Related to Contracts with Third Parties

The Company has entered into many contracts and agreements with suppliers, clients, exclusive distributors, lessors and other parties, and some of these contracts and agreements will expire within a year or less from the date of this Prospectus. Other agreements will expire during the next few years, as the terms of the agreements range between one and five years (see Section 12 (**LEGAL INFORMATION**)). There is no guarantee that these contracts will be renewed. In the event that they are renewed, there is no guarantee that they will be renewed under terms that are similar to their current terms. If the Company fails to renew any of those contracts on terms that are not favourable for the Company, or at all, it would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.34 Risks Related to Sponsoring Non-Saudi Employees

As per the applicable laws and regulations of the Kingdom, a non-Saudi employee may only work for his/her sponsor. As of the date of this Prospectus, all of the Company's employees are under its sponsorship. The presence of employees working for the Company who are not under its sponsorship would expose the Company to fines and penalties imposed by the competent authorities, including financial or administrative penalties, such as preventing the Company from recruiting non-Saudi employees or from renewing the residencies of current employees. This may also lead to the Company losing a large number of its employees if the competent authorities decided to deport the violating employees, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

HRSD officially announced the launch of the "Improving Contractual Relationships" initiative, which encompasses a number of policies and controls, including the replacement of the kafala (sponsorship) system with an employment contract system between the employer and expatriate worker, effective as of 14 March 2021G. Under this initiative, the Kingdom strives to improve and promote the efficiency of the work environment, enhance the flexibility, effectiveness and competitiveness of the labour market and raise its attractiveness in line with international best practices, while activating the contractual reference in the employment relationship between employers and employees based on a documented employment contract between them through the contract documentation programme. The job mobility service also allows the expatriate workers to switch to another job upon the expiry of his/her employment contract without the employer's consent. Furthermore, the initiative also defines the mechanisms of mobility during the term of the contract, provided that the notice period and applicable controls are adhered to. The exit and return service allows expatriate workers to travel outside the Kingdom upon submitting an application, while notifying the employer electronically. The final exit service enables expatriate workers to leave immediately upon the expiry of the contract, while notifying the employer electronically, without the employer's consent. There is also the option to leave the Kingdom where the worker bears all of the consequences of the termination of the contract. All of these services are already available through Absher and HRSD's Qiwa platform. As a result, the Company may be adversely affected in the event that a large number of employees decide to switch to other companies, and the Company is not be able to prevent them except to the extent permitted under their employment contracts. Hence, the Company may face difficulties in contracting with new employees to replace them. Should the Company lose a large number of its employees due to their switching to other companies and be unable to hire new employees to replace them, it would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.35 Risks Related to Litigation

The Company may become involved in lawsuits and regulatory actions related to its business operations with multiple parties, including suppliers, clients, employees and regulatory authorities. The Company may also be the claimant in such lawsuits or litigations. Any unfavourable outcome in such litigation and regulatory proceedings would have a material adverse effect on the Company's business, financial position, results of operations and prospects. In addition, regardless of the outcome of any litigation or regulatory proceedings, these proceedings could result in substantial costs and may require that the Company devote substantial resources to defend against these claims, which would also have a material adverse effect on the Company's business, financial position, and results of operations and prospects.

As of the date of this Prospectus, there are two ongoing lawsuits between the Company (one as plaintiff and the other as defendant) and a number of parties, all of whom are private parties. No provisions have been created as of the date of this Prospectus for the disputed amounts in the proceedings against the Company. Moreover, these disputed amounts are not covered by any insurance policy (for further details on the Company's litigation, see Section 12.12 (**Litigation**)).

2.1.36 Risk Relating to Licences and Approvals

In order to carry out and expand its business, the Company needs to maintain or obtain a variety of licences, certificates, permits and approvals from regulatory, legal, administrative, tax, and other authorities and agencies, in the Kingdom, in particular, a municipality licence for the conduct of commercial activities, a civil defence licence for each of the Company's facilities and a licence from the Saudi Food and Drug Authority to practice water production and sales activities. The processes for obtaining these licences, certificates, permits and approvals are often lengthy and may be terminated or suspended if the licencee fails to comply with certain requirements. As of the date of this Prospectus, the Company has failed to obtain four licences out of 24 licences and certificates required to operate its facilities in the Kingdom, all of which are licences from the Ministry of Environment, Water, & Agriculture; it also has two expired certificates out of 20 licences and certificates already obtained by the Company, namely one certificate from GOSI and the other certificate from the Ministry of Human Resources and Social Development (for further details on Government consents, licences and certificates, see Section 12.4 (**Government Consents, Licences and Certificates**)). The Company may be subject to penalties and fines if it continues to operate without obtaining the above licences. Furthermore, when renewing or modifying the scope of a licence, certificate or permit, the relevant authority may not renew or modify such licence, certificate or permit and may impose conditions that would adversely affect the Company's performance if it does renew or modify such licence, certificate or permit. If the Company is unable to maintain, obtain or renew the relevant licences, permits and approvals, its ability to achieve its strategic objectives would be impaired, it may be forced to close down its facilities that do not have licences or become subject to financial penalties imposed by the competent authority (such as performing bottled water production activities through a plant that is not licenced by the Saudi Food and Drug Authority) which would have a material adverse effect on the Company's business, financial position, results of operations or prospects.

2.1.37 Risks Related to Developing and Maintaining Favourable Brand Recognition

The Company's business is heavily dependent upon the favourable brand recognition that its "Naqi" brand has in the Kingdom. It invests in its "Naqi" brand and incurs expenses to promote it through partnerships and advertising campaigns. Factors affecting brand recognition are often beyond the Company's control, and its efforts to maintain or enhance favourable brand recognition, such as marketing and advertising campaigns, may not have their desired effects. Moreover, unfavourable publicity concerning the "Naqi" brand or the water bottling industry in general, whether on the Internet, social media or otherwise, could damage the brand and accordingly have a material adverse effect on the Company's business, results of operations, financial condition or prospects.

2.1.38 Risks Related to Marketing Activities

The Company plans to devote SAR 5 million annually (approximately 2.0% of its operating expenses) to marketing and public relations programmes that inform consumers about the Company's products and services. Marketing plans usually take a relatively longer time to accomplish its desired goals, which may lead the Company to increase its spending in this area. However, the success or adequacy of these marketing and public relation programmes is not guaranteed, and therefore the Company may have to intensify or replace these programmes with other ones, thus incurring additional financial costs. The Company must also keep pace with the rapidly changing media environment and advertising and marketing channels. If the Company's allocated costs for marketing programmes are insufficient to realise the intended objectives or if the Company's marketing and public relations efforts are not effective and commensurate with the current media environment, its brand recognition, competitive position, reputation and market share may suffer. This, in turn, could lead to lower sales and profits, which would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

2.1.39 Risks Related to Financial Reporting

In January 2021G, the Company started implementing SAP ERP, a new digital accounting system that facilitates the preparation of financial reports and information in its various branches. The Company previously used independent accounting systems for each branch and plant and then collected, consolidated, and manually entered the information received from each branch, which increased the risk of accounting errors during the preparation of the Company's reports, information, and financial statements, in addition to the limited information and analysis available for the periods prior to the application of SAP ERP system. Since the classification of accounts in the SAP ERP system differs from the classifications contained in the accounting systems that the Company used in the past, this has led to difficulties and several changes when preparing the financial analyses for the year 2021G. If the Company is unable to adapt to the new accounting systems or develop them in the future – when needed – this may affect the accuracy of financial reporting and may not provide a clear picture when reading the Company's financial statements, which would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

2.1.40 Risks Related to Protection of Intellectual Property Rights

As of the date of this Prospectus, the "Naqi" trademark has been registered, (for further details, see Section 12.11.1 (**Trademarks**)). However, it is difficult to control unauthorised use and other violations of the Company's intellectual property rights, including some uses and violations of its trademark monitored by the Company for which a complaint was filed with the Ministry of Commerce on 29 Shawwal 1442H (corresponding to 10 June 2021G); the ruling on this complaint is pending (for further details, see Section 12.12.1.2 (**The Company against a Company that Installs and Sells Water Filters**)). If the Company fails to successfully protect its intellectual property rights for any reason, or if a third party misuses the Company's intellectual property, the value of the Company's trademark may be harmed. Any damage to the Company's reputation could result in lower demand for its products, which could have an adverse effect on its business, results of operations, financial position and prospects.

As of the date of this Prospectus, the Company has two registered trademarks and one registered industrial design. The Company may also be required from time to time to renew the registration of these trademarks and any other intellectual property right or initiate litigation to enforce the Company's trademarks and other intellectual property. Third parties may also assert that the Company has infringed or misappropriated its intellectual property rights, which could lead to litigation against the Company. Litigation to validate the Company's intellectual property is inherently uncertain and could divert the attention of management or result in substantial costs and the diversion of resources, which would negatively affect the Company's revenues and profitability regardless of whether the Company is able to successfully enforce or defend its intellectual property rights. Any of the above would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

2.1.41 Risks Related to Potential Zakat and Tax Liability

The Company submitted all of its Zakat returns, settled Zakat charges payable, and obtained certificates from ZATCA for every year up to 2021G. ZATCA has not submitted the final assessments of Zakat or any additional requests or amendments regarding the assessment of Zakat liabilities of the Company for the financial years 2017G to 2021G. Based on the assessment by the Company's management, the Company has a provision of SAR 2.0 million against such assessments for the financial year ended 31 December 2019G, SAR 3.4 million for the financial year ended 31 December 2020G and SAR 1.9 million for the financial year ended 31 December 2021G. Therefore, the final amount of potential Zakat liability for the financial years ended 31 December 2017G to 2021G is uncertain (see Section 11 (**DECLARATIONS**) of this Prospectus). The tax returns for the financial years ended 31 December 2018G to 2020G were examined, and tax differentials of SAR 5.3 million were received for declarations for the months from September to December of the financial year ended 31 December 2020G; the Company filed objections to these differences but they were not accepted by ZATCA. Accordingly, a letter of guarantee in the full amount of the differences for ZATCA was submitted and registered among the Company's assets, and the Company submitted an objection letter to the General Secretariat of Zakat, Tax and Customs Committee to consider the matter; to date, no provisions have been established in relation to these tax differences. In the event that ZATCA imposes an assessment on the Company and requires the payment of additional Zakat amounts for the years in which the Company did not receive final assessments or if the Company's objection to the above-mentioned tax differences is rejected, it would have a material adverse effect on the Company's business, financial condition, results of operations and prospects. The Selling Shareholders would be liable, each according to its share, for any additional claims that may be filed by ZATCA for the preceding years until the Company is listed on the Exchange and the Selling Shareholders' undertakings have been obtained accordingly. (for further details on the risks related to value added taxes, see Section 2.2.6 (**Risks Related to Value Added Tax**)).

2.1.42 Risks Related to Newly Implemented Corporate Governance Regulations and Compliance with the Provisions of the Companies Law

The Board of Directors has adopted an internal corporate governance manual, effective from 26 Rajab 1442H (corresponding to 10 March 2021G). Such manual includes, among others, rules and procedures related to corporate governance derived from the Companies Law and the Corporate Governance Regulations issued by the CMA. The Company's success in properly implementing corporate governance rules and procedures will depend on the extent of the comprehension and understanding of these rules and the provisions of the Companies Law, and the proper execution of such rules and procedures by the Board of Directors, its Committees and Senior Executives, especially with regard to training related to the Board and its Committees, independence requirements, rules related to conflicts of interest and Related Party transactions. The failure to comply with the provisions of the Companies Law and the governance rules, particularly the mandatory provisions of the Corporate Governance Regulations issued by the CMA, would subject the Company to regulatory penalties, which would have a material adverse effect on the Company's operations, financial position, results of operations and prospects.

2.1.43 Risks Related to the Failure of the Audit Committee and the Nomination and Remuneration Committee to Perform their Duties as Required

The Audit Committee, and the Nomination and Remuneration Committee were formed pursuant to the General Assembly resolution dated 17 Rajab 1442H (corresponding to 1 March 2021G), and their charters were adopted in accordance with the internal corporate governance manual of the Company (for further details, see Section 5.3 (**Board of Directors Committees**)). Any failure by the members of these Committees to perform their duties and adopt a work approach that ensures the protection of the interests of the Company and its Shareholders may affect the Company's compliance with the corporate governance rules and continuous disclosure requirements issued by the CMA, and the Board of Directors' ability to monitor the Company's business through these Committees, which would have a material adverse effect on Company's business, financial position, results of operations and prospects.

The recent formation of these Committees and the recent application of the Company's internal governance manual means that any failure on the part of these Committee members and independent members to perform their duties, and to follow methods that ensure the protection of the interests of the Company and its Shareholders may affect the corporate governance and the effectiveness of the Board of Directors' supervision of the Company's business through these Committees. Accordingly, the Company may not be in compliance with the requirements for continued disclosure after being listed on the one hand, and may be subject to operational, administrative and financial risks on the other hand. Accordingly, this would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.44 Risks Related to the Lack of Experience in Managing a Publicly Listed Company

The Senior Executives of the Company have limited or no experience in managing a publicly listed company and complying with the laws and regulations pertaining to such companies. In particular, the Senior Executives will have to receive internal or external training in the management of a listed joint stock company in addition to the Company's compliance with the relevant laws, regulations and disclosure requirements, which may decrease the time they dedicate to the management of the Company. Failure to comply in a timely manner with the applicable regulations and disclosure requirements would expose the Company to regulatory sanctions and fines which could have a material adverse effect on the Company's business, financial position, results of operations or prospects.

2.1.45 Risks Related to the Company's Implementation of International Accounting Standards

The Company's audited financial statements and the accompanying notes are prepared by the Company's Auditors in accordance with the International Financial Reporting Standards (IFRS) as endorsed in the Kingdom and other standards and pronouncements issued by the Saudi Organization for Charted and Professional Accountants (SOCPA). The relevant standards are periodically updated and changed. For example, a number of International Financial Reporting Standards that entered into force on 1 January 2020G, have been amended, including the amendments to international accounting standard No.1 and international accounting standard No.8 related to the use of a fixed definition of materiality in all International Financial Reporting Standards. The proper application of these standards is subject to some estimates by the relevant Auditors, which may result in a discrepancy in the results and implementation; for example, the Company's financial statements for the financial year ended 31 December 2019G, which were prepared by the Company's Auditors at the time (Al Yousif Al Saeed Co. (Certified Public Accountants)) included items related to the procurement of raw materials from Related Parties amounting to SAR 10.2 million, while the current Auditors (Dr. Mohammed Al-Amri & Co.) omitted the details of raw material procurement in the corresponding period for the financial year ended 31 December 2019G in the amount of SAR 10.2 million, and in the audited financial statements for the financial year ended 31 December 2020G, based on the Auditors' assessment in line with the International Financial Reporting Standard No. 15 "Revenue from Contracts with Customers" for the principal and agent concept. As a result, if the amounts receivable from trade debtors do not have a significant financing component, the amounts receivable from trade debtors are measured at their transaction price. Accordingly, the Company's Auditors for the financial year ended 31 December 2020G deducted sales and cost of sales by the same amount for all of these transactions.

Accordingly, any change in the accounting standards or a discrepancy in their application or non-compliance with them, or any changes to the Company's financial statements for the previous financial years or other changes that may be material and whose effects have not yet appeared, or which Company may not be aware of as of the date of this Prospectus, could have a material adverse effect on the Company's business, financial position, results of operations or prospects.

2.2 Risks Related to the Market, Industry, and Regulatory Environment

2.2.1 Risks Related to Consumer Spending due to Weak Economic Conditions

Any substantial deterioration in general economic conditions, decreases in wages, reductions in the availability of consumer credit, decreases in consumer spending, increases in fuel prices, reductions in business and leisure travel, increases in interest and tax rates, including value added tax, or political events that diminish consumer spending and confidence could negatively impact the water bottling industry and the revenue that the Company can generate. In addition, certain competitors may react to such conditions by reducing prices and promoting such reductions, putting further pressure on the Company, resulting in a material adverse effect on the Company's business, financial condition, results of operations and prospects.

2.2.2 Risks Related to Political Instability and Security Concerns in the MENA Region

The Company's assets, operations, and client base are situated in the Kingdom. The wider MENA Region is subject to a number of geopolitical and security risks that may impact the GCC countries, including the Kingdom.

Moreover, as the political, economic and social environments in the MENA region remain subject to continuing changes, investment in the MENA region is a high risk. Any unexpected changes in the political, social, or economic conditions in the MENA region may have a material adverse effect on the markets in which the Company operates, its ability to retain and attract clients in such regions and investments that the Company has made or may make in the future, which in turn would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.3 Risks Related to Force Majeure and Natural Disasters

Weather conditions in the Kingdom, particularly the regions where the Company operates, such as excessive cold or heat, floods, storms, or other natural disasters or calamities could result in service interruptions. Moreover, climate change could increase the severity of adverse weather events. Extreme weather, regardless of its cause, could affect the Company's business by:

- damage to infrastructure or the Company's facilities;
- damage to the Company's assets, particularly production equipment;
- disruption of sales channels; and
- less efficient or nonroutine operating practices necessitated by unexpected adverse events.

Any of these factors would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.4 Risks Related to Competition and Market Share of the Company

The Company competes in the Kingdom with companies working in the water bottling sector, where the competitive factors include price, water purity, brand identification, geographic presence, innovation and customer service. Moreover, technology has enabled cost-conscious customers to more easily compare rates available from bottling water companies.

If the Company tries to increase its pricing, its competitors may seek to compete aggressively on the basis of pricing. The Company may not be able to maintain or enhance its market position or its total share of the water bottling market, given that some of the Company's competitors have greater financial and marketing resources. In addition, increased competition may result in lower prices, more offers and sale incentives, as well as lower gross profit margins, and higher sale and marketing expenses due to the expansion of marketing channels. The Company's competitors, including new entrants, may reduce prices in order to attempt to gain a competitive advantage or capture a greater market share. Because of this, the Company may not be able to successfully maintain or increase its market penetration or its overall share of the water bottling markets. The Company's failure to address these competitive challenges would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

2.2.5 Risks Related to Changes in the Regulatory Environment

The water bottling industry is subject to numerous laws and regulations in the Kingdom, which may materially affect the Company's business and operations or increase its costs in the future. The Company may be subject to fines or penalties, which may reach fifty thousand Saudi Riyals for each case (for example, the failure to keep tax invoices, books, records and accounting documents during the regulatory period and submit the same to ZATCA during the specified period) due to its failure to comply with these laws or regulations or to fulfil licensing requirements, which may change from time to time, resulting in the Company incurring higher costs or suffering reputational harm, which would reduce the Company's competitive position and demand for its products. For example, the Company's loss or failure to obtain necessary permits could delay or prevent it from meeting customer demand, introducing new products, or implementing its growth plan, which would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company's operations are also subject to regulations administered by the Presidency of Meteorology and Environment, which, among other things, pertain to the impact of materials on the environment and the handling and disposition of waste. Failure to comply with these regulations can have unfavourable consequences, including penalties which may exceed one hundred thousand Saudi Riyals and reputational harm. Future discovery of the contamination of property underlying or in the vicinity of the Company's facilities could cause it to incur additional expenses, which would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Moreover, legal requirements change and are subject to interpretation and clarification. This may require the Company to incur significant expenditures, modify its business practices to comply with existing or future laws and regulations, or restrict its ability to conduct business, which would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

2.2.6 Risks Related to Value Added Tax

The Kingdom issued the Value Added Tax (VAT) Law which became effective on 1 January 2018G. This law imposed a value added tax of 5% on a number of products and services, as specified in the law. On 11 May 2020G, the Ministry of Finance announced an additional increase in VAT to 15% as of 1 July 2020G. Since this law and the announced VAT increase were recently issued, any violation or misuse thereof by the Company's management or employees may increase the operational costs and expenses that the Company will incur or expose the Company to fines which may reach fifty thousand Saudi Riyals or penalties or damage to its reputation. Moreover, this increase and any possible increase in VAT could reduce demand for the Company's products and services or decreased profitability of the Company if it is unable to pass such VAT increase on to its customers. The occurrence of any of the above would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

2.2.7 Risks Related to Changes in Energy Prices

Diesel is the largest source of energy used by the Company, in addition to other energy sources, such as Gasoline and Kerosene in a limited and insignificant way. The Company is sensitive to increases in Diesel and Gasoline prices which it uses to operate all production equipment at the plant. The Ministry of Energy issued a statement, dated 24 Rabi' al-Awwal 1439H (corresponding to 12 December 2017G), on Fiscal Balance Programme Plan to reform the prices of energy products. It resulted in an increase in prices of Gasoline 91, Gasoline 95, Diesel for industry and facilities, Diesel for transportation and Kerosene as of 14 Rabi' al-Thani 1439H (corresponding to 1 January 2018G). The prices of energy products are adjusted monthly in accordance with the procedures for the governance of adjusting the prices of energy and water products. Saudi Arabian Oil Company (Saudi Aramco) announced that it would adjust the prices of diesel and asphalt producers as of 27 Jumada al-Ula 1443H (corresponding to 31 December 2021G) in accordance with the procedures of governance to adjust the prices of energy and water products in the Kingdom, which in turn will increase the Company's operating costs. Any further increases in diesel prices would have a material adverse effect on the Company's operations, financial position, results of operations and prospects.

2.2.8 Risks Related to Exchange Rates

The Company's purchases are sourced locally from many Saudi companies, and are in turn exposed to other currencies, including the USD (such as purchasing machinery, equipment and posters). As part of the Kingdom's policy, SAR, as of the date of this Prospectus, is pegged to the USD at an exchange rate of SAR 3.75 for USD 1. However, there are no guarantees that the SAR exchange rate will continue to be pegged to the USD. As the Company continues to expand, the Company's exposure to the USD and other currencies may increase. As a result, the Company may experience a significant increase in the costs of its operations which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

2.2.9 Risks Related to Changes in the Mechanism of Calculating Zakat and Income Tax

ZATCA issued Circular No. 6768/16/1438 dated 5 Rabi' al-Thani 1438H (corresponding to 4 December 2016G) which obliges Saudi companies listed on the Exchange to calculate income and Zakat based on the shareholders' nationality and actual ownership between Saudi and Gulf citizens and others as provided for in "Tadawulaty" at the end of the year. Prior to the issuance of this Circular, companies listed in the Exchange were generally subject to the payment of Zakat or tax on the basis of the ownership of their founders in accordance with their bylaws. The effect of listed shares was not taken into consideration when determining the Zakat pool. This Circular was to be applied in the financial year ended 31 December 2016G and the following years. However, ZATCA issued its Letter No. 12097/16/1438 dated 19 Rabi' al-Thani 1438H (corresponding to 17 January 2017G), which stipulates the postponement of the implementation of the Circular to be effective on 31 December 2017G and the coming years. Until ZATCA issues its directives regarding the mechanisms and procedures for implementing this Circular, the implementation of this Circular, including the final requirements that must be fulfilled, are still under consideration, as is the case with the rules that impose income tax on all non-Gulf residents owning shares in Saudi listed companies, which apply withholding tax on dividends of non-resident shareholders, regardless of their nationality. The Company has not evaluated the financial impact of this Circular or taken adequate steps to ensure compliance with it. In the event that the financial impact of this Circular, if applied, is significant, or if the Company incurs additional costs to take the necessary steps to ensure compliance with it, this would have an adverse effect on the Company's business, financial condition, results of operations and prospects.

2.2.10 Risks Related to the Increase in Government Fees Applicable to Non-Saudi Employees

The Government has approved a number of resolutions intended to implement comprehensive reforms in the Saudi Arabian labour market, with additional fees being imposed on each non-Saudi employee hired by Saudi institutions and enterprises as of 14 Rabi' al-Thani 1439H (corresponding to 1 January 2018G), and on the increased fees for residence permit issuance and renewal fees of non-Saudi employee families which came into force as of 7 Shawwal 1438H (corresponding to 1 July 2017G); they will increase gradually from SAR 4,800 to SAR 9,600 per annum during the current year 2020G. Such announced increases will increase the Government fees paid by the Company for its non-Saudi employees in general. The fees amounted to SAR 9.5 million for the financial year ended 31 December 2021G compared to SAR 1.3 million for the financial year ended 31 December 2020G, and SAR 0.65 million for the financial year ended 31 December 2019G. In addition, such increase in residence permit issuance and renewal fees may increase the cost of living. This could result in non-Saudi employees seeking employment opportunities in other countries with a lower cost of living. In such case, it will be difficult for the Company to retain its non-Saudi employees and the Company may be forced to incur additional Government fees related to the issuance and renewal of residence permits for non-Saudi employees and their family members. This would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

2.2.11 Risks Related to Non-Compliance with the Saudisation Requirements

Pursuant to Saudisation requirements, all companies active in the Kingdom, including the Company, must employ and maintain a certain ratio of Saudi personnel among their staff. The percentage of Saudi workers varies on the basis of the Company's activities. The Company is currently committed to the Saudisation requirements and is classified in the "high green" category in Nitaqat as of the date of this Prospectus.

Non-compliance with the applicable Saudisation requirements, such as employing a non-Saudi employee as a receptionist or human resource director, is punishable by penalties of up to twenty thousand Saudi Riyals and their multiples, or sanctions by governmental authorities, such as the suspension of work visa requests and of transfers of sponsorship for non–Saudi employees, exclusion from Government tenders and Government loans, and the Company's inability to continue to recruit or maintain the employment of the required percentage of Saudisation. In addition, the Company may not be able to hire the required workforce or recruit the required number of Saudi nationals or foreign workers without incurring additional costs. In particular, the Company relies on several qualified non-Saudi employees with the relevant industry experience in running the operations of the Company, including the Director of Manufacturing and the Director of Internal Audit. Any changes in local regulations which adversely impact expatriates may cause an outflow of these expatriate workers from the Kingdom and may result in a disruption in operations. Moreover, the Company is sensitive to the costs of salaries and related benefits, which amounted to SAR 7.3 million and SAR 18.2 million in the financial years ended 31 December 2019G and 2020G, respectively (representing approximately 32% and 36.2% of its operating costs for the same periods respectively), and SAR 31.1 million for the financial year ended 31 December 2021G (representing approximately 11.2% of its operating costs for the same period). There may be a significant increase in the costs of salaries in the event that the Company hires a larger number of Saudi employees. The occurrence of any of the above would have a material adverse effect on the Company's business, financial condition, results of operations and prospects (for further details, see Section 5.9.2 (**Saudization**)).

2.3 Risks Related to the Offer Shares

2.3.1 Risks Related to Effective Control Post–Offering by the Selling Shareholders

Following the Offering, the Selling Shareholders will own 70% of the Company's issued Shares. As a result, the Selling Shareholders will have the ability to significantly influence the Company's business through their ability to control decisions and actions that require the Shareholders' approval, including, without limitation, the election of Directors, significant corporate transactions, dividend distributions and capital adjustments. If circumstances were to arise where the interests of the Current Shareholders conflicted with the interests of the minority Shareholders (including the Subscribers), the minority Shareholders might be disadvantaged and the Selling Shareholders might otherwise exercise their control over the Company in a manner that could materially adversely affect the Company's business, financial condition, results of operations or prospects.

2.3.2 Risks Related to Absence of a Prior Market for the Shares

The Company's Shares have never been offered or traded in a public stock market. There is currently no public market for the Company's Shares, and there is no guarantee that an active and liquid market for the Shares will develop or be sustained after the Offering. If an active and liquid market is not developed or maintained, the trading price of the Shares will be adversely affected, which may lead to the loss of all or part of the Subscribers' investment in the Company, which would have a material adverse effect on the Subscribers' expected returns.

2.3.3 Risks Related to Selling a Large Number of Shares in the Market

The sale of a substantial number of the Shares in the public market following the completion of the Offering or the perception that such sales will occur could adversely affect the market price of the Shares. Upon the successful completion of the Offering, Ameen Abdullah Ali Almallah and Alsad Modern Advanced Company (each of them will own 35% of the Company shares following the Offering) will be subject to the Lock up Period of six months following the Offering during which they may not dispose of any Shares. The sale of a substantial number of Shares by either of them following the expiration of the Lock up Period, or the perception that such sales could occur would adversely affect the share price in the market.

2.3.4 Risks Related to the Issuance of New Shares

The Company does not intend to issue additional Shares following the Offering. If the Company decides to raise additional capital by issuing new Shares, the newly issued Shares will adversely affect the share price in the market and will dilute the shareholder ownership percentage in the Company if they do not subscribe to such newly issued Shares.

2.3.5 Risks Related to Fluctuations in the Market Price of the Shares

The Offer Price has been determined based on several factors, including the past performance of the Company, the prospects for the Company's businesses, the industries in which it operates, the markets in which it competes and an assessment of the Company's management, operations and financial results. The Subscribers may not be able to sell the Offer Shares at the Offer Price or at higher price or at all. The Company's share price may be highly volatile and may not be stable due to the possible occurrence of several factors, including:

- market volatility and fluctuations in the raw material prices;
- negative variations in the Company's operating performance and improvement of the performance of its competitors;
- actual or anticipated fluctuations in its quarterly or annual operating results;
- publication of negative research reports by securities analysts about the Company, its competitors or the water bottling industry;
- the public's negative reaction to its press releases and its other public announcements;
- the resignation or retirement of key personnel;
- important and strategic decisions by the Company or its competitors, and changes in business strategy that cause adverse impacts;
- press reports, whether factual or not, about the Company or the water bottling industry in the Kingdom;
- changes in the regulatory environment affecting the Company or the water bottling industry;
- changes in adopted accounting rules and policies;
- significant terrorist acts, acts of war or periods of civil unrest;
- natural disasters, a widespread outbreak of a contagious disease and other calamities;
- changes to the policy of pegging the exchange rate between the SAR and the U.S. Dollar; and
- changes in general market and economic conditions.

The realisation of any of these risks or other factors could cause the market price of the Shares to decline significantly.

In general, the stock market experiences extreme price and increased fluctuations from time to time. Regular and/or continuous market fluctuations could result in extreme volatility in the price of the Shares, which could cause a decline in the value of the Shares, with price volatility being worse if the trading volume of the Shares is low; this would have an adverse effect on the Subscribers' investments in the Company's shares or result in the loss of all or part of their investment in the Company.

2.3.6 Risks Related to the Distribution of Dividends and Restrictions Imposed on the Distribution of Dividends by Lenders

The future distribution of dividends depends on several factors, including the Company's future earnings, financial condition, cash flows, working capital requirements, capital expenditures and distributable reserves. Moreover, the Company may not be able to distribute dividends to the Shareholders, and the Board of Directors may not recommend or the Shareholders may not approve the distribution of dividends. In addition, profit distribution is subject to restrictions set out in the financing agreement entered into with the lenders. The Company may be subject to the terms of its future credit financing agreements to make dividend payments. The Company may incur expenses or liabilities that would reduce or lead to the absence of the cash available for the distribution of dividends. If the Company does not pay dividends to the Shareholders, they will not receive any return on investment in the Shares unless they sell the Shares at a price higher than the price at the time of purchase, which would have a material adverse effect on expected returns for the Investors. For further details regarding the dividends policy of the Company, see Section 7 (DIVIDEND DISTRIBUTION POLICY).

3

MARKET AND INDUSTRY DATA

The information in Section 3 (**MARKET AND INDUSTRY DATA**) is derived from the market study report prepared by Euromonitor International Ltd (the "**Market Consultant**") exclusively for the Company in October 2021G. The Market Consultant is headquartered in London, UK. For further details about the Market Consultant, visit its website (www.euromonitor.com).

Neither the Market Consultant nor any of its subsidiaries, affiliates, partners, shareholders, directors, managers or their relatives owns any shares or any interest of any kind in the Company. As of the date of this Prospectus, the Market Consultant has given and has not withdrawn its written consent for the use of its name, logo, market information, and the data supplied by it to the Company in the form set out in this Prospectus.

All data, analysis and research estimates in this Section are based on research conducted between January 2022G and February 2022G including: (a) desk research to collect publicly available secondary sources of data, including statistics on macroeconomic indicators, demographics from entities such as the General Authority for Statistics (GASTAT), the Saudi Central Bank (SAMA), Euromonitor's internal database (Passport), and trade press on bottled water, companies and third party reports; (b) a trade survey analysis of the opinions and perspectives of a sample of leading bottled water manufacturers and leading consumption channels in the Kingdom; and (c) cross-checks and analyses of all sources to build an industry consensus on the market size and historic trends.

The Company provided its audited sales data recorded in the Kingdom for the period from 1 January 2018G until 31 December 2021G, which has been factored in the section where it is positioned against competitors.

The Company and its Directors believe that the information and data from other sources contained in this Prospectus, including those provided by the Market Consultant, are reliable. However, neither the Company nor the Directors, Managers, or other Advisors have independently checked or verified the accuracy or completeness of such information contained in this Section, and none of them assumes any responsibility for such information. Further, due to the nature of market research and the methodologies mentioned above, the Market Consultant has used standard industry practices but cannot guarantee the accuracy of all information and readers should not place undue reliance on such information.

3.1 The Macroeconomic Environment in the Kingdom

3.1.1 Economic Overview

The Kingdom boasted the largest total Gross Domestic Product (GDP) in the Middle East and Africa (MEA) region, with an estimated SAR 2.9 trillion (USD 700 billion) in 2021G. Following an economic decline in 2020G by 4.1% (due to the COVID-19 pandemic coupled with a drop in crude oil prices), the Kingdom's real GDP experienced a recovery, posting a growth of 2.8% in 2021G and 4.8% in 2022G (supported by an expansionary monetary policy, recovering domestic and external demand, as well as structural reforms).

The Government has pledged to raise the minimum wage by a third to SAR 4,000 in 2021G to strengthen the labour market's recovery. This has contributed to an increase in the country´s per capita disposable income levels, which reached SAR 40,387.8 (USD 10,770) in 2021G, with a CAGR of 6.7% over 2018G-2021G. This robust recovery is expected to continue as economic activity in the country resumes, with per capita disposable income levels expected to register a CAGR of 4.4% during the period 2022G-2026G. This will support a strong increase in total consumer expenditure, which is anticipated to grow at a CAGR of 5.6% over 2022G2026G and reach SAR 1.8 trillion (USD 480 billion) by the end of that period.

Total consumer expenditure on non-alcoholic beverages alone recorded an average annual growth rate of 6.2% in nominal terms over 2018G-2021G to reach SAR 26.9 billion (USD 7.2 billion) by the end of that period, which was also the second largest in the MEA region, behind Nigeria. This economic and social background provides support for the Saudi Arabian bottled water sector, which is also set to benefit from the implementation of the Saudi Vision 2030 and its thirteen implementation programmes through significant infrastructure investment; schemes to develop the Saudi tourism industry and measures to increase private participation in the economy. For instance, in terms of infrastructure investment, the Government has pledged to allocate SAR 1.6 trillion (USD 426 billion) by 2030G to improve the country's transport and telecommunications sectors, which is expected to support the expansion of non-oil sectors and create around 1.6 million jobs by 2030G.

The International Monetary Fund (IMF) forecasts a gradual recovery for the Saudi Arabian economy (with real GDP expected to grow by 4.8% in 2022G, following a 4.1% contraction in 2020G, and gradual growth in 2021G by 2.8%), under a base scenario assuming the deployment of vaccination programmes, considerable policy support across economies at a global level, and the lower restrictions as a result of the ongoing decline of the pandemic. In addition, the improvement in Saudi Arabia's macroeconomic conditions, coupled with the recovery in tourism inflows into the country (forecast to surpass pre-COVID-19 levels by 2023G), are expected to continue to support the demand for grocery and non-grocery retail categories in the Kingdom. Accordingly, expenditure on non-alcoholic beverages over the forecast period 2022G-2026G is expected to grow by a CAGR of 5.8%.

3.1.2 Demographic Overview

Saudi Arabia's total population contracted at an annual average rate of 0.3% over 2018G-2021G to reach 33.2 million by 2021G (representing a total population 1.5 times larger than the rest of the GCC countries combined); however, the country's demographic is projected to grow at an annual average rate of 1.2% over 2022G-2026G to reach 35.2 million by 2025G.

The country's demographic profile is predominantly young, with 71% of the total Saudi population aged between 15 and 64 in 2021G. As a result, according to the UN, the Kingdom is enjoying a demographic dividend providing a window of opportunity to support the growth of the country's economy. The average Saudi Arabian household size stood at 5.5 members in 2021G, higher than both the global and MEA averages of 3.5 and 4.7, respectively, in the same year, which supports consumer spending on family-related categories of goods and services, including food and beverages.

One of the main policies of the Saudi Vision 2030G relates to encouraging female employment in the domestic economy. This policy aims to increase female participation in the labour force from 22% in 2017G to 30% in 2030G. As a result, the Kingdom recorded the fastest growth rate of women joining the labour force amongst all G20 countries over 1998G-2018G. In addition, the Government is encouraging a trend towards easing social and regulatory restrictions for Saudi Arabian women (for instance, being able to drive) and the introduction of Government programmes to facilitate women's access to the labour market (for example, the Qurrah scheme to raise the number of childcare centres in the country). These factors are expected to help increase Saudi Arabian female disposable income levels and shift their lifestyles and consumption patterns. The latter is also anticipated to be reflected, for example, in the higher spending on products positioned as "health and wellness", as is the case for bottled water products in Saudi Arabia.

Overall, the country's demographic outlook paints a positive picture for the development of the Saudi Arabian food and beverages market, including the bottled water segment over the forecast period 2022G-2026G. An expanding and young population, a large average household size, rising income levels, and changing attitudes towards spending amongst Saudi Arabian females are expected to back the growth of spending on non-alcoholic beverages in general and bottled water in particular.

Table No. (3.1): Macroeconomic Indicators in the Kingdom, 2018G, 2020G, 2021G, 2024G, and 2026G

Indicator	Unit	2018G	2020G	2021G	2024G	2026G	CAGR 2018G-2021G	CAGR 2022G-2026G
GDP	SAR bn	2,949.5	2,625.4	2,683.1	2,974.5	3,113.0	(3.1%)	2.7%
Population	000	33,413.7	32,861.0	33,159.0	34,410.0	35,176.0	(0.3%)	1.2%
Population under 15	000	8,338.1	8,008.3	8,044.7	8,203.6	8,218.6	(1.2%)	0.3%
Number of Households	000	6,066.6	6,067.0	6,126.0	6,064.0	6,219.0	0.3%	1.2%
Average Household Size	Members per household	5.6	5.5	5.5	5.5	5.5	(0.6%)	-
Inflation Rate	%	2.5	3.4	3.0	2.0	2.0	6.9%	-
Unemployment Rate	%	5.8	6.8	6.3	5.7	5.5	2.7%	(2.4%)
Disposable Income per Capita	SAR	33,244.3	34,326.8	40,387.8	46,946.6	50,469.3	6.7%	4.4%
Total Consumer Expenditure	SAR bn	1,161.8	1,176.1	1,392.4	1,678.1	1,842.2	6.2%	5.6%
Consumer Expenditure on Beverages	SAR bn	22.5	22.7	27.0	32.7	36.0	6.2%	5.8%
Consumer Price Index	2010= 100	118.0	122.5	126.2	133.9	139.3	2.3%	2.0%
Number of in-bound tourists	'000	15,334.3	3,623.3	9,058.3	19,804.6	25,313.8	(16.1%)	11.9%
Number of out-bound tourists	'000	9,885.1	2,453.0	3,783.2	8,676.2	9,908.5	(27.4%)	13.0%

Source: Euromonitor International from the UN, World Bank, International Monetary Fund (IMF), General Authority for Statistics (GASTAT), SAMA and OPEC.

Notes: (1) All SAR figures are expressed in nominal terms. (2) GDP refers to the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. (3) Per capita disposable income is the annual gross income minus social security contributions and income taxes, expressed on a per capita basis. (4) Total consumer expenditure (or the total consumer market) comprises the aggregation of personal expenditure on goods - durable, semi-durable and non-durable - and on services in the domestic market, including the imputed rent of owner-occupied dwellings, the administrative costs of general insurance, life insurance and superannuation schemes.

3.1.3 High-level Impact of COVID-19

The outbreak of COVID-19 (recognized by the World Health Organization as a global pandemic in March 2020G) had a large effect on the performance of economies at the global level in 2020G-2021G. Firstly, crude oil prices reached their lowest level in 2020G to USD 39.68 a barrel (on average); however, they started to increase again in 2021G to reach USD 68.17 (on average). Secondly, the lockdowns and restrictions prompted by the pandemic disrupted domestic economic activity by reducing retail footfall and halting and/or reducing production activity across all industries.

Similar to the COVID-19 impact on large economies worldwide, all of Saudi Arabia's GDP components (net exports, consumption, Government expenditure, and investment) were hit by the COVID-19 outbreak. However, real GDP showed a 2.8% growth in 2021G compared to 2020G, reaching almost pre-pandemic levels. Furthermore, in 2021G, the easing of pandemic restrictions led to a gradual increase in oil demand globally. As a result, the Ministry of Finance revised its expectation of the fiscal deficit to SAR 85 billion from its earlier forecast of SAR 141 billion. The Ministry also projected the overall revenue to be around SAR 930 billion in 2021G, up from the initial estimate of SAR 849 billion.

The bottled water market in the Kingdom benefited from the post-pandemic year in 2021G. The rising health and wellness trends, on the go consumption, the easing of COVID-19 restrictions, and the reopening of offices and Government entities have resulted in the growth of bottled water consumption. As a result, the off-trade channel witnessed a volume growth of 9.6% (to reach 5.4 billion litres) in 2021G, compared to 2020G. The on-trade channels registered a 4.7% growth in 2021G, compared to 2020G, and are expected to register a growth of 9.6% (CAGR) during the forecast period (2022G-2026G). With the gradual easing of COVID-19 restrictions, Government efforts to promote domestic tourism and staycations, as well as rising entertainment activities, have been driving the growth of bottled water consumption within this channel.

3.2 Industry Overview for Bottled Water in the Kingdom

3.2.1 Industry Outlook for the Bottled Water Industry in The Kingdom

The total market size for bottled water in the Kingdom was estimated at approximately 6.7 billion litres in 2021G (equivalent to around SAR 8.8 billion, or USD 2.3 billion, in value terms). The Saudi bottled water sector grew by 2.4% in volume terms over 2018G-2021G. This resulted from the young Saudi population's rising health and wellness trends, especially during the COVID-19 pandemic. Nevertheless, due to fierce competition in the bottled water market, the increase of VAT in the second half of 2020G has not immediately impacted the final consumer price. In addition, the yearly raw material contracts held by the manufacturers have helped maintain the average price in the year in 2020G. Therefore, in value terms, Saudi Arabian's bottled water market recorded a positive growth of 3.7% in 2018G-2021G, as a consequence of two effects:

1. The gradually increasing prices of bottled water products in the domestic market; and
2. The price offered by the manufacturers contained the increase of the average unit price on a total Kingdom level, taking into consideration the price differences across the Kingdom.

Per capita consumption levels of bottled water in the Kingdom were estimated at 202.5 litres per person per year in 2021G, one of the highest in the world. This is due to factors that include the scarcity and nature of Saudi Arabia's drinking water supply (where most tap water provided by utilities to households comes from desalination plants, often regarded by consumers as having inferior quality and/or taste), the country's weather conditions (with average annual temperatures in the capital Riyadh reaching 27 degrees Celsius, increasing to an average of 37 degrees Celsius during the summer period), and the rising health and wellness trend observed amongst Saudi Arabian households (to which the domestic bottled water industry has catered by positioning its products as "healthy and safe for family consumption"). These factors, together with a favourable socio-economic background (including increasing levels of disposable income, an expanding population, and rising urbanization, as analyzed in Section 3.1 ((The Macroeconomic Environment in the Kingdom) of this report) and a supportive regulatory framework have backed the long-term expansion of the country's bottled water sector.

Supported by factors including an expected improvement in Saudi Arabia's macroeconomic conditions, increasing tourism inflows (which are expected to return to pre-COVID-19 levels by 2023G), rising per capita disposable income levels, and a growing trend towards health and wellness, the country's bottled water market is set to experience a recovery over the forecast period 2022G-2026G, growing at a CAGR of 5.5% in volume terms to reach 8.8 billion litres by 2026G. In value terms, the Saudi Arabian bottled water market is projected to increase at an average annual rate of 6.9% in nominal terms over 2022G-2026G to reach SAR 12.2 billion (USD 3.3 billion) by the end of that period, reflecting an anticipated rise in prices due to several factors, including the increased demand for bottled water in the domestic market, the VAT impact on pricing across the bottled water industry value chain, and the opening up of exports of Saudi Arabian bottled water products.

Table No. (3.2): Bottled Water Market Size in the Kingdom in Million Litres in 2018G, 2020G, 2021G, 2024G and 2026G

Indicator	2018G	2020G	2021G	2024G	2026G	CAGR 2018G-2021G	CAGR 2022G-2026G
Bottled water	6,257.3	6,147.8	6,716.3	8,059.2	8,826.2	2.4%	5.5%

Source: Euromonitor International estimates from Passport Packaged Food (2021G edition)

Table No. (3.3): Bottled Water Market Size in SAR Million in 2018G, 2020G, 2021G, 2024G and 2026G

Indicator	2018G	2020G	2021G	2024G	2026G	CAGR 2018G2021G	CAGR 2022G-2026G
Bottled water	7,882.5	7,817.0	8,796.0	10,813.4	12,297.5	3.7%	6.9%

Source: Euromonitor International estimates from Passport Packaged Food (2021G edition)

3.2.2 Supply and Competitive Landscape

The Saudi Arabian bottled water market has become increasingly competitive, with over 200 licenced companies operating in the market as of 2021G (most of them small players whose output can be as low as less than 2,000 bottles per day), while a large number of small-scale unlicenced operations (generally engaged in clandestine practices such as putting tap water into new or used plastic bottles) also contribute to increasing the supply in the market. This has contributed to a fragmentation of the country's bottled water market, as reflected by the Herfindahl-Hirschman Index (a measure of market concentration), which stood at 695 in 2020G (with values below 1,500 generally regarded as indicative of a competitive market). This particular market structure is a consequence of dynamics shaping market development over the long term, where a period of considerable investment, especially during the early 2010s (as players were attracted by the rapidly expanding market, low barriers to entry, and high margins), has given way to a more competitive sector with a relatively low-capacity utilization rate (about 50%-60% as of 2020G) and which is increasingly commoditized. The latter is the result of the specific characteristics of the supply chain in the country's bottled water industry (where the vast majority of domestic producers use water sourced from utilities as raw material, rather than natural sources of water) and the lack of differentiation amongst most domestic businesses competing in the sector.

Table No. (3.4): Brand Shares in Value and Volume Terms in the Saudi Arabian Bottled Water Market, 2021G

Global Brand Owner	Brand Name	Volume Share 2021G (%)	Value Share 2021G (%)
Bin Zomah Group Trading & Mfg	Safa	16.2%	16.9%
Health Water Bottling Co.	Nova	13.3%	15.5%
National Plant For Healthy Water	Hana	12.4%	12%
PepsiCo Inc	Aquafina	11.3%	9.8%
Berain Water & Beverages Factory	Berain	8.4%	9.8%
Nestlé SA	Nestlé Pure Life	6.8%	5.6%
Aloyoun Water Factory Inc	Aloyoun	6.1%	6.2%
Naqi Water Company	Naqi	4.8%	4.2%
The Coca-Cola Co.	Arwa	2.4%	2.3%
Agthia Group PJSC	Al Ain	2.2%	1.8%
	Others	16.1%	15.9%
Total		100%	100%

Source: Euromonitor International from Passport' Soft Drinks Database and primary and secondary research

3.3 Channel Analysis for Bottled Water in the Kingdom

3.3.1 Demand Breakdown by Channel

Sales of bottled water through the retail channel in the country recorded a positive CAGR of 5.3% in volume terms over 2018G-2021G, in line with the overall market growth in 2021G, driven by the rising health and wellness movement, as well as on-the-go consumption trends (after the easing of COVID-19 restrictions and employees returning to physical attendance). This is in addition to the VAT increase, which has resulted in an average price increase in the retail segment. On the other hand, in the case of the non-retail channel, sales of bottled water registered a negative CAGR of -0.6% in volume terms between 2018G and 2021G, mainly due to the steep drop in sales through the Horeca and institutional segments in 2020G, which more than offset the robust increase in demand through the smaller home delivery segment (driven by the growing preference for small bottle water formats over the traditional bulk water or tap water for drinking and cooking in households).

Over the forecast period 2022G-2026G, demand for bottled water in the country is expected to gradually normalize as fundamental trends driving market growth continue to support sales beyond the short-term impact of COVID-19. Consequently, bottled water sales through both retail and non-retail channels are expected to show a healthy growth of CAGRs of 5.6% and 10.6%, respectively, in volume terms over 2022G-2026G. This will be on the back of factors, including the country's steady urbanization process, the growth of modern grocery retailers (for the retail channel) and the strong expansion of the home delivery segment coupled with the recovery of the Horeca segment after the slump in 2020G (for the non-retail channel) over the medium term.

Table No. (3.5): Bottled Water Market Size in Million Litres Split by Different Channels in 2018G, 2020G, 2021G, 2024G and 2026G

Indicator	2018G	2020G	2021G	2024G	2026G	CAGR 2018G-2021G	CAGR 2022G-2026G
Bottled water – total	6,257.3	6,147.8	6,716.3	8,059.2	8,826.2	2.4%	5.5%
Retail consumption	4,895.8	4,904.9	5,375.4	6,260.4	6,663.8	3.2%	4.3%
Non-retail consumption	1,361.5	1,242.9	1,340.8	1,798.8	2,162.4	(0.5%)	9.6%

Source: Euromonitor International from Passport Packaged Food (2021G edition). Non-retail consumption includes consumption via Horeca, direct to consumers and institutions. Direct to customers and office supply is largely referred to by the industry as HOD.

Table No. (3.6): Bottled Water Market Size in SAR Million Split by Different Channels in 2018G, 2020G, 2021G, 2024G and 2026G

Indicator	2018G	2020G	2021G	2024G	2026G	CAGR 2018G-2021G	CAGR 2022G-2026G
Bottled water – total	7,882.5	7,817.0	8,796.0	10,813.4	12,297.5	3.7%	6.9%
Retail consumption	5,734.9	5,937.7	6,687.2	7,930.0	8,768.1	5.3%	5.6%
Non-retail consumption	2,147.6	1,879.3	2,108.8	2,883.4	3,529.4	(0.6%)	10.6%

Source: Euromonitor International from Passport Packaged Food (2021G edition). Non-retail consumption includes consumption via Horeca, direct to consumers and institutions. Direct to customers and office supply is largely referred to by the industry as HOD. Value sales provided here are reported in retail selling price (RSP).

3.4 Regional Analysis for Bottled Water in the Kingdom

3.4.1 Demand Breakdown for the Central Region

The size of the bottled water market in Saudi Arabia's Central Region (comprised of the Riyadh and Qassim administrative regions) was estimated at 2.1 billion litres in 2021G (equivalent to 31.2% of the country's total), after rising at an average annual rate of 2.6% in volume terms between 2018G and 2021G. In value terms, the Central region's bottled water market was valued at SAR 2.9 billion (or 32.7% of the country's total market size), after recording a CAGR of 4.1% in nominal SAR terms over 2018G-2021G, with the difference in the region's share between volume and value reflecting slightly higher prices of bottled water products in the Central region compared to the national average.

However, the bottled water market in Saudi Arabia's Central Region features specific characteristics that influence the sector's dynamics and competitive landscape, differentiating it from other Saudi regions. These include the relatively high levels of income inequality in the capital Riyadh (which accounts for about 75% of the Central region's total population and around 90% of the region's consumer market), the increasingly busy lifestyles and sophistication of Riyadh consumers (which defines their purchasing patterns for consumer goods, including food and beverages), and the concentration of formal employment concerning the rest of the Saudi regions (due to the capital city's status as the country's political and economic hub).

As of 2020G, Riyadh had one of the largest foreign populations of all major cities globally, at 2.6 million, equivalent to 38.9% of Riyadh's total population (higher than the national average of 34.9% in the same year). This has a direct impact on the city's income distribution, with Riyadh's Gini index (a measure of income inequality ranging between 0 and 100 where 0 = perfectly equal and 100 = perfectly unequal) reaching 41.2 in 2020G (above Saudi Arabia's average of 39.1). This raises the complexity of Riyadh's consumer market, increases the contrasts between the haves and have nots, and results in well-differentiated segments of consumers (a high, middle, and low social class), each of which displays its own behaviour and purchasing patterns, as will be analyzed in Section 3.4.2 (**Supply and Competitive Landscape for the Central Region**) of this Prospectus.

As a result, growth in volume terms of the Central Region's bottled water market over the forecast period 2022G-2026G is expected to grow at a CAGR of 5.5%, which is almost the same growth on a national level) In value terms, the Central Region is set to expand at a CAGR of 7.5% compared to the national average of 6.9%, due to an expected faster rise in prices of bottled water products in the Central Region from 2022G to 2026G (driven by recovering demand from the Horeca segment and by continued robust growth of the home delivery segment in the region).

Table No. (3.7): Bottled Water Market Size in the Central Region in Million Litres Split by Different Channels in 2018G, 2020G, 2021G, 2024G and 2026G

Indicator	2018G	2020G	2021G	2024G	2026G	CAGR 2018G-2021G	CAGR 2022G-2026G
Bottled water – total	1,939.6	1,933.4	2,094.1	2,512.8	2,751.9	2.6%	5.5%
Retail consumption	1,517.56	1,542.53	1,676.02	1,951.96	2,077.71	3.4%	4.3%
Non-retail consumption	422.04	390.86	418.06	560.86	674.22	(0.3%)	9.6%

Source: Euromonitor International from Passport Packaged Food (2021G edition). Non-retail consumption includes consumption via Horeca, direct to consumers and institutions. Direct to customers and office supply is largely referred to by the industry as HOD.

Table No. (3.8): Bottled Water Market Size in the Central Region in SAR Million Split by Different Channels in 2018G, 2020G, 2021G, 2024G and 2026G

Indicator	2018G	2020G	2021G	2024G	2026G	CAGR 2018G-2021G	CAGR 2022G-2026G
Bottled water – total	2,545.0	2,560.6	2,874.8	3,610.8	4,106.4	4.1%	7.5%
Retail consumption	1,851.63	1,945.00	2,185.61	2,647.98	2,927.84	5.7%	6.2%
Non-retail consumption	693.38	615.60	689.21	962.81	1,178.53	(0.2%)	11.1%

Source: Euromonitor International from Passport Packaged Food (2021G edition). Non-retail consumption includes consumption via Horeca, direct to consumers and institutions. Direct to customers and office supply is largely referred to by the industry as HOD. Value sales provided here are reported in retail selling price (RSP).

3.4.2 Supply and Competitive Landscape for the Central Region

The Central Region's bottled water market is highly competitive. Furthermore, national brands consider it a strategic market due to its considerable size, long-term expansion, and visibility in terms of marketing. At the same time, smaller regional brands are also attracted by the opportunities offered by the well-differentiated consumer segments (high, middle and lower classes), resulting from high levels of income inequality in the capital Riyadh. In the case of the consumption of bottled water, the higher social classes of Riyadh households (e.g., those residing in the northern areas of the city) tend to prefer consuming premium imported brands of bottled water. In contrast, the middle classes usually drink leading local brands, and the lower social classes generally consume price-driven brands or tap water. This variety in terms of demand has encouraged a rising number of competitors in the regional bottled water market seeking to target the consumers of their products in these different income segments.

Notwithstanding the specific target segment chosen by brands operating in the Central Region, they consider the supply and demand elements characteristic of the region to try and improve their competitive position. For instance, bottled water companies take advantage of underground water wells in the Central Region as a source of raw material to try to appeal to Riyadh's consumer preference for health and wellness products by emphasizing the natural sourcing of their bottled water. The intense competition amongst players in the bottled water market in the Central Region is also reflected in the relatively large share (about 36% of the country's total) of the total number of registered bottled water plants operating in the region. In addition, these are generally set up in industrial zones in Riyadh.

However, about one-fifth of these manufacturing operations are located in Al-Qassim administrative region to take advantage of lower production costs while serving the vast Riyadh market.

Table No. (3.9): Brand Shares in Value and Volume in the Bottled Water Market for the Central Region, 2021G

Global Brand Owner	Brand Name	Volume Share 2021G (%)	Value Share 2021G (%)
Health Water Bottling Co.	Nova	16.1%	18.6%
National Plant For Healthy Water	Hana	15.5%	17.0%
Bin Zomah Group Trading & Mfg	Safa	15.2%	14.1%
PepsiCo Inc	Aquafina	12.0%	10.3%
Naqi Water Company	Naqi	9.3%	7.9%
Berain Water & Beverages Factory	Berain	8.0%	9.1%
Nestlé SA	Nestlé Pure Life	7.2%	5.9%
Aloyoun Water Factory Inc	Aloyoun	6.0%	6.1%
	Others	10.7%	18.9%
Total		100%	100%

Source: Euromonitor International from Passport' Soft Drinks Database and primary and secondary research

3.5 Overview of the Company's Business Operations

Since its creation in 2014G, Naqi Water Company has experienced a trend of sustained growth, with total sales in value terms (at manufacturer sale prices), reaching an estimate of SAR 277.8 million (USD 74.0 million) in 2021G, up from SAR 144.2 million (USD 38.4 million) in 2018G. This represents the share of Naqi Water Company, accounting for 4.8% of the country's bottled water market in terms of volume sales in 2021G.

Furthermore, the strong expansion experienced by Naqi Water Company since its creation has been backed by factors including management's clear strategic direction (focusing on driving up market share as a way to effectively compete in a capital intensive industry like bottled water products), attractive product positioning (offering a value proposition of quality products at competitive prices), and cost efficiency (through the implementation of initiatives in areas including raw material sourcing, operations, and distribution). These have allowed Naqi Water Company to stand out in a competitive market like the Saudi bottled water industry, reflected in the Company's sustained gain of market share over the historical period 2018G-2021G.

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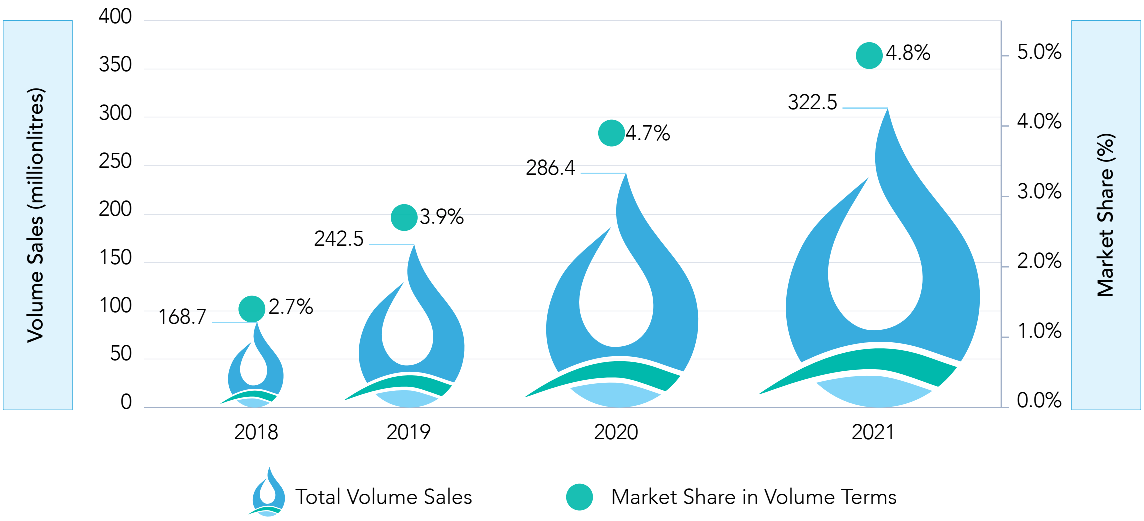
This trend of continued sales expansion continued despite the impact of the COVID-19 pandemic in 2020G on the broader Saudi bottled water sector. In addition, in 2021G, Naqi Water Company benefited from the increased demand for bottled water and a market volume growth of 9.3% compared to 2020G. However, the gradual normalization of Saudi Arabia's economy and the bottled water sector following the impact of the country's economic deceleration and COVID-19 outbreak has provided a supportive environment for players operating in the country's bottled water market over the medium term. As a result, the evolution of Naqi Water Company's market share in the domestic bottled water sector is presented in Figure 1.

Exhibit 3.1: Evolution of Naqi Water Company's Sales and Market Share in Volume Terms, 2018G2021G



Source: Euromonitor International's calculations based on primary and secondary research

Notes: (1) Sales and market share are expressed in volume terms (2) Figures consider sales and market share of all Naqi brands combined

Looking at the individual drivers of the Company's business performance over the historical period 2018G-2021G, Naqi Water Company management's strategy of prioritizing market share growth has been the main determinant of the Company's rapid rise in prominence in the domestic bottled water market. This strategy has been implemented through actions, including product development (which has resulted in a continued widening of the firm's stock-keeping units available through different distribution channels) and capacity expansion (including adding a brand-new production line in its Qassim manufacturing facilities in 2020G). The strategic focus on growth has allowed the Company to attain a sustained expansion in turnover, increased negotiating power with stakeholders along the value chain, and leverage on the larger economies of scale that are crucial for succeeding in the capital-intensive bottled water industry.

In terms of product positioning, Naqi Water Company's value proposition of "quality products at competitive prices" has also been one of the main reasons behind the Company's trend of continued expansion observed during the period 2018G-2021G. This has been attained through the active development of competitive advantages in terms of price (e.g., by using a flexible pricing policy based on the firm's "retail profit analysis"), quality (through investment in its own wells for water sourcing and state-of-the-art equipment), and cost (through a set of measures discussed in detail at a later point in this section), resulting in a marketing mix that has proved to be appealing to Saudi consumers.

Cost efficiency has been the third pillar behind Naqi Water Company's positive market performance over the historical period 2018G-2021G. This has been achieved through factors such as the establishment of strategic relationships with affiliated companies (which has resulted in lower costs in areas such as packaging procurement, equipment maintenance, and manufacturing line operations), the partial vertical forward integration of the distribution network (which permitted the implementation of a hybrid distribution model of external and company-owned distributors), and measures to increase operational efficiency (including lean inventory management, optimization of the product mix, and the centralized procurement of manufacturing inputs). As a result, the Company has attained savings that are passed directly to consumers in the form of lower prices, central for Naqi Water Company's product positioning drive, which seeks to provide quality bottled water products at competitive prices to the Saudi market.

In conclusion, Naqi Water Company's standing of sustained market penetration with a value proposition based on providing quality at competitive prices to Saudi bottled water consumers, coupled with management's efforts to maintain and enhance the Company's proven competitive advantages, place the Company in an advantageous position to continue with its strategic plans for market growth, which will allow it to improve its economies of scale and competitiveness further. In addition, the expected accelerating expansion of the per capita disposable income levels of Saudi Arabian households, combined with the government's considerable planned investments as part of the Saudi Vision 2030, and a continued trend towards health and wellness (especially favouring safe and hygienic options within the food and beverages category, like bottled water products) amongst Saudi consumers, provide a favourable backdrop for Naqi Water Company to continue enjoying sustained business growth over the medium term. This, combined with the Company's emphasis on strategic expansion, product positioning, and cost efficiencies, constitutes a robust platform for Naqi Water Company to solidify its position among the largest companies in the bottled water market in Saudi Arabia.

4

BUSINESS DESCRIPTION

4.1 Overview

Naqi Water Company is a Saudi closed joint stock company incorporated by virtue of Ministerial Resolution No. 255, dated 1 Sha'ban 1442H (corresponding to 14 March 2021G), and registered under Commercial Registration No. 1128018184, dated 27 Jumada al-Akhirah 1435H (corresponding to 27 April 2014G), with a capital of two hundred million Saudi Arabian Riyals (SAR 200,000,000), divided into twenty million (20,000,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share. The Company's head and registered office is located in Al Absah District, P.O. Box 608, Unaizah 51911, Kingdom of Saudi Arabia.

According to the Company's main and branch Commercial Registrations, its main activities include the production and bottling of pure filtered water, the wholesale of all kinds of bottled water, the wholesale of soft drinks and juices and the retail sale of beverages in Specialized stores.

The Company is one of the leading companies in the water bottling and production sector with continuous growth and an increasing presence, which includes the purification, filtering, distribution and sale of products to serve the local needs and gaining credibility with a multitude of wholesale and retail sector customers. The Company's core activities consist of the following key business segments (for further details, see Section 4.6 (**Overview of the Company's Business**)):

- wholesale segment; and
- retail segment

As of 31 December 2021G, the Company had a total of 591 employees across the Kingdom (for further details, see Section 5.9 (**Employees**)).

The Company generated revenue of SAR 277.8 million in the financial year ended 31 December 2021G, compared to SAR 264.5 million in the financial year ended 31 December 2020G, and SAR 207.3 million in the financial year ended 31 December 2019G. The net income for the financial year ended 31 December 2021G was SAR 77.3 million, compared to SAR 77.9 million for the financial year ended 31 December 2020G and SAR 34.8 million for the financial year ended 31 December 2019G. As of 31 December 2021G, the Company's total equity was SAR 207.9 million, compared to SAR 164.3 million as of 31 December 2020G and SAR 118.4 million as of 31 December 2019G, with total assets of SAR 248.1 million as of the financial year ended 31 December 2021G, compared to SAR 205.3 million as of 31 December 2020G and SAR 142.8 million as of 31 December 2019G.

4.2 Corporate History and Evolution of Capital

The Company started as a sole proprietorship under the name "Naqi Water Establishment" owned by Ameen Abdullah Ali Almallah under commercial registration number 1128018184, dated 27 Jumada al-Akhirah 1435H (corresponding to 27 April 2014G).

On 16 Ramadan 1438H (corresponding to 10 June 2017G) the sole proprietorship was converted into a limited liability company owned by Ameen Abdullah Ali Almallah and Yasser Aqeel Abdulaziz Al Aqeel each with a 50% ownership share, with a capital of forty-five million three hundred and thirty-eight thousand Saudi Arabian Riyals (SAR 45,338,000) divided into forty-five thousand three hundred and thirty-eight (45,338) in-kind shares (8,160 shares of which represent real estate value and 37,178 shares of which represent machines, equipment, cars, desalination plants, pre-operating expenses, laboratory equipment, computers, fire and conditioning devices contributed by the shareholders Ameen Abdullah Ali Almallah and Yasser Aqeel Abdulaziz Al Aqeel at 50% each) with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share. The shares of the Company upon incorporation were distributed as follows:

Table No. (4.1): Shareholders of the Company as of 16 Ramadan 1438H (Corresponding to 10 June 2017G)

Shareholder	Number of Shares	Ownership Percentage
Ameen Abdullah Ali Almallah	22,669	50%
Yasser Aqeel Abdulaziz Al Aqeel	22,669	50%
Total	**45,338**	**100%**

Source: The Company

On 5 Jumada al-Ula 1441H (corresponding to 31 December 2019G) the capital of the Company was increased from forty-five million three hundred and thirty-eight thousand Saudi Arabian Riyals (SAR 45,338,000) divided into forty-five thousand three hundred and thirty-eight (45,338) in-kind shares (8,160 shares of which represent real estate value and 37,178 shares of which represent machines, equipment, cars, desalination plants, preoperating expenses, laboratory equipment, computers, fire and conditioning devices contributed by the shareholders Ameen Abdullah Ali Almallah and Yasser Aqeel Abdulaziz Al Aqeel at 50% each) with a nominal value of one thousand

Saudi Arabian Riyals (SAR 1,000) per share to eighty-five million three hundred and thirty-eight thousand Saudi Arabian Riyals (SAR 85,338,000) divided into eighty-five thousand three hundred and thirty-eight (85,338) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share, by issuing forty thousand (40,000) new cash shares whose value was fully paid by Ameen Abdullah Ali Almallah and Yasser Aqeel Abdulaziz Al Aqeel, each of whom paid for fifteen thousand seven hundred and thirty-three (15,733) shares. The value of the remaining eight thousand five hundred and thirty-four (8,534) shares, with an ownership percentage of 10%, was paid by a new shareholder Alsad Modern Advanced Company. The ownership of the Company after the capital increase was as follows:

Table No. (4.2): Shareholders of the Company as of 5 Jumada al-Ula 1441H (Corresponding to 3 December 2019G)

Shareholder	Number of Shares[1]	Ownership Percentage
Ameen Abdullah Ali Almallah	38,402	45%
Yasser Aqeel Abdulaziz Al Aqeel	38,402	45%
Alsad Modern Advanced Company	8,534	10%
Total	85,338	100%

Source: The Company

[1] The increase was reflected in the capital from SAR 45,338,000 to SAR 85,338,000 pursuant to the Shareholders resolution dated 5 Jumada al-Ula 1441H (corresponding to 31 December 2019G) and the increase in the capital from SAR 85,338,000 to SAR 150,000,000 in the articles of association dated 7 Jumada al-Ula 1442H (corresponding to 22 December 2020G), after completing the regulatory procedures.

On 23 Rabi' al-Thani 1442H (corresponding to 8 December 2020G) Yasser Aqeel Abdulaziz Al Aqeel assigned his entire share of thirty-eight thousand four hundred and two (38,402) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1000) per share amounting to 45% of the Company's capital to Alsad Modern Advanced Company. In return, Alsad Modern Advanced Company assigned four thousand two hundred and sixty-six (4,266) shares amounting to 5% of the Company's capital to the other shareholder Ameen Abdullah Ali Almallah. As a result, the Company became fully owned by Ameen Abdullah Ali Almallah and Alsad Modern Advanced Company each with a 50% ownership share. The capital was also increased from eighty-five million three hundred and thirty-eight thousand Saudi Arabian Riyals (SAR 85,338,000) divided into eighty-five thousand three hundred and thirty-eight (85,338) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1000) per share to one hundred and fifty million Saudi Arabian Riyals (SAR 150,000,000) divided into one hundred and fifty thousand (150,000) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1000) per share through the capitalisation of fifty-seven million two hundred and fifty-seven thousand four hundred and ten Saudi Arabian Riyals (SAR 57,257,410) in retained earnings and the capitalisation of seven million four hundred and four thousand five hundred and ninety Saudi Arabian Riyals (SAR 7,404,590) from the Company's statutory reserve. The ownership of the Company after the capital increase and transfer of shares was as follows:

Table No. (4.3): Shareholders of the Company as of 23 Rabi' al-Thani 1442H (Corresponding to 8 December 2020G)

Shareholder	Number of Shares	Ownership Percentage
Ameen Abdullah Ali Almallah	75,000	50%
Alsad Modern Advanced Company	75,000	50%
Total	150,000	100%

Source: The Company

On 17 Jumada al-Akhirah 1442H (corresponding to 30 January 2021G) the Company's capital increased from one hundred and fifty million Saudi Arabian Riyals (SAR 150,000,000) divided into one hundred and fifty thousand (150,000) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1000) per share to one hundred and seventy million Saudi Arabian Riyals (SAR 170,000,000) divided into one hundred and seventy thousand (170,000) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1000) per share through the capitalisation of twelve million two hundred four thousand five hundred and eighteen Saudi Arabian Riyals (SAR 12,204,518) in retained earnings and the capitalisation of seven million seven hundred and ninety-five thousand four hundred and eighty-two Saudi Arabian Riyals (SAR 7,795,482) from the Company's statutory reserve. The ownership of the Company after the capital increase was as follows:

Table No. (4.4): Shareholders of the Company as of 17 Jumada al-Akhirah 1442H (Corresponding to 30 January 2021G)

Shareholders	Number of Shares	Ownership Percentage
Ameen Abdullah Ali Almallah	8,500,000	50%
Alsad Modern Advanced Company	8,500,000	50%
Total	17,000,000	100%

Source: The Company

On 15 Sha'ban 1442H (corresponding to 28 March 2021G), the Company was converted from a limited liability company into a closed joint stock company pursuant to Ministerial Resolution No. 255, dated 1 Sha'ban 1442H (corresponding to 14 March 2021G) under the name "Naqi Water Company", without any change in the Company's ownership structure, with a capital of one hundred and seventy million Saudi Arabian Riyals (SAR 170,000,000) divided into seventeen million (17,000,000) ordinary shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share. The ownership of the Company after the conversion was as follows:

Table No. (4.5): Shareholders of the Company as of 15 Sha'ban 1442H (Corresponding to 28 March 2021G)

Shareholder	Number of Shares	Ownership Percentage
Ameen Abdullah Ali Almallah	8,500,000	50%
Alsad Modern Advanced Company	8,500,000	50%
Total	**17,000,000**	**100%**

Source: The Company

On 8 Rabi' al-Thani 1443H (corresponding to 12 December 2021G) the Company's capital increased from one hundred and seventy million Saudi Arabian Riyals (SAR 170,000,000) divided into seventeen million (17,000,000) ordinary shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share to two hundred million Saudi Arabian Riyals (SAR 200,000,000) divided into twenty million (20,000,000) ordinary shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share through the capitalisation of thirty million Saudi Arabian Riyals (SAR 30,000,000) in retained earnings. The ownership of the Company after the capital increase was as follows:

Table No. (4.6): Shareholders of the Company as of 05/05/1428H (Corresponding to 22 May 2007G)

Shareholder	Number of Shares	Ownership Percentage
Ameen Abdullah Ali Almallah	10,000,000	50%
Alsad Modern Advanced Company	10,000,000	50%
Total	**20,000,000**	**100.00%**

Source: The Company

The key historical changes and events are summarized as follows:

Table No. (4.7): Key Historical Changes and Events

Date	Change
2014G	• The Company was established as a sole proprietorship under the name "Naqi Water Establishment".
2016G	• Adding a production line with a production capacity of 24,000 units per hour.
2017G	• Conversion of the Company from a sole proprietorship into a limited liability company, with a capital of forty-five million three hundred and thirty-eight thousand Saudi Arabian Riyals (SAR 45,338,000). • Adding a production line with a production capacity of 40,000 units per hour.
2018G	• Concluding strategic partnerships with two sister companies, namely Alsad Modern Advanced Company and Zulal Company, for the purpose of supporting the Company's business. • The establishment of two production lines with a total production capacity of 80,000 units per hour in cooperation with Alsad Modern Advanced Company in accordance with the joint investment agreement. • The establishment of Zulal Company's line with a production capacity of 40,000 units per hour in accordance with the joint investment agreement.
2019G	• Operating a new water purification station at the Company's plant in Unaizah. • Acquiring two production lines with a total production capacity of 80,000 units per hour. • Increase of the capital of the Company from forty-five million three hundred and thirty-eight thousand Saudi Arabian Riyals (SAR 45,338,000) to eighty-five million three hundred and thirty-eight thousand Saudi Arabian Riyals (SAR 85,338,000) by issuing new cash shares. • Acquiring 45,173.5 square metres of land to enhance the Company's expansion plans.

Date	Change
2020G	• Operating a new production line with a production capacity of 48,000 units per hour. • Acquiring a production line with a production capacity of 40,000 units per hour from Zulal Company. • Acquiring Naqi Trading Establishment, including its two branches in Riyadh and Al-Qassim, to keep pace with the growth in demand for the Company's products from retail sector customers. • Purchase of 50 trucks to support the Company's operations. • Increase of the Company's share capital from eighty-five million three hundred and thirty-eight thousand Saudi Arabian Riyals (SAR 85,338,000) to one hundred and fifty million Saudi Arabian Riyals (SAR 150,000,000), through the capitalisation of sixty-four million six hundred and sixty-two thousand Saudi Arabian Riyals (SAR 64,662,000) from the Company's retained earnings and statutory reserve. • Acquiring 72,672.6 square metres of land to enhance the Company's expansion plans.
2021G	• Conversion of the Company from a limited liability company into a closed joint stock company under the name "Naqi Water Company". • Increase of the Company's share capital from one hundred and fifty million Saudi Arabian Riyals (SAR 150,000,000) to one hundred and seventy million Saudi Arabian Riyals (SAR 170,000,000), through the capitalisation of twenty million Saudi Arabian Riyals (SAR 20,000,000) from the Company's retained earnings and statutory reserve. • Operating a new production line with a production capacity of 48,000 units per hour. • Updating and launching the Company's website. • Acquiring 44,448.5 square metres of land to enhance the Company's expansion plans. • Increase of the Company's share capital from one hundred and seventy million Saudi Arabian Riyals (SAR 170,000,000) to two hundred million Saudi Arabian Riyals (SAR 200,000,000), through the capitalisation of thirty million Saudi Arabian Riyals (SAR 30,000,000) from the Company's retained earnings.

(1) Source: The Company

4.3 Current Shareholding Structure

4.3.1 Overview

The current capital of the Company is two hundred million Saudi Arabian Riyals (SAR 200,000,000) divided into twenty million (20,000,000) ordinary Shares with a fully paid nominal value of SAR 10 per share.

The following table sets out the direct ownership and capital structure of the Company before and after the Offering:

Table No. (4.8): Direct Ownership Structure of the Company Pre-and Post-Offering

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%)	Nominal Value (SAR)	Number of Shares	Ownership (%)	Overall Nominal Value (SAR)
Ameen Abdullah Ali Almallah	10,000,000	50%	100,000,000	7,000,000	35%	70,000,000
Alsad Modern Advanced Company	10,000,000	50%	100,000,000	7,000,000	35%	70,000,000
Public	-	-	-	6,000,000	30%	60,000,000
Total	**20,000,000**	**100%**	**200,000,000**	**20,000,000**	**100%**	**200,000,000**

Source: The Company

The following table shows the Company's indirect ownership structure and capital before and after the Offering:

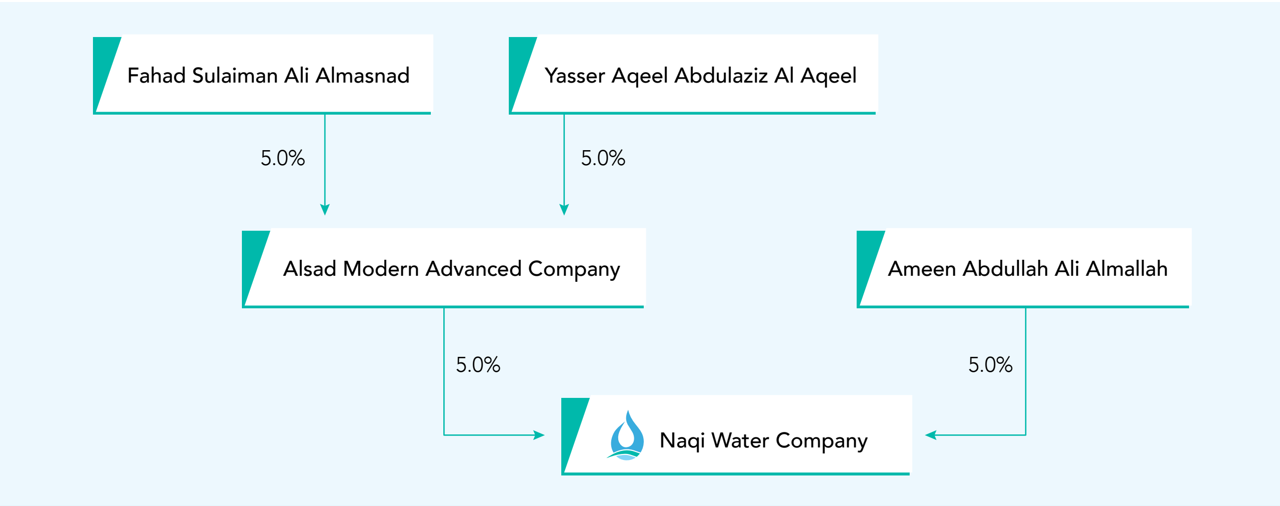
Table No. (4.9): Indirect Ownership Structure of the Company Pre-and Post-Offering:

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership Percentage	Nominal Value (SAR)	No. of Shares	Ownership Percentage	Nominal Value (SAR)
Yasser Aqeel Abdulaziz Al Aqeel	5,000,000	25%	50,000,000	3,500,000	17.5%	35,000,000
Fahad Sulaiman Ali Almasnad	5,000,000	25%	50,000,000	3,500,000	17.5%	35,000,000
Total	**10,000,000**	**50%**	**100,000,000**	**7,000,000**	**35%**	**70,000,000**

Source: The Company

The Company's ownership structure as of the date of this Prospectus:

Exhibit 4.1: The Company's Ownership Structure as of the Date of this Prospectus



Source: The Company

The following table sets out the details of Shareholders directly holding 5% or more of the ordinary Shares in the Company as of the date of this Prospectus:

Table No. (4.10): Details of Shareholders Directly Holding 5% or More of the Ordinary Shares in the Company as of the Date of this Prospectus

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%)	Overall Nominal Value (SAR)	Number of Shares	Ownership (%)	Overall Nominal Value (SAR)
Ameen Abdullah Ali Almallah	10,000,000	50%	100,000,000	7,000,000	35%	70,000,000
Alsad Modern Advanced Company	10,000,000	50%	100,000,000	7,000,000	35%	70,000,000
Total	20,000,000	100%	200,000,000	14,000,000	70%	140,000,000

Source: The Company

The following table sets out the details of Shareholders who are physical persons and who indirectly hold 5% or more of the ordinary Shares in the Company as of the date of this Prospectus:

Table No. (4.11): Details of Shareholders Who Are Physical Persons and Who Indirectly Hold 5% or More of the Ordinary Shares in the Company as of the Date of this Prospectus

Shareholders	PreOffering			PostOffer		
	No. of Shares	Indirect Ownership (%)	Overall Nominal Value (SAR)	No. of Shares	Indirect Ownership (%)	Nominal Value (SAR)
Yasser Aqeel Abdulaziz Al Aqeel (1)	5,000,000	25%	50,000,000	3,500,000	17.5%	35,000,000
Fahad Sulaiman Ali Almasnad (2)	5,000,000	25%	50,000,000	3,500,000	17.5%	35,000,000
Total	10,000,000	50%	100,000,000	7,000,000	35%	70,000,000

Source: The Company

(1) Yasser Aqeel Abdulaziz Al Aqeel indirectly owns 25% of the Company's share capital before the Offering as a result of his ownership of 50% in Alsad Modern Advanced Company, which in turn owns 50% of the Company's shares.

(2) Fahad Sulaiman Ali Almasnad indirectly owns 25% of the Company's share capital before the Offering as a result of his ownership of 50% in Alsad Modern Advanced Company, which in turn owns 50% of the Company's shares.

4.3.2 Overview of Substantial Current Shareholders

This Section 4.3.2 (**Overview of Substantial Current Shareholders**) sets out the details of substantial Shareholders currently directly holding 5% or more of the ordinary Shares as of the date of this Prospectus.

4.3.2.1 Ameen Abdullah Ali Almallah

Ameen Abdullah Ali Almallah was born on 6 Rabi' al-Thani 1395H (corresponding to 8 May 1975G). He holds a Secondary Diploma from the Institute of Technical Observers in Unaizah, Kingdom of Saudi Arabia obtained in 1997G.

He has been the Chairman of the Board of Directors of the Company since 2021G. He has also been the Deputy Chairman of the Chamber of Commerce in Unaizah, since 2019G, and the Chairman of Al-Arabi Club in Unaizah since 2019G.

4.3.2.2 Alsad Modern Advanced Company

Alsad Modern Advanced Company is a limited liability company registered under commercial registration No.1011023705, dated 12 Safar 1437H (corresponding to 24 November 2015G). The head office of the Alsad Modern Advanced Company is located in the Industrial City, Al Rafaeya'a, P.O. Box 22045, AlKharj 11311, Kingdom of Saudi Arabia. The current share capital of Alsad Modern Advanced Company is SAR 50,000,000 divided into 500,000 shares with a nominal value of SAR 100 per share. According to Alsad Modern Advanced Company's Commercial Registration, its main activities include the production and bottling of pure filtered water, the manufacture of plastic in its primary forms, the manufacture of polycarbonate and the wholesale of all types of bottled water.

The following table sets out the ownership structure of Alsad Modern Advanced Company as of the date of this Prospectus:

Table No. (4.12): Ownership Structure of Alsad Modern Advanced Company as of the Date of this Prospectus

Shareholders	No. of Shares	Overall Nominal Value (SAR)	Shareholding (%)
Yasser Aqeel Abdulaziz Al Aqeel	250,000	25,000,000	50%
Fahad Sulaiman Ali Almasnad	250,000	25,000,000	50%
Total	500,000	50,000,000	100%

Source: The Company.

4.4 Vision, Mission and Strategy

4.4.1 Vision

To have a leading role in the field of water production and bottling throughout the Kingdom, GCC countries, and MENA region by improving its trademark and consequently building a pioneering trade name in the industry, in addition to meeting the highest quality and customer service standards, developing business relations and recruiting, training and retaining the best human resources.

4.4.2 Mission

The Company seeks to develop a modern business model relevant to its objectives by providing various types of products of different sizes and weights in line with the highest standards of quality and value at competitive prices. The Company is also keen to attend to all of the needs of its partners and customers in a sustainable manner by increasing its research and development efforts in order to create added and sustainable value for its Shareholders and to encourage effective and constructive participation in order to keep pace with the aspirations of its Shareholders and stakeholders.

4.4.3 Strategy

The Company has set key strategic objectives based on its strengths and the opportunities in the market that are aligned to its Vision and Mission. Its strategy to achieve them is as follows:

4.4.3.1 Strengthen Leadership Position in the Water Production and Bottling Sector

The Company seeks to occupy a leading position in the water production and bottling sector in the Kingdom and to achieve balanced growth by employing the competencies and expertise of its team to achieve the Company's objectives. The Company is also attempting to take advantage of its position to acquire a larger market share and expand its operations in the Kingdom, GCC countries and MENA region.

4.4.3.2 Developing Business Strategies in the Company

The Company aims to adopt and develop the following business strategies for the purpose of achieving sustainable growth:

a. Developing and expanding the Company's customer base by:
   - increasing the number of production lines to keep up with the growth in customer demand;
   - studying the tastes and requirements of customers for the purpose of providing various types of products that suit them;
   - employing experience and know-how to offer the right products to new customers; and
   - diversifying product sizes and specifications for the purpose of expansion in the bottled water industry.

b. Expanding the scope of its operations in new markets in the Kingdom, GCC countries and MENA region by:
   - taking advantage of the opportunities available in the emerging markets in the Kingdom, GCC countries MENA region, which will allow the Company to diversify its activity geographically; and
   - providing a diverse range of products that suits the tastes of customers in each relevant market.

c. Developing production and manufacturing processes and raising the efficiency of working capital by developing and improving capabilities by utilising the latest technologies and automation systems to reduce costs and dependence on labour and increase efficiency and productivity, including, for example, the automation of warehouses and facilities.

d. Developing the competencies of the team and improving corporate governance by:
   - the correct recruitment of human resources to support the growth and career development of the team and their productivity; and
   - promoting the role of corporate governance in accordance with the best practices, which include the adoption of relevant policies, regulations and procedures, in addition to risk management.

e. Expanding the production capacity of the Company, its plants and production lines by:
   - adding two more production lines, each with a capacity of 48,000 units per hour in 2020G and 2021G; and
   - adding and operating a water purification station in 2020G.

f. Expanding the scope of the retail sector and its operations by utilising the Riyadh and Al-Qassim branches.

g. Providing logistics services to serve the Company's customers by investing in and acquiring trucks for the purpose of facilitating customer access to its products.

h. Developing a product strategy by:
   - utilising innovative water purification technologies developed by the Company for the purpose of providing the best quality products for customers; and
   - focusing on diversifying and distinguishing the Company's products, including low-sodium products, vitamin D-fortified products, and 14-gallon containers to be produced by the end of 2022G.

4.4.3.3 Developing a Marketing, Sales and Distribution Strategy

The Company is developing the marketing, sales and distribution strategy by:

a. concluding agreements with wholesale and retail sellers, malls, stores, restaurants and hotels for the purpose of selling and distributing the Company's products on the broadest scale;
b. providing logistics and transportation services for customers by increasing the Company's fleet;
c. presenting the Company's products as elegant, healthy and high-quality at competitive prices; and
d. establishing distribution networks that allow the Company's products to be easily provided to its customers.

4.4.3.4 Developing a Promotion and Advertising Strategy

The Company is developing a promotion and advertising strategy for the purpose of developing the Company's trademark and working on increasing its awareness by making use of various types of platforms available, which include:

a. social media platforms and advertising through social media celebrities;
b. traditional platforms, in addition to the Company's website, which allows the Company's customers to order its products directly;
c. providing offers and discounts from time to time, in addition to competitions and gifts;
d. distinguishing the Company's products through the Company's water purification technologies; and
e. sponsoring well-known sports clubs, such as Al Nassr Saudi Club, Al Raed Saudi Club and Al Taawoun Saudi club, in addition to sponsoring conferences and celebrations.

4.4.3.5 Developing Pricing Strategy

The Company is developing a pricing strategy by analysing its total costs and adding a target profit margin, in addition to employing a market penetration pricing policy and keeping pace with competitors' prices in the market, as the case may be, in line with the analysis of the Company's profits and targeted profit margins.

4.5 Strengths and Competitive Advantages

The Company has developed sustainable competitive advantages that allow it to pursue those opportunities in the market that are in line with its vision and mission.

The competitive advantages of the Company are as follows:

4.5.1 Responsiveness to Market Changes

The Company is characterised by its ability to respond to market changes and the requirements of its customers through its modern plants and production lines, which allow the Company to produce various types of products and benefit from production efficiency due to low overhead, cost economy and economies of scale. As a result, the Company has managed to offer various types of products of different sizes and weights with the highest quality and value specifications at competitive prices.

4.5.2 Operational Efficiency and Logistics

The Company's plant in Al-Qassim region is strategically located, thus facilitating access to the Company's products in the main regions in the Kingdom. Logistics services in the vicinity of the Company's plant also provide various means to deliver the Company's products and transport them to customers inside and outside the Kingdom easily, which allows the Company to save on transportation and other operational expenses. The available transportation means and links include a highway network and a railway network, in addition to the Prince Naif International Airport in Al-Qassim. The Company is also expanding its logistics capabilities by operating its fleet of 50 trucks to support the Company's operations and provide product transportation services to customers, in addition to maintaining spending efficiency.

The Company benefits from fully automated central warehouses in the Company's headquarters, as well as additional fully automated warehouses in its two branches for the purpose of supporting and facilitating the delivery of its products to customers, as well as maintaining large quantities of inventory, which allow the Company to manage costs and expenses by purchasing and storing raw materials that are affected by seasonal demand, while maintaining the highest levels of preservation and storage quality.

4.5.3 Developing and Modernising Production Lines, Machinery and Equipment

The Company strives to attend to its customers' requirements and needs by relying on modern machinery, equipment and manufacturing resources, which allows it to design and produce a wide range of products. At the beginning of 2016G, the Company had two production lines with a production capacity of approximately 561 million units of bottled water annually with different capacities. The Company purchased the latest production lines, machinery and equipment from the Italian Company, SACMI, and Middle East Factory for Machines, giving it seven production lines with a maximum production capacity of approximately 924.0 million units of bottled water annually with different capacities, including bottles of 200 ml, 330 ml and 600 ml, in addition to Naqi Qatra water with 200 ml and 250 ml bottles, for the financial year ended 31 December 2021G. The Company also benefits from the systems of the Italian Company, SACMI, and Middle East Factory for Machines which provides the highest levels of productivity at low production costs, thus reducing the unit production cost.

4.5.4 Strong Financial Position

The Company benefits from its ability to obtain sufficient funding from financial institutions, allowing it to finance the expansion of its business without needing to request funding from or to rely on its Shareholders. It also allows the Company to distribute annual and interim profits to Shareholders, as applicable. The Company also benefited from a 14.8% growth in its assets from 31 December 2019G to 31 December 2021G, in addition to a 14.7% growth in equity from 31 December 2019G to 31 December 2021G. The Company has sufficient liquidity to cover short-term liabilities, as its liquidity ratio amounted to 2.9 times, as of 31 December 2021G, while the working capital amounted to SAR 53.8 million in the same period. The Company also maintains a low financial leverage ratio, as the debt ratio constituted 17% compared to the assets, as of 31 December 2021G.

4.5.5 Continuous Growth

The Company's distinguished operational performance and its expansionary executive decisions have enabled it to grow continuously. It achieved revenue growth of 43.7%, 27.6% and 5.0% in the financial years ended 31 December 2019G, 2020G and 2021G, respectively. The Company's profit margin was approximately 19.8%, 36.1% and 34.4% (before interest, taxes, depreciation and amortisation) in the financial years ended 31 December 2019G, 2020G and 2021G respectively, with a net profit of 16.8%, 29.5% and 26.9%, for the same periods respectively. The Company's profitability was also reflected in the return on assets, which amounted to 31.7%, 44.8% and 34.1%, for the financial years ended 31 December 2019G, 2020G and 2021G, respectively, while the return on equity amounted to 39.5%, 55.2% and 41.5%, for the financial years ended 31 December 2019G, 2020G, and 2021G respectively.

4.5.6 Unique and Powerful Trademark

The Company has a distinctive trademark that has spread throughout the Kingdom through wholesale and retail customers, in addition to the Company's advertising and marketing strategy and expansion.

4.5.7 Extensive Experience of Senior Management in the Field of Water Bottling

The Company has a management team with extensive experience in the industry and the water bottling field. The management team is highly skilled and has good knowledge of the Kingdom's food and beverage industry markets and the regional water bottling sector, including market trends and the competitive environment. The management team is also properly qualified to lead the Company through its plans for future growth and expansion. The Company's management team is further supported by strong governance bylaws and policies that regulates the composition of the Board of Directors, affiliated committees and the shareholders' assembly pursuant to the relevant regulations and instructions in addition to best practices.

4.5.8 Strategic Partnerships

Thanks to the strategic partnerships with Middle East Factory for Machines and Alsad Modern Advanced Company, the Company is able to provide maintenance services, spare parts and raw materials in a timely manner. It also has the ability to add and create production lines, add and maintain existing production lines and increase its production capacity as needed and according to its strategy.

4.5.9 Close Relationships with the Most Important Business Partners

The Company has close and long-term business relationships with the most important distributors, agents, malls and stores around the Kingdom, which allows it to reach a diverse base of customers. The Company's trademark and reputation, in addition to the unified procurement policy, enable it to benefit from the appropriate terms and conditions in its business relationships and transactions.

4.6 Overview of the Company's Business

The Company is one of the leading companies in the water production and bottling sector, as it is characterised by continuous growth and an increasing presence, including in the business of water extraction, purification, desalination, distribution and sale in various regions and cities of the Kingdom. The Company's business consists of two main segments, namely:

- wholesale segment; and
- retail segment.

The Company has extensive experience in the aforementioned main business segments, including sales to small and medium-sized accounts, such as supermarkets, grocery stores, etc., and larger accounts such as hypermarkets, as well as houses and final consumer sales, in addition to sales to institutions, Government entities, schools, universities, mosques, etc., along with HORECA sales, including hotels, and restaurants, etc., as well as sales to agents and distributors in various regions and cities of the Kingdom.

Revenue from the wholesale segment accounted for 99.5%, 66.7% and 67.1% of the Company's total revenue in the financial years ended 31 December 2019G, 2020G and 2021G, respectively, while revenue from the retail segment represented 0.5%, 33.3% and 32.9% of the Company's total revenue for the same periods respectively. For further details, please see Section 6.6.1 (**Statement of profit or loss and other comprehensive income**).

The following chart shows the Company's business segments as of the date of this Prospectus:

Exhibit 4.2: The Company's Business Segments as of the Date of this Prospectus

The Company

Retail Segment	Wholesale Segment
The main activities of the retail segment are concentrated on direct selling to the final consumer through the Company's two branches in Al-Qassim and Riyadh.	The main activities of the wholesale segment are concentrated on selling the Company's products to agents and distributors in the various regions of the Kingdom who then sell the Company's products to the final consumer.

Source: The Company

The following table shows the details of the Company's product sales by segment for the financial year ended 31 December 2019G, 2020G and 2021G.

Table No. (4.13): Percentage of the Company's Product Sales by Segment for the Financial Years Ended 31 December 2019G, 2020G and 2021G

Product	The percentage of product sales in the wholesale segment			The percentage of product sales in the retail segment		
	Financial Year Ended 31 December 2019G	Financial Year Ended 31 December 2020G	Financial Year Ended 31 December 2021G	Financial Year Ended 31 December 2019G	Financial Year Ended 31 December 2020G	Financial Year Ended 31 December 2021G
200 ml bottle	42%	43%	40%	-	40%	36%
330 ml bottle	37%	39%	38%	-	33%	30%
600 ml bottle	3%	2%	2%	-	1%	2%
200 ml bottle (Naqi Qatra)	5%	11%	16%	-	19%	32%
250 ml bottle (Naqi Qatra)	14%	4%	0%	-	7%	0%
Total	100%	100%	100%	-	100%	100%

Source: The Company

4.6.1 Production Process and Facilities

As of 31 December 2021G, the Company owns two branches, four wells, one plant, seven production lines, one laboratory and 9 warehouses (seven of which are warehouses for finished goods and raw materials, in addition to one warehouse for spare parts, and another for additional sales and scrap). The Company is working on operating its seventh production line in the Company's plant in Unaizah, which was acquired in 2020G. The following table shows the maximum and actual annual production capacity of the Company's production lines in the financial years ended 31 December 2019G, 2020G and 2021G.

Table No. (4.14): Maximum and Actual Annual Production Capacity of the Company's Production Lines in the Financial Years Ended 31 December 2019G, 2020G and 2021G

Production Line (1)	Maximum Production Capacity (1,000 Packages/300 Days) (2)		
	Financial Year Ended 31 December 2019G	Financial Year Ended 31 December 2020G	Financial Year Ended 31 December 2021G
First Line (200 ml and 330 ml bottles)	158,400	158,400	158,400
Second Line (200 ml, 330 ml and 600 ml bottles)	264,000	264,000	264,000
Third Line (Naqi Qatra 200 ml and 250 ml bottles)	264,000	264,000	264,000
Fourth Line (Naqi Qatra 200 ml and 250 ml bottles)	264,000	264,000	264,000
Fifth Line (200 ml and 330 ml bottles)	264,000	264,000	264,000
Seventh Line (200 ml, 330 ml and 600 ml bottles)	-	316,800	316,800
Eighth Line (200 ml, 330 ml and 600 ml bottles) (3)	-	-	184,800
Total	1,214,400	1,531,200	1,716,000

Source: The Company

(1) The sixth line is owned by a sister company, Zulal Company, and is used under a separate agreement and as needed.

(2) The maximum production capacity is calculated on the basis of a 22-hour operation over 300 days, except for the fifth line, which is calculated on the basis of a 22-hour operation over 350 days.

(3) The eighth line was operated for only seven months in the financial year ended 31 December 2021G.

Table No. (4.15): Maximum and Actual Annual Production Capacity of the Company's Production Lines in the Financial Years Ended 31 December 2019G, 2020G and 2021G

Production Line	Actual Production Capacity (1,000 Packages/300 Days)			Operation Percentage		
	Financial Year Ended 31 December 2019G	Financial Year Ended 31 December 2020G	Financial Year Ended 31 December 2021G	Financial Year Ended 31 December 2019G	Financial Year Ended 31 December 2020G	Financial Year Ended 31 December 2021G
First Line (200 ml and 330 ml bottles)	92,754	108,039	104,202	59%	68%	65.8%
Second Line (200 ml, 330 ml and 600 ml bottles)	234,631	208,675	203,899	89%	79%	77.2%
Third Line (Naqi Qatra 200 ml and 250 ml bottles)	112,387	105,721	180,233	43%	40%	68.3%
Fourth Line (Naqi Qatra 200 ml and 250 ml bottles)	112,387	105,721	163,377	43%	40%	61.9%
Fifth Line (200 ml and 330 ml bottles)	298,455	292,112	226,014	113%	111%	85.6%
Seventh Line (200 ml, 330 ml and 600 ml bottles)	-	209,171	234,946	-	66%	74.2%
Eighth Line (200 ml, 330 ml and 600 ml bottles)	-	-	174,911	-	-	94.6%
Total	850,615	1,029,439	1,287,583	69%	67%	84.1%

Source: The Company

(1) The sixth line is owned by a sister company, Zulal Company, and is used under a separate agreement and as needed.

A. Wells

The Company fulfils its entire water needs from its two wells located on Company land at its plant in the north of Unaizah in Al Qassim, in addition to two reserve wells. The Company's wells are located within sedimentary cover, which is a geological area formed on layers of sediments of continental and marine origins, covering approximately two-thirds of the geographical area of the Kingdom. The wells also penetrate the underground reservoir of the Saq Aquifer formation, which is one of the most important hydro-geographical formations in the northern part of the Kingdom, with a surface area of about 6,500 cubic kilometres, making it difficult to accurately calculate the full water reserve of the Saq Aquifer formation at the present time due to its area, according to the Saudi Geological Survey.

The Company's wells consist of galvanised iron, which is rust and heat resistant; the capacity of each well is approximately 1.04 million cubic metres of water annually, with a depth of 360 metres and a diameter of 140 metres. The maximum total production capacity of each of the four wells was 4.15 million cubic metres of water annually for the financial years ended 31 December 2020G and 2021G, while the actual production capacity amounted to 418,058 cubic metres per year, for the same period, bearing in mind that the measurement of the actual production capacity is based on the production of the two operation wells only and does not include the production of the two reserve wells.

B. Water extraction and treatment

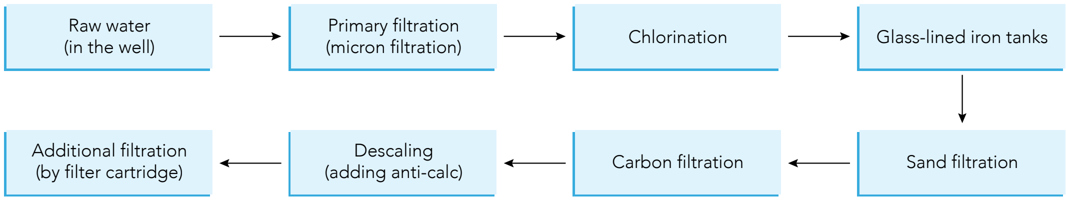
Drinking water is extracted from the Company's wells by electric pumps and fed to the purification and production lines through plastic and stainless steel tubes after purification, desalination and treatment of the extracted water. The pumps, purification and processing machines are directly connected to the production lines in a fully automated production process, up to the filling and packaging of PET plastic bottles of all kinds, through a strict and sterile production process according to the highest quality and safety standards. The water extraction processes and the operation of all of the production machines and equipment are managed by the Company's experienced and specialised employees. The production process consists of three main stages: (1) purification, (2) desalination and (3) packaging.

i. Purification stage:

The production process begins with the extraction of water from the Company's wells, consisting of galvanised iron, by submersible water pumps provided by the Danish Company, Grundfos, which pumped water with a maximum production capacity of 120 cubic metres per hour (or its equivalent of 1,036,800 cubic metres per year) as of the financial years ended 31 December 2019G, 2020G and 2021G. The actual production capacity of the produced raw water amounted to 280,906 cubic metres in 2019G, 394,394 cubic metres in 2020G, and 418,058 cubic metres in 2021G. The pumping process is carried out through plastic tubes that include water treatment filters using purifying chlorine, up to the central glass-lined iron tank with a capacity of about 1,000 cubic metres, a depth of seven metres and a diameter of 13.5 metres. Water treatment filters using chlorine represent the first step of the purification stage and the water, when fed into the central glass-lined iron tank, is deemed filtered and treated. Usually, about 75% of the water is drawn immediately from the central glass-lined iron tank after feeding and about 25% is kept around the clock in order to maintain the continuity of the production process. The percentage of salt in the water at this stage is approximately 1,500 milligrams per litre. The water is then treated and purified again by sand filters, followed by carbon filters, for the purpose of removing chlorine and adding an anti-calc substance to it, in order to preserve the production process and purified water. The purification stage ends with an unfinished product of filtered dechlorinated raw water.

The following chart shows the purification stage of the Company's production process.

Exhibit 4.3: Purification Stage of the Company's Production Process



Source: The Company

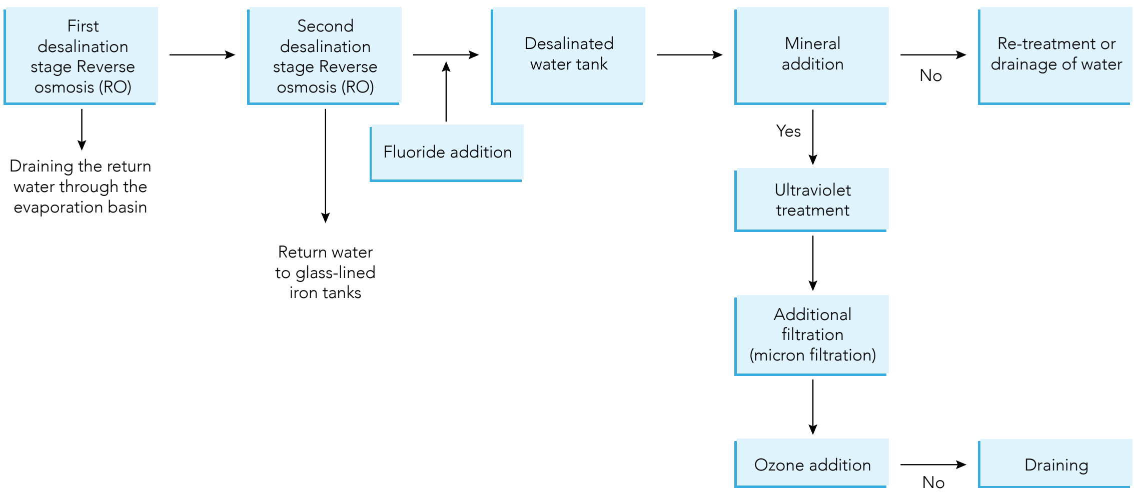
ii. **Desalination stage:**

After the completion of the purification stage, the desalination process starts automatically with the passing of water through the rust-resistant iron pipes. Water is passed from two desalination stations that utilise reverse osmosis, a process opposite to the natural phenomenon called osmosis. It transfers water from the highest concentrated solution to the lowest one through a semi-permeable membrane using pressure, which is a method used to desalinate water by passing it through a number of stages, after which the water is separated from other salts and minerals. The two desalination stations that utilise reverse osmosis constitute a desalination unit for water in a production process with a maximum capacity of 120 cubic metres per hour. The first station includes water treatment at a temperature ranging between 25 and 30 Celsius under high pressure using electric pressure pumps supplied by the Danish Company, Grundfos, for the purpose of desalinating water to reach a salt content that does not exceed 25 to 30 milligrams per litre, down from approximately 1,500 milligrams per litre. In addition, around 30% of the water in this station is drained to external evaporation basins for the purpose of reaching the required salt percentage and moving it to the second desalination station. Usually, the second station is fed with about 90 cubic metres of water in one production cycle, after draining about 30% of the water taken from the first station to external evaporation basins. Next, the water is treated at a temperature ranging between 25 and 30 Celsius under average pressure by electric pressure pumps supplied by the Danish Company, Grundfos, for the purpose of desalination to reach a salt content that does not exceed approximately 0.65 micrograms per litre, with an efficiency of more than 85%. The remaining water is recycled by approximately 15% of the treated water in the second desalination station, which has concentrated salt for recycling by re-entering it into the central glass-lined iron tank for its re-treatment in the production process until reaching the required salt percentage and preserving the possible amount of treated water, in order to preserve resources and production efficiency.

Salt and alkaline minerals, including fluoride, potassium, bicarbonate, calcium chloride, magnesium sulphate, in addition to chlorine are added according to Gulf specifications by smart electric pumps supplied by the Danish Company, Grundfos, which add salt and minerals in proportion to the amount of water pumped, to the pipelines of the production line and to tanks, in preparation for extracting water using smart extraction devices. The water is also treated by ultraviolet rays and passed through fine filters for sterilising it from any impurities or insoluble salt, in addition to adding ozone through smart pumps for the purpose of water sterilisation, as the last steps of the desalination stage. After the completion of the desalination stage, the water is deemed desalinated before further treatment in preparation for packaging.

The following chart shows the desalination stage of the Company's production process.

Exhibit 4.4: Desalination Stage of the Company's Production Process



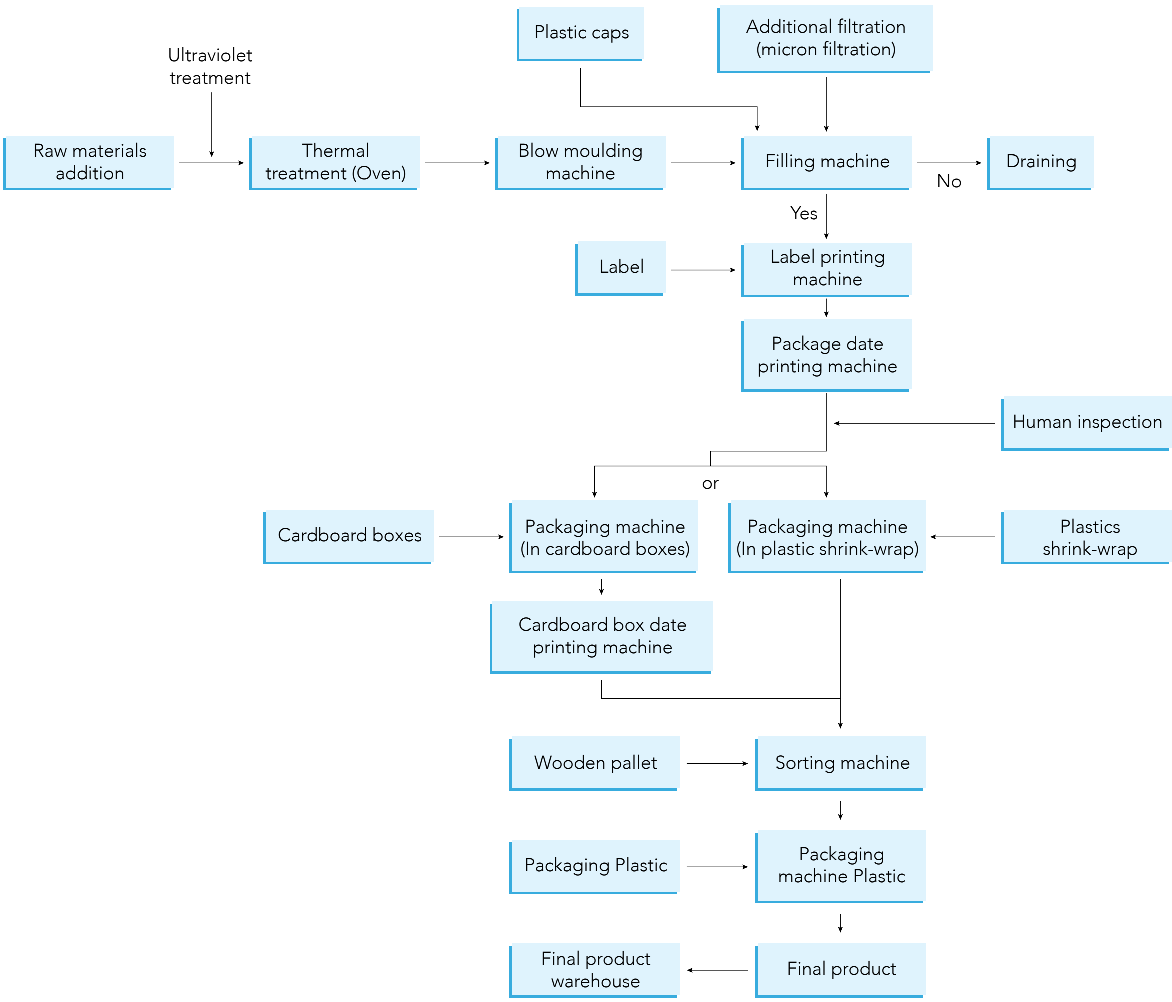
Source: The Company

iii. Packaging stage:

The packaging stage begins by extracting water through additional filters and into filling tanks, which are connected to rust-resistant iron pipes and filling machines for bottles of different sizes, according to the production line. The bottles are filled by fully automated machines, with a maximum production capacity ranging between 158.4 million and 316.8 million units annually, according to the production line, which are six fully operating lines, as of the financial year ended 31 December 2020G and 2021G, with an actual production capacity ranging between 105.7 million and 292.1 million units annually, depending on the production line, for the same period. The packaging process includes treating preformed PET plastic (in its initial form) through heat treatment at a temperature up to 120 Celsius, using a convection oven in preparation for its formation as needed. The bottles are also sterilised using ultraviolet rays before being placed and formed into moulds of different sizes and shapes, and then they are filled and covered with pre-made caps after sterilisation using ultraviolet rays as well. The packaging and labelling process includes attaching labels prepared in advance by automated machines, in addition to dating each individual bottle and specifying the production date and the relevant production line. This step is followed by placing the bottles in previously prepared cartons or shrink-wrap, according to their sizes and the relevant production line, which are packaged, stacked, combined and stored in one of the Company's warehouses by conveyor belts and forklifts.

The following chart shows the packaging stage of the Company's production process.

Exhibit 4.5: Packaging Stage of the Company's Production Process



Source: The Company

4.6.2 Products and Services

A. Pure Bottled Water

As of 31 December 2021G, the Company's bottled water products consisted of five main products, including the 200 ml bottle, which accounted for 42%, 43% and 35.9% of sales for the financial years ended 31 December 2019G, 2020G and 2021G, respectively. They also include a 330 ml bottle, which represented 37%, 39%, and 29.7% of sales respectively, for the same period; a 600 ml bottle, which constituted 3%, 2%, and 2.1% of sales respectively, for the same period, in addition to the Naqi Qatra bottle, with the industrial design and volume of the 200 ml bottle, which accounted for 4%, 14%, and 25.3% of sales respectively, for the same period; and the Naqi Qatra bottle with the industrial design and volume of the 250 ml bottle, which accounted for 14%, 2% and 0% of sales respectively, for the same period. The Company is also launching its new product, a 14-litre bottle, through a new production line dedicated to this product. It is scheduled to operate the new production line and launch the 14-litre bottles in the second quarter of 2022G.

The following table shows the list of the Company's products and revenues for the financial years ended 31 December 2019G, 2020G and 2021G.

Table No. (4.16): List of the Company's Products and Revenue for The Financial Years Ended 31 December 2019G, 2020G and 2021G

Product	Revenue (Millions of Saudi riyals)			Share in the Revenue [1]		
	Financial Year Ended 31 December 2019G	Financial Year Ended 31 December 2020G	Financial Year Ended 31 December 2021G	Financial Year Ended 31 December 2019G	Financial Year Ended 31 December 2020G	Financial Year Ended 31 December 2021G
200 ml bottle	86.6	111.1	108.8	42%	42%	39%
330 ml bottle	75.9	97.0	99.6	37%	37%	36%
600 ml bottle	5.4	5.5	6.6	3%	2%	2%
200 ml bottle (Naqi Qatra)	9.3	36.2	50.4	4%	14%	18%
250 ml bottle (Naqi Qatra)	29.3	12.7	-	14%	5%	-
Others	0.8	2.3	12.4	0.01%	1%	4%
Total	207.3	264.8	277.8	100%	100%	100%

Source: Company's information.
[1] Production percentages are approximate.

The following table shows the production of the Company's products in the financial years ended 31 December 2019G, 2020G and 2021G.

Table No. (4.17): List of the Company's Products Production in the Financial Years Ended 31 December 2019G, 2020G and 2021G

Product	Production (Thousands of bottles)			Share of Total Production [1]		
	Financial Year Ended 31 December 2019G	Financial Year Ended 31 December 2020G	Financial Year Ended 31 December 2021G	Financial Year Ended 31 December 2019G	Financial Year Ended 31 December 2020G	Financial Year Ended 31 December 2021G
200 ml bottle	460,697	565,800	543,402	42%	43%	40.3%
330 ml bottle	405,852	499,993	426,770	37%	39%	31.6%
600 ml bottle	32,907	45,217	19,796	3%	2%	1.5%
200 ml bottle (Naqi Qatra)	43,876	144,121	359,185	4%	14%	26.6%
250 ml bottle (Naqi Qatra)	153,566	20,589	-	14%	2%	-
Others	110	0	-	0.01%	0%	-
Total	1,096,897	1,275,721	1,349,154	100%	100%	100%

Source: Company's information.

[1] Production percentages are approximate.

B. Online Ordering Services

The Company launched its website in its new form at the beginning of 2021G to provide a digital platform to receive orders from customers, in addition to the Company's application available on the (IOS) platforms of Apple and Android and the customer service account through the WhatsApp digital platform. The Company takes digital orders and provides delivery services for its customers in the vicinity of its two branches in Al Qassim and Riyadh. The Company intends to continue developing its digital platforms to acquire a larger share of the digital bottled water market and diversify its customer base, in addition to expanding its geographical scope of services.

4.6.3 Quality Control

Commitment to the highest standards of quality, safety and environmental preservation is one of the Company's top priorities. The Company believes that quality control and product safety are important to its business. Therefore, quality control and product safety activities are conducted in all aspects of its operations within its plants and production lines. It also realises that these activities demonstrate their usefulness in production efficiency and in ensuring that its customers receive high-quality and healthy products.

Quality management and control processes start with the import and storage of raw materials, as the Company strives to choose the best types of plastic for bottles from its suppliers and store them in the appropriate climate to maintain their quality. The Company also strives to avoid storing its plastic bottles for long periods by using them in the production process during short periods, in order to preserve the quality of the bottles and water.

Quality control processes also include monitoring the production process around the clock, in addition to randomly checking the quality of the raw water in a number of production line stations, starting from the water source, i.e., the relevant well, including the production and treatment line and when filling the bottles every operation hour at most in the various stages of the production line and during the hours of operating the production lines until the completion of the production process and before the finished goods are finalised. The tests include checking the salt and minerals in the water for the purpose of ensuring the completion of the purification, desalination and sterilisation processes. It should be noted that the third and fourth lines in the Company's plant in Unaizah contain a testing device inside the production line which works automatically as part of the production process. The Company has an integrated ion chromatography laboratory, which enables the Company to analyse the quality of its products and components inside the Company's plant in Unaizah. Accordingly, the Company can obtain the results of the tests almost instantaneously. The Company's laboratory is operated according to the highest standards and the latest models available in the market for the purpose of accurately managing the quality of water products through testing devices managed by chemists and specialists.

4.6.4 Awards and Certificates

The Company has received the following awards and certificates:

Table No. (4.18): Certificates and Awards Received by the Company Regarding its Contributions

No.	Granting Entity	Type	Certificate Description	Issue Date	Expiry Date
1	LMS Certification Limited - Certified Member of International Accreditation Forum (IAF MLA)	Occupational Health and Safety Assessment Series Certificate 22000:2018	Occupational Health and Safety Management	22 Thul-Hijjah 1441H (corresponding to 11 August 2020G)	24 Muharram 1445H (corresponding to 10 August 2023G)
2	International Certification and Inspection	Certificate	Manufacturing Quality Management	15 Jumada al-Ula 1442H (corresponding to 29 December 2020G)	16 Jumada al-Akhirah 1445H (corresponding to 28 December 2023G)
3	Blood Donation Campaign	Certificate	Blood donation campaign for pilgrims	Ramadan 1439H	N/A
4	General Administration of Education in Asir	Certificate	Closing Festival for Hour of Code	December 2018G	N/A
5	Salhiya Health Centre in Unaizah	Certificate	Reducing the prevalence of smoking	Safar 1440H	N/A
6	General Directorate of Public Security	Certificate	Comprehensive quality	Jumada Al Awwal 1440H	N/A
7	Al Qassim Youth Council	Certificate	Youth Care	Muharram 1440H	N/A
8	Majmaah University - Faculty of Education	Certificate	Childhood Festival Support	Rabi' Al Awwal 1440H	N/A

No.	Granting Entity	Type	Certificate Description	Issue Date	Expiry Date
9	Unaizah Chamber	Excellence Award	Winter camp support	Jumada Al Thani 1440H	N/A
10	Roads Security Special Forces	Certificate	Your safety and security	Rajab 1441H	N/A
11	International Conference of Disability and Rehabilitation Experts	Certificate	Supporting the International Conference on Disability and Rehabilitation	Shaaban 1441H	N/A
12	Department of Education in Unaizah	Certificate	Education Camp Support	Muharram 1441H	N/A
13	Civil Defence	Certificate	Risk Prevention	Ramadan 1441H	N/A
14	Institute of Public Administration	Certificate	Supporting trainees	March 2017G	N/A
15	Ministry of Interior, Emirate of Al Qassim	Certificate	A gift for the city of pilgrims	February 2020G	N/A

Source: The Company

4.6.5 Logistics

A. Trucks

As of 31 December 2021G, the Company has a fleet of 50 trucks that were purchased in 2020G, and are fully operated by skilled drivers. It should be noted that at the present time the Company relies partially on leased trucks for the purpose of keeping pace with the demand for its products, and specifically for the purpose of delivery to wholesale customers by delivery service companies, bearing in mind that all delivery costs are paid by the relevant customer. The Company is currently trying to reduce unit costs in the retail sector and achieve greater efficiency by operating the entire fleet of trucks acquired in 2020G.

B. Warehouses

As of 31 December 2021G, the Company has nine warehouses in the Kingdom, specifically eight warehouses in Al Qassim and one warehouse in Riyadh for the purpose of storing raw materials until their production is complete, and finished products until they are delivered to their customers. It also sells its products through its distributors throughout the Kingdom who usually have their own trucks and warehouses for the purpose of transporting and storing the Company's products.

4.6.6 Marketing and Promotion

A. "Naqi" Trademark

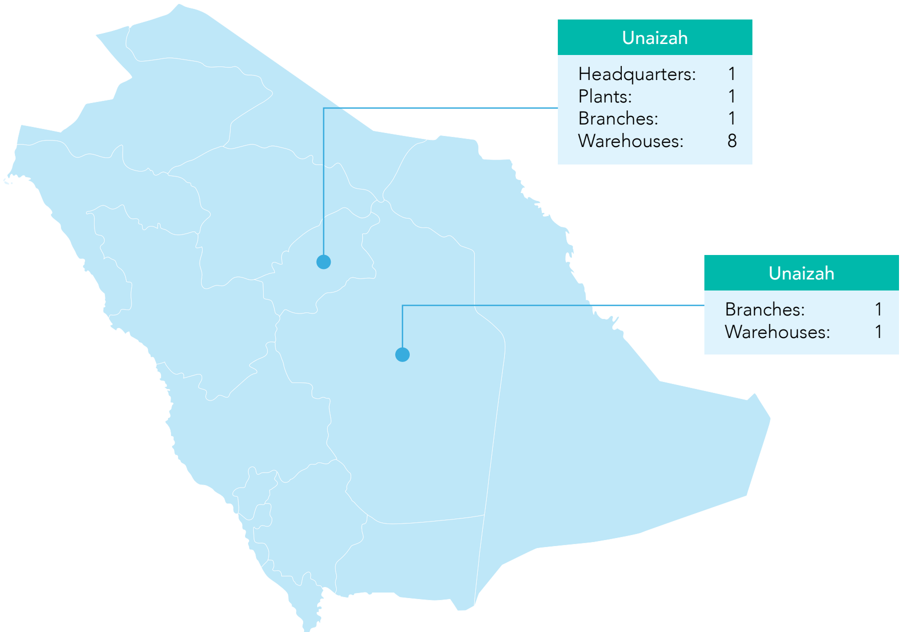
The market study report prepared by the market study consultant describes the "Naqi" trademark as a trademark of high-quality bottled water products at competitive prices in the bottled water sector in the Kingdom, and its products are known through the recognised trademark, in addition to the distinctive packaging and design. The "Naqi" trademark is distinguished by its continued development by presenting its products through various platforms, in addition to providing new and innovative products for retail customers, including families and individuals, as well as to wholesale customers. The continuous advertising and promotional support of the trademark, along with the high-quality of the products and the increasing presence in the market, has supported and enhanced the trademark value in the bottled water sector.

B. Main Marketing Channels

Social media channels such as Facebook, Instagram, Twitter and Snapchat are the primary tools used in marketing the "Naqi" trademark which helps to communicate with consumers through regular posts and contests and manage online communities through these channels. In some sales campaigns, the Company uses a set of online advertising supported by tools for trademark enhancement and awareness to help to deliver trademark content to consumers and increase the engagement and sales of inactive trademarks. Participation in and sponsorship of events in local communities helps to communicate and introduce trademark content to potential consumers. In addition, advertising partnerships with sports clubs and social media celebrities have helped to effectively reach potential customers in the retail sector and have paved the way for the trademark's visibility.

4.6.7 Geographical Locations and Operations

The head office of the Company is located in Unaizah. The following map shows the geographical presence of the Company in the Kingdom as of 31 December 2021G (1):



Source: The Company

(1) The Company does not perform any commercial activities or hold any assets outside the Kingdom.

4.6.8 Customers

The Company has multiple categories of customers in each of its main business segments; its customer base is characterised by strong and long-term partnerships with its customers and distributors in many regions of the Kingdom. Another advantage is that its customers are not concentrated within a limited range, as its three largest customers collectively accounted for about 13.2% of its total sales during the financial year ended 31 December 2021G, and no single customer contributed to more than 5% of its total sales in the same period. The Company's deeply rooted relationships with its customers represent a foundation for revenue flows and a smooth path to growth.

The following table shows the Company's revenues generated from its main customers, as each customer constitutes approximately 5% or more of the Company's revenue in the financial years ended 31 December 2019G, 2020G and 2021G.

Table No. (4.19): Company Revenues Generated from Its Main Customers Who Constitute Approximately 5% or More of the Company's Revenues in the Financial Years Ended 31 December 2019G, 2020G and 2021G.

Customer	Business Sector	Revenue Contribution Percentage		
		31 December 2019G	31 December 2020G	31 December 2021G
Ali Abu Saeed Trading Establishment (Distributor)	Wholesale Sector	5.3%	4.8%	4.1%
Taif Al Raki for Trading Establishment (Distributor)	Wholesale Sector	5.1%	4.3%	4.3%
Sulaiman Al Ajmi Establishment (Distributor)	Wholesale Sector	4.3%	4.1%	4.8%
Total	-	14.7%	13.2%	13.2%

Source: The Company

4.6.9 Suppliers

The Company relies on local and experienced international producers and suppliers when it comes to the main input materials, equipment, operating consumables and essential spare parts. The main input materials include equipment and tools as well as plastic and paper packaging materials. Competitive quotations are usually obtained with detailed specifications upon request to ensure the best rates in terms of price and quality. The Company usually deals with several suppliers inside and outside the Kingdom with respect to each of the products required for the purpose of minimising any risks related to the supply of raw materials.

The following table shows the Company's procurement from its main suppliers, which represent approximately 5% or more of the Company's procurement in the financial years ended 31 December 2019G, 2020G and 2021G.

Table No. (4.20): Company Procurement from Its Main Suppliers Who Represent Approximately 5% or More of the Company's Procurement in the Financial Years Ended 31 December 2019G, 2020G and 2021G

Supplier	State of incorporation	Percentage of the Company's Total Procurement		
		Financial Year Ended		
		31 December 2019G	31 December 2020G	31 December 2021G
Zulal Company	The Kingdom	48.1%	40.0%	18.0%
Alsad Modern Advanced Company	The Kingdom	39.8%	43.0%	44.0%
Riyadh Factory for Carton	The Kingdom	6.3%	4.5%	7.0%
Total	-	94.2%	87.5%	69.0%

Source: The Company

4.7 Future Plans and Initiatives

In line with the Company's strategic goals, vision and business development, the Company is working on increasing its production capacity by acquiring and operating additional production lines and enhancing its presence in the market through a larger number of branches, in addition to partnerships and agreements with distributors and sellers. Accordingly, the Company operated a new production line with a production capacity of 48,000 units per hour and a new desalination station in 2021G. The Company also intends to start and expand exports at the GCC level, with an approximate percentage of 7% of the total production capacity by 2023G. The Company is also attempting to add a new product to its existing products by September 2022G - a vitamin D-fortified water bottle with a volume of 200 ml, 330 ml and 600 ml and obtaining all of the necessary licences for the same.

In addition, the Company intends to add a new product to its current products - a 14litre bottle, through a production line that is operated with a capacity of 1,000 units per hour at the Company's plant in Unaizah, Al-Qassim; the production line is expected to be operational in September 2022G.

The Company also plans to establish a new plant in the southern region of the Kingdom with a production capacity of 48,000 units per hour in the year 2023G. This matter is still under study and evaluation and no final decision has been taken regarding it.

4.8 Administrative Support Departments

The Company has a number of administrative departments that support its various business activities. Below is a brief description of the activities of the Company's departments as of the date of this Prospectus:

4.8.1 Finance Department

The Finance Department is responsible for providing the Company with accurate, timely and relevant financial and business information to support the decision-making process for the Company's management. It is also responsible for ensuring that proper internal controls are in place to safeguard the Company's assets and compliance with financial regulations and adopted policies and procedures. The Finance Department is a combination of centralised functions covering the overall strategy, policies and procedures, as well as treasury management and localised bookkeeping and accounting functions. In particular, the Finance Department performs the following:

a. develops, implements and maintains financial policies, systems, processes, procedures and controls to ensure that proper financial management and controls are in place and all relevant procedural/legislative requirements are fulfilled;

b. promotes a culture of innovation and continuous improvement by adapting to changes in international standards and the business environment and adopting leading practices within the Finance Department;

c. undertakes daily auditing tasks and ensures that accurate and timely financial reports are produced periodically and in compliance with the relevant policies, procedures and regulations;

d. prepares the Company's financial statements, the resulting key performance indicators (KPI) and periodic management reports for the various committees within the Company;

e. manages and oversees the financial flow cycle in the Company and across departments, and formulates strategies that result in a positive financial impact for the Company and mitigates financial and operational risks;

f. maintains the treasury function by ensuring proper cash management, availability of funds and liquidity;

g. handles and manages the Company's relationship with the Financial Institutions in arranging for funding requirements and negotiating for the best terms and conditions through the Company's success in achieving economies of scale;

h. uses internal and external auditors;

i. prepares and files Zakat and tax return filings; and

j. provides adhoc financial support for all Committees and departments within the Company.

4.8.2 Sales and Marketing Department

The Sales and Marketing Department is responsible for developing the Company's marketing strategies in order to enhance the Company's trademark and reputation and increase customer numbers. In particular, this includes:

a. managing the Company's website and applications, including press releases, event coverage, and customer service portals;

b. planning and implementing marketing campaigns through promotional offers, seminars and event participation, and the evaluation of the success and failure of previous marketing campaigns;

c. appointing third party marketing agencies to ensure cost, quality and an adequate return on investment; and

d. managing the Company's trademarks and promotional materials, ensuring the right usage of the Company's identity, designs, and intellectual property, and arranging for revenue generation through the use of the Company's property for the display of advertisements or other promotional activities.

4.8.3 Shared Services Department

The Shared Services Department oversees and directs the development and control of the operations of the Company involving human resources, administration and information technology in order to enhance their efficiency. In particular, this includes:

a. developing the strategies of the department, and monitoring the comprehensive shared services operations towards achieving the Company's objectives;

b. developing, retaining and overseeing recruitment procedures which include reviewing job postings prior to publication, coordinating interviews with the human resources team and participating in interviews;

c. overseeing all employment participation processes, managing the selection process and directing new recruitment, as well as the exit and termination process;

d. ensuring compliance and saving the records of all documents in the Shared Services Department which includes the annual revision of the staff manual, managing office schedules and ensuring the accuracy and preservation of staff documents as well as information technology files;

e. monitoring the compensation and benefits process in coordination with the finance team to ensure a timely and accurate monthly payroll, advising the Executive Management on appropriate recruitment levels and assisting in budget preparation;

f. overseeing and coordinating employee training and development processes and evaluating performance;

g. working with the Executive Management to monitor and manage employee relations in a practical manner;

h. overseeing the implementation and maintenance of the Company's computing needs by supervising the operations of the information technology team; and

i. liaising with Executive Management and third parties to ensure the efficiency of shared services operations.

4.8.4 Supply and Logistics Department

In general, the main responsibilities of the Supply and Logistics Department include the following:

a. evaluating the suppliers and agreeing on the best terms and conditions in the interest of the Company;

b. strengthening the relationship with suppliers;

c. defining the detailed procurement requirements, as well as the timely provision of materials and stocks to match production schedules and delivery deadlines for the customers;

d. coordination of shipment and receiving operations;

e. maintaining the quality level of inventory and procurement cycle procedures; and

f. ensuring that supplies of raw materials and finished goods reach the Company's supply chain without interruption.

4.8.5 Legal, Governance and Compliance Department

The Legal, Governance and Compliance Department is responsible for ensuring the proper management of the Company. In particular, this includes:

a. preparing contracts and agreements;
b. representing the Company before judicial bodies and filing and pursuing lawsuits against other parties;
c. advising on the interpretation of applicable laws and regulations;
d. understanding and monitoring changes in laws, regulations, circulars and directives that are relevant to the Company's business;
e. supervising the holding of the General Assembly meetings and liaising with the relevant Government authorities;
f. developing a corporate governance manual and ensuring compliance with it and the commitment to properly implement and abide by all of the manuals, procedures, policies and instructions issued by the regulatory authorities;
g. preparing and drafting the Board's annual report and addressing conflict of interest situations;
h. managing the Company's relationship with regulators and Shareholders; and
i. reviewing legal, constitutional and contractual documents, and providing legal advice to the Board of Directors and the Executive Management in connection with the legal affairs of the Company.

4.8.6 Investor Relations Department

The Investor Relations Department is responsible for ensuring proper communication with Shareholders. In particular, this includes:

a. improving the financial and non-financial disclosure of the Company;
b. enabling current investors to exercise their rights to communicate with the Company and its Board of Directors;
c. enabling current and potential investors to have direct access to the most recent information;
d. promoting effective communication between the Company and current and potential investors to bring them to a full awareness of the Company's activities, strategies and prospects;
e. organizing the shares register for the Company's Shareholders and following up on the distribution of dividends; and
f. answering shareholders' inquiries.

4.8.7 Manufacturing Department

The Manufacturing Department is responsible for organising and supervising manufacturing operations and the operation of all production lines, managing production quality and ensuring an efficient and productive manufacturing process. In particular, this includes:

a. liaising with other departments to agree on the Company's objectives in terms of products and to understand the requirements for their manufacture;
b. estimating costs and budgeting for manufacturing operations;
c. organising the workflow to meet specifications and deadlines;
d. supervising and evaluating the performance of personnel, production personnel (quality inspectors, workers, etc.) and equipment;
e. determining the required resource needs (manpower, raw materials, etc.);
f. approving plans, maintenance work and purchase of equipment;
g. supervising and controlling the quality of products and outputs;
h. supervising the implementation of research and development programmes to add new products and invent new production processes, for the purpose of saving costs;
i. imposing and supervising the implementation of health and safety precautions; and
j. preparing cycle reports on manufacturing operations to the Executive Management.

4.8.8 Internal Audit Department

The Internal Audit Department is an independent and objective assurance and consulting body designed to add value and improve the Company's operations. It helps the Company accomplish its objectives by bringing a systematic, disciplines-based approach to evaluate and improve the effectiveness of risk management, control and governance across all business segments of the Company. In particular, the Internal Audit Department performs the following:

a. evaluates and provides reasonable assurance that risk management, control and governance systems are functioning as intended and will enable the organisation's objectives and goals to be met;
b. reports risk management issues and internal controls deficiencies identified directly to the Audit Committee and provides recommendations for improving the organisation's operations, in terms of both efficient and effective performance;
c. evaluates information security and associated risk exposures;

d. evaluates the regulatory compliance programme with consultation from legal counsel;
e. evaluates the organisation's readiness in the event of an interruption of the business;
f. teams with other internal and external resources as appropriate; and
g. provides support to the Company's antifraud department.

4.8.9 Human Resources Department

The Human Resources Department is responsible for all aspects of the Company's human assets, including talent acquisition and recruitment, personnel training and development, as well as retention initiatives. These are run with the view to supporting the Company to meet its objectives. It is also responsible for administering the employee compensation and benefits programmes. In particular, the Human Resources Department performs the following:

a. assists the Company in talent acquisition by matching the Company's requirements to the available candidates, i.e., finding, screening and recruiting highly qualified, well trained and experienced candidates;
b. develops, reviews, scrutinises and maintains job descriptions, job classifications as well as job competencies to enhance employee satisfaction and performance;
c. develops, reviews and maintains human resource policies and procedures covering all human resources operations and activity areas of the Company, and ensures compliance with the laws of the Ministry of Human Resources and Social Development and the Labour Office;
d. develops, reviews and administers the salary scale and structure to ensure adaptability to the prevailing labour market as well as administering compensation and employee benefits;
e. assists managers and ensures that the Company conducts its periodical assessments and performance appraisals;
f. strategizes and runs training and development programmes to cover the entire range of basic and enhanced skill sets needed by the employees of the Company;
g. runs and maintains orientation programmes for new joiners to ensure smooth change management;
h. ensures compliance with Saudization requirements and other relevant regulations and guidelines;
i. employs technology to enhance human resources management and communication via Oracle selfservice systems;
j. is responsible for the public relations, security and safety, facilities management, accommodation and housing for labourers, as well as local purchasing support;
k. ensures that the security and confidentiality of employee data and information are intact and maintained; and
l. embarks on transformation activities in ensuring the human resources of the Company are in line with the latest human resource management developments in the Kingdom and globally.

4.9 Corporate Social Responsibility

The Board of Directors is committed to the Company's conduct of its activities and businesses on principles and foundations that conform with the Company's general values, taking into consideration the interests of the community and stakeholders in general. The Board is fully aware of all of the consequences resulting from the Companies' activities and businesses, regarding the interests of employees, shareholders, the community, the environment and other relevant stakeholders. In addition to the Board's commitment to comply with laws and regulations issued by official authorities, it ensures that the Company takes voluntary steps to improve the living standards of employees and their families and to contribute to the welfare of the community, thus to sustainable economic and social development.

4.9.1 The Company's Social Responsibility Towards Stakeholders

a. Providing all concerned individuals and parties with clear, accurate, and credible information, while taking into consideration the timing of their submission in a manner that does not conflict with laws and customary professional rules; and
b. applying all corporate governance practices fairly and transparently, and documenting them through relevant reports.

4.9.2 The Company's Social Responsibility towards Employees

a. Ensuring a safe and stimulating environment for the performance of tasks, thereby contributing to the improvement of the health and welfare of the employees and their families without affecting their obligations toward their families;
b. encouraging freedom to express ideas and opinions disciplined by customary codes of conduct, and listening to them with respect and appreciation;
c. encouraging all employees to engage in training and development programmes, to improve their professional and personal skills and capabilities; and
d. confirming the relationship with employees on the basis of responsibility and joint success.

4.9.3 The Company's Social Responsibility towards the Community

a. Being committed to the community in which the Company operates by investing in it through projects and long-term development initiatives;

b. providing all forms of direct and indirect assistance to charitable, social and development institutions in order to improve the living standard of members of the community in which the Company operates. The Company has actively contributed to events for the purpose of education, health, sports, civil defence, smoking hazards, blood donation, road security, pilgrims; and

c. contributing to support the creation of employment opportunities for members of society in all its categories.

4.9.4 The Company's Social Responsibility towards Competitors

a. The Company shall comply with the rules of fair competition, and shall not harm any competitor;

b. the Company shall provide the best products and services in a way that does not conflict with the interests of the consumer, without prejudice to the interests of the competitors; and

c. the Company shall respect the prevailing laws and ethical regulations by refraining from all forms of corruption and bribery in order to obtain illegal preferential advantages when submitting offers, delivering products, or projects.

4.9.5 The Company's Social Responsibility towards Its Shareholders

a. Increasing the share value, maximize profit and protect the Company's assets, while taking into consideration sustainable development, long term interests and objectives, as well as short and medium term interests and objectives;

b. providing adequate information on the Company's performance in accordance with the relevant laws, instructions, and policies;

c. treating shareholders fairly without discrimination and protecting their interests. Receiving and addressing the Shareholders complaints; and

d. involving the Shareholders in the Company's important decisions through the Shareholders' Assembly as stipulated in the relevant laws, instructions and policies.

4.10 Research and Development

As of the date of this Prospectus, the Company's manufacturing department is working on implementing research and development programmes to add a new product to its existing products - a 14-litre water bottle, through a production line that operates with a capacity of 1,000 units per hour in the Company's plant in Unaizah, Al-Qassim, and innovating new production processes to rationalize costs related to its production operations. The production line for the new product is expected to be launched in September 2022G.

4.11 Business Continuity

There has been no suspension or interruption of the Company's business during the twelvemonth period preceding the date of this Prospectus, which would affect or have a significant impact on its financial position, and no material change in the nature of its business is contemplated, nor does the Company expect any material change in the nature of its business that could lead to an interruption of business continuity, and there is no intention to make any material change in the nature of the Company's activity.

5

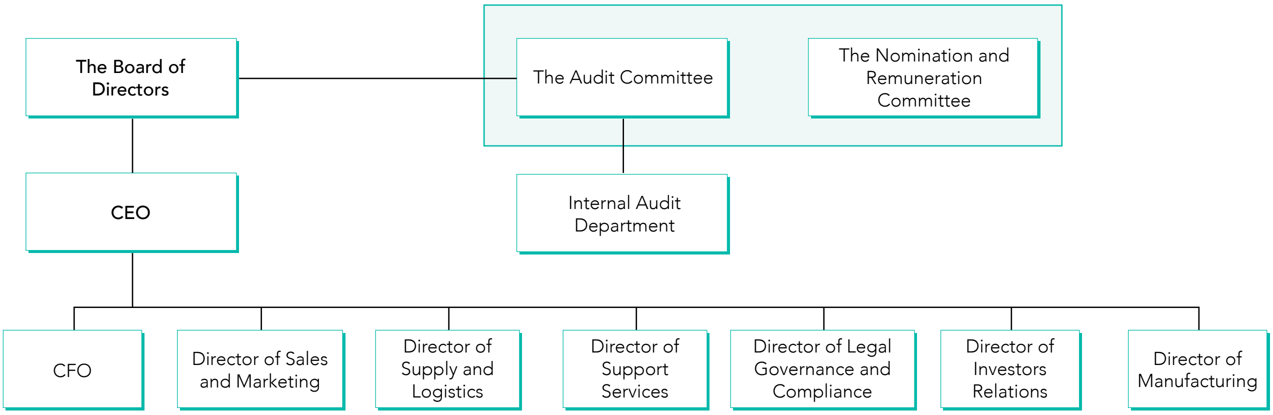
ORGANIZATIONAL STRUCTURE AND CORPORATE GOVERNANCE

5.1 Organizational Structure

The Shareholders of the Company delegate responsibility to the Board of Directors for the overall direction, supervision and control of the Company. The Board of Directors delegates responsibility for overall daytoday management of the Company to the Executive Management of the Company and, in particular, the Chief Executive Officer.

The following chart sets out the organizational structure of the Company:

Exhibit 5.1: Organizational Structure of the Company



Source: The Company

The following table summarizes the direct ownership structure of the Company's Shares Pre- and Post-Offering:

Table No. (5.1): Direct Ownership Structure of the Company Pre- and Post-Offering

Shareholder	Shareholding (Pre-Offering)			Shareholding (Post-Offering)		
	No. of Shares	Ownership (%)	Value of shares (SAR)	No. of Shares	Ownership (%)	Value of shares (SAR)
Ameen Abdullah Ali Almallah	10,000,000	50%	100,000,000	7,000,000	35%	70,000,000
Alsad Modern Advanced Company	10,000,000	50%	100,000,000	7,000,000	35%	70,000,000
Public	-	-	-	6,000,000	30%	60,000,000
Total	20,000,000	100%	200,000,000	20,000,000	100%	200,000,000

Source: The Company

5.2 Board of Directors and Secretary of the Board of Directors

5.2.1 Composition of the Board of Directors

The Board of Directors consists of six (6) Directors who are appointed by the General Assembly by means of cumulative voting. The Companies Law, the Corporate Governance Regulations, the Bylaws, and the internal governance regulations of the Company shall determine the duties and responsibilities of the Board of Directors. The term of the Directors' membership in the Board of Directors, including the Chairman, shall be for a maximum period of three years for each period, and they may be re-appointed. The Secretary of the Board is Abdulaziz Khalid Saleh Almohaimeed who was appointed as Secretary of the Board on 25 Sha'ban 1442H (corresponding to 7 April 2021G).

As an exception to the term of the Directors' membership in the Board of Directors described above, the following table sets out the Directors who were appointed pursuant to the Bylaws for a period of five years dated 27 Rajab 1442H (corresponding to 10 March 2021G):

Table No. (5.2): Company's Board of Directors

Name	Title	Nationality	Status	Ownership Percentage				Date of Appointment [1]
				Direct		Indirect		
				Pre Offering	Post Offering	Pre Offering	Post Offering	
Ameen Abdullah Ali Almallah	Chairman	Saudi	Non-Executive / Non-Independent	50%	35%	-	-	27 Rajab 1442H (corresponding to 10 March 2021G)
Saleh Shbab Ateeq Altrjmy Alsolami	Deputy Chairman	Saudi	Non-Executive / Non-Independent	-	-	-	-	27 Rajab 1442H (corresponding to 10 March 2021G)
Yousef Mohammed Nasser Algafari	Director	Saudi	Non-Executive / Independent	-	-	-	-	27 Rajab 1442H (corresponding to 10 March 2021G)
Abdullah Abdulrahman Mohammed Alrebdi	Director	Saudi	Non-Executive / Independent	-	-	-	-	27 Rajab 1442H (corresponding to 10 March 2021G)
Moustafa Hassaballah Hassan Alhoufi	Director	Egyptian	Non-Executive / Non-Independent	-	-	-	-	27 Rajab 1442H (corresponding to 10 March 2021G)
Zed Nhad Ratib Alnathir	Director	Jordan	Non-Executive / Non-Independent	-	-	-	-	27 Rajab 1442H (corresponding to 10 March 2021G)
Abdulaziz Khalid Saleh Almohaimeed	Secretary	Saudi	-	-	-	-	-	25 Sha'ban 1442H (corresponding to 7 April 2021G)

Source: The Company

(1) Dates listed in this table are the dates of appointment to the current positions in the Board of Directors. Their biographies in Section 5.2 (**Board of Directors and Secretary of the Board of Directors**) describe the dates of their appointments, whether in the Board of Directors or in any other position.

5.2.2 Responsibilities of the Board of Directors

The Company is supervised by a Board of Directors consisting of professional and highly experienced persons. The Board of Directors is vested with full powers to manage the business of the Company and supervise its affairs. The Board of Directors delegates responsibility for the overall day-to-day management of the Company to the Executive Management.

Some powers are delegated to the Board of Directors' Committees, consisting of the Audit Committee, and the Nomination and Remuneration Committee (collectively, the "Committees"). In addition, the Board of Directors has the power to form any number of committees it considers necessary for effective governance, oversight and operations of the Company or to delegate some of its powers to one or more of the Directors or to third parties. However, despite any delegation, the ultimate responsibility for the Company rests with the Board of Directors.

The responsibilities of the Board of Directors, the Chairman and the Secretary can be summarized as follows:

5.2.2.1 Board of Directors

Without prejudice to the powers conferred on the General Assembly, the Board shall be vested with full powers to manage the Company and conduct its business inside and outside the Kingdom in order to achieve its objectives, including but not limited to:

- developing and reviewing the Company's comprehensive strategy, main business plans and risk management policy;
- determining the Company's optimal capital structure, strategies and financial objectives and approving its annual budgets;
- supervising the Company's capital expenditures, acquisition/disposal of assets and expansion inside and outside the Kingdom;
- developing a written policy regulating the relationship with stakeholders in order to protect them and preserve their rights;
- developing mechanisms for indemnifying the stakeholders in the event of a violation of their rights granted under the law and their respective contracts;
- developing mechanisms for the settlement of complaints and disputes that might arise between the Company and the stakeholders;
- developing suitable mechanisms for maintaining good relationships with clients and suppliers and protecting the confidentiality of related information;
- establishing a code of conduct for the Senior Executives and employees that is compatible with sound professional and ethical standards and that regulates their relationship with stakeholders, and developing mechanisms to monitor compliance and adherence with such code of conduct;
- developing policies in connection with the Company's social contributions;
- approving the appointment of the Chief Executive Officer, the Chief Financial Officer and the Company's Head of the Internal Audit Department;
- determining the performance objectives to be achieved and supervising their implementation;
- monitoring the overall performance of the Company;
- reviewing and approving the organizational and functional structures of the Company;
- establishing policies and procedures to ensure the Company's compliance with the relevant laws and regulations and the Company's continuous obligation to disclose material information to the Shareholders and other relevant parties;
- laying down policies, standards and procedures in connection with the membership of the Board of Directors and their implementation;
- ensuring the alignment of strategies and plans with the Company's existing resources, risks, economic and market conditions and growth;
- ensuring the integrity of the financial and accounting procedures including procedures related to the preparation of the financial reports;
- ensuring the implementation of control procedures appropriate for risk management by forecasting the risks that the Company could encounter and disclosing them with transparency;
- holding a meeting in the last quarter of each year to approve the budget for the following year;
- except for the Audit Committee, establishing Committees of the Board of Directors with specific mandates, approving its charters and appointing its members;
- evaluating the performance of the Executive Management members in connection with the achievement of strategy;
- ensuring that a sound system of internal control (supported by the Audit Committee) is established, implemented and maintained at all levels;
- reviewing the effectiveness of the Company's internal control systems;
- ensuring compliance with the Company's corporate governance regulations, policies and procedures;
- approving the delegation of authority matrix, budgets and financial statements;

- determining the powers to be delegated to the Executive Management members;
- approving new business initiatives and business closures;
- reviewing the performance of the Committees established by the Board of Directors;
- reviewing compliance with the authority matrix;
- ensuring disclosure of key business transactions and Related Party transactions in the Board of Directors' annual report;
- calling for a meeting of the General Assembly at least once a year during the six months following the end of the Company's financial year;
- reviewing the Company's corporate governance regulations periodically, evaluating whether any changes are required in light of updated regulations and changes in practices and communicating such changes to the Secretary; and
- providing recommendations to the Shareholders for the dividends to be distributed in accordance with the Company's dividend distribution policy.

5.2.2.2 Chairman

The Chairman shall assume the following responsibilities:

- representing the Company before third parties, all courts of all degrees and types, the notary public, Board of Grievances, official authorities and departments, judicial and administrative committees of all types and degrees, labour offices, labour commissions, legal and Zakat committees, banking dispute settlement committees, primary and higher bodies and other committees and governmental entities, Department of Zakat, Ministry of Investment, police, public prosecution, execution courts, emirates, ministries, all other committees, including individuals, companies or bodies, whether inside or outside the Kingdom, and submitting, signing, reporting on, delivering and receiving applications in the name of the Company from any party. The Chairman has also the right to plead, defend, litigate and attend hearings on behalf of the Company, lodge, hear and respond to all cases and claims, reconcile, waive, make acknowledgement, deny, reply, impugn, supply witnesses, information, consent, take all regulatory measures to enforce the judgments in favour of the Company, appoint and dismiss attorneys, claim and receive the Company's rights vis-a-vis third parties under certified checks in the name of the Company. In addition, the Chairman may accept and reject judgments, appoint arbitrators, sign arbitration documents, appoint experts, receive, deliver and amend commercial registers, licences, instruments of judgments, documents, clearances and commercial papers, request the execution of judgments and decisions, challenge for forgery, and submit terminations and grievances. In addition, collecting the Company's rights, giving clearances in this regard, fulfilling its obligations, paying its debts and assigning powers of attorney retaining, dismissing, and paying fees of attorneys, and delegating or authorizing others to carry out specific assignment(s) on behalf of the Company;
- signing contracts and agreements, applying for and receiving loans from any governmental or non-governmental banking or other institutions for the Company, including loan contracts with the Saudi Industrial Development Fund, opening bank accounts inside and outside the Kingdom in the name of the Company and managing these bank accounts, whether by withdrawing, depositing or closing, receiving any profits that may result from these accounts, issuing, cashing, and endorsing checks, issuing guarantee letters and documentary credits, opening investment portfolios with Saudi and non-Saudi banks, and selling and purchasing shares for the benefit of the Company, provided that there shall be no brokerage in trading the shares;
- signing loan agreements, credit facilities, and mortgage agreements of all kinds and forms with banks on behalf of the Company, undertaking all transfers of title, including mortgages of all of the Company's movable property, including stocks, bonds, real estate, land, and buildings, as required to achieve the objectives of the Company, regardless of their location, status, and intended purposes, and purchasing real estate, buildings and other fixed and movable assets, accepting transfers in favour of the Company, paying the price, selling real estate, transferring title, receiving the price, and selling fixed and movable assets;
- incorporating new companies, whether inside or outside the Kingdom, signing amendments of those companies' contracts by third parties and signing their memorandums of association and decisions amending these memorandums before the Ministry of Commerce and the notary on behalf of the partners in the name of the Company, including decisions related to the increase or decrease of the Company's capital, and the inclusion or dismissal of partners, selling and transferring shares and stocks owned by partners to third parties, and purchasing shares and stocks in existing or new companies;
- attending, on behalf of the Company at the meetings of the General Assembly in the companies in which the Company is a shareholder and voting on and signing the decisions issued therein, leasing and receiving the rent, holding memberships with chambers of commerce, obtaining phones of various forms and types from the Saudi Telecom Company and other telecommunications companies, agreeing with foreign companies to obtain agencies from them for the Company and registering them with the competent authorities, registering and objecting to the registration of trademarks, appointing employees, recruiting and dismissing workers, determining their salaries and transferring their sponsorships, collecting the Company's rights and giving corresponding clearances, fulfilling the Company's obligations, paying its debts, and receiving and paying the price. They may authorize or delegate third parties to perform some of the above functions, pursuant to written authorizations or powers of attorney;
- promoting constructive relationships between the Board of Directors and the Executive Management, and between the executive Directors and the non-executive Directors;
- ensuring that the Board discusses all of the main issues in an efficient and timely manner;
- ensuring that the Board of Directors agenda is focused on the Company's strategy, performance, value creation for Shareholders and accountability at all levels;

- promoting a culture in the boardroom that supports constructive criticism and alternative views on issues under consideration, and that encourages discussion and voting on these issues;
- ensuring that both the Directors and the Shareholders receive adequate and timely information;
- delegating tasks to individual Directors and following up on their progress; and
- ensuring that the Directors disclose their businesses and conflicts of interest in any matter discussed in Board of Directors meetings.

5.2.2.3 Vice Chairman of the Board of Directors

The Vice Chairman is responsible for directing the management and reviewing important decisions before passing them on to the Board of Directors. The Vice Chairman shall have the broadest powers to represent the Company before various Government agencies. The Vice Chairman also chairs the General Assembly meetings in the absence of the Chairman.

5.2.2.4 Secretary

The responsibilities of the Secretary include the following:

- attending the meetings of the Board of Directors;
- managing all of the administrative, technical and logistics matters relating to the affairs of the Board of Directors and the General Assembly meetings;
- managing and coordinating the meeting agendas of the Board of Directors and the Committees;
- documenting the Board's meetings and preparing their minutes which shall include discussions and deliberations;
- preparing visual presentations, preparing and distributing minutes of meetings, archiving all data, information and records related to the Board of Directors and the Committees;
- preparing and maintaining a register of proceedings and resolutions of the Board of Directors and the Committees and safekeeping the Company's official records;
- acting as a liaison officer with the CMA and other official entities and ensuring compliance with the Corporate Governance Regulations and other related regulations;
- assisting in the modernization and implementation of the Company's corporate governance;
- providing the Directors with the Board's agenda, working papers, documents and information related to it;
- ensuring that the procedures, rules and regulations applicable to the Board of Directors are followed by the Directors;
- informing the Directors of the dates of the Board's meetings sufficiently in advance of the specified date;
- maintaining and updating the Company's corporate governance regulations as per the instructions of the Board of Directors;
- providing support and advice to the Directors; and
- performing other tasks as delegated by the Board of Directors.

5.2.2.5 Service Contracts with Directors

The members of the Board of Directors were appointed in the Company's Bylaws dated 27 Rajab 1442H (corresponding to 10 March 2021G). The Directors receive remuneration in accordance with the Company's Bylaws in a manner that does not conflict with the statutory controls issued in this regard; no service or employment contracts have been concluded with the Directors (for further details, see Section 5.5 (**Remuneration of Directors and Senior Executives**)).

5.2.3 Biographies of the Directors and the Secretary

The experience, qualifications and current and past positions of each of the Directors and the Secretary are set out below:

5.2.3.1 Ameen Abdullah Ali Almallah, Chairman of the Board

Nationality:	Saudi
Age:	47 years.
Academic and Professional Qualifications:	High School Diploma, Institute of Technical Observers, Unaizah, Kingdom of Saudi Arabia, 1997G.
Appointment Date	27 Rajab 1442H (corresponding to 10 March 2021G)
Current Positions:	• Company Chairman of the Board of Directors, since 2021G; • Deputy Chairman, Chamber of Commerce and Industry in Unaizah, a governmental body, Kingdom of Saudi Arabia, since 2019G; and • Chairman, Al-Arabi Club, a Saudi sport club in Unaizah, since 2019G.
Past Professional Experience:	• Chairman, Naqy Installment, a sole proprietorship operating in the financing sector from 2010G to 2018G; and • Architect, Technical Management Agency, Ministry of Municipal Rural Affairs and Housing (formerly Ministry of Municipal and Rural Affairs), a governmental body, Kingdom of Saudi Arabia, from 1998G to 2010G.

5.2.3.2 Saleh Shbab Ateeq Altrjmy Alsolami, Vice Chairman of the Board

Nationality:	Saudi
Age:	47 years
Academic and Professional Qualifications:	• Diploma in Industrial Management, Chamber of Commerce and Industry in Riyadh, Kingdom of Saudi Arabia, 2002G; and • Bachelor of Chemical Engineering, King Saud University, Riyadh, Kingdom of Saudi Arabia, 1998G;
Appointment Date	27 Rajab 1442H (corresponding to 10 March 2021G)
Current Positions:	• Company Deputy Chairman, since 2021G; • Secretary General, Saudi Exports Development Authority, a governmental authority concerned with increasing Saudi non-oil exports, since 2017G; • Director, Al-Rajhi International Investment Company, a limited liability company operating in the investments in agricultural sector and globally related sectors, since 2021G; and • Director, Food Security Company, a limited liability company operating in the investment sector, since 2021G.
Past Professional Experience:	• Deputy Minister, Ministry of Industry and Mineral Resources (formerly Ministry of Energy, Industry and Mineral Resources), a governmental body, Kingdom of Saudi Arabia, from 2016G to 2018G; • Deputy Minister, Ministry of Commerce (formerly Ministry of Commerce and Industry), a governmental body, Kingdom of Saudi Arabia, from 2015G to 2016G; • General Manager, Obeikan Investment Group, a closed joint stock company operating in the bottling, packaging, educational and health sectors, from 2010G to 2015G; • General Manager, Al-Mudayfer Investment Group, a closed joint stock company operating in the construction materials manufacturing sector, from 2010G to 2010G; • General Manager, Al Watania for Industries Company, a closed joint stock company operating in the manufacture and distribution of plastics and packaging materials sectors, from 2005G to 2010G; and • Product Development Manager, Filing and Packing Materials Manufacturing Company (FIPCO), a public joint stock company operating in the packaging and bottling sectors, from 1999G to 2005G.

5.2.3.3 Abdullah Abdulrahman Mohammed Alrebdi, Director

Nationality:	Saudi
Age:	48 years
Academic and Professional Qualifications:	• Master of International Management, University of Salford, Salford, United Kingdom, 2020G; • Diploma in Business Management, University of Cumbria, Carlisle, United Kingdom, 2017G; • General Securities Qualification Certificate (CME-1), Capital Market Authority, a governmental authority, Kingdom of Saudi Arabia, 2009G; and • Diploma in Electronics Engineering, Riyadh College of Technology, Kingdom of Saudi Arabia, 1996G.
Appointment Date	27 Rajab 1442H (corresponding to 10 March 2021G)
Current Positions:	• Company Director, since 2021G; • Director, Allied Cooperative Insurance Group (ACIG), a public joint stock company operating in the insurance sector, since 2021G; • Director, Soliman Bin Saleh Almohileb & his Sons Holding Company, a closed joint stock company operating in the investment, trading and industry sectors, since 2021G; • Director, Al-Bazai Automotive Company, a closed joint stock company operating in the automobile trade and support services sector, since 2021G; • Chairman of the Audit Committee, Soliman Bin Saleh Almohileb & his Sons Holding Company, a closed joint stock company operating in the investment, trading and industry sectors, since 2021G; • Chairman of the Audit Committee, Al-Bazai Automotive Company, a closed joint stock company operating in the automobile trade and support services sectors, since 2021G; and • Chief Executive Officer, Keir International, a closed joint stock company operating in the communications and information technology sector, since 2007G.
Past Professional Experience:	• Chief Executive Officer, Al Othaim Holding Company, a public joint stock company operating in the investment sector, from 2018G to 2019G; • Vice President of Financial Advisory, Saudi Scope Consulting, a limited liability company operating in the financial and economic advisory sector, from 2015G to 2017G; • General Manager, Saudi Paper Manufacturing Company, a public joint stock company operating in the basic materials manufacturing and industrial investment sectors, from 2015G to 2017G; • Head of Investment Funds, Middle East Financial Investment Company (MEFIC Capital), a closed joint stock company operating in the financial services and investment sector, from 2010G to 2012G; • Analyst and Equity Fund Manager, Arab National Investment Company, a closed joint stock company operating in the financial services and investment sector, from 2006G to 2010G; and • Supervisor and Speculator in the Companies Department and the Currency Department in the Treasury Administration, Arab National Bank, a public joint stock company operating in the financial and banking services sector, from 1998G to 2005G.

5.2.3.4 Yousef Mohammed Nasser Algafari, Director

Nationality:	Saudi
Age:	51 years
Academic and Professional Qualifications:	High School Diploma, Model Capital Institute, Riyadh, Kingdom of Saudi Arabia, 2002.
Appointment Date	27 Rajab 1442H (corresponding to 10 March 2021G)
Current Positions:	• Company Director, since 2021G; • Chairman of the Remuneration and Nominations Committee, since 2021G; • Director, Abdullah Saad Abo Moati for Bookstores Company, a public joint stock company operating in the accessories retail sector, since 2013G; • Chairman, International Human Resources Company, a closed joint stock company operating in the human resources and recruitment sector, since 2020G; and • Chairman, Successful Real Estate Development Company, a closed joint stock company operating in the real estate investment sector, since 2020G.
Past Professional Experience:	• Director, Maharah Human Resources Company, a public joint stock company operating in the commercial, professional and human resource services sectors, from 2018G to 2020G; • Chief Executive Officer, Maharah Human Resources Company, a public joint stock company operating in the commercial, professional and human resource services sectors, from 2018G to 2020G; • Managing Director, Abdullah Saad Abo Moati for Bookstores Company, a public joint stock company operating in the accessories retail sector, from 2017G to 2018G; • Director, Al Wousta Food Services Company, a closed joint stock company operating in the restaurant management sector, from 2015G to 2017G; • Director, Riyadh Food Industries Company (Riyadh Food), a closed joint stock company operating in the food processing and marketing sectors, from 2013G to 2017G; • Chief Executive Officer, Othaim Holding Company, a closed joint stock company operating in the food retail and real estate development sector, from 2011G to 2017G; • Director, Othaim Holding Company, a closed joint stock company, operating in food retail and real estate development sector, from 2008G to 2017G; • Director, Abdullah Al Othaim Real Estate Investment and Development Company, a closed joint stock company operating in the management, marketing and operation of commercial centres sectors, from 2007G to 2017G; • Director, Abdullah Al Othaim Markets Company, a public joint stock company operating in the food and staples retailing sectors, from 2006G to 2017G; • Executive Vice President, Lazurde Company for Jewelry, a public joint stock company operating in the accessories consumer goods and jewelery sectors, from 2005G to 2006G; • Deputy Secretary General and General Manager of Administrative Development, Ministry of Tourism (formerly General Commission of Tourism and Antiquities), a governmental body, Kingdom of Saudi Arabia, from 2000G to 2004G; • Head of Human Resources, Samba Financial Group, a public joint stock company operating in the financial and banking services sector, from 1997G to 2004G; • Credit Officer, Riyad Bank, a public joint stock company operating in the financial and banking services sector, from 1995G to 1997G; and • Director of Personnel, Al-Rajhi Bank, a public joint stock company operating in the financial and banking services sector, from 1991G to 1994G.

5.2.3.5 Moustafa Hassaballah Hassan Alhoufi, Director

Nationality:	Egyptian
Age:	52 years
Academic and Professional Qualifications:	• American Fellowship of Certified Public Accountants, American Institute of Certified Public Accountants, New Hampshire, United States of America, 2009G; • American Fellowship of Internal Auditors, American Institute of Internal Auditors, Lake Mary, Florida, United States of America, 2007G; • American Fellowship of Management Accountants, American Institute of Management Accountants, Montville, New Jersey, United States of America, 2005G; • American Fellowship of Financial Managers, American Institute of Management Accountants, Montville, New Jersey, United States of America, 2005G; and • Bachelor's Degree in Commerce, Alexandria University, Alexandria, the Arab Republic of Egypt, 1990G.
Appointment Date	27 Rajab 1442H (corresponding to 10 March 2021G)
Current Positions:	• Company Director, since 2021G; and • Company Audit Committee Member, since 2021G.
Past Professional Experience:	• Head of Finance and Investments, MADR Investment Company, a closed joint stock company operating in the investment and real estate development sectors, since August 2021G; • Executive Vice President of Finance, Saqa Holding Group, a limited liability company operating in the plastic, water bottling, hotels and light equipment investment sectors, from 2019G to 2021G; • Executive Vice President of Finance, Packaging Products Company, a closed joint stock company operating in the manufacture of consumer plastic products sector, from 2018G to 2019G; • Executive Vice President of Finance, Lemal Holding Group, a closed joint stock company operating in the plastics and consumables investments sector, from 2016G to 2018G; • Financial Consultant, Abdullah Saad Abo Moati for Bookstores Company, a public joint stock company operating in the accessories retail sector, from 2016G to 2017G; • Member of the Executive Committee, Madaen Star Group, a closed joint stock company operating in the real estate development, contracting, food and petroleum materials investment sectors, from 2014G to 2016G; • Executive Vice President of Finance and the Head of Support Services, Madaen Star Group, a closed joint stock company operating in the real estate development, contracting, food and petroleum materials investment sectors, from 2014G to 2016G; • Financial Manager, Nayyara Company, a limited liability company operating in the hospitality, hotels, catering, weddings and international conference sectors, from 2007G to 2013G; • Vice President of Finance, Sanabel Alsalam Company, a closed joint stock company operating in the food industry and catering sectors, from 2012G to 2012G; • Financial Manager, Astra Industrial Group, a public joint stock company operating in the pharmaceuticals, specialty chemicals and steel industries sectors, from 2010G to 2010G; • Financial Manager, Zahran Holding Company, a closed joint stock company operating in the maintenance, operation, contracting and real estate development sectors, from 2005G to 2006G; • Internal Audit Manager, Saleh Al Madaifer Holding Group, a closed joint stock company operating in the industry, transport and trade sectors, from 2002G to 2004G; • Financial Manager, Al-Batterjee Holding Company, a closed joint stock company operating in the medicine manufacturing and distributing and pharmacy and hospital management sectors, from 1999G to 2002G; • Account Manager, Al-Batterjee Holding Company, a closed joint stock company operating in the manufacturing and distributing medicines and managing pharmacies and hospitals sector, from 1992G to 1998G; and • Accountant, Arab Contractors Company, an Egyptian closed joint stock company operating in the contracting, construction and building sectors, from 1990G to 1991G.

5.2.3.6 Zed Nhad Ratib Alnathir, Director

Nationality:	Jordanian
Age:	56 years
Academic and Professional Qualifications:	Bachelor's Degree in Business Management, Jackson State University, Mississippi, United States of America, 1998G.
Appointment Date	27 Rajab 1442H (corresponding to 10 March 2021G)
Current Positions:	• Company Director, since 2021G; • Company Remuneration and Nominations Committee Member, since 2021G; and • Executive Vice President, Middle East Factory for Machines Limited Company, a limited liability company operating in the electrical industry and the electrical appliances production sectors, since 2016G.
Past Professional Experience:	• General Manager, Middle East Factory for Machines Limited Company, a limited liability company operating in the electrical industry and the electrical appliances production sectors, from 2015G to 2016G; • General Manager, Takween Advanced Industries Company (Takween), a public joint stock company operating in the packaging and consumer products manufacturing sector, from 2007G to 2013G; and • General Manager, Arab Company for Paper Products, a closed joint stock company operating in the paper and consumables manufacturing sector, from 1998G to 2007G.

5.2.3.7 Abdulaziz Khalid Saleh Almohaimeed, Board Secretary

Nationality:	Saudi
Age:	29 years
Academic and Professional Qualifications:	Diploma in Marketing, Technical College, Buraidah, Kingdom of Saudi Arabia, 2016G.
Appointment Date	25 Sha'ban 1442H (corresponding to 7 April 2021G)
Current Positions:	• Company Board Secretary, since 2021G; • Investor Relations Manager of the Company since 2021G; • Financial Manager, Al-Arabi Saudi Club, a Saudi Sport Club in Unaizah, since 2019G; • Office Manager of the Company's General Manager, since 2018G; and • Manager of Final Consumer Sales in the Company, since 2017G.

5.3 Board of Directors Committees

The Board of Directors has established the Committees to optimize the management of the Company and to meet the relevant regulatory requirements. Each Committee is required to have clear rules identifying their role, powers and responsibilities. Minutes must be prepared for each meeting of each Committee (which are reviewed and approved by the Board of Directors).

The following is a summary of the structure, responsibilities and current members of each permanent Committee:

5.3.1 Audit Committee

This committee's main role is to monitor the Company's business and affairs and assist the Board of Directors with the oversight of auditing processes, the Company's internal control systems, the Company's financial statements and other financial information, and the Company's compliance with legal and regulatory requirements. Its duties and responsibilities include the following:

- Financial Reports:
  - reviewing, commenting on and making recommendations to the Board of Directors regarding the interim and annual financial statements of the Company, including all announcements related to the Company's financial performance, prior to their presentation to the Board of Directors, to ensure their integrity, fairness and transparency, and to consider whether they are complete and consistent with the information known to the members and whether they reflect appropriate accounting principles and policies;
  - at the request of the Board of Directors, expressing a technical opinion with respect to the fairness, balance and comprehensibility of the Board of Directors' report and the Company's financial statements, and whether they include the information necessary to enable Shareholders and investors to assess the Company's financial position, performance, business model and strategy;
  - reviewing any significant or unusual issues or matters included in the Company's financial statements and reports, and reviewing any matters raised by the Chief Financial Officer (or his delegate), compliance officer or the Company's external auditor;
  - reviewing other sections of the annual report and related regulatory filings before release and considering the accuracy and completeness of the information;
  - examining the accounting estimates in respect of significant matters contained in the Company's financial statements and reports;
  - reviewing the accounting policies in force and advising the Board of Directors of its opinion and any recommendations regarding the same;
  - reviewing significant accounting and reporting issues, including complex and unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and assessing their impact on the financial statements;
  - reviewing with the management and the external auditors the results of the audit, including any difficulties encountered;
  - reviewing with the management and the external auditors all matters required to be communicated to the committee under generally accepted auditing standards; and
  - understanding how management develops interim financial information and the nature and extent of involvement of the Internal Audit Department and the external auditors.

- Internal Control and Audit:
  - reviewing and considering the effectiveness of the Company's internal control, financial, and risk management systems, including information technology security and controls;
  - understanding the scope of the internal audit of financial reports by the internal audit department and obtaining reports that include important findings and Board observations;
  - reviewing the internal audit reports and pursuing the implementation of corrective measures in respect of the comments included therein;
  - overseeing and supervising the performance and activities of the internal auditors and the Company's Internal Audit Department to ensure they have access to the necessary resources and ensuring their effectiveness in performing the tasks and duties assigned to them according to the appropriate professional standards;
  - approving the annual audit plan and all changes thereto, and reviewing the performance and activities of the Internal Audit Department against the plan;
  - working with the internal audit manager regarding the internal audit budget, resource plan, activities, and the organizational structure for internal audit functions;
  - approving the Company's internal audit regulations;
  - reviewing the Company's internal audit procedures;
  - recommending to the Board of Directors decisions regarding the appointment, dismissal and remuneration of the internal auditors;

- reviewing the performance and activities of the internal audit manager and ensuring that there are no unjustified restrictions on his activities, and recommending to the Board of Directors his appointment, dismissal, annual remuneration and salary; and
- meeting separately with the Manager of the Internal Audit Department on a regular basis to discuss any matters that the committee or the internal audit officers believes should be discussed privately.

• External Audit:

- recommending to the Board of Directors the appointment, dismissal, and compensation of the external auditors, after verifying their independence and reviewing their scope of work and terms of engagement;
- reviewing the professional qualifications of the external auditors and the personnel who will be working within the external auditors for the Company;
- reviewing the performance and supervising the activities of the external auditors and reporting to the Board of Directors with its recommendations in respect of the same, and approving any activity outside the scope of the audit work entrusted to him during the performance of his duties;
- annually reviewing and verifying the independence, objectivity and fairness of the external auditors and the effectiveness of the external auditors' audit work, taking into account the relevant rules and standards, and making recommendations to the Board in respect of the same;
- reviewing the external auditors' proposed audit scope, approach and plan, and making any comments thereon, including the coordination of audit work with internal audit activities;
- reviewing the external auditors' work and verifying that the external auditors are not providing any technical or management services outside the scope of the audit not otherwise authorised by regulatory authorities, and making recommendations to the Board of Directors in respect of the same;
- addressing any inquiries raised by the external auditors;
- resolving any disagreements between management and the external auditors regarding financial reporting; and
- meeting separately with the external auditors on a regular basis to discuss any matters that the Audit Committee or external auditors believe should be discussed privately.

• Compliance:

- verifying and monitoring the Company's compliance with the applicable laws, regulations, policies and instructions;
- reviewing the effectiveness of the control system, ensuring compliance with laws and regulations and results of investigations conducted by the department, and following up on any cases of non-compliance (including disciplinary actions);
- reviewing the reports and results of investigations of any competent supervisory or regulatory authority and any observations made by external and internal auditors, and ensuring that the Company has undertaken the necessary actions in relation to the same;
- reviewing the process of communicating the code of professional conduct to the company's employees and monitoring compliance with them;
- reviewing the contracts and transactions to be entered into by the Company with Related Parties, and making recommendations to the Board of Directors in relation to the same;
- ensuring that appropriate arrangements and mechanisms are put in place and implemented to allow for the confidential and anonymous submission by the Company's employees of concerns regarding any financial, accounting or auditing matters (including financial reports) or any cases of non-compliance;
- reporting to the Board of Directors any matters or issues which should be brought to the attention of the Board of Directors, and any related recommendations; and
- obtaining updates on a regular basis from the Company's management and its legal advisor regarding compliance matters.

• Reporting:

- providing an open avenue of communication between the Internal Audit Department, the external auditors and the Board;
- submitting to the Shareholders an annual report detailing the committee's composition, duties, and performance of these duties, and any other information as required by the applicable rules, including the approval of services outside the scope of the audit;
- reviewing any other reports issued by the Company that relate to the committee's responsibilities;
- providing periodic reports to the Board of Directors on the committee's procedures and activities, recommendations and resolutions for any matters falling within its powers; and
- preparing an annual written report containing its opinion on the adequacy and effectiveness of the Company's internal control, financial and risk management systems (including information technology security and controls) and its recommendations in this regard as well as its other work which fall within its powers. Depositing sufficient copies of this report at the Company's head office in order to provide a copy to each Shareholder upon his request. The report

shall be published on the Company's website and the Exchange's website upon the publication of the invitation for the relevant General Meeting at least ten days before the specified date of the meeting. The report shall be read out at the meeting.

- Other Tasks:
  - instituting and overseeing special investigations as needed;
  - carrying out other related work as requested by the Board of Directors;
  - reviewing and evaluating the adequacy and appropriateness of the committee's charter on an annual basis, submitting recommendations to the Board of Directors in this regard, and ensuring that the necessary disclosures are made in accordance with the requirements of the relevant laws and regulations;
  - annually confirming that all tasks entrusted to the committee have been executed; and
  - evaluating the performance of the committee and each member thereof on a regular basis.

The Audit Committee shall be created for three years by a decision of the Ordinary General Assembly, and its members shall be appointed from among the Shareholders or others; provided that: (i) at least one member is an independent Director; (ii) no executive Director is a member; (iii) the number of members is not less than three members and not more than five members; and (iv) one of its members specializes in finance and accounting. The Audit Committee convenes periodically but at least four meetings shall be held during the Company's financial year. The internal auditors and the external auditors may call for a meeting with the Audit Committee at any time as may be necessary.

The following members were appointed to the Audit Committee at the Conversion General Assembly held on 27 Rajab 1442H (corresponding to 10 March 2021G):

Table No. (5.3): Audit Committee Members

Name	Role
Abdullah Abdulrahman Mohammed Alrebdi	Chairman
Moustafa Hassaballah Hassan Alhoufi	Member
Haitham Abdullah Mohammed Dahan	Member

Source: The Company

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5.3.2 Biographies of the Members of the Audit Committee

The experience, qualifications and current and past positions of the members of the Audit Committee are set out below:

5.3.2.1 Abdullah Abdulrahman Mohammed Alrebdi, Audit Committee Chairman

See Section 5.2.3.3 (**Abdullah Abdulrahman Mohammed Alrebdi, Director**) for further details about Abdullah Abdulrahman Mohammed Alrebdi's experience, qualifications and current and past positions.

5.3.2.2 Moustafa Hassaballah Hassan Alhoufi, Audit Committee Member

See Section 5.2.3.5 (**Moustafa Hassaballah Hassan Alhoufi, Director**) for further details about Moustafa Hassaballah Hassan Alhoufi's experience, qualifications and current and past positions.

5.3.2.3 Haitham Abdullah Mohammed Dahan, Audit Committee Member

Nationality:	Yemeni
Age:	37 years
Academic and Professional Qualifications:	• Licenced, British Certified Public Accountants Association, in the financial management of public companies, London, United Kingdom, 2020G; • American Fellowship of Internal Auditors, American Institute of Internal Auditors, Lake Mary, Florida, United States of America, 2019G; • Licenced, British Certified Public Accountants Association, in the public companies international accounting standards, London, United Kingdom, 2019G; • British Fellowship of Certified Public Accountants, British Certified Public Accountants Association, London, United Kingdom, 2015G; and • Bachelor's Degree in Accounting and Management, Sana'a University, Republic of Yemen, 2008G.
Date of Appointment:	27 Rajab 1442H (corresponding to 10 March 2021G)
Current Positions:	• Company Audit Committee Member, since 2021G; and • Chief Financial Officer, Saqa Companies Group, a limited liability company operating in the plastic, water bottling and limited machinery sectors, since 2020G.
Past Professional Experience:	• Executive Director of Capital Consulting and Accounting Consulting Services, PricewaterhouseCoopers (Public Accountants), a professional company operating in the auditing, tax and advisory services sector, from 2017G to 2020G; • Senior Director of Audit Services, Deloitte & Touche Middle East, a professional company operating in the auditing, tax and advisory services sector, from 2010G to 2016G; • Executive Director, Baker Tilly International, a professional company operating in the auditing, tax and advisory services sector, from 2016G to 2017G; and • Auditor, KPMG Hazem Hassan Public Accountants & Consultants, Egyptian professional company operating in the auditing, tax and advisory services sector, from 2008G to 2010G.

5.3.3 Nomination and Remuneration Committee

The Nomination and Remuneration Committee oversees the nomination of Directors to the Board of Directors and the remuneration policy for the Directors and Executive Management members. The duties and responsibilities of the Nomination and Remuneration Committee are mainly as follows:

- Nomination:
  - developing policies and standards regarding the nomination and appointment of Directors and members of the Executive Management, proposing them to the Board of Directors and supervising their implementation;
  - ensuring that the necessary and appropriate inquiries regarding all Board candidates and their qualifications are made before submitting recommendations regarding nominations to the Board of Directors;
  - recommending that the Board of Directors nominate and re-nominate members of the Board of Directors in accordance with the applicable laws, regulations, rules and approved policies and standards;
  - reviewing, evaluating, and making recommendations to the Board of Directors regarding the capabilities, qualifications and experience required and appropriate for membership on the Board of Directors and for Executive Management positions, at least annually. This includes determining the time that a Director should allocate to the Board's business, preparing a job description and a description of capabilities and qualifications required for executive, non-executive and independent Directors and Executive Management members;
  - annually verifying independent Directors' independence according to the applicable laws, regulations and rules, and the absence of any conflicts of interest if a Director also serves as a member of another company's board of directors;
  - periodically reviewing plans for succession of Directors and Senior Executives and submitting recommendations regarding them to the Board, taking into account the challenges and opportunities facing the Company in addition to the necessary capabilities, skills and experience appropriate for membership on the Board of Directors and for Executive Management positions;
  - evaluating potential candidates for Executive Management positions in the Company and making recommendations about them to the Board of Directors, and in particular assisting the Board of Directors in selecting, developing and evaluating potential candidates for the position of Chief Executive Officer; and
  - establishing special procedures in the event of a vacancy on the Board of Directors or Executive Management, reviewing them periodically and making recommendations to the Board of Directors regarding the selection and approval of candidates to occupy those positions.

- Review and Assessment:
  - regularly reviewing the structure, size, composition, strengths and weaknesses of the Board of Directors (including their skills, knowledge and experience) and the Executive Management, making appropriate recommendations and suggesting solutions to the Board of Directors in line with the interests of the Company;
  - developing and overseeing an induction programme for new Directors and a continuing education programme for current Directors, periodically reviewing these programmes and updating them as necessary; and
  - developing, recommending to the Board of Directors, and overseeing an annual self-evaluation process for the Directors and certain Senior Executives of the Company.

- Remuneration:
  - developing a clear policy for the remuneration of Directors and members of Board Committees and Executive Management (the "Remuneration Policy"), submitting it to the Board of Directors in preparation for approval by the General Assembly, and its disclosure, supervision and verification of its implementation;
  - preparing an annual report on the remuneration and other payments (in cash or in kind) granted to the Directors and members of Board Committees and Executive Management, with a clarification of the relationship between the remuneration granted and the Remuneration Policy (including an indication of any material deviation from that policy) in order to present it to the Board of Directors for consideration;
  - regularly reviewing and assessing the effectiveness and appropriateness of the Remuneration Policy and making recommendations to the Board of Directors in relation to the same;
  - recommending to the Board of Directors the remuneration to be granted to the Directors, including members of the Board Committees, and Executive Management (including the nature and amount of remuneration), in accordance with the approved Remuneration Policy;
  - reviewing and making recommendations to the Board of Directors regarding the Company's incentive plans for the Directors and employees, including the adoption, amendment and termination of such plans; and
  - preparing any disclosures required under the Company's policies and any laws, regulations, or rules to which the Company is subject, including, at a minimum, disclosures related to the Remuneration Policy and annual report on remuneration, and disclosures related to remuneration in the Board's annual report.

- Other Tasks:
  - carrying out other related work as requested by the Board of Directors.

The Nomination and Remuneration Committee consists of at least three members and up to five members for three years. Members of the Nomination and Remuneration Committee may not be executive members of the Board of Directors, but must include at least one independent Director. The Chairman of the Nomination and Remuneration Committee is an independent Director. The Nomination and Remuneration Committee shall convene periodically, but at least two times every financial year and at least every six months, and as may be necessary by the request of the Board of Directors or any of the members.

The following members were appointed in the Nomination and Remuneration Committee by the Board of Directors on 25 Sha'ban 1442H (corresponding to 7 April 2021G).

Table No. (5.4): Nomination and Remuneration Committee Members

Name	Role
Yousef Mohammed Nasser Algafari	Chairman
Haitham Abdullah Mohammed Dahan	Member
Zed Nhad Ratib Alnathir	Member

Source: The Company

5.3.4 Biographies of the Members of the Nomination and Remuneration Committee

The experience, qualifications and current and past positions of the members of the Nomination and Remuneration Committee are set out below:

5.3.4.1 Yousef Mohammed Nasser Algafari, Nominations and Remuneration Committee Chairman

See Section 5.2.3.4 (**Yousef Mohammed Nasser Algafari, Director**) for further details about Yousef Mohammed Nasser Algafari's experience, qualifications and current and previous positions.

5.3.4.2 Haitham Abdullah Mohammed Dahan, Nominations and Remuneration Committee Member

See Section 5.3.2.3 (**Haitham Abdullah Mohammed Dahan, Audit Committee Member**) for further details about Haitham Abdullah Mohammed Dahan's experience, qualifications and current and past positions.

5.3.4.3 Zed Nhad Ratib Alnathir, Nominations and Remuneration Committee Member

See Section 5.2.3.6 (**Zed Nhad Ratib Alnathir, Director**) for further details about Zed Nhad Ratib Alnathir's experience, qualifications and current and previous positions.

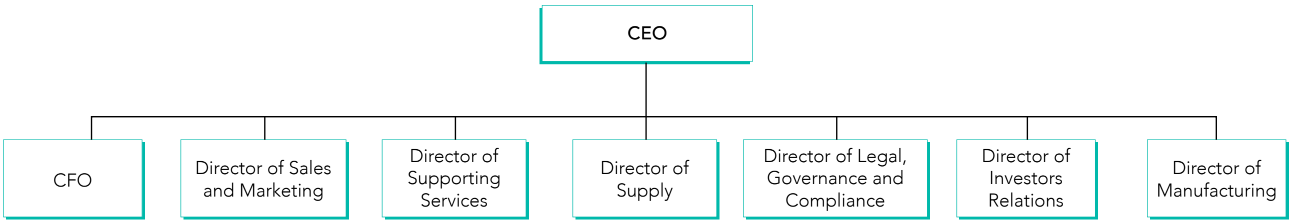
5.4 Executive Management

5.4.1 Overview of Executive Management

The Executive Management consists of qualified and experienced members with the necessary knowledge and experience to manage the Company's business in line with the objectives and guidance of the Board of Directors and the stakeholders. The Company has retained its Executive Management team, developed qualified employees and promoted them to high-ranking positions in the Company.

The following chart sets out the Senior Executives as of the date of this Prospectus:

Exhibit 5.2: Organizational Structure of Senior Executives



Source: The Company

Table No. (5.5): Details of Senior Executives

Name	Title	Date of Appointment	Nationality	Age (years)	No. of Shares pre-Offering	No. of Shares post-Offering
Abdulaziz Yousef Abdulaziz Alsayegh	Chief Executive Officer	10 Shawwal 1441H (corresponding to 1 June 2020G)	Saudi	30	-	-
Eldeiasti Tawkol Aldabi	Chief Financial Officer	15 Rabi' al-Thani 1443H (corresponding to 19 December 2021G)	Egyptian	50	-	-
Abdulaziz Suliman Alharbi	Director of Sales and Marketing	7 Jumada al-Akhirah 1442H (corresponding to 20 January 2021G)	Saudi	40	-	-
Assim Ibrahim Alhatlani	Director of Support Services	17 Rabi' al-Awwal 1443H (corresponding to 23 October 2021G)	Saudi	43	-	-
Mohammed Salah Mohammed Alkharraz	Director of Supply and Logistics	17 Rabi' al-Awwal 1443H (corresponding to 23 October 2021G)	Saudi	28	-	-
Bassam Ahmad Amoosh Alotaibi	Director of Legal, Governance and Compliance	28 Jumada al-Akhirah 1442H (corresponding to 10 February 2021G)	Saudi	24	-	-
Abdulaziz Khalid Saleh Almohaimeed	Director of Investors Relations	18 Rajab 1442H (corresponding to 1 March 2021G)	Saudi	29	-	-
Mohiden Abdulmajeed abdulahad	Director of Manufacturing	26 Rajab 1440H (corresponding to 1 April 2019G)	Afghani	30	-	-
Hussein Abdullatif Aly Elhawary	Director of Internal Audit	24 Sha'ban 1442H (corresponding to 4 June 2021G)	Egyptian	41	-	-

Source: The Company

5.4.2 Biographies of Senior Executives

The experience, qualifications and the current and past positions of each Senior Executive are set out below:

5.4.2.1 Abdulaziz Yousef Abdulaziz Alsayegh, Chief Executive Officer

Nationality:	Saudi
Age:	29 years
Academic and Professional Qualifications:	• Bachelor of Business Management, Al-Qassim University, Al-Qassim, Kingdom of Saudi Arabia, 2016G; and • Executive Master of Business Management, Sulaiman Al Rajhi University, Al-Qassim, Kingdom of Saudi Arabia, 2022G
Date of Appointment:	10 Shawwal 1441H (corresponding to 1 June 2020G).
Current Positions:	Chief Executive Officer of the Company, since 2020G.
Past Professional Experience:	• Director of Sales and Marketing of the Company from 2017G to 2020G; • Director of Marketing and Public Relations, Sulaiman Al Rajhi University, Al Bukayriyah, Kingdom of Saudi Arabia, from 2016G to 2017G; • Sales Representative, Saudi Ceramic Company, a public joint stock company operating in the construction and construction materials sector, from 2011G to 2011G.

5.4.2.2 Eldeiasti Tawkol Aldabi, Chief Financial Officer

Nationality:	Egyptian
Age:	50 years
Academic and Professional Qualifications:	• Bachelor of Accounting, Mansoura University, Mansoura, the Arab Republic of Egypt, 1996G; • American Fellowship of Certified Public Accountants, American Institute of Certified Public Accountants, New Guam, United States of America, 2014G; • American Fellowship of Management Accountants, American Institute of Management Accountants, Montville, New Jersey, United States of America, 2011G; and • Master of Business Management, Theological University of America, Florida, United States of America, 2020G.
Date of Appointment:	15 Rabi' al-Thani 1443H (corresponding to 19 December 2021G).
Current Positions:	Chief Financial Officer of the Company, since December 2021G.
Past Professional Experience:	• Head of Finance, Savana Trading Company, a closed joint stock company operating in the fields of sport and commercial activities, from 2020G to 2021G; • Financial Management Officer, Saudi Bell Company, a closed joint stock company operating in the contracting and communications sector, from January 2019G to December 2019G; • Group Financial Controller, Jana Investment Company, a closed joint stock company operating in the car rental sector, from 2017G to 2018G; • Financial Manager, Al-Jabr Soft Drinks Factory Company, a limited liability company operating in the food and juice sector, from 2015G to 2017G; • Financial Manager, Al-Eissa Textiles Company, a closed joint stock company operating in the retail clothing and textiles sector, from 2013G to 2014G; • Chief Accountant, Al-Eissa Industries Group, a closed joint stock company operating in the industrial sector, from 2007G to 2012G; • Accountant, Al Ahlia Insurance Company, a closed joint stock company operating in the insurance sector, from 2005G to 2007G; and • Accountant, Omar Ali Balsharaf Group, a closed joint stock company operating in the retail food sector, from 2002G to 2005G.

5.4.2.3 Abdulaziz Suliman Alharbi, Director of Sales and Marketing

Nationality:	Saudi
Age:	40 years
Academic and Professional Qualifications:	Bachelor of Business Management - Marketing, King Abdulaziz University, Jeddah, Kingdom of Saudi Arabia, 2013G.
Date of Appointment:	7 Jumada al-Akhirah 1442H (corresponding to 20 January 2021G).
Current Positions:	Director of Sales and Marketing of the Company, since 2021G.
Past Professional Experience:	• Operations Manager, Tawseel Commercial Logistics Company, a limited liability company, operating in the logistics services sector, from 2017G to 2021G; • Gallery Manager, Saudi Ceramic Company, a public joint stock company operating in the construction and construction materials sector, from 2007G to 2017G; • Sales Officer, Ghassan Ahmed Al Sulaiman Furniture Trading Company (IKEA Kingdom of Saudi Arabia), a limited liability company operating in wholesale and retail furniture sector, from 2005G to 2007G; and • Accountant, Ghassan Ahmed Al Sulaiman Furniture Trading Company (IKEA Kingdom of Saudi Arabia), a limited liability company operating in wholesale and retail furniture sector, from 2004G to 2005G.

5.4.2.4 Assim Ibrahim Alhatlani, Director of Support Services

Nationality:	Saudi
Age:	43 years
Academic and Professional Qualifications:	Diploma of Computer, Al Yarmouk Institute, Riyadh, Kingdom of Saudi Arabia, 2001G.
Date of Appointment:	17 Rabi' al-Awwal 1443H (corresponding to 23 October 2021G).
Current Position	Director of Support Services, Supply and Logistics of the Company, since 2020G.
Past Professional Experience:	• Chief Executive Officer of the Company from 2016G to 2020G. • Chief Executive Officer, Naqi instalment Establishment, a sole proprietorship operating in the personal and institutional financing sector, from 2013G to 2016G; • Administrative, Adel Alhatlany Establishment, a sole proprietorship operating in the commerce and industry sector, from 2006G to 2013G; and • Customer Service Officer, Saudi Telecom Company, a public joint stock company operating in the communications and information technology sector, from 2001G to 2002G.

5.4.2.5 Mohammed Salah Mohammed Alkharraz, Director of Supply and Logistics

Nationality:	Saudi
Age:	28 years
Academic and Professional Qualifications:	Bachelor of Business Managemnt, Al-Qassim University, Al-Qassim, Kingdom of Saudi Arabia, 2018G.
Date of Appointment:	17 Rabi' al-Awwal 1443H (corresponding to 23 October 2021G).
Current Position	Director of Supply and Logistics of the Company, since 2021G.
Past Professional Experience:	• Procurement Specialist of the Company from 2021G to 2021G; and • Procurement Specialist, Aljomaih and Shell Lubricating oil company Limited, a limited liability company operating in lubricating oil production and distribution sector, from 2018G to 2021G.

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5.4.2.6 Bassam Ahmad Amoosh Alotaibi, Director of Legal, Governance and Compliance

Nationality:	Saudi
Age:	24 years
Academic and Professional Qualifications:	Bachelor of Law, Al-Qassim National College, Buraydah, Kingdom of Saudi Arabia, 2018G.
Date of Appointment:	28 Jumada al-Akhirah 1442H (corresponding to 10 February 2021G)
Current Positions:	Director of Legal, Governance and Compliance of the Company, since 2021G.
Past Professional Experience:	Intern, Bader Aldubayan Law firm and Legal Consulting, a sole proprietorship operating in the legal sector, from 2017G to 2019G.

5.4.2.7 Abdulaziz Khalid Saleh Almohaimeed, Director of Investors Relations

See Section 5.2.3.7 (**Abdulaziz Khalid Saleh Almohaimeed, Board Secretary**) for further details about Abdulaziz Khalid Saleh Almohaimeed's experience, qualifications and current and past positions.

5.4.2.8 Mohiden Abdulmajeed abdulahad, Director of Manufacturing

Nationality:	Afghani
Age:	30 years
Academic and Professional Qualifications:	• Master of Mechanical Engineering, University of Brighton, Brighton, United Kingdom, 2014G; and • Bachelor of Mechanical Engineering, University of Brighton, Brighton, United Kingdom, 2013G.
Date of Appointment:	26 Rajab 1440H (corresponding to 1 April 2019G).
Current Positions:	Director of Manufacturing of the Company, since 2019G.
Past Professional Experience:	• Production Manager, Alsad Modern Beverage Company, a limited liability company operating in the beverage sector, from 2017G to 2019G; • Site Manager, Middle East Machinery Limited Company, a limited liability company operating in the electrical industry and the electrical appliances production sector, from 2016G to 2017G; • Design Engineer, Middle East Machinery Limited Company, a limited liability company operating in the electrical industry and the electrical appliances production sector, from 2016G to 2016G; and • Mechanical Engineer, DSG Yabi, a limited liability company operating in the real estate development and construction sector, from 2015G to 2015G.

5.4.2.9 Hussein Abdullatif Aly Elhawary, Director of Internal Audit

Nationality:	Egyptian
Age:	41 years
Academic and Professional Qualifications:	Bachelor of Accounting, Ain Shams University, Cairo, the Arab Republic of Egypt, 2003G;
Date of Appointment:	24 Sha'ban 1442H (corresponding to 4 June 2021G).
Current Positions:	Director of Internal Audit of the Company, since 2021G.
Past Professional Experience:	• Director of Internal Audit, Saqa Holding Group, a limited liability company operating in the plastic, water bottling, hotel and light equipment investment sectors, from 2020G to 2021G. • Financial Manager, Middle East Factory for Machines Limited Company, a limited liability company operating in the electrical industry and the electrical appliances production sector, from 2013G to 2020G; • Chief Accountant, Middle East Factory for Machines Limited Company, a limited liability company operating in the electrical industry and the electrical appliances production sector, from 2008G to 2013G; • Auditor, KPMG Hazem Hassan Public Accountants & Consultants, Egyptian professional company operating in the auditing, tax and advisory services sector, from 2005G to 2008G; and • Accountant, Tulip House for Printing & Industry, a closed joint stock company operating in the design, printing, packaging and distribution services sector, from 2004G to 2005G.

5.4.3 Employment Contracts with Senior Executives

The Company has concluded employment contracts with all of the Executive Management members and include their salaries and remuneration based on their qualifications and experience. These contracts include a number of benefits, such as providing transportation or granting a monthly allowance for transportation or housing or both. These contracts are renewable and subject to Saudi Labour Law. The following table shows the summary of the employment contracts with the Company's Senior Executives:

Table No. (5.6): Summary of Employment Contracts Concluded with the Company's Senior Executives

Name	Title	Appointment Dated	Date of Contract Conclusion	Date of Contract Expiration
Abdulaziz Yousef Abdulaziz Alsayegh	Chief Executive Officer	10 Shawwal 1441H (corresponding to 1 June 2020G)	10 Shawwal 1441H (corresponding to 1 June 2020G)	12 Thul-Qi'dah 1444H (corresponding to 31 May 2023G)
Eldeiasti Tawkol Aldabi	Chief Financial Officer	15 Rabi' al-Thani 1443H (corresponding to 19 December 2021G)	15 Rabi' al-Thani 1443H (corresponding to 19 December 2021G)	14 Rabi' al-Thani 1444H (corresponding to 18 November 2022G)
Abdulaziz Suliman Alharbi	Director of Sales and Marketing	7 Jumada al-Akhirah 1442H (corresponding to 20 January 2021G)	7 Jumada al-Akhirah 1442H (corresponding to 20 January 2021G)	25 Rabi' al-Thani 1444H (corresponding to 19 January 2022G)
Assim Ibrahim Alhatlani	Director of Support Services	17 Rabi' al-Awwal 1443H (corresponding to 23 October 2021G)	15 Rabi' al-Thani 1441H (corresponding to 1 December 2020G)	25 Rabi' al-Thani 1443H (corresponding to 30 November 2021G)
Mohammed Salah Mohammed Alkharraz	Director of Supply and Logistics	17 Rabi' al-Awwal 1443H (corresponding to 23 October 2021G)	19 Sha'ban 1442H (corresponding to 1 April 2021G)	29 Sha'ban 1443H (corresponding to 1 April 2022G)
Bassam Ahmad Amoosh Alotaibi	Director of Legal, Governance and Compliance	28 Jumada al-Akhirah 1442H (corresponding to 10 February 2021G)	28 Jumada al-Akhirah 1442H (corresponding to 10 February 2021G)	8 Rajab 1443H (corresponding to 9 February 2022G)
Abdulaziz Khalid Saleh Almohaimeed	Director of Investors Relations	18 Rajab 1442H (corresponding to 1 March 2021G)	18 Rajab 1442H (corresponding to 1 March 2021G)	28 Rajab 1443H (corresponding to 1 March 2022G)
Mohiden Abdulmajeed abdulahad	Director of Manufacturing	26 Rajab 1440H (corresponding to 1 April 2019G)	26 Rajab 1440H (corresponding to 1 April 2019G)	18 Sha'ban 1442H (corresponding to 31 March 2021G)
Hussein Abdullatif Aly Elhawary	Director of Internal Audit	24 Sha'ban 1442H (corresponding to 4 June 2021G)	24 Sha'ban 1442H (corresponding to 4 June 2021G)	12 Ramadan 1444H (corresponding to 3 June 2023G)

Source: The Company

Abdulaziz Yousef Abdulaziz Alsayegh has been the Chief Executive Officer since his appointment on 1 June 2020G. An employment contract was concluded between him and the Company, and the following is a summary of his duties and responsibilities:

- managing the day-to-day affairs and business of the Company;
- proposing and developing the Company's strategy and overall commercial objectives, in close consultation with the Board of Directors;
- implementing the resolutions of the Board of Directors and the Committees;
- providing input to the Chairman on the Board of Directors meeting agenda;
- ensuring the provision of accurate and clear information to the Board of Directors in a timely manner; and
- ensuring that all material matters affecting the Company are brought to the attention of the Board of Directors.

On 19 December 2021G, Eldeiasti Tawkol Aldabi joined the Company as Chief Financial Officer. An employment contract has been concluded between him and the Company, and the following is a summary of his duties and responsibilities:

- leading the process of developing long and short term financial plans, developing the financial model, and implementing the Company's strategic financial initiatives;
- managing the financial reporting process and ensuring that policies and procedures are applied to strengthen the Company's internal control systems;
- working on improving cash flow and taking measures to provide liquidity and working capital facilities necessary for the Company;
- preparing all financial statements and reports, including income statement, financial position statements and reports provided to Shareholders and Government entities; and

- periodically comparing the Company's records, books and programmes with external parties and making the necessary adjustments and directing and recording accounting entries for all company operations to ensure their compliance with the accounting rules and standards.

5.5 Remuneration of Directors and Senior Executives

Pursuant to the Company's Bylaws, the remuneration of Directors shall be determined in accordance with the Ministry of Commerce's relevant official resolutions and instructions, the provisions of the Companies Law, any other complementary rules thereto and the Company's Bylaws. In addition, attendance and transportation allowances shall be determined by the Board of Directors in accordance with the applicable laws, resolutions and instructions in the Kingdom as passed by the concerned authorities.

It should be noted that, according to the Company's Bylaws and internal regulations, neither the Directors nor the Senior Executives have the power to vote on their remuneration or compensation. The salaries of the Senior Executives are determined in employment contracts they entered into in accordance with the Remuneration Policy approved by the Company. Neither the Directors nor the Senior Executives have any power to borrow from the Company or vote on a contract or arrangement in which they have a significant interest.

No in-kind benefits were paid to the Directors and Senior Executives. In accordance with Article 76 of the Companies Law which allows the remuneration to be distributed as a percentage of profits, the maximum annual remuneration for each Director shall be five hundred thousand Saudi riyals (SAR 500,000).

The following table sets out the remuneration of the Directors and top five Senior Executives (including the Chief Executive Officer and the Chief Financial Officer) for the financial years ended 31 December 2019G, 2020G and 2021G:

Table No. (5.7): Directors and Top Five Senior Executives Remuneration

	2019G	2020G	2021G
	(SAR thousand)		
Directors	-	-	-
Committee Members	-	-	-
Senior Executives	793.4	837.0	1,316
Total	**793.4**	**837.0**	**1,316**

Source: The Company

5.6 Corporate Governance

The Company's policy is to adopt high standards of corporate governance and its Board of Directors undertakes to comply with the Corporate Governance Regulations issued by the CMA on 16 Jumada al-Ula 1438H (corresponding to 13 February 2017G), as amended on 1 Jumada al-Akhirah 1442H (corresponding to 14 January 2021G) .

The Corporate Governance Regulations set out the rules and standards that regulate the management of the Company to ensure compliance with the best corporate governance practices to protect the rights of Shareholders and other stakeholders. The provisions of the Corporate Governance Regulations are mandatory, except for certain provisions that are designated as guidelines.

The Company's internal corporate governance manual, which was adopted by the Board of Directors on 25 Sha'ban 1442H (corresponding to 7 April 2021G), includes provisions related to:

a. the rights of Shareholders;
b. the Board of Directors (including the Board formation, membership, meetings, working procedures, competencies, duties and powers, development, support, evaluation and remuneration);
c. the Committees of the Board of Directors;
d. Executive Management and administrative committees;
e. internal control and audits;
f. external auditors;
g. disclosure and transparency;
h. internal policies; and
i. record keeping.

As of the date of this Prospectus, the Company complies with the mandatory provisions of the Corporate Governance Regulations, except for the following articles:

a. article 8(a) requiring that upon the calling for a General Assembly, the Company shall announce on the Exchange's website information about the nominees for membership on the Board of Directors;

b. article 8(c) regarding the restriction of voting in the General Assembly to nominees whose information has been announced in accordance with Article 8(a);
c. article 13(d) related to the publication of the invitation for the General Assembly on the Exchange's website and the Company's website;
d. article 14(c) related to making information related to the items of the General Assembly available through the Exchange's website and the Company's website;
e. article 15(e) related to advertising to the public and notifying the CMA and the Exchange of the results of the General Assembly upon its conclusion;
f. article 17(d) requiring the Company to notify the CMA of the names of the members of the Board of Directors and a description of their membership, as well as any changes in their membership;
g. article 19(b) requiring the Company upon the termination of the membership of a member of the Board of Director to promptly notify the CMA and the Exchange and to specify the reasons for such termination;
h. article 68 requiring the Company to publish the nomination announcement on the websites of the Company and the Exchange to invite persons wishing to be nominated to the membership of the Board of Directors;
i. article 86 related to the commitment of Directors to the professional conduct policy; and
j. articles 89 and 90, Article 91(b), Article 92, and Article 93 related to disclosure policies and procedures.

The Company is not currently in compliance with the above articles of the Corporate Governance Regulations because it is not yet a listed company. The Directors undertake to comply with these articles as soon as the CMA issues its approval for the listing of the Shares. In addition, the Directors confirm that the Company is currently complying with all other provisions of the Corporate Governance Regulations and the Companies Law.

The Company has two permanent Board Committees (the Audit Committee, and the Nomination and Remuneration Committee), which are responsible for reviewing the Company's operations within their particular areas of expertise and presenting their findings and suggestions to the Board of Directors (for further details, see Section 5.3 (**Board of Directors Committees**)).

The Company's Board of Directors consists of six (6) Directors, most of whom are non-executive Directors, including two (2) independent Directors in accordance with the provisions of the Corporate Governance Regulations. The Board of Directors ensures that:

a. all of the Committees have clear competencies and that the roles and responsibilities of each Committee are clearly defined; and
b. minutes of all meetings will be prepared, reviewed and signed by the Board of Directors in accordance with the Bylaws.

In accordance with Article 95(1) of the Companies Law and Article 8(b) of the Corporate Governance Regulations, the Shareholders adopted the cumulative voting method in relation to the appointment of Directors as reflected in the Company's Bylaws (for further details, see Section 12.13 (**Summary of Bylaws**). This method of voting gives each Shareholder voting rights equivalent to the number of Shares he/she holds. Shareholders may use all of their voting rights for one nominee or divide such voting rights between selected nominees without any duplication of these votes. This method increases the chances for minority Shareholders to be represented in the Board of Directors through the right to accumulate votes for one nominee.

5.7 Conflicts of Interest

Neither the Company's Bylaws nor the Company's internal regulations and policies grant a Director the power to vote on any contract or transaction in which he/she has a direct or indirect interest. This is in compliance with Article 71 of the Companies Law. The Company also has internal regulations called Conflicts of Interest Policy and Business Ethics related to conflicts of interest and competition which was approved by the Board of Directors. The Directors confirm that:

a. they will comply with Articles 71 and 72 of the Companies Law and Articles 44 and 46 of the Corporate Governance Regulations;
b. they will not vote on General Assembly resolutions that relate to any Related Party transaction or contract in which they have a direct or indirect interest; and
c. they will not compete with the Company's business without the approval of the Ordinary General Assembly in accordance with the Article 72 of the Companies Law.

As of the date of this Prospectus, none of the Directors or Senior Executives is a party to any specific agreement, arrangement or understanding under which they are subject to any obligation that prevents them from engaging in activities that are competitive with the Company or any similar obligation in relation to the Company's business. However, in order to engage in businesses competing with the Company, the Directors must obtain approval from the General Assembly in accordance with Article 46 of the Corporate Governance Regulations and Article 72 of the Companies Law.

Section 12.9 (**Related Party Contracts and Transactions**) provides a summary of the contracts and/or transactions entered into by the Company, including those in which a Director has a direct or indirect interest. As of the date of this Prospectus, the Directors are not engaged in any activities that compete with the Company's activities.

The following table provides a summary of contracts and transactions concluded with Related Parties, including those in which a Director has a direct or indirect interest:

Table No. (5.8): Summary of Contracts and Transactions Concluded with Related Parties, Including those in Which a Director has a Direct or Indirect Interest

Parties	Nature of the contract or transaction	Total value of the contract / transaction		Direct or Indirect Conflicting Director
		for the financial year ended 31 December 2020G	for the financial year ended 31 December 2021G	
The Company (as the purchaser) and Zulal Company (as the seller)	Production Line Purchase, operation and maintenance agreement for the purpose of supporting the Company's activities.	SAR 12,236,992	N/A	-
The Company (as the purchaser) and Middle East Factory for Machines (as the seller)	An agreement to purchase machinery and equipment for the purpose of supporting the Company's activities.	SAR 13,800,000	N/A	Zed Nhad Ratib Alnathir
The Company (as the purchaser) and Middle East Factory for Machines (as the seller)	A purchase order from the Company to purchase machinery and equipment to develop the Company's production lines, for the purpose of supporting the Company's activities.	SAR 7,700,917	N/A	Zed Nhad Ratib Alnathir

Source: The Company

5.8 Bankruptcy and Insolvency

As of the date of this Prospectus, none of the Directors, Senior Executives or the Secretary has at any time been declared bankrupt or been subject to bankruptcy proceedings.

None of the companies in which any of the Directors, Senior Executives or Secretary have been employed in a managerial or supervisory capacity, were declared insolvent or bankrupt during the past five years preceding the date of this Prospectus.

5.9 Employees

The Company adopted an employment policy aimed at building and enhancing relations between the Company and its employees. This policy covers all aspects of recruitment, work schedules, healthcare, social insurance benefits, salaries and other allowances, including accommodation and transportation allowances and rewards.

5.9.1 Number of Employees

As of 31 December 2021G, the Company employed 591 employees (31.3% of whom were Saudi nationals).

The following table shows the number of employees of the Company by business segment as of 31 December 2019G, 2020G and 2021G:

Table No. (5.9): Number of Employees of the Company by Business Segment as of 31 December 2019G, 2020G and 2021G

Business Segment	31 December 2019G				31 December 2020G				31 December 2021G			
	Saudi	Non-Saudi	Total	Percentage / Saudisation	Saudi	Non-Saudi	Total	Percentage / Saudisation	Saudi	Non-Saudi	Total	Percentage / Saudisation
Wholesale Segment	45	119	164	27.4%	91	175	266	34.2%	175	378	553	31.6%
Retail Segment	-	-	-	-	30	47	77	40%	9	29	38	23.7%
Total	45	119	164	27.4% / high green	121	222	343	35.3% / platinum	185	406	591	31.3% / platinum

Source: The Company

The table below shows the number of employees of the Company and the achieved Saudization percentages as of 31 December 2019G, 2020G and 2021G:

Table No. (5.10): Number of Employees of the Company and the Achieved Saudization Percentage as of 31 December 2019G, 2020G and 2021G

The Company	31 December 2019G				31 December 2020G				31 December 2021G			
	Saudi	Non-Saudi	Total	Saudization ratio / category[1]	Saudi	Non-Saudi	Total	Saudization ratio / category[1]	Saudi	Non-Saudi	Total	Saudization ratio / category[1]
Naqi Water Company	45	119	164	27.4% / high green	121	222	343	35.3% / platinum	185	406	591	31.3% / platinum

Source: The Company

The number of Company's employees as of 31 December 2019G was 164. It increased by 109% to approximately 343 as of 31 December 2020G, and then increased by 72.3% to approximately 591 employees as of 31 December 2021G.

5.9.2 Saudization

The Nitaqat Programme was approved pursuant to Resolution No. 4040 of the Minister of Human Resources and Social Development issued on 12 Shawwal 1432H (corresponding to 10 September 2011G), based on the Council of Ministers Resolution No. 50 issued on 21 Jumada al-Ula 1415H (corresponding to 27 October 1994G), which was applied as of 12 Shawwal 1432H (corresponding to 10 September 2011G). The Saudi Arabian Ministry of Human Resources and Social Development established the Nitaqat Programme to provide establishments with incentives to hire Saudi nationals. The programme assesses an establishment's performance based on specific ranges, which are platinum and green (which are further divided into three categories low green, middle green and high green), yellow and red. Establishments that are classified within the platinum and green categories are deemed to be compliant with the Saudization requirements and receive certain specified benefits, such as the ability to obtain and renew work visas for foreign employees or the ability to change the profession of foreign employees (except for professions reserved exclusively for Saudi nationals). Establishments that are classified as yellow or red (depending on the extent to which they are non-compliant) are deemed to be noncompliant with the Saudization requirements and are subject to certain punitive measures, such as restrictions on renewing work visas for foreign employees or the complete prohibition of obtaining or renewing work visas for foreign employees.

As of 31 December 2021G, the Company has a Saudization rate of 31.3%, which places it within the platinum range. For the Nitaqat classification of the Company, see Table 5.10 (**Number of Employees of the Company and the Achieved Saudization Percentage as of 31 December 2019G, 2020G and 2021G**) above.

6

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS

6.1 Introduction

This section includes an analytical presentation of the operational performance and financial position of Naqi Water Company (the "**Company**") during the financial years ended December 31, 2019G, 2020G and 2021G. This section and the related notes and breakdowns were prepared based on the audited financial statements for the financial years ending on December 31, 2019G, 2020G and 2021G, which were prepared by the Company's management and audited in accordance with the international financial reporting standards approved in the Kingdom by Al Yousef and Al Saeed Auditing Company for the financial year ending on December 31, 2019G and Dr. Muhammad Al-Omari & Co. Certified Public Accountants for the fiscal years ending on December 31, 2020G and 2021G.

The Company prepared its financial statements for the financial years ended on December 31, 2019G, 2020G and 2021G, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, in addition to other versions and standards approved by the Saudi Organization for Chartered and Professional Accountants (SOCPA). The Company began applying the full international financial reporting standards from the fiscal year 2018G.

Neither Dr. Muhammad Al-Omari & Co. Certified Public Accountants nor any of their subsidiaries have any stake or interest of any kind in the Company, and their written approval was given without consent regarding the publication of their name and logo and their statement in this Prospectus as auditors of the Company for the above-mentioned periods.

We highlight that this part may include statements with future outlooks based on the management's current plans and expectations regarding profit growth, results of operations and financial conditions. Accordingly, it includes uncertain risks and expectations that may diverge from the Company's actual results as a result of multiple factors and events, including the factors discussed in this section or elsewhere as mentioned in Section 2 (**RISK FACTORS**).

All of the financial information in this section is presented in Saudi Riyals unless otherwise stated. The amounts and percentages have been rounded to the nearest decimal, and accordingly, if numbers mentioned in the tables are added together, their sum may not correspond to the totals mentioned in those tables or to the Company's financial statements.

6.2 Declarations of the board of directors regarding the financial statements

The members of the Board of Directors, to the best of their knowledge and belief, declare the following:

1. Except as disclosed in Section 2 (**RISK FACTORS**) and Section 6.5 (**The Main Factors Affecting the Company's Performance and Operations**), the Company is not aware of any seasonal or business-related factors that may have an impact on the Company's business or financial condition.
2. The financial information contained in this section has been extracted without material modifications and presented in a format consistent with the audited financial statements for the financial years ending on December 31, 2019G, 2020G and 2021G, and the related notes, which have been prepared by the Company in accordance with international financial reporting standards approved in the Kingdom from the Saudi Organization for Chartered and Professional Accountants.
3. The Company has sufficient working capital for a period of at least 12 months immediately following the date of publication of this Prospectus.
4. There were no qualifications in the chartered accountant's report on the Company's financial statements for any of the three fiscal years preceding the date of this Prospectus.
5. There was no material negative change in the financial and commercial position of the Company during the three fiscal years preceding the date of submission of the application for the registration and offering of securities until the date of adoption of this Prospectus. The members of the Board of Directors confirm that all material facts related to the Company and its financial performance have been disclosed in this Prospectus, and that no other information, documents or facts, if omitted, would render the data contained in this Prospectus misleading.
6. No structural changes were made to the issuer during the three fiscal years preceding the date of submission of the application for the registration and offering of the securities subject of this Prospectus.
7. There was no material change in the issuer's accounting policies during the three fiscal years preceding the date of this Prospectus.
8. Except for what was disclosed in Section 2 (**RISK FACTORS**), there was no material change in the audited financial statements during the three fiscal years preceding the date of this Prospectus.

9. There is no intention to make any material changes in the nature of the Company's activities.
10. The Company's operations have not been interrupted in a way that could have a noticeable impact or has actually affected the Company's financial position during the past twelve months.
11. The Company has provided comprehensive details in this section for all fixed assets and investments, including contractual securities and other assets whose value is volatile or difficult to estimate.
12. No commissions, discounts, brokerage fees, or non-cash compensation have been granted by the Company to any of the Board members, proposed members of the Board, Senior Executives, offerors of securities or experts during the three years preceding the date of submission of the registration and offering application.
13. The Company does not have any loans or other indebtedness, including overdrafts from bank accounts, and acknowledges that there are no guarantee obligations (including personal guarantees, not covered by a personal guarantee, secured by a mortgage, or not secured by pledge) or obligations under acceptance, acceptance credit, or rental purchase commitments, except as disclosed in subsection 12.6 (**Financing Agreements**) in Section 12 (**LEGAL INFORMATION**) of this Prospectus.
14. The Company does not have any existing or approved debt instruments that have not been issued as at the date of this Prospectus.
15. To the best of the knowledge of the Board of Directors, there are no encumbrances, rights, or any encumbrances or costs on the Company's property as at the date of this Prospectus, except as disclosed in subsection 12.6 (**Financing Agreements**) of Section 12 (**LEGAL INFORMATION**) of this leaflet.
16. The Company does not have any potential obligations, guarantees or any important fixed assets that it intends to purchase or lease other than what has been disclosed in this section of this Prospectus.
17. The share capital of the Company is not subject to the right of option.
18. The Company has no information about any governmental, economic, financial, monetary or political policies or any other factors that have affected or could materially (directly or indirectly) impact the Company's operations except as disclosed in Section 2 (**RISK FACTORS**) of this Prospectus.

6.3 Significant Accounting Policies

Audited Financial Statements have been prepared in accordance with accounting standards generally accepted in the Kingdom. The following is a statement of the most important accounting policies used:

6.3.1 New Standards, Interpretations and Amendments Issued and Effective

The following are a number of amendments to the International Financial Reporting Standards, which entered into force on January 1, 2020G, and do not have a material impact on these financial statements of the Company:

- Amendments to International Accounting Standard No. (1) and International Accounting Standard No. (8) - The use of a consistent definition of materiality in all international financial reporting standards.
- Amendments to International Accounting Standard No. (3) "Business Combinations" - Definition of Business.
- Amendments to the references to the conceptual framework of the International Financial Reporting Standards.

6.3.2 New standards, interpretations and amendments issued but not yet effective

The standards and interpretations listed below are not expected to have a material impact on the Company's financial statements:

- International Financial Reporting Standard No. (17) "Insurance Contracts" is effective on or after January 1, 2021G.
- Classification of Liabilities Amendments to International Accounting Standard No. (1) "Presentation of Financial Statements" These amendments are effective starting from or after January 1, 2021G.
- Amendments to International Accounting Standard No. (28) "Sale or Contribution of Assets between an Investor and his Associate or Joint Venture", these amendments are available for voluntary application and the effective date has been postponed indefinitely.

6.3.3 Revenue recognition

Revenue is recognized when the Company fulfils its obligations in contracts signed with customers in an amount that reflects the material compensation that the Company expects in exchange for goods. Specifically, the standard provides a five-step model for revenue recognition:

Step one: Defining the contract or contracts with clients.

Step two: Determining the performance obligations in the contract.

Step three: Determining the transaction price.

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

Step Five: Recognizing revenue when the Company meets performance requirements.

- Revenue is recognized upon the performance of contractual obligations, i.e., when control of the goods related to the performance of a certain obligation is transferred to the customer so that they 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 location, the resulting difference will be treated as transportation revenue and the corresponding cost will be included in the revenue costs.
- Dividends are only recognized in profit or loss when:
  - the Company's right to receive the paid dividends is established;
  - it is more likely that the economic benefits associated with dividends will flow to the Company; and
  - it is possible to measure the amount of dividends in a reliable manner.

Discounts

Revenue from the sale 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. Experience 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 a significant reversal will occur, and 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 that the existence of any contracts will exceed the period of one year between the delivery of the agreed products to be sold to the customer and payment by the customer; thus the Company does not adjust any of the transaction prices in terms of the time value of money.

6.3.4 Property, plant, 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 the property, plant and equipment must be reduced to the recoverable amount and an impairment loss is recognized, if any, in profit or loss. Unless the asset is disposed of at a revalued amount, the period of 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.

An 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 an increase in future economic benefits related to the asset has arisen. The costs of the periodic repair and maintenance of property, equipment, and factories 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 the 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 using the following depreciation table:

1	Buildings	3%
2	Vehicles	25%
3	Furniture and fixtures	20%
4	Machinery and equipment	10%
5	Tools	10%
6	Computers	20%
7	Desalination plant and lab equipment	20%

Capital work-in-progress is included under property, plant, and equipment at cost and includes the cost of machinery and equipment as well as direct expenses. Capital work-in-progress that will be used by the Company are not depreciated until they become ready for use and are transferred to property, plant, and equipment.

6.3.5 Intangible assets

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

Subsequent expenses

Subsequent expenditures are capitalized only when they generate future economic benefits for the Company. All other internally generated expenditures are recognized in the statement of profit or loss and other comprehensive income when incurred.

Amortization

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

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

6.3.6 Decline in the value 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 less than its carrying amount, the carrying amount of that asset or cash-generating unit needs to be reduced to its recoverable amount, and that reduction is recognized as an impairment loss in profit or loss in the period in which they occur.

If the impairment loss is subsequently reversed, then the carrying amount of the asset or cash-generating unit is increased to the extent of its revised recoverable amount, but not above the amount that it would have been without the prior impairment loss. The reversal of the impairment loss is recognized as income in profit or loss in the period in which it occurs.

6.3.7 Inventory

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of the finished production is determined on the basis of the weighted average method. The cost of the finished and under-run production includes the cost of raw materials, labour, and a specific percentage of indirect expenses. All other inventory types are valued on a weighted average basis. Provisions are made for stagnant and slow moving materials, if any.

6.3.8 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.

6.3.9 Obligation of employees' end of service benefits

Employees' end-of-service benefits obligation is a compensation obligation paid to employees after the end of their services, and according to the Saudi labour 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 relation to 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 defined benefit obligations is determined by discounting the estimated future cash outflows using the rates of return on corporate bonds with a high credit rating, denominated in the currency in which the benefits are paid and with maturities approximating the relevant benefit obligations. In the absence of a wide market for these companies, government bond market rates are applied. 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.

6.3.10 Lease Contracts

Evaluation of lease contracts

At the beginning of the contract, the Company makes an assessment to determine whether the contract is a lease or involves a lease. A contract is a lease or contains a lease if it conveys the right to control the use of a specific asset for a period of time in return for a 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.

The Company as a tenant

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 and any lease payments made on or before the commencement date, plus any initial direct costs incurred and the estimated costs of the dismantling and removal of the subject asset or the restoring of the subject asset or the location on which it is located, minus any rental 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 leasee 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 the Company's will to exercise its 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 for 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 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 adjustments to reflect the terms of the lease and the type of leased asset.

Recognized lease payments when measuring the lease liability consist of the following:

- Fixed payments, including payments that are fixed in content.
- Variable lease payments based on an index or a price, initially measured using the index or price at the start date.
- Amounts expected to be paid under the residual value guarantee.
- The exercise price under the purchase option that the Company guarantees that it will reasonably exercise, the lease payments from the optional renewal period if the Company reasonably guarantees 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.

Short term lease contracts

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases 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.

6.3.11 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 flow at a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

6.3.12 Financial Instruments

A financial instrument is any contract that gives rise to the financial assets of one entity and the 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 it becomes a party to the contractual provisions of the instrument.

Financial assets

When the Company acquires a financial asset, it is classified at amortized cost, or 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 group 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 price (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 its initial recognition, the Company makes its subsequent measurement of 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 group of financial assets in order 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 group of financial assets in order to collect contractual cash flows and sell the financial assets, and that the contractual terms of the financial asset create on specific dates cash flows that are – only – payments of principal and interest on the original 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 and sale gains/(losses) are recognized in other comprehensive income. The resulting dividends are recognized in profit or loss.

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
- 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 and to 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 it has 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.

Decline in the value of financial assets

The Company assesses the expected credit losses related to its financial assets by using forward-looking information. The method of impairment 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 liabilities

The Company derecognizes the financial liability (or part of a financial liability) from its statement of financial position when it is amortized, i.e. when the liability specified in the contract is paid, cancelled, 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 less the principal amount payments, plus or minus the cumulative amortization using the effective interest method for any difference between the initial amount and the amount on the due date.

6.3.13 Provision for Zakat

The Company is subject to Zakat in accordance with the regulations of the ZATCA. Zakat is redeemed 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.

6.3.14 Statutory Reserve

In accordance with the Company's Bylaws and the Companies Regulations, the Company sets aside 10% of its net income each year as statutory reserve until such reserve equals 30% of the share capital. This reserve is currently not available for distribution to the Shareholders of the Company.

6.3.15 Loans

Loans are initially recognized at fair value, net of transaction costs incurred, and are 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 derecognized from the statement of financial position when the commitment specified in the contract is implemented, cancelled or its term expires. Loans are classified as current liabilities when the remaining maturity is less than 12 months.

6.3.16 Finance costs

Finance costs are directly attributable to the acquisition, construction or production of qualifying assets (which are assets that need a large period of time, more than a year, to become ready for their intended use) and are added to the cost of these assets until these assets become ready for their intended use. No finance costs are capitalized if there is a suspension of active development of the asset.

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

6.3.17 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under prevailing market conditions (for example, 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:

- in the principal market for the asset or liability; or
- in the most advantageous market for the asset or liability in the absence of the main 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 are acting 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 Audited 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 assets or liabilities identical to those being measured.
- The second level: the inputs that can be directly or indirectly observed or monitored for the asset or liability other than the declared prices listed within the first level.
- The third level: the inputs that cannot be monitored or observed for the asset or liability.

6.3.18 Significant accounting estimates, judgments, and assumptions

Preparing financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the amounts of revenues, expenses, assets (assets) and obligations (obligations) appearing in the Audited Financial Statements, disclosures attached to the Audited Financial Statements and disclosures about potential liabilities and potential assets. However, the uncertainty contained in these assumptions and estimates may lead to significant adjustments to the carrying amounts 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 Audited Financial Statements in addition to the main assumptions that were made when estimating the impact of future conditions on the numbers appearing in the Audited Financial Statements and the disclosures related to them at the date of preparing the Audited 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 on its estimates and assumptions on the existing conditions and information available when preparing the Audited Financial Statements. However, existing circumstances and assumptions about future developments may change according to changes in the market or circumstances arising outside the control of the Company. These changes are reflected in the assumptions when they occur.

1. Estimated life of property, plant, and equipment

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

2. 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 behaviour 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. Thus, all assumptions are reviewed one or more times per year when necessary.

6.4 Company Profile

Naqi Water Factory – a branch of a sole proprietorship – was established by its owner Amin Bin Abdullah bin Ali Al-Mallah, under Commercial Registration No. 1128018184 issued by Unaizah on 16 Ramadan 1438H corresponding to June 10, 2017G. The branch of the institution was transformed into a limited liability company, and the partner, Mr. Yasser Aqeel, joined Abdul Aziz Al-Aqeel, the company's capital became 45,338,000 S R. The amended commercial register was issued with the same commercial registration number above, and the Company's founding contract was issued on 27 Shaaban 1438 AH corresponding to May 23, 2017G.

The Company is engaged in the production and bottling of purified filtered water, Sales from the wholesale of all kinds of bottled water, Sales from the wholesale of soda water and juices, and the retail sales of beverages in specialized stores.

6.5 The Main Factors Affecting the Company's Performance and Operations

6.5.1 Fluctuation in raw material prices

The Company's revenues and profits depend on several factors, and are mainly driven by the prices of raw materials that represent miniature plastic bottles (preform), plastic caps, cartons, etc., which are subject to price fluctuations based on the prevailing prices in the local and global markets driven by supply and demand locally and globally. The Company cannot control the factors affecting the prices of raw materials or the actual changes in supply and demand, market fluctuations, or international economic factors that may significantly affect the prices of raw materials. The Company may not be able to increase the prices of the products to reflect the value of the increase in the cost of production, which will negatively and fundamentally affect the Company's business, its future prospects, the results of its operations, its cash flows and its financial position.

6.5.2 Competition and market share of the Company

The Company competes in the Kingdom with companies working in the field of drinking water bottling. Competitive factors include price, water purity, brand spread, geographical presence, innovation and customer service. Furthermore, technology has made it possible for customers to compare prices available from drinking water bottling companies with greater ease. Hence, if a company tries to increase its prices, its competitors may seek to intensify competition on prices. The Company may not be able to maintain its position in the market or its total share of the drinking water bottling market or enhance either of them due to the fact that some of the Company's competitors enjoy financial and marketing resources that exceed the Company's resources. Additionally, higher competition may result in lower prices, higher offers and incentives in sales, lower gross margins, higher sales expenses, marketing programmes, and expenses dedicated to expanding marketing channels. The Company's competitors, including new companies, may also reduce prices to gain, among other things, a competitive advantage and greater market share. Accordingly, the Company may not be able to maintain or enhance its market position or its total share in the drinking water bottling market. If the Company is not able to meet these competitive challenges, it will negatively and materially affect the Company's business, financial condition, results of operations and future prospects.

6.5.3 Structural changes in the bottled drinking water sector

The drinking water bottling sector in general is in continuous development and is subject to fundamental structural changes, as companies provide solutions for bottled drinking water that specifically contain non-potable water purification systems (tap water), which may affect the demand for bottled drinking water and may lead to a change in the preferences and uses of customers. Some of these companies may have the ability to provide large capital, innovative technologies or launch new services at a relatively low cost. Accordingly, the Company's ability to continuously improve its operations and current offerings in response to structural changes in the drinking water bottling sector in general as well as technological changes is essential to maintain its competitive position and the confidence of customer satisfaction. On the other hand, the absence of a clear and comprehensive approach to dealing with such changes may lead to a loss of competitive advantage and thus negatively affect the Company's profitability, market share and ability to grow, which would negatively and fundamentally affect the Company's business, financial position, results of operations and future prospects.

6.5.4 The extent of the spread of the brand and the maintenance of its spread

The Company's business is highly dependent on the spread of its "Naqi" brand in the Kingdom. Thus, the Company invests in its "Naqi" brand and incurs expenses to expand its reach, including establishing partnerships and advertising campaigns. Factors that influence brand exposure are often beyond a company's control and may not achieve the intended objectives of its efforts to maintain or expand the reach of the brand such as advertising campaigns. In addition, negative publicity regarding the Naqi brand in particular or the drinking water bottling sector in general, whether on the Internet, social media or otherwise, may harm the brand and thus have a material negative impact on the Company's business or results, its operations, financial condition and future prospects.

6.5.5 Consumer spending due to economic conditions

The drinking water bottling sector may be adversely affected by any decline in general economic conditions, wages, availability of consumer credit or consumer spending, increases in fuel prices, decreases in travel rates, increases in interest rates, and tax rates, including the imposition of value-added tax or political events which could reduce consumer spending or the level of confidence, and thus negatively affect the Company's revenues. In addition, some competitors in such circumstances may resort to lowering prices and promoting competitive products, which in turn increases pressure on the Company; This would have a material negative impact on the Company's business, financial condition, results of operations and future prospects.

6.5.6 Seasonal factors

The Company's activity is relatively affected by certain seasons during the year, usually the high demand occurs in summer compared to winter. Moreover, demand rises at certain times of the year such as Ramadan, due to the high levels of purchase of bottled drinking water in the Kingdom, either for personal consumption or for distribution to charitable organizations. Accordingly, the Company's revenues may be affected by seasonal fluctuations in supply and demand for its products, which may affect sales prices and demand volume, especially in the winter season. This may lead to a decrease in the Company's revenues and profitability, which would have a material negative impact on its business, financial condition, results of operations and future prospects. (For more information, please see paragraph 2.1.13 (Risks Associated with Seasonal Factors) of this Prospectus.)

6.6 Results of operations for the Financial Years Ending on December 31, 2019G, 2020G and 2021G.

6.6.1 Statement of profit or loss and other comprehensive income

Table No. (6.1): Statement of profit or loss and other comprehensive income for the years ended on 31 December 2019G, 2020G and 2021G

SAR in 000s	2019G	2020G	2021G	Variance	Variance	CAGR
	Audited	Audited	Audited	2019G-2020G	2020G-2021G	2019G-2021G
Sales	207,300	264,514	277,823	27.6%	5%	15.8%
cost of sales	(164,375)	(160,493)	(164,869)	(2.4%)	2.7%	0.2%
Gross profit	42,925	104,021	112,954	142.3%	8.6%	62.2%
Selling and distribution expenses	(4,416)	(14,836)	(23,937)	236%	61.3%	132.8%
General and administrative expenses	(3,606)	(7,847)	(10,750)	117.6%	37.01%	72.78%
Operating profit	34,904	81,337	78,267	133%	(3.8%)	49.7%
Other income / (Expense), net	781	(725)	1,434	(192.8%)	(297.7%)	35.5%
Financing costs	-	(592)	(1,194)	-	101.6%	0%
Net profit for the year before zakat	35,685	80,020	78,507	124.2%	(1.9%)	48.3%
Zakat expense	(906)	(2,065)	(1,231)	127.9%	(40.4%)	16.6%
Net profit	34,779	77,955	77,276	124.1%	(0.9%)	49.1%
Gains/losses from re-measurement of EOSB	32	(161)	395	(603.13%)	(345.5%)	252.9%
Total comprehensive income	34,811	77,794	77,671	123.5%	(0.2%)	49.4%

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G.

Table No. (6.2): Key Performance Indicators for the years ended on 31 December 2019G, 2020G and 2021G:

SAR in 000s	2019G	2020G	2021G	Variance	Variance	CAGR
	Audited	Audited	Audited	2019G-2020G	2020G-2021G	2019G-2021G
Key Performance Indicators						
As a percentage of total sales						
Gross profit	20.7%	39.4%	40.7%	18.6	1.3	20.0
Selling and distribution expenses	(2.1%)	(5.7%)	8.6%	3.5	14.3	10.7
General and administrative expenses	(1.8%)	(3.0%)	3.9%	(1.2)	6.9	5.7
Operations profit	16.8%	30.7%	28.2%	13.9	(2.6)	11.3
Net profit before zakat	17.2%	30.3%	28.3%	13.0	(2.0)	11.0
Net profit for the year	16.8%	29.5%	27.8%	12.7	(1.7)	11.0
Total comprehensive income	16.8%	29.4%	28.0%	12.6	(1.5)	11.2
Returns as a percentage of total sales	0.1%	0.1%	0.2%			
Discounts as a percentage of total sales	0.2%	2.6%	-			
Number of warehouses	6.0	7.0	7.0	1	-	
Number of factories	1.0	1.0	-	-		
Production lines	2.0	6.0	7.0	4	2	

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G. Management information:

Sales

The Company's sales are mainly comprised of the sale of bottled water in the Kingdom under the Naqi and Qatra Naqi brands. All sales are made through the local market of the Kingdom, mainly from the regions of Qassim and Riyadh, which amounted to about 23.5% and 25.5%, respectively, of the total sales in 2021G, 23.5% and 21.4% in 2020G, and 18.6% and 19.7% in 2019G.

Usually, the products are distributed through wholesalers. However, in 2020G, the Company expanded the scope of its activities by entering the retail sector through the acquisition of related party wholesalers in the Qassim and Riyadh regions.

The Company sells its products in cartons of 24 or 48 bottles and of various sizes. The Company does not sell bottles separately. In addition, the Company sold raw materials worth SAR 8.1 million, which included sales of cartons, stickers and covers to a related party (Zulal Company) in 2018G at cost, compared to SAR 10.2 million in 2019G. The Company stopped sales of raw materials to related parties as recommended by the its external auditor who was appointed in 2020G; This led to a reclassification of 2019G revenues to exclude sales and cost in the revised 2019G financial statements and the non-recording of similar revenues in 2020G.

The Company's sales consist mainly of sales through wholesale distribution channels, 67% of total sales in 2021G, and 33% of retail distribution channels. It is worth noting that the Company started selling its products through retail distribution channels in 2020G. It sells products of the brands it owns: (1) Naqi, and (2) Qatra Naqi. The Company's sales consist mainly of sales of the Naqi 200 ml bottle (39% of total revenue in 2021G), the Naqi 330 ml bottle (36% of total revenue in 2021G) and the Qatra Naqi 200 ml bottle (18% of total revenue in 2021G).

Sales are recognized in accordance with IFRS 15 Revenue from Contracts with Customers, whereby the Company recognizes sales as soon as the goods leave its warehouses, and an invoice is issued.

Sales increased by 5.0% from SAR 264.5 million in 2020G to SAR 277.8 million in 2021G as a result of the increase in the quantity of cartons sold from 29,390 thousand cartons in 2020G to 31,650 thousand cartons in 2021G; the growth is related mainly to Qatra Naqi 200 ml products, which showed an increase from 10,214 thousand cartons to 21,451 thousand cartons.

In 2020G, the Company acquired wholesalers in Riyadh and Qassim (which represent the largest cities in terms of sales) by Amin Bin Abdullah bin Ali Al Mallah, who owns 50% of Naqi Water Company, in addition to acquiring production lines from related parties: Middle East Machinery Factory Company Ltd., and Zulal Water Factory Company. The acquisitions led to a growth in sales by 27.6% to SAR 264.5 million, due to the increase in the quantity of cartons sold, from 25,283 thousand cartons in 2019G to 29,390 thousand cartons in 2020G, in addition to the increase in the average selling price per carton from SAR 8.2 to SAR 9.0.

It is worth noting that prior to the acquisition sales from the acquired wholesalers were accounted for in the wholesale segment, as the Company considers them to be customers. They were then reclassified to the retail sector for development, which explains the decrease in sales from wholesale in 2021G and 2020G compared to 2019G.

Cost of sales

The cost of sales is mainly represented by the purchase of raw materials, which include preforms, cartons and labels, in addition to the purchase of finished products from related parties (Al Sadd Modern Advanced Company, and Zulal Water Factory Company), which represent depreciation expenses, operating expenses to the factory and labour costs.

The cost of sales decreased from SAR 164.4 million in 2019G to SAR 160.5 million in 2020G as a result of the decrease in the average cost of carton production from SAR 6.5 in 2019G to SAR 5.5 in 2020G; this was driven mainly by the acquisition of additional production lines from related parties and the manufacture of the bottles by the Company. This led to a decline in the average cost of carton production mainly due to the elimination of profit margins previously charged by Al Sad and Zulal companies on the final products sold.

The cost of sales increased from SAR 160.5 million in 2020G to SAR 164.9 million in 2021G, mainly due to the growth in the prices of raw materials (especially preform and cardboard) along with the growth of activity in 2021G.

Selling and distribution expenses

In 2019G, selling and distribution expenses consisted mainly of media and advertising fees representing 2.1% of sales. After the acquisition of the wholesalers in Riyadh and Qassim, the costs of related selling and distribution expenses from those branches were recorded under this account, according to the management. As a result, selling and distribution expenses increased to SAR 14.8 million in 2020G, as SAR 5.3 million were related to Al-Qassim, and SAR 5.3 million were related to Riyadh and SAR 2.5 million were related to the Naqi plant.

Selling and distribution expenses in 2020G are mainly related to the salaries of sales agents (54% approximately), commissions (10%), depreciation (9% approximately) and vehicle expenses (9% approximately).

In 2021G, selling and distribution expenses increased further to SAR 23.9 million mainly due to the increase in the number of employees (by 111.8%) which led to an increase in salaries from SAR 5.7 million in 2020G to SAR 12.8 million in 2021G. In addition, there was an increase in transportation expenses to SAR 2.1 million in 2021G.

General and administrative expenses

General and administrative expenses represent personnel costs, professional expenses and fees, repair and maintenance expenses, travel expenses and other expenses. The general and administrative expenses consist mainly of staff costs, which constituted 75.0% of the total expenditure in 2021G. General and administrative expenses increased from SAR 3.6 million in 2019G to SAR 7. 9 million and SAR 10.8 million in 2020G and 2021G respectively, as a result of the increase in staff costs in addition to the increase in the number of employees from 67 employees to 127 and 190 employees, respectively during the same period.

Other income/ (expense), net

Other income amounted to SAR 781 thousand in 2019G, and consisted mainly of scrap sales.

Other expenses amounted to (- SAR 725 thousand) in 2020G as a result of losses arising from the sale of scrap.

In 2021G, other income increased to SAR 1.4 million mainly due to sales of fixed assets (SAR 1.4 million).

Financing costs

The reported financing costs of SAR 592 thousand in 2020G and SAR 1.2 million in 2021G were related to the loan that the Company obtained during the last quarter of 2020G at the rate of SIBOR + 4% to finance capital expenditures (purchasing 50 new trucks) and paying dividends.

Zakat expense

Zakat expense is calculated in accordance with the law of the Kingdom at the rate of 2.5% of pre-tax income adjusted for provisions for employees' end of service benefits and provisions for doubtful debts. The decline in 2021G is due to the decline in profits before taxes during the period under analysis.

Net profit

Net profit increased by 124.1% to SAR 78.0 million in 2020G, and the net profit margin increased to 39.4% as a result of: (1) The increase in average selling prices from SAR 8.2 per carton to SAR 9.0 due to entering the retail sector, which is characterized by higher prices compared to the wholesale sector, and (2) the inclusion of additional operating lines from related parties, which resulted in reducing the profit margins that are charged by related parties for finished products.

The net profit decreased by 0.9% from SAR 77.9 million in 2020G to SAR 77.3 million in 2021G, and the net profit margin decreased from 29.5% in 2020G to 27.8% in 2021G.

6.6.1.1 Sales by Distribution Channel

Table No. (6.3): Sales by distribution channel for the years ended 31 December 2019G, 2020G and 2021G

SAR in 000s	2019G	2020G	2021G	Variance	Variance	CAGR
	Audited	Audited	Audited	2019G-2020G	2020G-2021G	2019G-2021G
Distribution channels						
Wholesale sales	206,172	176,3211	186,550	(14.5%)	5.8%	(4.6%)
Retail sales	1,129	88,1931	91,273	7714.8%	3.5%	799.3%
Total sales	**207,300**	**264,514**	**277,823**	**27.6%**	**5.0%**	**15.8%**
Raw material sales	-	-	-	-	-	-
Net sales	207,300	264,514	277,823	27.6%	5.0%	15.8%
Key Performance Indicators						
Quantities sold per carton						
Wholesale sales	25,148	20,464	21,312	(18.6%)	4.1%	(8.0%)
Retail sales	135	8,925	10,339	6531.6%	16.0%	776%
Total quantities sold per carton	**25,283**	**29,390**	**31,650**	**16.2%**	**7.7%**	**11.9%**
Average selling price per carton (SAR)						
Wholesale sales	8.2	8.6	8.8	4.9%	2%	3.3%
Retail sales	8.4	9.9	8.8	18%	(11%)	3%
Total average sales per customer	8.2	8.6	8.8			
As a percentage of net sales						
Wholesale sales	99.5%	66.7%	67.1%	(32.8)	0. 5	(32.4)
Retail sales	0.5%	33.3%	32.9%	32.8	(0.5)	32.3
Raw material sales	-	-	-	-	-	-

(1) There is a difference in sales classification in 2020G between retail and wholesale due to the difference in the reclassification of sales to Hyper and supermarkets and deliveries to homes, mosques, hospitals, etc. from wholesale to retail with a total amount of SAR 12,121. The reclassification was done to match the classification that followed in audited financial statements for the years ended 31 December 2019G and 2021G.

Source: Management information

Wholesale sales

Sales from wholesale represented 67% of net sales in 2021G, compared to 66.7% and 99.5% in 2019G and 2020G, respectively. The distribution of the Company's products to regional agents is performed through exclusive distribution agreements where the Company, in accordance with the management's instructions, deals with one exclusive distributor (wholesaler) in each region. Sales from wholesale consist mainly of products of Naqi 200 ml, Naqi 330 ml and Qatra Naqi 200 ml which represent 40%, 38% and 16% of the total sales from wholesale respectively for 2021G.

Sales from Wholesale decreased in to SAR 176.3 million in 2020G, as the Company started shifting its sales toward retail sales through the acquisition of retail agents in Qassim and Riyadh at book value during the same period.

In 2021G, sales from wholesale increased by SAR 10.2 million to reach SAR 186.6 million, mainly driven by the increase in sales of: (1) Naqi units (+SAR 2.1 million) mainly from the sale of 330 ml bottles (+SAR 2.8 million) which was partially offset by a decrease in sales of 200 ml bottles (-SAR 0.9 million) and (2) Qatra volumes (+SAR 7.9 million) mainly from the sale of 200 ml bottles (SAR 14.3 million) and which was partially offset by a decrease in the sale of 250 ml bottles, which was partially offset by a decrease in the sale of 250 ml bottles. We highlight that 250 ml bottle sales were suspended in 2021G.

Retail sales

Retail sales relate to sales to supermarkets and hypermarkets in addition to other retail stores, where retail sales represented 32.9% of net sales in 2021G, compared to 33.3% and 0.5% in 2020G and 2019G respectively.

Retail sales increased from SAR 1.1 million in 2019G to SAR 88.2 million in 2020G, mainly due to acquiring wholesalers in Qassim and Riyadh, where the Company began recording sales from the above-mentioned branches as part of the retail channel. In addition, sales increased from 135 thousand cartons to 8.9 million cartons during the same period.

Retail sales increased to SAR 91.3 million in 2021G, as a result of the increase in sales volume from 8.9 thousand cartons to 10.3 thousand cartons during the same period. Volume growth was partially offset by the decline in average price per carton from SAR 9.9 to SAR 8.8.

6.6.1.2 Wholesales by product type

Table No. (6.4): Wholesales by type of products for the years ended 31 December 2019G, 2020G and 2021G

SAR in 000s	2019G	2020G	2021G	Variance	Variance	CAGR
	Audited	Audited	Audited	2019G-2020G	2020G-2021G	2019G-2021G
Naqi						
200ml	86,250	76,804	75,195	(10.95%)	(2.1%)	(6.63%)
200ml*24	-	758	1,434		89%	
200ml Shrink	82	-	-	(100%)		
250ml	-	-	-	-	-	-
330ml	75,741	68,114	70,840	(10%)	4%	(3.3%)
330ml*24	-	432	598		38.4%	
330ml Shrink	450	239	-	(46.8%)	(100.0%)	
600ml	5,323	4,293	4,632	(19.3%)	7.9%	(6.7%)
Naqi total sales	167,846	150,641	152,698	(10.3%)	1.4%	(4.6%)
Qatra Naqi						
Qatra Naqi 200 ml	9,292	19,255	29,398	107.2%	52.6%	77.8%
Qatra Naqi 250 ml	28,912	6,486	-	(77.6%)	(100.0%)	
Qatra Naqi 200 ml *24	-	207	4,463		2055.4%	
Qatra Naqi total sales	38,204	25,948	33,852	(32.1%)	30.5%	(5.9%)
Juices						
400ml juice	122	-	-		(100%)	
Total sales	206,172	176,5891	186,550	(14.3%)	5.6%	(4.9%)
Key Performance Indicators						
Quantities sold per carton						
Naqi						
200ml	9,534	7,989	7,648	(16.2%)	(4.3%)	(10. 2%)
200ml*24	-	151	362		(139.7%)	N/A
200ml Shrink	39	-	-			
250ml	-	-	-			
330ml	9,203	7,796	7,535	(15.3%)	(3.3%)	(9. 3%)
330ml*24	-	86	163		89.5%	
330ml Shrink	208	90	-	(56.7%)	(100.0%)	
600ml	622	445	466	(28.5%)	4.7%	(11.9%)
Total Quantities Sold Naqi	19,607	16,558	16,174	(15.6%)	(2.3%)	(8.9%)
Qatra Naqi						
Qatra Naqi 200ml	1,348	2,989	4,092	121.7%	36.9%	79.3%
Qatra Naqi 250ml	4,189	989	-	(76.4%)	(100.0%)	
Qatra Naqi 200ml *24	-	51	1,045		1949.0%	
Total Sold Quantities Qatra Naqi	5,537	4,029	5,138	(27.2%)	27.5%	0.1%
Juice						
400ml juice	5	-	-			
Total sold quantity	25,148	20,587	21,312	(18.1%)	3.5%	(7.9%)

SAR in 000s	2019G	2020G	2021G	Variance	Variance	CAGR
	Audited	Audited	Audited	2019G-2020G	2020G-2021G	2019G-2021G
Average selling price per carton						
Naqi						
200ml	9.0	9.6	9.8	6.4%	2.1%	4.4%
200ml*24	-	5.0	4.0		(20.0%)	
200ml Shrink	2.1	-	--	(100%)		
250ml	-	-	-			
330ml	8.2	8.7	9.4	6.1%	8.0%	7.1%
330ml*24	-	5.0	3.7		(26.0%)	
330ml Shrink	2.2	2.7	-	22.7%		
600ml	8.6	9.6	9.9	11.6%	3.1%	7.3%
Total average selling price pure	8.6	9.1	9.4	5.8%	3.3%	4.6%
Qatra Naqi						
Qatra Naqi 200ml	6.9	6.4	7.2	(7.2%)	12.5%	
Qatra Naqi 250ml	6.9	6.6	-	(4.3%)	(100%)	
Qatra Naqi 200ml *24	-	4.1	4.3		4.9%	
Total average selling price, Qatra Naqi	6.9	6.4	6.6	(7.2%)	3.1%	(2.1%)
Juice						
400ml juice	27.0	-	-	(100%)		
Total average selling price	8.2	8.6	8.8	4.9%	2.3%	3.6%

(1) There is a difference in sales classification in 2020G between retail and wholesale due to the difference in the reclassification of sales to Hyper and supermarkets and deliveries to homes, mosques, hospitals, etc. from wholesale to retail with a total amount of SAR 12,121. The reclassification was done to match the classification that followed in audited financial statements for the years ended 31 December 2019G and 2021G.We also highlight that there was an unreconciled difference amounting to - SAR 268k which represents discounts to wholesale customers.

Source: Management information

Naqi

Sales from wholesale represented 67% of total sales in 2021G and 2020G, compared to 99% in 2019G. The agreements concluded with several sales agents and wholesalers before 2020G, were verbal and informal. In 2020G, the Company chose to devote a policy of written agreements despite the change in the business model and targeting retail sales.

Sales are recognized when goods are sold to agents and cash is received. Thus, the risk is transferred from the Company to the agents.

Naqi's products in the wholesale channel sales represented 81% of the total sales from wholesale in 2021G (compared to 85% and 81% in 2020G and 2019G, respectively), while Qatra Naqi products represented 18% of the total sales from wholesale during the year (compared to by 15% and 19% in 2020G and 2019G, respectively). The sale of juice was stopped in 2020G due to its lack of profitability.

Sales from wholesale decreased to SAR 176.3 million in 2020G as a result of the decrease in the quantity of cartons sold from 25,148 thousand cartons in 2019G to 20,587 thousand cartons in 2020G as a result of a decrease in the quantity sold for Naqi products by 3.0 million cartons and Qatra Naqi products by 1.5 million This is mainly due to the change in the Company's strategy and entry into the retail sector through the acquisition of related party wholesalers in Qassim and Riyadh, in addition to the decrease in the average selling price of Qatra Naqi products by 7.6% from SAR 6.9 to SAR 6.4, and the cessation of selling juices, which contributed to the decrease in sales during the same period.

Sales from wholesale increased by SAR 10.3 million from SAR 176.3 million in 2020G to SAR 186.6 million in 2021G, due to:

1. An increase in the sales of Naqi products from SAR 150.6 million in 2020G to SAR 152.7 million in 2021G, mainly due to the increase in the average selling price of 330 ml, due to the increase in the prices of raw materials, especially preform and cartons, which were passed on to end consumers.
2. An increase in the sales of Qatra Naqi products from SAR 25.9 million in 2020G to SAR 33.8 million in 2021G, mainly due to the increase in sales volume of 200 ml bottles. It should be noted that in 2020G the Company discontinued its sales of 250 ml bottles, which contributed SAR 6.5 million and SAR 28.9 million to the total sales of 2020G and 2019G, respectively.

6.6.1.3 Sales by Retail Customer Segment

Table No. (6.5): Sales by retail customer segment for the years ended 31 December 2019G, 2020G and 2021G

SAR in 000s	2019G	2020G	2021G	Variance	Variance	CAGR
	Audited	Audited	Audited	2019G-2020G	2020G-2021G	2019G-2021G
Sales to small accounts (Super Markets and Grocery Stores)	-	73,750	66,894	NA	(9.3%)	NA
HORECA	-	5,393	3,787	NA	(29.8%)	NA
Institutions (hotels, restaurants, etc.)	-	4,297	3,491	NA	(18.8%)	NA
End consumers (schools, universities, government agencies)	388	3,505	1,989	803.4%	(43.3%)	126.4%
Sales to large accounts (hypermarkets)	741	1,248	15,088	73.3%	1075.1%	351.2%
Total	1,129	88,1931*	91,2482**	7711.6%	3.5%	799.1%
Key Performance Indicators						
Quantity sold per carton						
Sales to small accounts (Super Markets and Grocery Stores)	-	7,551	7,526	NA	(0.3%)	NA
HORECA	-	552	439	NA	(20.5%)	NA
Institutions (hotels, restaurants, etc.)	-	395	374	NA	(5.3%)	NA
End consumers (schools, universities, government agencies)	66	306	213	363.6%	(30.4%)	166.6%
Sales to key accounts (Hypermarket)	68	123	1,787	80.9%	1352.8%	412.6%
Total	135	8,925	10,339	6511.10%	15.80%	775.1%
Average selling price per carton						
Sales to small accounts (Super Markets and Grocery Stores)	-	9.8	8.9	NA	(9.2%)	NA
HORECA	-	9.8	8.6	NA	(12.2%)	NA
Institutions (hotels, restaurants, etc.)	-	10.9	9.3	NA	(14.7%)	NA
End consumers (schools, universities, government agencies)	5.7	11.5	9.3	101.8%	(19.1%)	27.7%
Sales to key accounts (hypermarkets)	10.8	10.9	8.4	0.9%	(22.9%)	(11%)
Total	8.4	9.9	8.8	17.9%	(11.1%)	2.4%

(*) There is a difference in sales classification in 2020G between retail and wholesale due to the difference in the reclassification of sales to Hyper and supermarkets and deliveries to homes, mosques, hospitals, etc. from wholesale to retail with a total amount of SAR 12,121. The reclassification was done to match the classification that followed in audited financial statements for the years ended 31 December 2019G and 2021G.

(**) There is an unreconciled difference amounting to SAR 25k between management accounts and audited financial statements due to the change in the accounting system in 2021G as the Company started using SAP ERP.

Source: Management information

Retail sales are categorized into five main sectors:

Small accounts

Small account sales represented about 73.3% of the total retail sales, including sales to supermarkets and grocery stores, divided between Riyadh and Qassim regions at a rate of 55.4% and 44.6% in 2021G.

Small account sales mainly relate to Naqi 200 ml bottles (36%), Naqi 300 ml bottles (29%) and Qatra Naqi 200 ml pure bottles (25%). An assigned sales team consists of Company management searches for new customers and an account representative is assigned to each new customer to follow up on daily operations and periodic deliveries. Small account sales amounted to SAR 66.8 million in 2021G.

Horeca

Horeca sales amounted to SAR 3.8 million and represented 4.1% of total retail sales in 2021G. It included sales to hotels, restaurants, and cafes, and is divided between the regions of Qassim and Riyadh at a rate of 10% and 90% respectively. Horeca sales were mainly related to Naqi 200 ml bottles (35%), Naqi 330 ml bottles (26%) and Qatra Naqi 200 ml bottles (27%) during the same period.

Institutions

Institutional sales amounted to SAR 3.5 million, and represented 3.8% of total retail sales in 2021G. It included sales to mosques, hospitals, schools, government agencies, and others in the city of Qassim. Institutional sales mainly related to Naqi 200 ml bottles (37%), Naqi 330 ml bottles (35%), and Qatra Naqi 200 ml bottles (23%) during the same period.

End consumers

End consumer sales amounted to SAR 2.0 million and represented about 2.2% of total retail sales in 2021G. It included direct sales to end customers in Qassim for which orders are placed through the Company's call centre or recently implemented mobile application. It mainly related to Naqi 200 ml bottles (37%), Naqi 330 ml bottles (35%), and Qatra Naqi 200 ml bottles (23%).

Key accounts

Key account sales amounted to SAR 15.1 million and represented 16.5% of total retail sales in 2021G. It included sales to hypermarkets direct from the Naqi plant. It mainly related to Naqi 200 ml bottles (42%), Naqi 330 ml bottles (41%), and Qatra Naqi 200 ml bottles (11%).

The increase in sales of the main accounts to SAR 15.1 million in 2021G is mainly due to efforts of the management to focus at this end (i.e., the major accounts) which also led to a decrease in sales in other segments such as sales to Horeca and end customers.

6.6.1.4 Cost of sales

Table No. (6.6): Cost of sales for the years ended 31 December 2019G, 2020G and 2021G

SAR in 000s	2019G	2020G	2021G	Variance	Variance	CAGR
	Audited	Audited	Audited	2019G-2020G	2020G-2021G	2019G-2021G
Raw Materials and changes in inventory	145,421	132,978	124,257	(8.6%)	(6.6%)	(7.6%)
Depreciation	5,196	12,802	15,404	146.4%	20.3%	72.7%
Operating Expenses	9,436	9,007	15,063	(4.5%)	67.2%	26.3%
Salaries	4,322	5,706	10,145	32.0%	77.8%	53.2%
Total	164,375	160,493	164,868	(2.4%)	2.7%	0.1%
Key Performance Indicators						
Number of Employees	97	148	257	52.6%	73.6%	63.1%
Average monthly cost per employee	4,840	4,016	3,289	(17.0%)	(18.1%)	(17.6%)
As a percentage of sales						
Raw materials and changes in inventory	70.2%	50.3%	44.7%			
Depreciation	2.5%	4.8%	5.5%			
Operating expenses	4.6%	3.4%	5.4%			
Salaries and the like	2.1%	2.2%	3.7%			
Total	79.3%	60.7%	59.3%			

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G. Management information

Raw materials and changes in inventory

- The cost of raw materials decreased to SAR 133.0 million in 2020G, in line with the reduction in the volume of purchases to SAR 140.8 million during the same period, and was mainly driven by a decline in purchases related to Qatra Naqi products from the supplier Al-Sadd to SAR 18.7 million in 2020G as a result of the acquisition of operational lines 3 and 4 on 31 December 2019G. This decline came as a result of (1) the operation of the production lines by Al-Sadd Company for a period of 9 months until 20 September 2020G. The date of the full delivery of the production lines to the Company, in addition to (2) the agreement between the two companies, which stipulates that Al Sadd will return all its sales to the Company amounting to SAR 5.2 million, which were fully deducted from the number of purchases during the same period. The purchases were in the range of 1.6 million cartons for 250 ml bottles and 2.3 million cartons for 200 ml bottles. This decrease was offset by an increase in preform purchases from SAR 23.2 million to SAR 33.1 million during the same period. The decline in purchases related to Naqi products from the supplier Zulal to SAR 44.6 million in 2020G. This decline came as a result of (1) the establishment of production line 7 and its partial replacement for purchases from operating line 6 owned and operated by Zulal Company, in addition to (2) the agreement concluded between the two companies, which stipulates that Zulal will return all its sales to the Company, amounting to SAR 11.2 million, which was fully deducted from the number of purchases. during the same period. The quantities purchased from Zulal were in the range of 6.3 million cartons of 200 ml bottles and 0.3 million cartons of 330 ml bottles. The decline in purchases from supplier (1) Riyadh for cartons to SAR 6.0 million in 2020G was due to dealing with new suppliers of cartons such as Al-Qassim Factory and the United Company for Carton Boxes (SAR 3.9 million per company). According to management, the change was for the purposes of the diversification of risks in addition to lower prices offered by the new suppliers. The decrease in purchases from suppliers (1) Zahrat Al-Waha to SAR 0.6 million in 2020G was a result of relying on the Al-Sadd Company and the new supplier "Takmeel" to provide the amount of SAR 0.5 million, (2) Henkel for glue to SAR 0.8 million during the same period and the approval of new suppliers and (iii) ceased operations with the supplier "Trading Co". This decline was partially offset by the increase in purchases from the other suppliers, specifically, Wadha Contracting, Emirates Printing, Obeikan, and others as a result of the increase in the Company's overall activity in 2020G. Middle East for Machinery (supplier of machinery) was also dealt with at a value of SAR 4.2 million in 2020G in the framework of operating the new production line and the Qatra Naqi production lines. The various purchases that amounted to SAR 3.3 million in 2020G mainly included purchases of aluminium (SAR 1.9 million) and chemicals (SAR 1.2 million), which were acquired from multiple vendors. The cost of raw materials decreased to SAR 128.0 million in 2021G.

Depreciation

Depreciation increased by 146.4% to SAR 12.8 million in 2020G as a result of the increase in machinery consumption after acquiring additional production lines from related parties.

Depreciation increased by 20.3% to SAR 15.4 million in 2021G as a result of calculating the depreciation of Line 8 starting from July 2021G, in addition to the increase in buildings and machinery during the year.

Operating expenses

Operating expenses mainly relate to electricity, maintenance, fuel and scrap transportation costs. Operating expenses decreased by 4.5% to SAR 9.0 million in 2020G, mainly due to a decrease in maintenance costs during the same year by SAR 1.5 million, due to the increase in electricity expenses by SAR 0.8 million during the same period.

Operating expenses increased by 67.2% to SAR 15.0 million in 2021G, due to the increase in maintenance expenses and the lease of generators, in addition to fuel and oil.

Salaries

Salaries and wages represent basic salaries for employees, housing allowances, government costs, medical insurance costs and bonuses in addition to other costs and benefits of production line employees.

Salaries and wages increased by 32.0% to SAR 5.7 million in 2020G as a result of the increase in the number of employees to 148 during the same period.

Salaries and wages increased by 77.8% to SAR 10.1 million in 2021G as a result of the increase in the number of employees to 257 employees during the same period.

6.6.1.5 Gross profit by distribution channel

Table No. (6.7): Gross profit by distribution channel for the years ended on 31 December 2019G, 2020G and 2021G

SAR in 000s	2019G	2020G	2021G	Variance	Variance	CAGR
	Management information	Management information	Management information	2019G-2020G	2020G-2021G	2019G-2021G
Sales from wholesale	41,458	64,274	73,572	55.0%	14.5%	34.8%
Retail sales	307	39,831	39,382	12874.3%	(1.1%)	1032.6%
Raw material sales	-	-	-			
Total	41,765	104,105	112,954	149.3%	8.5%	64.5%
Key Performance Indicators						
Profit margin						
Sales from wholesale	20.1%	36.4%	39.4%			
Retail sales	27.2%	45.2%	43.1%			
Raw material sales	-	-	-			
Gross profit margin	20.1%	39.3%	40.7%			

Source: Management information

Gross profit increased from SAR 41.8 million in 2019G to SAR 104.1 million in 2020G as a result of (1) the increase in sales volume, (2) the improvement in the gross profit margin for the wholesale sector from 20.1% in 2019G to 36.4% in 2020G and (3) entering the retail sector, which enjoys a better profit margin of 45.2% during the same period.

Gross profit increased from SAR 104 million in 2020G to SAR 112.9 million in 2021G as a result of (1) the increase in sales volume, and (2) the improvement in the gross profit margin for the wholesale sector from 36.4% in 2020G to 39.4% in 2021G.

The gross profit margin increased to 39.3% in 2020G as a result of: (1) the increase in average selling prices from SAR 8.2 per carton in 2019G to SAR 9.0 per carton in 2020G due to entering the retail sector, which is characterized by higher prices compared to the wholesale sector, and (2) the inclusion of additional operating lines from related parties, Al Sadd and Zulal, which resulted in a reduction in the profit margins that are charged by related parties for the finished products. Furthermore, the gross profit margin increased to 40.7% in 2021G due to the slight increase in sales in 2021G, where the management was able to pass on the increase in production costs to consumers in 2021G.

6.6.1.6 Selling and distribution expenses

Table No. (6.8): Selling and distribution expenses for the years ended on December 31, 2019G, 2020G and 2021G

SAR in 000s	2019G	2020G	2021G	Variance	Variance	CAGR
	Audited	Audited	Audited	2019G-2020G	2020G-2021G	2019G-2021G
Salaries	-	5,693	12,847		125.7%	
Marketing expenses	4,223	2,947	1,917	(30.2%)	(35.0%)	(32.6%)
Sale commissions	-	2,550	2,426	-	(4.9%)	-
Depreciation of property, plant, and equipment	-	1,705	2,177	-	27.7%	-
Maintenance and repair	-	558	277	-	(50.4%)	-
Fuel	-	455	1,832	-	302.6%	-
Transfer	-	-	2,087	-	N/A	-
Others	193	927	374	380.3%	(59.7%)	39.2%
Total	**4,416**	**14,836**	**23,937**	**235.9%**	**61.3%**	**132.8%**
Key Performance Indicators						
Number of Employees	-	68	144		111.8%	
Average monthly cost per employee	-	6,977	7,434		6.6%	
As a percentage of total sales						
Salaries	-	2.2%	4.6%			
Marketing expenses	2.0%	1.1%	0.7%			
Sales commission	-	1.0%	0.9%			
Depreciation of property, plant, and equipment	-	0.6%	0.8%			
Maintenance and repair	-	0.2%	0.1%			
Fuel	-	0.2%	0.7%			
Transfer	0.1%	-	0.8%			
Others	0.1%	0.4%	0.1%			
Total	**2.1%**	**5.6%**	**8.6%**			

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G. Management information

Salaries

Salaries are represented in the cost of employees, house allowances, government costs and the cost of medical insurance. Salaries amounted to SAR 5.7 million in 2020G, representing the cost related to the acquisition of sales agents as 68 employees in Riyadh and Qassim. Staff costs in Riyadh and Qassim amounted to SAR 2.9 million and SAR 2.8 million during the same period respectively.

Salaries increased to SAR 12.8 million in 2021G, representing the cost of 144 employees, as the Company increased workers in the departments of sales and distribution, e-commerce, and customer service.

Marketing expenses

Marketing expenses comprised mainly of the cost of advertising and marketing campaigns for Naqi brands and are performed mainly through social media. Marketing expenses represented 0.7% of total sales in 2021G, compared to 1.1% in 2020G.

Marketing expenses decreased by 30.3% to reach SAR 2.9 million in 2020G due to the success of the marketing campaign held in 2019G, which resulted in the Company's management decision to reduce the budget for marketing expenditures in 2020G.

Advertising expenses decreased by 35% to reach SAR 1.9 million in 2021G due to the reduction of celebrity contracts on social media platforms.

Sales commissions

Sales commissions related to the percentage of sales receivables as well as the achievement of sales targets by sales and marketing staff. Sales commissions are calculated based on a formula that includes several factors specific to the sales process (including the size of the operation, the geographical location of the operation, the size of the customer, and the type of product).

Sales commissions amounted to SAR 2.6 million in 2020G mainly due to the acquisition of sales agents in Riyadh and Qassim.

Sale commissions decreased to SAR 2.4 million in 2021G, due to the amendment of the commissions policy to link it to collections and achieving sales targets.

Depreciation of property, plant, and equipment

Depreciation expenses in selling and distribution mainly relate to trucks and other depreciations of assets from agents in Riyadh and Qassim that were acquired in 2020G. Depreciation expenses amounted to SAR 1.7 million in 2020G and related to the cities of Riyadh and Qassim.

Depreciation expenses in sales and distribution increased to SAR 2.2 million in 2021G as a result of the increase in the distribution vehicles fleet, as the value of 50 transport vehicles was capitalized during the second half of 2021G.

Maintenance and repair

Maintenance and repair expenses mainly related to car repair expenses related to the agents of Riyadh and Qassim who were acquired in 2020G. Maintenance and repair expenses amounted to SAR 558 thousand in 2020G.

Maintenance and repair expenses decreased to SAR 277 thousand in 2021G as a result of the decrease in the need for the maintenance of new buildings, as well as the sale of some furniture and the elimination of old supplies.

Fuel

Fuel expenses amounted to SAR 455 thousand in 2020G, and related to fuel costs for cars.

Fuel expenses, reported as selling and distribution expenses, increased to SAR 1.8 million in 2021G. It related to the fuel fleet of cars which increased as a result of the increase in fuel prices in 2021G and the increase in the number of cars.

Transportation

Transportation expenses related to the transport of goods from the factory in Qassim to the branch in Riyadh. Transportation expenses increased to SAR 2.1 million in 2021G as a result of a decrease in the purchase of finished goods for the Riyadh branch from Zulal Riyadh and the start of transferring the goods from Qassim.

Others

Other expenses mainly related to travel expenses, clothing, stationery, and telephone expenses related to the Qassim and Riyadh branches.

Other expenses increased by 380.3% from SAR 193 thousand in 2019G to SAR 927 thousand in 2020G, as a result of the acquisition of agents in Riyadh and Qassim in 2020G.

Other expenses decreased to SAR 374 thousand in 2021G, by 59.7%, as a result of the rationalization of other costs.

6.6.1.7 General and administrative expenses

Table No. (6.9): General and administrative expenses for the financial years ending on 31 December 2019G, 2020G and 2021G

SAR in 000s	2019G	2020G	2021G	Variance	Variance	CAGR
	Audited	Audited	Audited	2019G-2020G	2020G-2021G	2019G-2021G
Salaries, wages, etc.	2,013	5,330	8,077	164.8%	51.5%	100.3%
Depreciation of property, plant, and equipment	122	307	172	151.6%	(44.0%)	18.7%
Professional and consulting fees	40	277	788	592.5%	184.6%	343.8%
Post, telephone and internet	114	215	43	88.6%	(80.0%)	(38.6%)
Depreciation of the right of use	-	202	284	-	40.6%	-
Stationery and prints	23	111	365	382.6%	228.8%	305.7%
Maintenance and repair	117	105	169	(10.3%)	61.1%	25.3%
Government fees and subscriptions	150	96	254	(36.0%)	164.6%	30.1%
Travel expenses	46	77	-	67.4%	(100%)	(100.0%)
Donations	50	75	50	50.0%	(33.3%)	-
Hospitality and hygiene	17	55	114	223.5%	107.3%	165.4%
Electricity and water	15	50	-	237.9%	(100%)	(100.0%)
Banking expenses	45	42	131	(6.7%)	211.8%	70.6%
Fuel	11	40	-	263.6%	(100%)	(100.0%)
Others	844	867	200	2.7%	(76.9%)	(51.3%)
Total	**3,607**	**7,848**	**10,750**	**117.6%**	**37.0%**	**72.3%**
Key Performance Indicators						
Number of Employees	67	127	190	89.6%	49.6%	69.6%
Cost recalculation required for each employee	3,504	3,497	3,543	(0.2%)	1.3%	0.6%
As a percentage of total sales						
Salaries, wages, etc.	1.0%	2.0%	2.9%			
Depreciation of property, plant, and equipment	0.1%	0.1%	0.1%			
Professional and consulting fees	-	0.1%	0.3%			
Post, telephone and internet	0.1%	0.1%	-			
Depreciation of the right of use	-	0.1%	0.1%			
Stationery and prints	-	-	0.1%			
Maintenance and repair	0.1%	-	0.1%			
Government fees and subscriptions	0.1%	-	0.1%			
Travel expenses	-	-	-			
Donations	-	-	-			
Hospitality and hygiene	-	-	-			
electricity and water	-	-	-			
Banking expenses	-	-	-			
Fuel	-	-	-			
Others	0.4%	0.4%	0.1%			
Total	**1.7%**	**3.0%**	**3.9%**			

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G. Management information

Salaries and wages

Employees' costs consist of basic employee salaries, housing allowances, government costs, medical insurance costs and bonuses as well as other costs and benefits.

Salaries and wages increased by 164.8% to SAR 5.3 million in 2020G after acquiring the agents in Riyadh and Qassim, as the related expenses were transferred to the Company's books and the number of employees increased to 127 during the same period.

In 2021G, salaries and benefits increased to SAR 8.1 million due to the increase in the number of employees from 127 to 190 employees mainly in human resources, administration, law, compliance, and internal audit. In addition, the new labour law raised the minimum monthly salary from 3,000 to 4,000 S R, along with higher government costs and residency renewal fees, led to an increase in salaries and benefits.

Salaries and benefits represented 75% of total general and administrative expenses for 2021G (about 68% in 2020G and 56% in 2019G) and increased to 2.9% as a percentage of net sales during the same period.

Depreciation of property, plant, and equipment

Depreciation expenses mainly related to the depreciation of computers and furniture as well as fixtures in offices. Depreciation expenses increased from SAR 122 thousand in 2019G to SAR 307 thousand in 2020G year as a result of the additions for the year and the impact of depreciation for the full year related to additions to properties in the agents of Riyadh and Qassim.

Depreciation expenses decreased to SAR 172 thousand in 2021G representing the depreciation of admin assets.

Professional and consulting fees

Professional fee expenses represent the costs of consultants, auditors, and certain consultancy work. Professional and consulting fees increased by 592.5% from SAR 40 thousand in 2019G to SAR 277 thousand in 2020G, and mainly related to consultant fees related to the ERP system during the same period. Professional fees expenses increased to SAR 788 thousand in 2021G.

Post, telephone and internet

Post, telephone, and Internet expenses relate to the costs of communications, the Internet and other utility expenses. Post, telephone, and internet expenses increased by 88.6% to SAR 215 thousand in 2020G, due to the increase in the Company's activity in addition to the Company's acquisitions.

Post, telephone, and internet expenses decreased by 80.0% from SAR 215 thousand in 2020G to SAR 43 thousand in 2021G due to the rationalization of Internet and phone use.

Depreciation of the right of use

The Company has applied IFRS 16 "Lease Contracts" starting from 1 January 2020G, whereby lease contracts are recognized as right-of-use assets with corresponding obligations on the date when the leased assets become ready for use by the Company.

The lease payments are distributed between the lease obligation and the finance cost. Finance cost is recognized in the initial statement of profit and loss over the term of the lease. Right-of-use assets are depreciated over the useful life of the asset or the term of the lease on a straight line basis, whichever is shorter. The Company has a warehouse lease contract for five years starting on 15 April 2020G, with an annual rental value of 350,000 Saudi riyals.

Depreciation of the right-of-use asset amounted to SAR 202 thousand in 2020G and SAR 284 thousand in 2021G; before that, date the Company did not have any lease contracts that fell under the scope of IFRS 16 "Lease Contracts".

Stationery and prints

Stationery and publication expenses amounted to SAR 365 thousand in 2021G, compared to SAR 111 thousand in 2020G and SAR 23 thousand in 2019G due to the growth of the Company's activities.

Maintenance and repair

Repair and maintenance expenses represented the maintenance of software and systems as well as other maintenance costs. Maintenance and repair expenses decreased from SAR 117 thousand in 2019G to SAR 105 thousand in 2020G and then increased to SAR 169 thousand in 2021G in line with the Company's need for programme maintenance and other maintenance during the same period.

Government fees and subscriptions

Government fees and contributions represent expenses related to government agencies. Government fees and subscriptions decreased to SAR 96 thousand in 2020G due to the COVID pandemic. Government fees and subscriptions increased by 164.6% to SAR 254 thousand in 2021G as a result of the increase in the number of employees.

Travel expenses

Travel expenses recorded an increase during the historical period from SAR 46 thousand in 2019G to SAR 77 thousand in 2020G, due to the growth of activity inside the Kingdom.

Donations

Donations amounted to SAR 50 thousand in 2021G.

Hospitality and Hygiene

Hospitality and cleaning expenses amounted to SAR 114 thousand in 2021G, compared to SAR 56 thousand in 2019G and SAR 17 thousand in 2019G, due to the acquisition of the Riyadh and Qassim branches.

Electricity and water

Electricity and water expenses amounted to nil in 2021G, compared to SAR 50 thousand and SAR 15 thousand in 2020G and 2019G respectively, as a result of a change in the classification within other expenses without a fundamental change.

Banking expenses

Bank expenses recorded an increase of SAR 131 thousand in 2021G compared to 2019G and 2020G, when they were SAR 45 thousand and SAR 41 thousand respectively, due to the increase in the transfer expenses related to employees' salaries, as a result of the increase in the number of employees.

Fuel

Fuel expenses amounted to nil in 2021G, compared to SAR 40 thousand in 2020G, due to the change of classification within other expenses without a fundamental change.

Others

Other expenses decreased from SAR 866 thousand in 2020G to SAR 200 thousand in 2021G, as a result of a change the classification.

6.6.1.8 net profit

Table No. (6.10): Net profit for the financial years ending on 31 December 2019G, 2020G and 2021G

SAR in 000s	2019G	2020G	2021G	Variance	Variance	CAGR
	Audited	Audited	Audited	2019G-2020G	2020G-2021G	2019G-2021G
Net profit for the year before zakat	35,685	80,020	78,507	124.2%	(1.9%)	48.3%
Zakat charge	(906)	(2,065)	(1,231)	127.9%	(40.4%)	16.6%
Net profit for the year	34,779	77,955	77,276	124.1%	(0.9%)	49.1%
Remeasurement gain / (loss) on employees' end of service benefits	32	(161)	395	(603.1%)	(345.3%)	(251.3%)
Total comprehensive income	34,810	77,795	77,671	123.5%	(0.2%)	49.4%

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G.

Zakat

Zakat expense is calculated in accordance with the law of the Kingdom at the rate of 2.5% of income after tax, provisions for end of service benefits for employees and provisions for doubtful debts. Zakat increased from SAR 906 thousand in 2019G to SAR 2.1 million in 2020G, due to the growth of profits before taxes. Then it decreased to SAR 1.2 million in 2021G as a result of the decline in profits before taxes.

Net profit for the year

The profit margin increased to 29.5% in 2020G, driven by the improvement in the gross profit margin (39.4% in 2020G). This improvement was offset by an increase in sales and distribution expenses and general and administrative expenses as a percentage of total sales by 3.5% and 1.2%, respectively, as a result of the acquisition process in the same period.

Net profit increased by SAR 43.2 million in 2020G, mainly driven by the increase in gross profit by SAR 61.3 million. This was offset by an increase in operating expenses by SAR 14.7 million, an increase in zakat by SAR 1.2 million, and a decrease in other income by SAR 1.5 million during the same period.

The net profit decreased to SAR 77.3 million in 2021G, despite the increase in the gross profit margin by SAR 8.9 million, as a result of the increase in administrative and selling expenses, where the percentage of administrative expenses increased from 3.0% in 2020G to 3.9% in 2021G, and the percentage of sales expenses increased from 5.6% in 2020G to 8.6% in 2021G.

Total comprehensive income

Total comprehensive income amounted to SAR 34.8 million in 2019G, and was mainly related to the net profit for the year. Remeasurement gains on employees' end of service benefits amounted to SAR 32 thousand in 2019G.

Total comprehensive income increased to SAR 77.8 million in 2020G, mainly due to the net profits for the year amounting to SAR 78.0 million in 2021G, partially offset by remeasurement loss on employees' end of service benefits amounting to SAR 161 thousand in 2020G.

The total comprehensive income remained relatively stable in 2021G and amounted to SAR 77.7 million, and was mainly related to the net profit for the year amounting to SAR 77.3 million. The remeasurement gain on employees' end of service benefits amounted to SAR 359 thousand in 2021G.

6.6.2 Balance Sheet

The following table shows the Company's statement of financial position as of 31 December 2019G, 2020G and 2021G.

Table No. (6.11): Statement of financial position as of 31 December 2019G, 2020G and 2021G

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Non-current assets			
Property, plant and equipment	113,764	126,804	161,277
Advance payments for the purchase of property, plant, and equipment	-	19,516	1,982
Right of use assets	-	1,217	933
Intangible assets	161	760	1,127
Total non-current assets	113,925	148,298	165,320
Current Assets			
Inventory	8,206	16,269	22,554
Trade receivables and other receivables	11,723	10,974	22,157
Due from related parties	1,386	-	217
Cash and cash equivalent	7,540	29,714	37,861
Total current assets	28,855	56,956	82,789
Total Assets	142,780	205,254	248,109
Liabilities and Equity			
Shareholders' Equity			
Paid in capital	45,338	150,000	200,000
Amounts under capital increase account	40,000	-	-
Regulatory Reserve	7,405	7,795	7,728
Retained earnings	25,657	6,467	206
Total Equity	118,400	164,263	207,934

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Non-current liabilities			
Long term loan	-	16,851	12,095
Employees' end-of-service benefits obligation	154	1,091	2,284
Lease liabilities	-	826	558
Total non-current liabilities	154	18,768	14,938
Current Liabilities			
Loans - current portion	-	3,649	4,756
Due to related parties	14,568	2,730	6,900
Trade payables and other payables	7,619	12,081	11,315
Zakat provision	2,039	3,432	1,912
Lease liabilities- current portion	-	330	355
Total current liabilities	24,226	22,223	25,238
Total liabilities	24,381	40,991	40,175
Total Equity and Liabilities	142,780	205,254	248,109

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G.

Table No. (6.12): Key performance indicators for the financial position as of 31 December 2019G, 2020G and 2021G

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Average days of accounts receivable (day)[1]	7	9	13
Average days of inventory (day)[2]	15	28	49
Average Accounts Payable Days (Day)[3]	16	22	14
Return on equity	29%	47%	37%
Return on assets	24.4%	38%	31%

Source: the KPIs derived from the management information

(1) Calculated using total trade receivables.

(2) Calculated excluding spare parts from total inventory.

(3) Calculated using the cost of purchases.

Non-current assets

Non-current assets increased to SAR 148.3 million as at 31 December 2020G due to (1) advance payments for the purchase of property, machinery and equipment by SAR 19.5 million, mainly related to the acquisition of 50 trucks, (2) an increase in property, plant and equipment by SAR 13.0 million, mainly stemming from the acquisition of the Alzulal production line worth SAR 12.2 million during the same period, and (3) the increase in right-of-use assets by SAR 1.2 million related to the newly leased warehouse in Riyadh in line with the application of IFRS 16 "Lease Contracts" which resulted in the capitalization of rental expenses.

Non-current assets increased to SAR 165.3 million as at 31 December 2021G due to (1) advance payments for the purchase of property, machinery and equipment by SAR 1.9 million, mainly related to the acquisition of 14 trucks and a 14-litre production line (2) the increase in property, plant and equipment by SAR 34.5 million, mainly due to the acquisition of Production Line 8 with a value of SAR 18.3 million and new trucks for transportation offset by (3) An increase in the right-of-use assets by SAR 1.2 million, related to the newly leased warehouse in Riyadh in line with the application of IFRS No. 16 "Leasing Contracts" which resulted in the capitalization of rental expenses.

The Company signed a contract for the construction of a new production line to fill 14-litre bottles with its sister company "Middle East Machinery Factory Company Ltd. The capital commitments from this contract amounted to SAR 12.4 million on 31 December 2021G.

Current assets

Current assets increased to SAR 57.0 million as at 31 December 2020G, due to the increase in (1) cash and cash equivalents by SAR 22.2 million stemming from an increase in net cash generated from operating activities, and (2) inventory by SAR 8.1 million in line with the increase in business growth and operations in the retail sector in 2020G. This was offset by a decrease due to related parties by SAR 1.4 million as a result of the settlement of the remaining outstanding balance of a financing loan by Al Sad Company.

Current assets increased to SAR 82.8 million as at 31 December 2021G, mainly due to the increase in (1) cash and cash equivalents by SAR 8.16 million stemming from the increase in net cash generated from operating activities, (2) inventory by SAR 6.3 million in line with the increase in business growth and operations in the retail sector in 2021G in addition to the increase in the prices of raw materials, and (3) trade receivables by SAR 3.7 million, due to the decrease in collections from customers and management confirmed that there is no risk of default.

Equity

Total equity increased to SAR 164.3 million as at 31 December 2020G, as a result of the total comprehensive income during the same period amounting to SAR 77.8 million, offset by dividend distributions of SAR 31.9 million and the transfer of SAR 57.3 million from retained earnings to capital, and the transfer of SAR 7.4 million from statutory reserve to capital,

Total equity increased from SAR 164.4 million as at 31 December 2020G to SAR 207.9 million as at 31 December 2021G as a result of the increase in the capital by SAR 50.0 million in 2021G funded through retained earnings and reserves.

Non-current liabilities

Non-current liabilities increased to SAR 18.8 million as at 31 December 2020G as a result of the increase in (1) long-term loans by SAR 16.9 million after obtaining a loan from Riyad Bank to finance the purchase of trucks, (2) employees defined benefit obligations by SAR 936 thousand in line with the increase in the number of employees and (3) lease liabilities by SAR 826 thousand due to the adoption of IFRS 16.

Non-current liabilities decreased to SAR 14.9 million as at 31 December 2021G as a result of the partial settlement of the Riyadh Bank loan, offset by the increase in employees defined benefit obligations in line with the increase in the number of employees, which amounted to SAR 154 million as at 31 December 2019G and SAR 1.1 million as at 31 December 2020G and SAR 2.3 million as at 31 December 2021G.

Current Liabilities

Current liabilities decreased to SAR 22.2 million as at 31 December 2020G, mainly as a result of the decrease due to related parties by SAR 11.8 million resulting from the full settlement of the Al Sad dues.

This was offset by an increase in (1) Trade payables and other payables by SAR 4.5 million as a result of the increase in purchases and performance over VAT, (2) the current portion of long-term loans by SAR 3.6 million after obtaining a loan from Riyadh Bank to finance the purchase of trucks and (3) the Zakat provision by SAR 1.4 million as a result of zakat expenses for 2020G offset by the payment of zakat expenses related to 2018G.

Current liabilities increased to SAR 25.2 million as at 31 December 2021G as a result of the increase in dues to related parties by SAR 4.2 million mainly related to Al Sad Company and Middle East Machinery Factory Company Ltd. This was offset by a decrease in (1) trade payables and other payables by SAR 0.8 million as a result of a decrease in payables and VAT by SAR 0.8 and 1.0 million on 31 December 2021G, and (2) the Zakat provision by SAR 1.5 million as a result of zakat expenses related to 2021G.

A. Current Assets

Table No. (6.13): Current assets as at 31 December 2019G, 2020G and 2021G

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Inventory	8,206	16,269	22,554
Trade and other receivables	11,723	10,974	22,157
Due from related parties	1,386	-	217
Cash and cash equivalents	7,540	29,714	37,861
Total current assets	**28,855**	**56,956**	**82,789**

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G.

6.6.2.1 Inventory

Table No. (6.14): Inventory as at 31 December 2019G, 2020G and 2021G

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Raw materials	5,420	8,875	13,251
Spare parts	1,989	5,521	4,415
Finished goods	1,457	1,873	4,888
Deduct: Allowance for impairment of inventory	(660)	-	-
Total	8,206	16,269	22,554
Key Performance Indicators			
Average days of inventory (day)[1]	15	28	47

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G.
(1) Calculated excluding spare parts from total inventory.

Raw materials

The raw materials inventory represented 59.0% of the total inventory during the historical period and mainly related to preform, foils and stickers as at 31 December 2021G.

Raw material inventory increased from SAR 5.4 million as at 31 December 2019G to SAR 8.9 million as at 31 December 2020G as a result of (1) Preform inventory by SAR 3.7 million, (2) Foil inventory by SAR 1.5 million after acquiring production lines from Zulal Water Factory Company, and (3) Label inventory by SAR 0.6 million in line with the increase in the number of production lines.

Raw materials inventory increased to SAR 13.3 million as at 31 December 2021G resulting from the Company's desire to benefit from discounts and to hedge against expected increases in raw materials prices.

Spare parts

The spare parts inventory increased from SAR 2.0 million as at 31 December 2019G to SAR 5.5 million as at 31 December 2020G as a result of acquiring the Qatra Naqi production lines along with the Naqi line. The inventory of spare parts was non-existent as at 31 December 2018G, as they were purchased as needed and were directly incurred as maintenance expenses in the statement of profit and loss. Spare parts inventory decreased to SAR 4.4 million as at 31 December 2021G, as a result of their use during the normal operation of the Company.

Finished goods

The finished goods inventory represented 23.0% of the total inventory during the historical period and was mainly related to Naqi and Qatra Naqi products in the plant, and the products of the Riyadh and Qassim branches as at 31 December 2020G.

The finished goods inventory mainly relates to Naqi products with a capacity of 200 ml, representing 43.2% of the total inventory as at 31 December 2020G.

Finished goods increased to SAR 1.9 million as at 31 December 2020G, as a result of an increase in the inventory of 200 ml bottles by SAR 499 thousand, due to the acquisition of the Zulal production line. This was offset by a decrease in the inventory of 330 ml bottles by SAR 282 thousand due to high market demand.

The finished goods inventory increased to SAR 4.9 million as at 31 December 2021G as a result of high market demand. The increase was mainly in Naqi products, especially Naqi 200 ml products, from 1.1 million to 3.3 million, and Qatra products from 191 thousand to 1.6 million.

6.6.2.2 Movement in the allowance for impairment of inventory

Table No. (6.15): Movement in the allowance for impairment of inventory as at 31 December 2019G, 2020G and 2021G

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Balance at the beginning of the year	350	660	-
Charge for the year	310	-	-
Reversal	-	(660)	-
Balance at the end of the year	660	-	-

Allowance for impairment of inventory amounted to SAR 660 thousand as at 31 December 2019G as a result of the slow-moving raw materials inventory in 2019G, which has remained outstanding for more than a year. The provisions were reversed in 2020G as a result of selling the slow moving inventory in the same year.

6.6.2.3 Trade and other receivables

Table No. (6.16): Trade and other receivables as at 31 December 2019G, 2020G, and 2021G

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Trade receivables	4,231	6,537	10,243
Less: Allowance for expected credit losses	(112)	(282)	(294)
Prepaid expenses	1,550	2,853	1,406
Letters of guarantee	-	-	5,295
Employee Receivables	1,927	725	718
Underwriting project expenses	-	700	2,554
Petty cash	385	368	324
Advance payments to suppliers	1,832	74	1,897
Value added tax	1,907	-	-
Other debit balances	4	1,561	1,048
Provision for other debit balances	-	(1,561)	(1,048)
Total	**11,723**	**10,974**	**22,157**

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G

[1] Calculated using total trade receivables

Trade receivables

Trade receivables primarily relate to the sale of finished goods and to the retail segment as at 31 December 2020G. In 2019G, the Company started dealing directly with supermarkets across the region, in addition to selling directly to customers in Riyadh and Qassim.

Trade receivables increased to SAR 6.5 million as at 31 December 2020G, mainly due to the increase in receivables from houses and mosques in Riyadh by SAR 1.3 million and Riyadh branch clients by SAR 417 thousand as at 31 December 2020G, in line with entering the Retail sector and direct selling to Riyadh customers.

Trade receivables increased to SAR 10.2 million as at 31 December 2021G, mainly due to the increase in receivables from wholesale customers.

Table No. (6.17): Aging of trade receivables as at December 31, 2019G, 2020G and 2021G

SAR in 000s	Total	Less than 30 days	31 to 60 days	61 to 90 days	91 to 365 days	More than 365 days
31 December 2021G	9,777	7,982	34	1,551	11	199
31 December 2020G	6,537	1,821	2,634	1,882	-	201
31 December 2019G	4,231	2,533	923	663	-	112

Source: the KPIs derived from the management information

Table No. (6.18): Movement in the provision for expected credit losses as at December 31, 2019G, 2020G and 2021G

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Balance at the beginning of the year	-	112	282
Charge for the year	112	170	12
Balance at the end of the year	112	282	294
Movement in provision for other debit balances is as follows:			
Balance at the beginning of the year	-	-	1,561
Charge for the year	-	1,561	(513)
Balance at the end of the year	-	1,561	1,048

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G

Allowance for expected credit losses

The allowance for expected credit losses amounted to SAR 112 thousand as at 31 December 2019G, and it relates entirely to the balances of the Artoa factory. The Company follows the guidance of IFRS 9 regarding expected credit loss, whereby the observed default rates are adjusted over the expected life of trade receivables in accordance with future projections. The allowance for expected credit losses increased by SAR 12 thousand in 2021G.

Prepaid expenses

Prepaid expenses comprised mainly prepaid advertising and marketing expenses as at 31 December 2020G. Prepaid expenses increased to SAR 2.9 million as at 31 December 2020G mainly due to the increase in (1) prepaid marketing and advertising expenses as a result of the decrease in marketing campaign expenses in 2019G (2) prepaid employee licence renewals as a result of the increase in the number of employees, and (3) prepaid car insurance as a result of adding 50 trucks.

Prepaid expenses decreased to SAR 1.4 million as at 31 December 2021G, mainly as a result of the decrease in marketing campaign expenses by SAR 0.9 million.

Employee’s receivables

Employee receivables relate to loans granted to employees by the Company. Employee loans amounted to SAR 1.9 million as at 31 December 2019G. Employee receivables decreased to SAR 725 thousand as at 31 December 2020G as a result of repayment of loans granted during previous periods and the recognition of provisions on doubtful loans. Employee receivables then slightly decreased to SAR 718 thousand as at 31 December 2021G due to collections from employees.

IPO related expenses

IPO related expenses amounted to SAR 700 thousand as at 31 December 2020G, and mainly related to professional and consultancy fees. IPO related expenses increased to SAR 2.6 million as at 31 December 2021G, and related mainly to the increase in professional and consultancy fees.

Petty cash

Petty cash amounted to SAR 385 thousand as at 31 December 2019G; it showed a slight decline to SAR 368 thousand as at 31 December 2020G and SAR 324 thousand as at 31 December 2021G.

Advance payments to suppliers

Advance payments to suppliers amounted to SAR 1.9 million as at 31 December 2021G, and were related to payments made to the Department of Zakat and Income in the amount of SAR 0.7 million and Al Kadiya Trading Corporation in the amount of SAR 0.6 million.

Other debit balances

Other debit balances amounted to SAR 1.6 million as at 31 December 2020G, and related mainly to old debit balances for employee advances, the Company recorded a provision to cover 100% of the outstanding balances. Other debit balances decreased to SAR 1.05 million as at 31 December 2021G.

6.6.2.4 Amounts due from the related parties

Table No. (6.19): Amounts due from related parties as at 31 December 2019G, 2020G, and 2021G

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Al Sad Modern & Advanced Co	1,000	-	-
Zulal Water Factory Company	-	-	217
Middle East Factory for Machines Co. Ltd.	386	-	-
Total	**1,386**	-	**217**

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G

Amounts due from related parties amounted to SAR 1.4 million as at 31 December 2019G and represented a debt balance with Al Sad Company as part of a loan, and a debt balance with Middle East Machinery Factory Company Ltd. amounting to SAR 386 thousand for commercial purposes. The related parties settled all of the outstanding balances in 2020G. Amounts due from related parties amounted to SAR 217 thousand as at 31 December 2021G, and related to the Zulal Water Factory.

6.6.2.5 Non-Current Assets

Table No. (6.20): Non-Current Assets as at 31 December 2019G, 2020G and 2021G

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Non-Current Assets			
Property, plant, and equipment	113,764	126,804	161,277
Advance payments for the purchase of property, plant, and equipment	-	19,516	1,982
Right of use assets	-	1,217	933
Intangible assets	161	760	1,127
Total non-current assets	**113,925**	**148,298**	**165,320**

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G

The Company signed a contract to establish a new production line for filling 14-litre bottles with "Middle East Machinery Factory Company Ltd". The capital commitments from this contract amounted to SAR 12.4 million as at 31 December 2021G. Middle East Machinery Factory Company Ltd. is an affiliate company 60% owned by Yasser Alakil who in turn owns 50% of Alsad Company which owns 50% of Naqi.

The Company also has a leased asset represented by its warehouse in Riyadh. The capitalized right of use of assets amounted to SAR 1.2 million as at 31 December 2020G and SAR 0.9 million as at 31 December 2021G.

Property, plant, and equipment

Table No. (6.21): Net book value of property, plant, and equipment as at 31 December 2019G, 2020G and 2021G

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Land	3,800	3,800	4,750
Buildings	16,351	28,383	31,301
Cars	2,507	4,583	4,392
Trucks	-	-	18,209
Furniture and fixtures	1,939	2,427	1,976
Machinery and equipment	61,528	81,973	90,668
Tools	106	107	95
Computer	100	197	223
Desalination plant and laboratory devices	6,337	5,334	9,663
Projects under construction	21,096	-	-
Total	**113,764**	**126,804**	**161,277**

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G

Table No. (6.22): Estimated useful lives of fixed assets as at 31 December 2021G

Asset	Useful Life
Land	-
Buildings	3.0%
Cars	25.0%
Trucks	10.0%
Furniture and fixtures	20.0%
Machinery and equipment	10.0%
Tools	10.0%
Computers	20.0%
Desalination plants and laboratory equipment	20.0%

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G

Table No. (6.23): Additions to property, plant, and equipment as at 31 December 2019G, 2020G and 2021G

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Land	-	-	950
Buildings	674	1,496	3,883
Cars	2,464	3,910	1,545
Trucks	-	-	18,710
Furniture and fixtures	1,469	1,045	290
Machinery and equipment	40,927	12,166	19,981
Tools	5	18	4

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Computers	52	183	90
Desalination plant and laboratory equipment	1,518	721	7,117
Projects under construction	21,096	8,398	-
Total	**68,205**	**27,937**	**52,569**

Table No. (6.24): Depreciation of property, plant, and equipment as at 31 December 2019G, 2020G and 2021G

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Land	-	-	-
Buildings	1,634	2,322	3,287
Cars	70	1,811	3,460
Trucks	-	-	501
Furniture and fixtures	483	1,040	1,781
Machinery and equipment	8,842	18,833	30,119
Tools	42	59	75
Computers	46	131	195
Desalination plant and laboratory equipment	1,988	3,712	6,500
Total	**13,106**	**27,90 7**	**45,917**

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G

Land

The value of Company land amounted to SAR 3.8 million and was related to the Naqi factory in Qassim. This land is currently owned by the Shareholders, according to the management, and is in the process of being transferred to the Company. A plot of land was added in 2021G at a value of SAR 950 thousand.

Buildings

The net book value of the buildings amounted to SAR 28.3 million as at 31 December 2020G, and was related to 8 different buildings, the most important of which is the Naqi factory, representing 38% of the total buildings.

The net book value of the buildings remained stable at SAR 16.2 million as at 31 December 2018G and 2019G, and increased to SAR 28.4 million as at 31 December 2020G, mainly driven by the addition of the new factory building by SAR 11.5 million, where production lines 4, 7 and 8 will be transferred, and where it started its operations in March 2020G. The remaining additions relate to staff accommodation and warehouses. New buildings were added in 2021G at a value of SAR 3.9 million, which is represented by Building Line No. 8.

Cars and trucks

The net book value of the cars amounted to SAR 4.6 million as at 31 December 2020G, and mainly relates to trucks and small cars (sedans) that the Company uses to transport its products.

The net book value of cars recorded an increase of SAR 4.5 million in the historical periods, mainly due to the addition of trucks belonging to the Qassim branch (44 trucks) and Riyadh branch (52 trucks). Trucks and cars increased by SAR 18 million in 2021G as a result of the purchase of new trucks and cars to transport goods.

Furniture and fixtures

The net book value of furniture and fixtures amounted to SAR 2.4 million as at 31 December 2020G and was mainly related to office and branch equipment and air conditioners. The net book value of furniture and fixtures increased by SAR 2.3 million during the historical period, mainly due to the additions of fixtures and air conditioners. The addition of furniture and fixtures amounted to SAR 290 thousand in 2021G.

Machinery and equipment

The net book value of machinery and equipment amounted to SAR 82.0 million as at 31 December 2020G, and it mainly relates to the production lines used by the Company for Naqi and Qatra Naqi products. The net book value of machinery and equipment increased from SAR 23.6 million as at 31 December 2018G to SAR 61.5 million as at 31 December 2019G due to the acquisition of the Qatra Naqi production lines from Al Sad for SAR 40 million. The net book value increased to SAR 82.0 million as at 31 December 2020G, due to the purchase of the operating line from Zulal for SAR 12 million in addition to the transfer of line 7 from projects under construction to fixed assets with a value of SAR 17.3 million. Machines and equipment increased to SAR 90.7 million in 2021G, due to additions related to Line 8.

Tools

The net book value of tools and equipment decreased from 115 thousand as at 31 December 2018 to SAR 106 thousand as at 31 December 2019G and SAR 107 thousand as at 31 December 2020G. The net book value of tools and equipment then decreased to SAR 95 thousand as at 31 December 2021G. This decrease was mainly due to the depreciation recorded during the year.

Computers

The net book value of computers increased from SAR 68 thousand as at 31 December 2018G to SAR 197 thousand as at 31 December 2020G, and then to SAR 223 thousand as at 31 December 2021G, mainly due to computer additions during the historical period.

Desalination plant and laboratory equipment

The net book value of the desalination plant and laboratory equipment remained stable at SAR 6.3 million as 31 December 2018G and 2019G, and then decreased to SAR 5.3 million as 31 December 2020G, mainly due to depreciation charges recorded during the year. The book value increased as at 31 December 2021G to SAR 9.7 million.

Projects under construction

Projects under construction amounted to SAR 21.1 million as at 31 December 2019G and were related to production line 7 with a value of SAR 12.1 million and the new factory building with a value of SAR 9.0 million. All of these amounts were transferred in 2020G following the completion of the projects.

6.6.2.6 Intangible assets

Table No. (6.25): Intangible assets as at 31 December 2019G, 2020G and 2021G

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Computer software	183	864	1,334
Amortization expenses for the year	(21)	(104)	(207)
Balance at year end	161	760	1,127

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G

Intangible assets amounted to SAR 160 thousand as at 31 December 2019G, and then increased to SAR 760 thousand as a result of the purchase of a new ERP system. Intangible assets then increased to SAR 1.1 million as at 31 December 2021G as a result of the addition of new modules to the ERP system.

6.6.2.7 Current Liabilities

Table No. (6.26): Current Liabilities as at 31 December 2019G, 2020G and 2021G

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Loan - Current portion	-	3,649	4,756
Due to related parties	14,568	2,730	6,900
Trade and other payables	7,619	12,081	11,315
Zakat provision	2,039	3,432	1,912
Lease liabilities- current portion	-	330	355
Total current liabilities	**24,226**	**22,223**	**25,238**

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G

Loan – current portion

The current portion of the loan amounted to SAR 3.6 million as at 31 December 2020G, and represents a loan with a repayment period of 5 years (24 August 2025G) with an interest rate of SIBOR plus 4%. The purpose of the loan was to finance the acquisition of 50 trucks, all of which were provided as collateral to the Bank. In addition, the Shareholders provided personal guarantees to the bank in the amount of SAR 20.5 million. The current portion of the loan increased to SAR 4.8 million as at 31 December 2021G.

6.6.2.8 Due to related parties

Table No. (6.27): Due to related parties as at 31 December 2019G, 2020G and 2021G

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Al Sad Modern & Advanced Co.	9,901	-	5,761
Zulal Water Factory Company	4,666	1,205	-
Ameen Al Mallah			234
Middle East Factory for Machines Co. Ltd.	-	1,526	905
Total	**14,568**	**2,730**	**6,900**

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G

Due to related parties decreased to SAR 2.7 million as at 31 December 2020G, mainly due to the full settlement of the balances of Al Sad Company, which was offset by the increase in the balance of Middle East Factory for Machines Co related to additional production lines.

Due to related parties is mainly related to Al Sad Modern & Advanced Company as a result of purchasing raw materials and Middle East Factory for Machines Co Ltd. in return for the construction of a 14-litre bottle production line, and a balance of SAR 234 thousand due to the shareholder, Ameen Al-Mallah.

6.6.2.9 Trade payables and Other payables

Table No. (6.28): Trade payables and Other payables as at 31 December 2019G, 2020G and 2021G

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Trade payables	6,587	8,349	7,574
Value added tax	-	2,072	1,064
Accrued expenses	1,032	1,395	2,447
Financing costs	-	266	230
Total	**7,619**	**12,081**	**11,315**

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G

(1) Calculated using the cost of purchases.

Trade payables

Trade payables mainly relate to suppliers of raw materials. The Company and its suppliers, local suppliers in particular, have good relations, according to management. It should be noted that the Company has agreements with its major suppliers through which it provides them with materials to be procured through purchase orders throughout the year.

Trade payables amounted to SAR 8.3 million as at 31 December 2020G, mainly represented in the balances of paper and cardboard suppliers (SAR 4.9 million). Trade payables increased to SAR 8.3 million as at 31 December 2020G on the back of the increase in payables to all of the major suppliers in line with the increase in purchases. It should be noted that the accounts payable to Riyadh carton factory decreased to SAR 1.6 million as at 31 December 2020G, as the Company shifted its purchases of cardboard to other suppliers at better prices. Trade payables decreased to SAR 7.6 million as at 31 December 2021G and 80% of the amount relates to purchases of raw materials (cartons).

Payment terms are usually within 60 days, but the average length of trade payables ranged between 14 and 19 days during the historical period, due to the nature of payments, which are usually cash.

Value added tax

Value added tax amounted to SAR 2.1 million as at 31 December 2020G. It should be noted that the value-added tax was raised from 5% to 15%, which came into force on 1 July 2020G. The value added tax balance decreased to SAR 1.1 million as at 31 December 2021G. The government stopped collecting the tax as a way to support companies during the Covid19 pandemic.

Accrued expenses

Accrued expenses amounted to SAR 1.4 million as at 31 December 2020G and mainly related to accrued employee benefits, accrued social insurance, and accrued audit expenses.

Accrued expenses increased to SAR 1.4 million as at 31 December 2020G, mainly due to an increase in accrued employee benefits by SAR 746 thousand as a result of the acquisition of the Riyadh and Qassim branches, which resulted in an increase in the number of employees. This was offset by a decrease in other accrued expenses related to the Riyadh branch by SAR 505 thousand as a result of the acquisition during the same period. Accrued expenses increased to SAR 2.4 million as at 31 December 2021G, mainly due to the increase in the number of employees in line with the growth of the Company's size.

Financing costs

Financing costs amounted to SAR 266 thousand as at 31 December 2020G and SAR 230 thousand as at 31 December 2021G, and are related to the loan obtained in 2020G for the purpose of financing the purchase of trucks.

Zakat provision

The zakat provision amounted to SAR 2.0 million as at 31 December 2019G as a result of the zakat expenses charged in 2019G, which amounted to SAR 906 thousand. The zakat provision subsequently increased to SAR 3.4 million as at 31 December 2020G as a result of the zakat expenses charged in 2021G, which amounted to SAR 2.1 million. This was offset by the zakat payment amounting to SAR 671 thousand.

The Company has submitted its zakat returns for all years until 31 December 2019G, and settled all its zakat dues in the subsequent period; no assessments or claims have been made for any of the years since the Company's transformation to date.

The zakat provision amounted to SAR 1.9 million as at 31 December 2021G as a result of zakat expenses charged during the year amounting to SAR 1.2 million.

Lease liabilities - current portion

As a result of the adoption of IFRS 16, the Company has recognized right-of-use assets and lease liabilities for SAR 1.2 million. The current portion of lease liabilities amounted to SAR 335 thousand as at 31 December 2021G and is related to the newly leased warehouse in Riyadh.

6.6.2.10 Non-current liabilities

Table No. (6.29): Non-Current Liabilities as at 31 December 2019G, 2020G and 2021G

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Long term loan	-	16,851	12,095
Employees' end-of-service benefits	154	1,091	2,284
Lease liabilities	-	826	558
Total non-current liabilities	**154**	**18,768**	**14,938**

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G

6.6.2.11 Loans

Table No. (6.30): Loans as at 31 December 2021G

SAR in 000s	Loan value	Balance as at 31 Dec 21	Purpose of loan	Loan guarantees
Riyadh Bank	20,500	12,095	Purchase of 50 vehicles	(1) Vehicle Mortgage (2) Bond pursuant to a joint fine and performance bond acknowledgement

Source: Management information

In 2020G, the Company entered into a trade financing agreement with a bank in the amount of SAR 20.5 million. The Company used this loan to finance the acquisition of cars. The loan is subject to an interest rate of SIBOR + 4% p.a. The loan is to be repaid in 20 quarterly instalments of unequal value for a period of 5 years. The value of the cars amounting to SAR 20.3 million was mortgaged as a security against the loan, in addition to some bonds to the order of the lending bank amounting to SAR 24.6 million that were signed by the Shareholders.

The non-current portion of the long-term loan amounted to SAR 16.9 million and SAR 12.1 million as at 31 December 2020G and 2021G respectively.

6.6.2.12 Employee End of service benefits

Table No. (6.31): Movement in employee end of service benefits as at 31 December 2019G, 2020G and 2021G

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Balance at the beginning of the year	183	154	1,091
Current service cost	119	834	1,598
Interest cost	5	3	27
Benefits paid	(121)	(62)	(36)
Actuarial (gain) /loss from remeasurement of employees' end-of-service benefits	(32)	161	(395)
Total	**154**	**1,091**	**2,284**

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G

The end of service benefit is remeasured periodically by independent actuaries using the projected unit credit method. The present value of the end of service benefit is determined by discounting the estimated future cash outflows using the commission rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms that approximate those of the related obligations. In countries where there are no active markets for these bonds, market rates for government bonds are used. The actuarial valuation process of employee end-of-service benefits in the Kingdom takes into account the provisions of the Saudi Labour and Workers Law as well as the Company's policy.

Employee end-of-service benefits amounted to SAR 154 thousand as at 31 December 2019G and increased to SAR 1.1 million as at 31 December 2020G, mainly due to current service costs amounting to SAR 834 thousand partially offset by benefits payments amounting to SAR 62 thousand during the same period. Employee end-of-service benefits increased further to SAR 2.3 million as at 31 December 2021G, mainly due to the increase in the number of employees in line with the growth of the Company's business.

Lease liabilities

As a result of adopting IFRS 16, the Company recognized right-of-use assets and lease liabilities amounting to SAR 1.4 million. The non-current portion of the lease liabilities amounted to SAR 826 thousand as at 31 December 2020G and SAR 558 thousand as at 31 December 2021G and is related to the newly leased warehouse in Riyadh.

6.6.2.13 Equity

Table No. (6.32): Equity as at 31 December 2019G, 2020G and 2021G

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Capital	45,338	150,000	200,000
Increase in share capital	40,000	-	-
Statutory reserve	7,405	7,795	7,728
Retained earnings	25,657	6,467	206
Total Equity	**118,400**	**164,263**	**207,934**

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G

6.6.2.14 Capital

Table No. (6.33): Capital as at 31 December 2019G, 2020G and 2021G

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Ameen bin Abdullah bin Ali Al Malah	22,669	75,000	100,000
Yasser Aqeel Abdul Aziz Al-Aqeel	22,669	-	-
Al Sad Modern Advanced Company	-	75,000	100,000
Total Capital	**45,338**	**150,000**	**200,000**

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G

The Company's capital upon incorporation amounted to SAR 45.3 million, divided between Ameen Al-Malah and Yasser Aqeel (50% each). On 31 December 2019G, the capital was increased to reach SAR 85.3 million, as each shareholder increased his investment by SAR 15.7 million, in addition to the joining of a new shareholder, Al Sad Modern Company, with an investment of SAR 8.5 million. The capital increase (SAR 40 million) was reported in a separate equity account "Payments under increase of Capital". The capital was further increased to reach SAR 150 million as at 31 December 2020G through the combination of the previously mentioned equity account to paid up capital in addition to the transfer of SAR 64.5 million from retained earnings. We note that the shareholder Yasser Aqeel Abdul Aziz Al-Aqeel assigned 45% of his ownership percentage to the Modern sad Company, which in turn allocated 5% of its ownership percentage to Ameen Abdullah Ali Al Malah, which resulted in a change in the ownership structure to become 50% for each Ameen Al Malah and Al Sad Modern Company. The capital was further increased to SAR 200 million as at 31 December 2021G, and the increase was financed through transfers from statutory reserves and retained earnings.

Increase in share capital

The increase in share capital amounted to SAR 40.0 million as at 31 December 2019G and related to the first capital increase, which was distributed to Ameen Al-Malah and Yasser Aqeel (SAR 15.7 million each) and Al Sad Modern Company (SAR 8.5 million).

Statutory reserve

In line with the requirements of the Company's bylaws and the Company's regulation in the Kingdom, the Company transfers 10.0% of its profit for the year to the statutory reserve until this reserve reaches 30% of the capital. This reserve is not distributable as profits. The statutory reserve amounted to SAR 7.4 million as at 31 December 2019G, and increased to SAR 7.8 million as at 31 December 2020G as a result of transferring SAR 7.8 million from retained earnings, offset by transferring SAR 7.4 million to the capital in the same period. The statutory reserve decreased to SAR 7.7 million as at 31 December 2021G.

Retained earnings

Retained earnings amounted to SAR 25.7 million as at 31 December 2019G, as a result of transferring the total comprehensive income for the year amounting to SAR 34.8 million to retained earnings, offset by dividends distribution amounting to SAR 14.1 million and transferring SAR 3.5 million to the statutory reserve during the same period. Retained earnings decreased to SAR 6.5 million as at 31 December 2020G, as a result of transferring the total comprehensive income for the period amounting to SAR 77.8 million offset by dividends distribution of SAR 31.9 million, transferring SAR 7.8 million to statutory reserve, and transferring SAR 57.3 million to capital. This decrease was offset by the transfer of total comprehensive income for the year amounting to SAR 77.8 million. Retained earnings decreased to SAR 206 thousand as at 31 December 2021G, as a result of the capital increase.

6.6.2.15 Contingent Liabilities and CAPEX commitments

The Company does not have any outstanding contingent liabilities as at 31 December 2019G, 2020G, and 2021G.

The Company has outstanding capex commitments related to the contracts for the purchase of assets. The Company expects full payment of these commitments during 2H 21/1H 22.

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Total contracted capex commitments	32,507	45,332	15,571
Down payments	(21,096)	(19,516)	(1,982)
Capex Commitments	11,411	25,816	13,589

6.6.2.16 Statement of cash flows

Table No. (6.34): Statement of cash flows for the years ended 31 December 2019G, 2020G and 2021G

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Operational activities			
Net profit for the year before zakat	35,685	80,020	78,507
Adjustments:			
Depreciation of property, plant, and equipment	5,318	14,814	18,037
Amortization of intangible assets	21	82	104
Depreciation of right of use assets	-	202	284
Provision for trade and other receivables	-	1,731	-
Employees' end-of-service benefits obligation	125	837	1,598
Financing costs	-	592	1,194
Capital losses	-	83	-
Total operating activities	41,149	98,361	99,723
Change in operating assets and liabilities			
Trade and other receivables	178	(982)	(5,888)
Letter of guarantees			(5,295)
Inventory	(2,033)	(8,062)	(6,285)
Due from related parties	1,614	1,386	(217)
Trade payables and other payable balances	2,962	4,462	(730)
Due to related parties	2,639	(11,837)	4,169
Cash flows from operating activities	46,510	83,327	85,477
Employee end of service benefits paid	(121)	(62)	(36)
Zakat paid	-	(672)	(2,751)
Net cash flow generated from operating activities	46,389	82,594	82,689

SAR in 000s	31 December 2019G	31 December 2020G	31 December 2021G
	Audited	Audited	Audited
Investing activities			
Additions to property, plant, and equipment	(68,205)	(27,937)	(33,859)
Advance payments for the purchase of property, plant, and equipment	-	(19,516)	(1,176)
Proceeds from disposal of property, plant, and equipment	-	-	59
Additions to intangible assets	(23)	(681)	(470)
Net cash flow used in investing activities	(68,228)	(48,134)	(35,446)
Financing activities			
Proceeds from loans	-	20,500	(3,649)
Paid financing costs	-	(592)	(1,203)
Lease liabilities	-	(263)	(243)
Dividends Paid	(14,093)	(31,931)	(34,000)
Proposed capital increase	40,000	-	-
Related parties	-	-	-
Net cash flows used in financing activities	25,907	(12,286)	(39,095)
Net change in cash and cash equivalents	4,068	22,174	8,147
Cash and cash equivalent at the beginning of the year	3,472	7,540	29,714
Cash and cash equivalent at the end of the year	7,540	29,714	37,861

Source: Audited Financial Statements for the financial years ended 31 December 2019G, 2020G and 2021G

Cash flows from operating activities

Cash flows from operating activities increased from SAR 46.4 million in 2019G to SAR 82.6 million in 2020G, due to the increase in net profits before zakat as a result of the improvement in gross profit during the same period. It subsequently increased to SAR 82.7 million driven by the increase in production capacity which was partially offset by the increase in trade receivables and inventories. The Company has used its operating cash flows to fund expansionary capital expenditures throughout the historical period.

Cash flows from investing activities

Cash flows from investing activities amounted to SAR (68.2) million in 2019G and are related to the acquisition of two production lines from Al Sad Company. Cash flows from investing activities decreased to SAR (48.1) million in 2020G and SAR 35.4 million in 2021G, mainly due to the acquisition of two production lines from Zulal Company and the Middle East Machinery Factory Company Limited.

Cash flows from financing activities

Cash flows from financing activities decreased from SAR 25.9 million in 2019G to SAR (12.3) million in 2020G and SAR (39.1) million in 2021G as a result of dividends distribution amounting to SAR 34.0 million and SAR 31.9 million and SAR 34 million respectively.

7

DIVIDEND DISTRIBUTION POLICY

Pursuant to Article 110 of the Companies Law, each Shareholder is entitled to the rights attached to the Shares, including in particular the right to receive a portion of the dividends declared. The declaration and distribution of any dividends will be recommended by the Board of Directors before being approved by the Shareholders at a General Assembly meeting. The Company is under no obligation to declare dividends and any decision to do so will depend on, amongst other things, the Company's historic and anticipated earnings and cash flows, financing and capital requirements and market and general economic conditions, the Company's Zakat position and legal and regulatory considerations. Dividend distribution is subject to the limitations contained in the financing agreements entered into with lenders (for further details see Section 12.6 (**Financing Agreements**), as well as the limitations contained in the Bylaws. Dividends will be distributed in Saudi Arabian Riyals.

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

a. 10% of the annual net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when the statutory reserve totals 30% of the Company's paid-up capital;

b. the Ordinary General Assembly may resolve to form other reserves to the extent that they serve the Company's interests, or to ensure the distribution of fixed dividends – as far as possible – to the Shareholders. The Ordinary General Assembly may also deduct amounts from the net profit to create social institutions for the Company's employees or to support existing institutions of such kind;

c. the Ordinary General Assembly may, upon the recommendation of the Board of Directors, set aside up to 5% of the net profits to form a voluntary reserve to be allocated to a specific purpose or purposes decided by the General Assembly;

d. all remaining net profits shall be distributed to the Shareholders unless otherwise decided by the Ordinary General Assembly.

The following is a summary of the dividends that the Company announced and distributed since the beginning of 2019G:

Table No. (7.1): Dividends Declared and Distributed in the Years Ended 31 December 2019G, 2020G, 2021G (SAR'000)

SAR'000	The financial year ended 31 December		
	2019G	2020G	2021G
Declared Dividends for the Period	14,093.4	31,931	34,000
Paid Dividends Throughout the Period	14,093.4	31,931	34,000
Total Comprehensive Income for the Year	34,779	77,794	77,671
Ratio of Net Income Declared Dividends	41%	41%	44%

Source: The Company

Offer Shares are not entitled to any dividends announced prior to the date of this Prospectus, as the first entitlement of Offer Shares shall be in dividends announced by the Company from the date of this Prospectus and the subsequent financial years. As of the date of this Prospectus, the Directors undertake that there are no declared or outstanding dividends for the said periods.

8

USE OF PROCEEDS

The total Offering Proceeds are estimated at Four hundred fourteen million SAR (414,000,000), of which approximately twenty million SAR (20,000,000) will be applied towards the Offering expenses, which include the fees of the Financial Advisor, the Lead Manager, the Bookrunner, the Underwriter, the Legal Advisor, the Financial Due Diligence Advisor, the Receiving Agents and the Market Study Consultant, as well as marketing, printing and distribution fees and other costs and expenses related to the Offering.

The Net Offering Proceeds of approximately Three hundred and ninety four million SAR (394,000,000) will be distributed to the Selling Shareholders pro-rata to the number of Offer Shares that will be sold by each of them in the Offering. The Company will not receive any part of the proceeds from the Offering. The Selling Shareholders will bear all fees, costs and expenses in relation to the Offering.

9

CAPITALISATION AND INDEBTEDNESS

Prior to the Offering, the Current Shareholders owned the entire issued share capital of the Company. Upon completion of the Offering, they will jointly hold seventy percent (70%) of the Company's shares.

The following table shows the Company's capitalisation as reflected in the Company's audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G. The following table should be read in conjunction with the relevant Financial Statements, including the notes thereto set out in Section 19 (FINANCIAL STATEMENTS AND AUDITORS' REPORT).

Table No. (9.1): Capitalisation and Indebtedness of the Company

(SAR '000)	2019G (Audited)	2020G (Audited)	2021G (Audited)
Long term lease liabilities	-	330	355
Short term lease liabilities	-	826	558
Current Portion of Long-Term Loans	-	3,649	4,756
Non-Current Portion of Long-Term Loans	-	16,851	12,75
Total Loans	-	**21,656**	**17,744**
Equity			
Capital	85,338	150,000	200,000
Statutory Reserve	7,405	7,405	4,796
Retained Earnings	25,657	11,394	126
Total Shareholders' Equity	**118,400**	**168,799**	**204,922**
Total Capitalisation (Total Loans + SH Equity	**118,400**	**190,455**	**222,666**
Total Loans/Total Capitalisation	-	**11.4%**	**8.0%**

Source: The audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G.

The Directors declare that:

a. none of the Company's share capital is under option;

b. the Company does not have any debt instruments as of the date of this Prospectus; and

c. the Company's existing cash balances and cash flows will be sufficient to meet its anticipated cash needs for working capital and capital expenditures for at least twelve 12 months following the date of this Prospectus.

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STATEMENTS BY EXPERTS

All of the Advisors and Auditors, whose names are listed starting on pages (vi) and (vii), have given and, as of the date of this Prospectus, have not withdrawn, their written consent to the publication of their names, addresses, logos and statements attributed to each of them in this Prospectus, and neither they nor their employees forming part of the team serving the Company, nor any of their relatives have any shareholding or interest of any kind in the Company as of the date of this Prospectus which would impair their independence.

11

DECLARATIONS

The Directors declare the following:

a. neither they nor any of the Senior Executives nor the Secretary have at any time been declared bankrupt or been subject to bankruptcy proceedings;

b. none of the companies in which any of the Directors, Senior Executives or the Secretary have been employed in a managerial or supervisory capacity were declared bankrupt or insolvent during the past five years;

c. except as specified in Section 12.9 (**Related Party Contracts and Transactions**), neither they nor any of the Senior Executives, the Secretary nor their relatives or affiliates have any material interest in any written or verbal contract or arrangement under consideration or expected to be conducted with the Company as of the date of this Prospectus;

d. except as otherwise described in Section 5.2.1 (**Composition of the Board of Directors**), and Section 12.9 (**Related Party Contracts and Transactions**), neither they nor any of the Senior Executives, the Secretary nor their relatives have any shareholding or interest of any kind in the Company or in any debt instruments of the Company, and the Company is prohibited from granting a loan to a Director or guaranteeing a loan entered into by a Director;

e. all transactions with Related Parties described in Section 12.9 (**Related Party Contracts and Transactions**), including the determination of the financial consideration for contracts, have been carried out in a systematic and legal manner and on appropriate and fair commercial principles used in transactions with third parties;

f. there is no authority that gives any of the members of the Board of Directors or the Chief Executive Officer the right to vote on a contract or proposal in which he has an interest;

g. no commissions, discounts, brokerages or other non-cash compensation were granted by the Company within the three years immediately preceding the application for the registration and offer of securities in connection with the issue or sale of any securities;

h. there has been no interruption in the Company's business that may significantly affect or has affected its financial position during the last 12 months;

i. the Company does not have any business or assets outside the Kingdom;

j. there is no intention to introduce any material changes to the nature of the Company's business;

k. they will not vote on General Assembly resolutions that relate to any transaction or contract in which they have a direct or indirect interest;

l. there has been no material adverse change in the financial or trading position of the Company in the three financial years immediately preceding the date of filing the application for the registration and offering of securities that are the subject of this Prospectus and during the period covered in the Auditor's report up to the date of approval of this Prospectus;

m. as of the date of this Prospectus, the Company does not have any employee share schemes in place for its employees or any other existing similar arrangement involving the employees in the capital of the Company;

n. the Company does not have any securities (contractual or otherwise) or any assets that are subject to fluctuation which would adversely and materially affect its financial position;

o. except as disclosed in Section 2 (**RISK FACTORS**) and Section 6.5 (**The Main Factors Affecting the Company's Performance and Operations**), the Company is not aware of any information regarding any governmental, economic, financial, monetary or political policies or any other factors that have materially affected or may materially affect (directly or indirectly) its operations;

p. except as disclosed in Section 2 (**RISK FACTORS**) and Section 6.5 (**The Main Factors Affecting the Company's Performance and Operations**), the Company is not aware of any seasonal information or business cycles related to its business that would affect the Company's operations or financial position;

q. the statistical information used in Section 3 (**MARKET AND INDUSTRY DATA**) obtained from third-party sources represents the latest information available from each respective source;

r. the Company has insurance policies with sufficient insurance coverage to carry out its activities. The Company renews its insurance policies regularly to ensure continued insurance coverage;

s. all contracts and agreements which the Company considers to be material or important or which may have an impact on a Subscriber's decision to invest in the Offer Shares have been disclosed. There are no other material agreements or contracts that have not been disclosed;

t. all terms and conditions that may affect the decisions of the Investors to invest in Offer Shares have been disclosed;

u. as of the date of this Prospectus, there are no material Related Party contracts or transactions that have any material impact on the Company's activities, and the Company has no intention to enter into any new agreements with Related Parties, except as specified in Section 12.9 (**Related Party Contracts and Transactions**);

v. the Selling Shareholder will incur all of the expenses and costs related to the Offering, and such costs will be deducted from the Offering Proceeds, including the fees of the Financial Advisor, the Underwriter, the Legal Advisors, the Financial Due Diligence Advisor, the Market Study Consultant and the Receiving Agents, as well as marketing, printing and distribution costs and other expenses related to the Offering;

w. except as disclosed in Section 2.1.41 (**Risks Related to Potential Zakat and Tax Liability**), there is no dispute with the ZATCA as of the date of this Prospectus. The Selling Shareholder will bear any additional claims that may arise from the ZATCA for the previous years up to the year 2020G, and a written undertaking has been provided by the Selling Shareholder

x. they have developed procedures, controls and systems that would enable the Company to meet all of the requirements of the relevant laws and regulations, including the Companies Law, CML and its implementing regulations (including the Rules on the Offer of Securities and Continuing Obligations), and Listing Rules;

y. all of the Company's employees are under its sponsorship;

z. as of the date of this Prospectus, the Shareholders whose names appear in Section 4.3 (**Current Shareholding Structure**) are the legal and beneficial owners of the Shares in the Company;

aa. all increases in the capital of the Company are in compliance with the applicable laws and regulations of the Kingdom;

bb. except as disclosed in Section 2 (**RISK FACTORS**), and to the best of their knowledge and belief, there are no other material risks that may affect a prospective investor's decision to invest in the Offer Shares;

cc. except as disclosed in Section 2.1.36 (**Risk Relating to Licences and Approvals**), and Section 12.4 (**Government Consents, Licences and Certificates**), as of the date of this Prospectus, the Company has obtained all necessary licences and permits to carry out its business activities;

dd. except as disclosed in Section 12.12 (**Litigation**), the Company is not a party to any existing disputes, claims, issues or investigation procedures that may have a material effect on the Company's operations or financial position;

ee. except as disclosed in Section 12.6 (**Financing Agreements**), the Company has not issued any debt instruments, nor does it have any term loans or any other outstanding loans or indebtedness (including bank overdrafts, financial liabilities under acceptance, acceptance credits or purchase commitments);

ff. except as disclosed in Section 12.6 (**Financing Agreements**), the Board of Directors acknowledges that none of the Company's assets are under mortgage, right or charge as of the date of this Prospectus;

gg. the Issuer has working capital sufficient for at least 12 months immediately following the date of this Prospectus;

hh. no Shares of the Company are under option;

ii. except as disclosed in Section 4.10 (**Research and Development**), the Company does not have a policy in connection with research and development and production methods over the last three years as of the date of this Prospectus;

jj. the Company's audited financial statements for the financial year ended 31 December 2019G and the accompanying notes thereto were prepared in accordance with the IFRS as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA, and have been audited by Al Yousif Al Saeed Co. (Certified Public Accountants) for the financial years ended 31 December 2020G and 2021G, and the accompanying notes thereto were prepared in accordance with the IFRS as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA, and were audited by Dr. Mohammed Al-Amri & Co;

kk. The financial information for the financial year 2019G was extracted from the financial information described in the Company's audited financial Statements for the financial year ended 31 December 2020G, which was prepared in accordance with the IFRS as endorsed in the Kingdom;

ll. the financial information appearing in this Prospectus has been extracted from the Company's audited financial statements, and no material amendments have been made thereto;

mm. the Company is capable of preparing the required reports in a timely manner in accordance with the implementing regulations issued by the CMA;

nn. all necessary approvals have been obtained from lenders to offer 30% of the Company shares in order for the Company to be a public joint stock company;

oo. the Company is committed to all of the terms and conditions under the agreements with lenders granting all loans, facilities and financing;

pp. as of the date of this Prospectus, there is no breach of the contractual terms and conditions under the agreements with the providers of all loans, facilities and financing, and the Company is committed to all of these terms and conditions;

qq. all material facts regarding the Company and its financial performance have been disclosed in this Prospectus, and there are no other facts whose omission would make any statement herein misleading;

rr. the Offering does not violate the relevant laws and regulations of the Kingdom;

ss. the Offering does not violate any of the contracts or agreements to which the Company is a party;

tt. all material legal information related to the Company has been disclosed in the Prospectus;

uu. the Company's Directors are not subject to any legal proceedings or actions that may, individually or collectively, have a material effect on the Company's business or their financial position; and

vv. all terms and conditions that may affect the decisions of the Subscribers in the Company's shares have been disclosed.

In addition to the above, the Directors confirm that:

a. the third-party information and data included in this Prospectus, including the information obtained or derived from the market research conducted by the Market Study Consultant, is reliable and the Company has no reason to believe that such information is materially inaccurate

b. this Prospectus contains all of the information required to be included under the Rules on the Offer of Securities and Continuing Obligations, and no facts that may affect the application for the registration and offer of securities were omitted from this Prospectus;

c. they have submitted, and will submit, to the CMA all of the documents required under CML and the Rules on the Offer of Securities and Continuing Obligations;

d. the Company has prepared its internal control policies on sound principles where it has implemented a written policy regulating and resolving possible conflicts of interest issues, which include the misuse of the Company's assets and malfeasance due to Related Party transactions. The Company has ensured that its operational and financial policies are sound and that control procedures appropriate for risk management are implemented in accordance with Part 5 of the Corporate Governance Regulations. The Directors review the Company's internal controls on an annual basis;

e. the internal control, accounting, and information technology systems of the Company are sufficient and adequate;

f. except as disclosed in Section 12.9 (**Related Party Contracts and Transactions**), there are no conflicts of interest related to the Directors with respect to contracts or transactions entered into with the Company;

g. as of the date of this Prospectus, none of the Directors have engaged in any activities similar or competitive with the activities of the Company. The Directors undertake to fulfil this regulatory requirement in the future as per Article 72 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations;

h. unless otherwise approved by the General Assembly, a Director may not have a direct or indirect interest in the transactions and contracts entered into by the Company;

i. the Directors shall notify the Board of Directors of any direct or indirect interest they may have in the transactions and contracts entered into by the Company, and this notification will be recorded in the minutes of the Board of Directors meeting;

j. all transactions with Related Parties shall be entered into on an arm's-length basis and all works and contracts with Related Parties shall be subject to a vote in meetings of the Board of Directors and, if required by the Companies Law, the General Assembly. Directors may not vote on any decision related to transactions or contracts with the Company in which they have a direct or indirect interest, whether in the Board of Directors or the General Assembly, in accordance with Article 71 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations and the regulatory controls and procedures issued in the implementation of the Companies Law;

k. the Directors and the Chief Executive Officer shall not have the right to vote on decisions related to their fees and remuneration; and

l. neither the Directors nor any Senior Executive shall obtain a loan from the Company, and the Company shall not guarantee any loan entered into by a Director.

The Directors undertake to:

a. record all Board of Directors resolutions by means of written meetings minutes, which shall be signed by the Directors;

b. disclose the details of any Related Party transactions in accordance with the Companies Law and the Corporate Governance Regulations; and

c. comply with the provisions of Articles 71, 72 and 73 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations; and

d. amend the Company's Bylaws in the first extraordinary general assembly after listing in accordance with the Corporate Governance Regulations issued by the CMA and other applicable laws and regulations.

12

LEGAL INFORMATION

12.1 The Company

Naqi Water Company is a Saudi closed joint stock company pursuant to Ministerial Resolution No. 255, dated 1 Sha'ban 1442H (corresponding to 14 March 2021G), and registered under Commercial Registration No. 1128018184, dated 27 Jumada al-Akhirah 1435H (corresponding to 27 April 2014G), with a capital of two hundred million Saudi Arabian Riyals (SAR 200,000,000), divided into twenty million (20,000,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share. The Company's head and registered office is located in Al Absah District, P.O. Box 608, Unaizah 51911, Kingdom of Saudi Arabia. According to the Company's main and branch Commercial Registrations, its main activities include the production and bottling of pure filtered water, the wholesale of all kinds of bottled water, the wholesale of soft drinks and juices and the retail sale of beverages in Specialized stores.

12.2 Ownership Structure

The following table summarizes the ownership structure of the Company before and after the Offering:

Table No. (12.1): Direct Ownership Structure of the Company Pre-and Post-Offering

Shareholders	PreOffering			PostOffering		
	No. of Shares	Shareholding (%)	Nominal Value (SAR)	No. of Shares	Shareholding (%)	Nominal Value (SAR)
Ameen Abdullah Ali Almallah	10,000,000	50%	100,000,000	7,000,000	35%	70,000,000
Alsad Modern Advanced Company	10,000,000	50%	100,000,000	7,000,000	35%	70,000,000
Public	-	-	-	6,000,000	30%	60,000,000
Total	20,000,000	100%	200,000,000	20,000,000	100%	200,000,000

Source: The Company

For further information regarding the Shareholders and the ownership structure of the Company, see Section 4.3 (**Current Shareholding Structure**).

12.3 Subsidiaries

The Company does not have any subsidiaries.

12.4 Government Consents, Licences and Certificates

The Company (including its branches) holds several operational and regulatory licences and certificates from the relevant competent authorities which are periodically renewed. The Directors declare that the Company obtained all licences and certificates necessary to execute its operations in order to maintain such activities, except as noted for certain of its operational licences that have expired or were not obtained, as disclosed in Table 12.4 (**Summary of Operational Licences Obtained by the Company**), although the Company has submitted all necessary applications to the competent authorities to obtain such licences. The following tables list the licences and certificates currently held by the Company:

Table No. (12.2): Details of Commercial Registration Certificates Obtained by the Company

Location	Type of Entity	Commercial Registration No.	Registration Date	Expiration Date
Unaizah, Kingdom of Saudi Arabia	Joint Stock Company	1128018184	27 Jumada al-Akhirah 1435H (corresponding to 27 April 2014G)	27 Jumada al-Akhirah 1445H (corresponding to 9 January 2024G)
Unaizah, Kingdom of Saudi Arabia	Branch	1128183653	17 Jumada al-Ula 1441H (corresponding to 12 January 2020G)	17 Jumada al-Ula 1445H (corresponding to 1 December 2023G)
Riyadh, Kingdom of Saudi Arabia	Branch	1010603193	13 Rabi' al-Awwal 1441H (corresponding to 10 November 2019G)	13 Rabi' al-Awwal 1445H (corresponding to 28 October 2023G)
Riyadh, Kingdom of Saudi Arabia	Branch	1010460840	17 Muharram 1440H (corresponding to 27 September 2018G)	17 Muharram 1444H (corresponding to 15 August 2022G)

Source: The Company

Table No. (12.3): Details of Regulatory Licences and Certificates Obtained by the Company

Company	Issuing Authority	Licence Number	Purpose	Issue Date	Expiry Date
Naqi Water Company	ZATCA	1110857797	Certificate enabling the Company to finalise all processes	3 Thul-Hijjah 1442H (corresponding to 13 July 2021G)	29 Ramadan 1443H (corresponding to 30 April 2022G)
Naqi Water Company	Unaizah Chamber of Commerce and Industry, Kingdom of Saudi Arabia	602001186696	Chamber of Commerce and Industry membership certificate	11 Rabi' al-Thani 1443H (corresponding to 16 November 2021G)	27 Jumada al-Akhirah 1445H (corresponding to 9 January 2024G)
Naqi Water Company	ZATCA	310339245200003	VAT registration certificate	24 Rajab 1440H (corresponding to 31 March 2019G)	N/A
Naqi Water Company	GOSI	4351188	Certificate of fulfilment of obligations	14 Jumada al-Akhirah 1443H (corresponding to 17 January 2021G)	14 Rajab 1443H (corresponding to 15 February 2022G)1
Naqi Water Company	Ministry of Human Resource and Social Development	2027211100450	Wage protection fulfilment certificate	28 Rabi' al-Awwal 1443H (corresponding to 3 November 2021G)	30 Jumada al-Ula 1443H (corresponding to 3 January 2022G)1
Naqi Water Company	Ministry of Human Resource and Social Development	0002201019384	Saudization certificate	24 Jumada al-Akhirah 1443H (corresponding to 27 January 2021G)	26 Ramadan 1443H (corresponding to 27 April 2022G)

Source: The Company

(1) The licence has expired. The Company is in the process of renewing such certificate.

Table No. (12.4): Summary of Operational Licences Obtained by the Company

The Company	Issued by	Licence No.	Purpose	Issue Date	Expiry Date
The Company's Headquarter in Unaizah					
Naqi Water Company	General Directorate of Civil Defence	2-000575577-43	Civil defence licence	27 Safar 1443H (corresponding to 4 October 20221G)	27 Safar 1444H (corresponding to 23 September 2022G)
Naqi Water Company	Qassim Municipality	40072072611	Engaging in commercial activities	N/A	15 Ramadan 1443H (corresponding to 16 April 2022G)
Naqi Water Company	Ministry of Industry and Mineral Resources	1308 (amending licence no. 1989)	Industrial facility licence	29 Rajab 1441H (corresponding to 24 March 2020G)	28 Rajab 1444H (corresponding to 19 February 2023G)
Naqi Water Company	Saudi Food & Drug Authority	E-00681	Food establishment licence	21 Rajab 1440H (corresponding to 28 March 2019G)	21 Rajab 1443H (corresponding to 22 February 2022G)
Naqi Water Company	Saudi Food & Drug Authority	FEC 006214-22	Export validity licence	5 Jumada al-Akhirah 1443H (corresponding to 8 January 2022G)	15 Jumada al-Akhirah 1444H (corresponding to 8 January 2023G)
Naqi Water Company	The General Authority of Meteorology & Environmental Protection	5264	Permit for environmental operations	4 Rabi' al-Awwal 1442H (corresponding to 21 October 2020G)	4 Safar 1444H (corresponding to 31 August 2022G)
Unaizah Branch					
Naqi Water Company	Qassim Municipality	42075345308	Engaging in commercial activities	17 Rajab 1442H (corresponding to 1 March 2021G)	25 Rajab 1447H (corresponding to 14 January 2026G)
Naqi Water Company	General Directorate of Civil Defence	1-000697543-42	Civil defence licence	25 Rajab 1442H (corresponding to 9 March 2021G)	25 Rajab 1443H (corresponding to 26 February 2022G)
Riyadh Branch					
Naqi Water Company	Riyadh Municipality	41073456970	Engaging in commercial activities	N/A	19 Ramadan 1444H (corresponding to 10 April 2023G)
Naqi Water Company	General Directorate of Civil Defence	1-000771111-43	Civil defence licence	1 Jumada al-Akhirah 1443H (corresponding to 4 January 2022G)	1 Jumada al-Akhirah 1444H (corresponding to 25 December 2022G)
Well 1					
Naqi Water Company	Ministry of Environment, Water and Agriculture	N/A	Water well digging licence[2]	N/A	N/A
Naqi Water Company	Ministry of Environment, Water and Agriculture	N/A	Water well operation licence[2]	N/A	N/A
Well 2					
Naqi Water Company	Ministry of Environment, Water and Agriculture	N/A	Water well digging licence[2]	N/A	N/A
Naqi Water Company	Ministry of Environment, Water and Agriculture	N/A	Water well operation licence[2]	N/A	N/A

Source: The Company

(1) The licence has expired. The Company is in the process of renewing such certificate.

(2) The licence is not available. The Company is in the process of issuing such certificate.

12.5 Material Agreements

The Company has entered into a number of agreements for the purposes of its business. The following is a summary of those agreements which the Company considers material or important or which may otherwise influence a Subscriber's decision to invest in the Offer Shares. The Company believes that all such agreements, in addition to the key terms and conditions thereunder, have been included in this Section and that no other agreements which are material in the context of the Company's business have not been disclosed. The Company has not breached the terms and conditions included in such agreements. These summaries do not purport to describe all of the applicable terms and conditions of such agreements. For further details on the Company's financing agreements, lease agreements, and insurance policies, see Section 12.6 (**Financing Agreements**), Section 12.8.2 (**Leases**), and Section 12.7 (**Insurance Policies**). The following table sets out the material agreements (except for financing agreements, lease agreements and insurance policies) entered into by the Company for the purposes of its business.

Table No. (12.5): Details of Material Agreements as of the Date of this Prospectus

Name of Agreement	Parties	Brief Description	Term and Renewable Mechanism	Value
Agreements with Key Clients				
Supply and Distribution Agreement of Bottled Water	The Company (as seller) and Sulaiman Al Ajmi Establishment (as distributor)	The Company entered into a supply and distribution agreement. Under the agreement, the Company produces and provides bottled water. The distributor acts as an agent and distributes the bottled water within Almadinah Almunawarah and its neighbouring areas.	The agreement is for a term of one year, commencing from 17 Jumada al-Ula 1442H (corresponding to 1 January 2021G), and renews automatically.	SAR 13,288,311 (as of the financial year ended 31 December 2021G)
Supply and Distribution Agreement of Bottled Water	The Company (as seller) and Taif Al Raki for Trading Establishment (as distributor)	The Company entered into a supply and distribution agreement. Under the agreement, the Company produces and provides bottled water. The distributor acts as an agent and distributes the bottled water within Tabuk and its neighbouring areas.	The agreement is for a term of one year, commencing from 17 Jumada al-Ula 1442H (corresponding to 1 January 2021G), and renews automatically.	SAR 11,812,918 (as of the financial year ended 31 December 2021G)
Supply and Distribution Agreement of Bottled Water	The Company (as seller) and Ali Abu Saeed Trading Establishment (as distributor)	The Company entered into a supply and distribution agreement. Under the agreement, the Company produces and provides bottled water. The distributor acts as an agent and distributes the bottled water within Dammam and its neighbouring areas.	The agreement is for a term of one year, commencing from 17 Jumada al-Ula 1442H (corresponding to 1 January 2021G), and renews automatically.	SAR 11,529,118 (as of the financial year ended 31 December 2021G)
Agreements with Key Suppliers				
Supply Transactions	The Company (as the purchaser) and Riyadh Factory for Carton (as the seller)	The Company entered into supply arrangements with Riyadh Factory for Carton pursuant to which a series of ongoing transactions have taken place with respect to the supply of carton boxes.	N/A	SAR 10,725,158 (as of the financial year ended 31 December 2021G)

Source: The Company

12.5.1 Agreements with Key Customers

12.5.1.1 Supply and Distribution Agreement of Bottled Water between the Company and Sulaiman Al Ajmi Establishment

The Company (as seller) and Sulaiman Al Ajmi establishment (as distributor) entered into a non-exclusive supply and distribution agreement where the distributor distributes the products of the Company in the following geographical areas: Almadinah Almunawarah, Al Hinakiyah, Suwaydrah, Al Aqool, Abar Almashi, Khaybar, Al Yutmah and Al Furaysh. Under the agreement, the distributor is required to purchase a minimum quantity of the Company's products every month (200,000 crates of bottled water of various sizes). Revenues from this agreement amounted to SAR 13,288,311 for the financial year ended 31 December 2021G, and SAR 13,288,311 as net income for the same period. The agreement is valid for a period of one year starting from 17 Jumada al-Ula 1442H (corresponding to 1 January 2021G) to 28 Jumada al-Ula 1443H (corresponding to 1 January 2022G) and shall be renewed automatically unless a party notifies the other of its intention to not renew at least 30 days before the expiration date. The agreement is governed by and is construed in accordance with the laws of the Kingdom and any dispute arising from or in relation to the agreement shall be referred to the competent authorities in the Kingdom.

12.5.1.2 Supply and Distribution Agreement between the Company and Taif Al Raki for Trading Establishment

The Company (as seller) and Taif Al Raki for Trading Establishment (as distributor) entered into a non-exclusive supply and distribution agreement where the distributor distributes the products of the Company in the following geographical areas: Tabuk, Halat Ammar, Bir Ibn Hirmas, Albada', Haql, Sharma, Duba, Al Wajh, Tayma, Al Ula and Qalibah. Under the agreement, the distributor is required to purchase a minimum quantity of the Company's products every month (250,000 crates of bottled water of various sizes). Revenues from this agreement amounted to SAR 11,812,918 for the financial year ended 31 December 2021G, and SAR 11,812,918 as net income for the same period. The agreement is valid for a period of one year starting from 17 Jumada al-Ula 1442H (corresponding to 1 January 2021G) to 28 Jumada al-Ula 1443H (corresponding to 1 January 2022G) and shall be renewed automatically unless a party notifies the other of its intention to not renew at least 30 days before the expiration date. The agreement is governed by and is construed in accordance with the laws of the Kingdom and any dispute arising from or in relation to the agreement shall be referred to the competent authorities in the Kingdom.

12.5.1.3 Supply and Distribution Agreement of Bottled Water between the Company and Ali Abu Saeed Trading Establishment

The Company (as seller) and Ali Abu Saeed Trading Establishment (as distributor) entered into a non-exclusive supply and distribution agreement where the distributor distributes the products of the Company in the following geographical areas: Al Khobar, Dammam, Dhahran, Saihat, Al Qatif, Ras Tanura and Al Jubail. Under the agreement, the distributor is required to purchase a minimum quantity of the Company's products every month (200,000 crates of bottled water of various sizes). Revenues from this agreement amounted to SAR 11,529,118 for the financial year ended 31 December 2021G, and SAR 11,529,118 as net income for the same period. The agreement is valid for a period of one year starting from 17 Jumada al-Ula 1442H (corresponding to 1 January 2021G) to 28 Jumada al-Ula 1443H (corresponding to 1 January 2022G) and shall be renewed automatically unless a party notifies the other of its intention to not renew at least 30 days before the expiration date. The agreement is governed by and is construed in accordance with the laws of the Kingdom and any dispute arising from or in relation to the agreement shall be referred to the competent authorities in the Kingdom.

12.5.2 Agreements with Key Suppliers

12.5.2.1 Supply Transactions between the Company and Riyadh Factory for Carton

The Company (as the purchaser) and Riyadh Factory for Carton (as the seller) entered into an arrangement pursuant to which a series of ongoing transactions have taken place on a purchase order basis with respect to the supply of carton boxes. The total value of transactions made under this arrangement amounted to SAR 10,725,158 for the financial year ended 31 December 2021G.

12.6 Financing Agreements

The Company has entered into one financing agreement with Riyad Bank. The following is a summary of the terms and conditions of such agreement which the Company considers material or important or which may otherwise influence a Subscriber's decision with respect to the Offer Shares. The Company has not breached any of the conditions or undertakings included in such agreement. These summaries include only the material terms and conditions, not all applicable terms and conditions of such agreement, and cannot be considered as an alternative to the terms and conditions of this agreement.

The financing agreement in which the Company is a party includes provisions that either require the submission of a prior notification to the Financial Institution of any change of control or change in the ownership structure of the Company, or when offering the Company's share for public subscription. The Company, in this regard, has provided the necessary notices to the Financial Institution.

The following table sets out the financing agreement entered into by the Company for the purposes of its business:

Table No. (12.6): Details of Financing Agreements

Lender	Type of Financing	Availability Period	Financing Amount
Riyad Bank [(1)]	Shari'a Compliant Banking Facilities Agreement	The facility availability period runs from 5 Muharram 1442H (corresponding to 24 August 2020G) to 1 Rabi' al-Awwal 1447H (corresponding to 24 August 2025G)	SAR 20,500,000

Source: The Company

(1) As of 31 December 2021G, a total amount of SAR 12,095,000 is outstanding in connection with the banking facilities agreement concluded with Riyad Bank.

12.6.1 Shari'a Compliant Banking Facilities Agreement with Riyad Bank

The Company concluded a Tawaruq credit facilities agreement with Riyad Bank on 5 Muharram 1442H (corresponding to 24 August 2020G), to finance the Company's acquisition of the requested assets. Under this agreement, Riyad Bank agreed to provide the Company with financing amounting to SAR 20,500,000 at an annual profit margin of 4% over SIBOR and charges a commission fee ranging between 0.02% and 0.05%. The Company considers the agreement to be in line with prevailing market practices.

The facility availability period runs until 1 Rabi' al-Awwal 1447H (corresponding to 24 August 2025G). The guarantees provided under the agreement, are as follows:

a. joint and several personal guarantees provided by (i) Ameen Abdullah Almallah; (ii) Yasser Aqeel Al Aqeel; and (iii) Fahad Sulieman Almusned in favour of Riyad Bank in the amount of SAR 20,500,000;

b. a promissory note provided jointly and severally by (i) Ameen Abdullah Almallah; (ii) Yasser Aqeel Al Aqeel; and (iii) Fahad Sulieman Almusned in favour of Riyad Bank in the amount of SAR 24,600,000; and

c. a pledge for all Mercedes – Benz trucks deposited at Riyad Bank as collateral for the Company's liabilities under the agreement.

The Company's main covenants under the facilities include seeking the lender's consent before implementing any change in its ownership structure. Pursuant to a letter dated 24 Thul-Hijjah 1442H (corresponding to 3 August 2021G), Riyad Bank consented to the Offering.

The agreement is governed by and shall be construed in accordance with the laws of the Kingdom. Any dispute arising from or in relation to the agreement shall be referred to the competent authorities in the Kingdom.

12.7 Insurance Policies

The Company maintains insurance policies covering different types of risks to which it may be exposed. These insurance policies have been issued by several insurance companies. The following table sets out the key particulars of the insurance policies held by the Company:

Table No. (12.7): Details of Insurance Policies

Policy No.	Types of Coverage	Insurer	Validity	Maximum Insurance Coverage
25014682	Property corporate insurance – fire and allied perils	Malath Insurance Company	26 Rabi' al-Awwal 1443H (corresponding to 1 November 2021G) to 6 Rabi' al-Thani 1444H (corresponding to 31 November 2022G)	SAR 24,500,000 for buildings, including fixtures and fittings of the owner SAR 120,500,000 for hardware and machinery and other fixtures, fittings and items SAR 9,000,000 for goods and items in warehouse
P-02-2020-4-411-050854	Motor comprehensive insurance	Wataniya Insurance Company	24 Rabi' al-Thani 1442H (corresponding to 9 December 2020G) to 4 Jumada al-Ula 1443H (corresponding to 8 December 2021G) [(1)]	SAR 10,000,000
45416500	Medical insurance	Bupa Insurance Company	16 Sha'ban 1442H (corresponding to 29 March 2021G) to 25 Sha'ban 1443H (corresponding to 28 March 2022G)	SAR 500,000
34CHB2 0206/21-01	Money insurance	Chubb Arabia Insurance Company	26 Sha'ban 1442H (corresponding to 8 April 2021G) to 6 Ramadan 1443H (corresponding to 7 April 2022G)	SAR 121,000,000
41CHB2 0321/21-01	Comprehensive general liability insurance	Chubb Arabia Insurance Company	26 Sha'ban 1442H (corresponding to 8 April 2021G) to 6 Ramadan 1443H (corresponding to 7 April 2022G)	SAR 5,000,000
67CHB2 0207/21-01	Fidelity insurance	Chubb Arabia Insurance Company	26 Sha'ban 1442H (corresponding to 8 April 2021G) to 6 Ramadan 1443H (corresponding to 7 April 2022G)	SAR 1,000,000

Source: The Company

[(1)] The policy has expired. The Company is in the process of renewing such policy.

12.8 Real Estate

12.8.1 Title Deeds

Table No. (12.8): Details of Title Deeds

No.	Title Deed Particulars	Location	Purpose	Rights of Third Parties/Disputes
1.	Title deed No. 361511003855 dated 21 Jumada al-Akhirah 1442H (corresponding to 3 February 2021G)	North of Unaizah, Kingdom of Saudi Arabia	Plot of land with a total area of 45,173.5 sqm, for the purpose of operating the management building, factory building, staff housing, desalination plant and inventory building	N/A
2.	Title deed No. 361511003856 dated 21 Jumada al-Akhirah 1442H (corresponding to 3 February 2021G)	North of Unaizah, Kingdom of Saudi Arabia	Plot of land with a total area of 44,448.5 sqm, for the purpose of operating a building owned by the Company	N/A
3.	Title deed No. 361508005209 dated 22 Jumada al-Akhirah 1442H (corresponding to 4 February 2021G)	North of Unaizah, Kingdom of Saudi Arabia	Plot of land with a total area of 72,672.6 sqm, for the purpose of conducting future expansion	N/A

12.8.2 Leases

The Company has entered into a lease agreement in order to initiate or establish and support its operations in the relevant business segments. The Company as the lessee in this agreement pays annual rent amount as specified in the agreement and generally does not have the right to assign or sublease the agreement in whole or in part to any third party. The lease term in the agreement is five (5) years, and the agreement stipulates that the renewal shall be based on a written agreement between the parties. The lease agreement does not permit one of its parties to terminate the agreement at his own discretion. The following table shows the details of the lease agreement entered into by the Company:

Table No. (12.9): Details of the Lease Agreement Concluded by the Company

Location	Lessor	Purpose	Contract Term and Renewal Mechanism	Rental Value	Right of Assignment/ Sub-Contracting
As Sulay District, Riyadh	Kafa'ah Company	Branch and warehouse	Five years commencing from 22 Sha'ban 1441H (corresponding to 15 April 2020G) to 16 Shawwal 1446H (corresponding to 14 April 2025G).	SAR 367,500 annually	The Company shall not assign its right under the agreement or sublease the leased premises.

Source: The Company

12.9 Related Party Contracts and Transactions

The Company's Directors declare that all of the contracts with Related Parties described in this Section have been carried out in an appropriate manner and on an arm's length basis, as concluded in transactions with third parties. Except as stated in this Section, the Directors declare that the Company is not involved in any dealings, agreements, commercial relations or real estate deals with a related party, including the Financial Advisor and Legal Advisors for the Offering.

The Directors also declare that the Company complies with Article 71 and Article 72 of the Companies Law and the instructions stated in Article 46 of the Corporate Governance Regulations issued by the CMA in relation to agreements with Related Parties. The General Assembly has approved all transactions and contracts with Related Parties for the financial years 2019G, 2020G and 2021G. The total value of transactions with Related Parties was SAR 185.2 million, SAR 116.8 million and SAR 116.4 million, respectively, for the financial years 2019G, 2020G and 2021G.

12.9.1 Production Line Purchase Agreement between the Company (as the Purchaser) and Zulal Company (as the Seller and Service Provider)

The Company (as the customer) previously entered into a cooperation agreement on 25 Jumada al-Akhirah 1439H (corresponding to 13 March 2018G) with Zulal Company (as the service provider) for a term of five years. Under the agreement, the service provider will provide supply, bottling and marketing services regarding bottled water, and will install and operate a production line on the purchaser's premises for the purpose of producing packages of various sizes. On 6 Jumada al-Ula 1441H (corresponding to 1 January 2020G), the Company (as the purchaser) entered into an agreement with Zulal Company (as the seller) to purchase a production line. This purchase agreement is for a consideration of SAR 12,236,992. The agreement is valid for a period of five years commencing on 25 Jumada al-Akhirah 1439H (corresponding to 13 March 2018G). The agreement is governed by the laws of the Kingdom and any dispute arising from the agreement will be resolved amicably, if the dispute has not been resolved it will be settled by way of arbitration.

This agreement is a Related Party transaction considering that the Company is an affiliate of the service provider (Zulal Company is owned by Fahad Almasnad and Yasser Al Aqeel, who collectively own Alsad Modern Advanced Company, which in turn owns 50% of the Company's Shares). This agreement does not require the approval of the Company's General Assembly, as it does not involve the direct or indirect interest of any of the Directors.

12.9.2 Machinery and Equipment Purchase Agreement between the Company (as the Purchaser) and Middle East Factory for Machines (as the Seller)

The Company (as the purchaser) and Middle East Factory for Machines (as the seller) entered into a purchase agreement on 15 Rabi' al-Awwal 1442H (corresponding to 1 November 2020G). The seller will supply the following machinery and equipment:

i. blowing machine;
ii. filling, labelling and handle applicator;
iii. high pressure compressor;
iv. palletizing system; and
v. conveyor for bottles.

The seller will properly train and develop the purchaser's employees in relation to the operation and maintenance of the machinery and equipment and will bear 50% of the cost of the employees operating the production line. This purchase agreement is for a consideration of SAR 13,800,000. The parties executed an annex dated 13 Rajab 1442H (corresponding to 25 February 2021G) to postpone the operation and maintenance of the mentioned machinery and equipment until the first half of 2022G due to delays caused by implications of the Covid-19 pandemic. The agreement is governed by the laws of the Kingdom and any dispute arising from or in relation to the agreement will be referred to the competent authorities in the Kingdom.

This agreement is a Related Party transaction considering that the Company is an affiliate of the seller (Middle East Factory for Machines is 60% owned by Yasser Al Aqeel, who owns 50% of Alsad Modern Advanced Company, which in turn owns 50% of the Company's Shares) and the Director Zed Nhad Ratib Alnathir has an interest therein. This agreement was presented to and approved at the General Assembly meeting held on 7 Muharram 1443H (corresponding to 15 August 2021G).

12.9.3 Purchase Order between the Company (as the Purchaser) and Middle East Factory for Machines (as the Seller)

The Company (as the purchaser) issued a purchase order on 21 Muharram 1442H (corresponding to 9 September 2020G) regarding a quotation received from Middle East Factory for Machines (as the seller), for the installation of plants and machinery for the purpose of upgrading the Company's water treatment plant, in the amount of EUR 1,725,000 (SAR 7,700,917.50). The terms of payment are as follows: (i) 50% down payment of the purchase order; (ii) 40% before shipment; and (iii) 10% after installation and commissioning. The Company anticipates that the upgrade will be commissioned by May 2021G. The parties executed an annex dated 16 Jumada al-Ula 1442H (corresponding to 31 December 2020G) to postpone the installation of plants and machinery until the second half of 2021G due to delays caused by implications of the Covid-19 pandemic. The agreement is governed by the laws of the Kingdom and any dispute arising from or in relation to the agreement will be referred to the competent authorities in the Kingdom.

This agreement is a Related Party transaction considering that the Company is an affiliate of the seller (Middle East Factory for Machines is 60% owned by Yasser Al Aqeel, who owns 50% of Alsad Modern Advanced Company, which in turn owns 50% of the Company's Shares) and the Director Zed Nhad Ratib Alnathir has an interest therein. This agreement was presented to and approved at the General Assembly meeting held on 7 Muharram 1443H (corresponding to 15 August 2021G).

12.9.4 Transactions between the Company (as the Purchaser) and Alsad Modern Advanced Company (as the Seller)

The Company purchases raw materials from the Alsad Modern Advanced Company; these materials include miniature plastic bottles (preform) and plastic caps that are used in bottling water. The Company's procurement from Alsad Modern Advanced Company accounted for 43.2%, 58.9% and 54.0% of the Company's total procurement of raw materials for the financial years ended 31 December 2019G, 2020G and 2021G, respectively, with a total value of SAR 32.1 million, SAR 42.3 million and SAR 73.4 million for the same periods respectively.

This agreement is a Related Party transaction considering that the Company is an affiliate of the seller (Alsad Modern Advanced Company owns 50% of the Company's Shares). This transaction does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.

12.10 Conflicts of Interest

Except for what has been disclosed in Section 12.9 (**Related Party Contracts and Transactions**), the Directors confirm they do not have any conflicts of interest in relation to contracts or service agreements entered into with the Company, and they were not engaged in any activities similar to or competing with the Company's activities as of the date of this Prospectus.

12.11 Intellectual Property

12.11.1 Trademarks

The Company has registered a number of trademarks on which it relies as a brand for its respective businesses. The Company relies on these trademarks to ensure the success of its businesses and support its competitive position in the market. Therefore, if the Company fails to protect its trademarks or is forced to take legal action necessary to protect the same, this could have an adverse effect on its ability to use them, which would affect its businesses and results of operations (for further details on risks related to the trademarks, see Section 2.1.40 (**Risks Related to Protection of Intellectual Property Rights**)).

All Company-owned trademarks are registered under the Company's name. The following table sets out certain key particulars of the Company's registered trademarks:

Table No. (12.10): Details of the Trademarks

Country of Registration	Trademark	Validity/ Expiration Date	Category	Logo
Kingdom of Saudi Arabia	The word "Naqi"/"نقي" in both Arabic and English in dark tiffany blue with dots in dark blue, and a scaled figure in the form of a water drop in the middle between the Arabic and English word "Naqi" in blue, and the remaining part of the water drop below the Arabic letter (ي) in light blue, with a sentence reading "Naqi Water" in English and "نقي للمياه" in Arabic under it.	Registered on 19 Thul-Hijjah 1440H (corresponding to 20 August 2019G)/ valid until 14 Ramadan 1450H (corresponding to 29 January 2029G)	35	NAQI نقي Naqi Water نقي للمياه
Kingdom of Saudi Arabia	The word "Naqi"/"نقي" in both Arabic and English in dark tiffany blue with dots in dark blue, and a scaled figure in the form of a water drop in the middle between the Arabic and English word "Naqi" in blue, and the remaining part of the water drop below the Arabic letter (ي) in light blue, with a sentence reading "Naqi Water" in English and "نقي للمياه" in Arabic under it.	Registered on 25 Thul-Hijjah 1442H (corresponding to 4 August 2021G) / valid until 16 Shawwal 1452H (corresponding to 8 February 2031G)	43	NAQI نقي Naqi Water نقي للمياه

12.11.2 Industrial Designs

Table No. (12.11): Details of the Industrial Designs

Country of Registration	Details of Industrial Design	Validity/ Expiration Date	Category	Design
Kingdom of Saudi Arabia	The industrial design certificate (SA9301) relating to the design of bottles, classified as "Locarno".	Registered on 17 Shawwal 1442H (corresponding to 29 May 2021G) / valid until 17 Shawwal 1452H (corresponding to 9 February 2031G).	35	

12.11.3 The Company's Other Intellectual Properties

The Company has registered an Internet domain under its name. The following table sets out the details of the internet domain name.

Table No. (12.12): Details of Internet Domain Name

Internet Domain Name	Expiry Date
www.naqiwater.com	7 Sha'ban 1443H (corresponding to 10 March 2022G)

Source: The Company

12.12 Litigation

The Directors confirm that there are no actual or threatened law suits, claims, complaints or investigation procedures that may, individually or collectively, have a material effect on the Company. Moreover, the Company is not aware of any material potential legal disputes or facts which, individually or collectively, may pose an imminent risk of material litigation, except as stated below:

12.12.1 Disputes

12.12.1.1 A Sole Proprietorship Against the Company

A sole proprietorship (as plaintiff) filed a claim against the Company (as defendant) under number (239938) in the Commercial Court in Buraida, mainly related to a case that was previously adjudicated before the Criminal Court in Buraidah, in which the plaintiff claims that the defendant committed trademark infringement by using its trademark, namely the "Qatra Naqi" trademark, since the defendant did not have a registered trademark certificate at the time. The Criminal Court has issued the following judgements: (i) a fine of SAR 10,000 against the defendant; (i) a fine of SAR 10,000 against the general manager of the defendant; and (iii) a requirement for the defendant to issue a public apology to the plaintiff. The plaintiff claimed compensation for damages resulting from the trademark infringement. The claim was rejected in the initial decision.

12.12.1.2 The Company against a Company that Installs and Sells Water Filters

The Company (as plaintiff) filed a claim against a company that installs and sells water filters (as defendant) under number (54738) dated 29 Shawwal 1442H (corresponding to 10 June 2021G) at the Ministry of Commerce. The Company claimed that the defendant's trademark represented an infringement of its trademark and requested the nullification of the defendant's trademark. The claim is currently pending.

12.12.1.3 Environmental Fine

The Company was subject to a fine on 12 Thul-Qi'dah 1441H (corresponding to 3 July 2020G) of SAR 10,000 for conducting activities without obtaining the required renewals and not submitting its records at the environmental registry. In the event of repetition, the Company shall be subject to a fine equal to twice the above amount and the closure of the relevant facility for 90 days.

12.13 Summary of Bylaws

12.13.1 Name of the Company

The name of the Company is "Naqi Water Company", a Saudi closed joint stock company, registered under the commercial registration certificate no. 1128018184 dated 27 Jumada al-Akhirah 1436H (corresponding to 27 April 2024G).

12.13.2 Activities of the Company

According to the Bylaws, the Company's activities are:

a. transformative manufacturing;
b. transportation and storage;
c. wholesale and retail trade and repair of motor vehicles and motorcycles;
d. trade; and
e. manufacturing, mining, recycling and manufacturing of beverages.

The Company performs the above activities following the attainment of necessary licences from the relevant authorities.

12.13.3 Participation

The Company may establish companies (limited liability or closed joint stock companies) provided that the capital thereof is not less than five million SAR 5,000,000. It may own Shares in other existing companies or merge therewith. It also has the right to participate with others in the establishment of joint stock or limited liability companies after satisfying the requirements of regulations and instructions in this regard. The Company may also dispose of such interest or Shares, provided that it does not include any brokerage.

12.13.4 Head Office of the Company

The head office of the Company is in the city of Unaizah, Kingdom of Saudi Arabia. The Company may establish branches, offices or agencies for the Company within or outside the Kingdom by a resolution of the Board of Directors.

12.13.5 Term of the Company

The term of the Company shall be ninety-nine (99) years commencing on the date of its registration at the commercial registration as a joint-stock company. The term of the Company may always be extended by a resolution issued by the Extraordinary General Assembly at least one year prior to the expiration of its term.

12.13.6 Company's Share Capital

The Company's Share capital shall be two hundred million Saudi Riyals SAR 200,000,000 divided into twenty million 20,000,000 Shares, with an equal nominal value of ten Saudi Riyals SAR 10 each, all of which are ordinary Shares.

12.13.7 Share Subscription

The Shareholders have subscribed to all of the Company's Shares, amounting to 20,000,000 Shares with a value amounting to two hundred million Saudi Riyals SAR 200,000,000.

12.13.8 Unpaid Value of Shares

If a Shareholder fails to pay the value of Shares when they fall due, the Board of Directors may, after giving such Shareholder notice by e-mail or registered mail, sell such Shares in a public auction or through the stock market, according to the circumstances and in accordance with the regulations set by the competent authority. The Company shall recover from the proceeds of the sale such amounts as are due to it and return the balance to the Shareholder. If the proceeds of the sale fall short of the amounts due, the Company shall assert a claim on the assets of the Shareholder for the unpaid balance. Nevertheless, a defaulting Shareholder may, up to the date of sale of such Shares, pay the outstanding value of such Shares plus all expenses incurred by the Company in this regard. The Company shall cancel the Shares sold in this manner and issue the purchaser with a new Shares certificate bearing the serial numbers of the cancelled Shares and make a notation to that effect in the Shareholders' register.

12.13.9 Issue of Shares

The Shares shall be nominal shares and may not be issued at less than their nominal value. However, the Shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added as a separate item in the Shareholders' equity. They may not be distributed as dividends to the Shareholders. A Share shall be indivisible vis à vis the Company. In the event that a Share is owned by several persons, they shall select one person from amongst themselves to exercise, on their behalf, the rights pertaining to such Share, and they shall be jointly responsible for the obligations arising from the ownership of such Share.

12.13.10 Share Certificates

The Company issues share certificates that include serial numbers, the signature of the chairman of the Company's Board or whomever he delegates from among the members of the Board, and the Company's seal. The share includes in particular the number and date of issue of the ministerial resolution licensing the conversion of the Company, the number and date of the ministerial resolution announcing the conversion of the Company and the nominal value of the share and the amount paid, the Company's purpose in brief, its head office, and its term. Shares may have coupons with serial numbers including the share number attached to it.

12.13.11 Trading of Shares

Shares that are subscribed for by the founding Shareholders shall not be tradable before the publication of the financial statements and for two complete financial years, each of which is not less than 12 months, from the date of incorporation of the Company. A notation shall be made on the share certificates, indicating their class, the date of incorporation of the Company, and the period during which their trading shall be suspended. During the lock-up period, and in accordance with the applicable provisions for the disposal of Shares, Shares may be transferred from one founding Shareholder to another or from the heirs of a deceased founding Shareholder to a third party, or in the case of the seizing of funds of an insolvent or bankrupt founding Shareholder, provided that the other founding Shareholder is given the priority to own such Shares. Such provisions shall apply to any Shares subscribed for by the Shareholders in the event that the capital is increased before the lapse of such lock-up period.

12.13.12 Shareholders' Register

The Shares shall be transferred by registration in the Shareholders' register maintained or outsourced by the Company, which shall contain the names of the Shareholders, their nationalities, occupations, domicile and address, the serial numbers of the Shares and the paid up number of such Shares. The transfer of title to a Share shall not be effective vis-à-vis the Company or any third party until the date of such recording in the said register.

12.13.13 Increase of Share Capital

a. The Extraordinary General Assembly may resolve to increase the Company's capital, provided that the capital has been paid up in full, unless the unpaid part of the capital is allocated for Shares issued in exchange for converting debt instruments or financing instruments into Shares and the period specified for such conversion has not yet expired.

b. The Extraordinary General Assembly may allocate in all cases the issued Shares when increasing the capital or any part thereof for the employees of the Company or of any other subsidiary company thereof. Shareholders are not entitled to exercise their pre-emptive rights when the Company issues Shares to its employees.

c. At the time of the issuance of the Extraordinary General Assembly's resolution approving the increase of the Company's capital, the Shareholders shall have the priority to subscribe the new Shares issued in exchange for a cash contribution. They shall be notified of their pre-emptive rights to subscribe the new Shares by a publication in a daily newspaper or by registered mail stating the decision to increase the capital, the terms of the offering, its duration, and start and end dates of the subscription.

d. The Extraordinary General Assembly may suspend the pre-emptive rights of the Shareholders to subscribe in a capital increase in exchange for cash contribution or give priority to non-shareholders when it deems that doing so is in the interests of the Company.

e. The Shareholders retain the right to sell or assign their pre-emptive rights during the period following the resolution of the General Assembly to increase the capital and until the last day of subscription for the new Shares, relative to their pre-emptive rights and in accordance with the regulations set out by the relevant authority.

f. Notwithstanding the above point, new Shares shall be allotted to the holders of pre-emptive rights who have expressed interest in subscribing thereto, in proportion to their pre-emptive rights resulting from the capital increase provided that their allotment does not exceed the number of new Shares they have applied for. The remaining new Shares shall be allotted to the pre-emptive right holders who have asked for more than their proportionate stake, in proportion to their pre-emptive rights resulting from the capital increase provided that their total allotment does not exceed the number of new Shares they have asked for. Any remaining new Shares shall be offered to third parties, unless otherwise decided by the Extraordinary General Assembly, or provided under the CML.

12.13.14 Decrease of Share Capital

The Extraordinary General Assembly may decide to decrease the Company's capital if it exceeds its needs or if the Company has suffered losses, and in the latter case, the capital may only be decreased to below the limit set in Article 54 of the Companies Law. That resolution shall not be issued until after reading the external auditors' report about the reasons causing the decrease and the obligations on the Company and the effect of the reduction of such obligations.

If the capital decrease is due to it being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within 60 days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

12.13.15 Sukuk and Bonds

According to Capital Market Law, the Company may issue debt instruments or financing instruments, but it may only issue debt instruments or financing instruments convertible into Shares after passing a resolution from the Extraordinary General Assembly, fixing the maximum number of Shares that may be issued against these instruments, whether such instruments are issued at the same time, through a series of issue processes or through one or more programmes for issuing the debt instruments or financing instruments. The Board of Directors shall issue new Shares against these instruments without the need for a new approval by this meeting, and the holders of these Shares will be able to convert them after the end of the period of the request for the conversion specified for the holders of these instruments. The Board of Directors shall then take the necessary actions to amend the Bylaws regarding the number of issued Shares and the capital.

Subject to the provisions of Article 122 of the Companies Law, the Company may convert the debt instruments or financing instruments to Shares in accordance with Capital Market Law. In all cases, these debt instruments or financing instruments may not be converted to Shares in the following cases:

- if the conditions for issuing the debt instruments and financing instruments do not stipulate the possibility of converting these instruments into Shares by raising the Company's capital; or
- if a holder of the debt instrument or financing instrument does not agree on that conversion.

12.13.16 Board of Directors

The Company shall be managed by a Board of Directors consisting of six members to be elected by the Ordinary General Assembly for a term not exceeding three years. However, the first Board of Directors shall be appointed for a period of five (5) years.

12.13.17 Membership Termination

A Director's membership in the Board shall expire upon the expiry of the Board's term or should the Director no longer be fit for membership on the Board, pursuant to any applicable laws or instructions in the Kingdom. However, the Ordinary General Assembly may at any time dismiss all or some of the Directors without prejudice to the right of the dismissed Directors to claim compensation from the Company if dismissed unreasonably or at an inappropriate time. A Director may also tender his resignation, provided that such resignation occurs at an appropriate time; otherwise, said Director shall be held liable for any damages affecting the Company as a result of such resignation.

12.13.18 Board Vacancy

If a position on the Board of Directors becomes vacant, the Board of Directors may appoint a temporary Director to fill the vacancy, in line with the number of votes obtained at the General Assembly that elected the Board of Directors, provided that such Director is experienced and eligible. The Ministry of Commerce, or the CMA if the Company is listed, shall be notified within five Business Days from the date of the appointment, and such appointment shall be submitted to the first meeting of the Ordinary General Assembly. The new Director shall then complete the unexpired term of his predecessor. If the number of Directors falls below the minimum number prescribed in the Companies Law or the Company's Bylaws, the remaining Directors shall call the Ordinary General Assembly to convene within 60 days to elect the required number of Directors.

12.13.19 Powers and Duties of the Board

Without prejudice to the powers conferred on the General Assembly, the Board shall be vested with full powers to manage the business and affairs of the Company. This includes, but is not limited to:

a. Developing the Company's internal regulations and policies.

b. Adopting the Company's vision, strategies, work plans, and approving its plans, operational budgets, annual capital budgets, and others.

c. Concluding, signing and executing all contracts and agreements, including without limitation, purchase, sale, rental and lease agreements, agency, franchise, financial hedging contracts and other documents, contracts, transactions and deals on behalf of the Company, entering into tenders, bidding, and accepting and rejecting awards on its behalf.

d. Dealing, on behalf of the Company, with all banks operating inside and outside the Kingdom; opening, managing, operating, and closing bank accounts, withdrawing and depositing, issuing and preparing bonds and checks, signing all commercial papers and documents, obtaining loans and other Sharia-compliant credit facilities, including those with a term of more than three (3) years, from Government financing funds and institutions, commercial banks, treasuries or companies and individuals, including the Shareholders of the Company, and providing guarantees and sponsorships for the benefit of any entity when it is deemed in the Company's best interest, placing and investing the Company's funds in any way; creating, opening, managing and closing the Company's Sharia-compliant portfolios and investment accounts with banks and investment companies inside and outside the Kingdom, purchasing and selling commodities, building materials, land, real estate, and the like; establishing investment fund companies inside and outside the Kingdom, with the right to delegate all that is mentioned, issuing promissory notes and other commercial papers, undertaking all transactions, concluding all banking agreements and transactions, selling, buying, or mortgaging the Company's real estate and assets, and discharging the Company's debtors of their liabilities and debts.

e. Approving the internal, financial, administrative, technical, and regulatory regulations, including the policies and regulations pertaining to the Company's employees, appointing and dismissing heads of departments and senior officials, determining their duties, and disbursing their dues; applying for work, exit, entry and final exit visas for the Company's employees and sponsored persons, transferring and waiving their sponsorships, managing their affairs in accordance with Saudi applicable laws; appointing Executive Management members with experience and competence in accordance with what the Board deems appropriate, and determining their duties and remuneration.

f. Delegating the Company's management with the power to sign on behalf of the Company within the limits established and set by the Board of Directors.

g. Forming Committees, and delegating powers to them as the Board deems appropriate, and coordinating with these Committees in order to expedite the decisions on the matters presented to them.

h. Approving the establishment of subsidiaries, branches, offices and agencies of the Company inside and outside the Kingdom, and representing the Company in the signing of articles of association of the companies in which the Company is a shareholder, and the purchasing of shares and equities.

i. Transferring titles, accepting, determining and receiving considerations for, signing before a notary public across and outside the Kingdom, any sale or purchase Sukuk, issuing permits, planning lands, referring to municipalities, requesting survey declarations, signing and executing all relevant papers, documents and contracts; appointing experts and arbitrators, and assigning powers of attorney, retaining, dismissing, and paying fees of attorneys, and delegating or authorizing others to carry out specific assignment(s) on behalf of the Company, with the right to annul and cancel agencies and dismiss agents.

j. The Board may, within the limits of its authorities, authorise one or several Directors or third parties to undertake specific assignment(s). The Board may also authorise the acquisition of other companies and the disposition of assets, property and real estate, and it shall have the right to authorise buying, accepting, paying the consideration, mortgaging, and redeeming mortgage, transferring title, and receiving the consideration and delivering what is in return.

12.13.20 Remuneration of the Directors

The remuneration of the Directors shall be determined by the General Assembly within the limits of the Companies Law and its implementing regulations. Notwithstanding the applicable laws and regulations in the Kingdom issued by the relevant authorities, Directors shall also be remunerated for attendance and transportation, according to what is set out by the Board. The Board of Directors' report to the Ordinary General Assembly must include a comprehensive statement of all of the amounts received by Directors during the financial year as remuneration, expense allowances, and other benefits, as well as all of the amounts received by the Directors during their capacity as officers or executives of the Company, or in consideration of technical, administrative or advisory services. It must also include the number of meetings of the Board and the number of sessions each Director attended as of the date of the last General Assembly.

12.13.21 Authorities of the Chairman, Deputy, Managing Director, and Secretary

The Board of Directors shall appoint a Chairman and a Deputy Chairman from among its members. The Board of Directors may also appoint a Managing Director. No member may concurrently assume the Chairman's position and be appointed to any other executive position in the Company.

The Chairman shall have the following authorities:

a. representing the Company before third parties, all courts of all degrees and types, notary public, board of grievances, official authorities and departments, judicial and administrative committees of all types and degrees, labour offices, labour commissions, legal and zakat committees, banking dispute settlement committees, primary and higher bodies and other committees and governmental entities, ZATCA, MOI, the police, public prosecutors, execution courts, provinces, ministries, all other committees, individuals, companies or bodies whether inside or outside the Kingdom, and submitting, signing, reporting on, delivering and receiving applications in the name of the Company from any party. The Chairman has also the right to plead, defend, litigate, attend hearings on behalf of the Company, lodge, hear, and respond to all cases and claims, reconcile, waive, acknowledge, deny, reply, impugn, supply witness, proof, consent, take all regulatory measures to enforce judgements in favour of the Company, appoint and dismiss attorneys, claim and receive the Company's rights vis a vis third parties under certified checks in the name of the Company. In addition, the Chairman may accept and reject judgements, appoint arbitrators, sign arbitration documents, appoint experts, receive, deliver, and amend commercial registers, licences, instruments of judgements, documents, clearances and commercial papers, request the execution of judgements and decisions, challenge forgeries, and submit terminations and grievances. And, assigning powers of attorney retaining, dismissing, and paying fees of attorneys, and delegating or authorizing others to carry out specific assignment(s) on behalf of the Company.

b. convening Board meetings and attending General Assemblies and ratifying and signing decisions issued by the Board of Directors.

c. attending on behalf of the Company, the meetings of the General Assembly in the companies in which the Company is a shareholder or has Shares in, and voting on and signing the decisions issued therein, leasing and receiving rent, holding memberships with chambers of commerce, setting up communication lines of various forms and types with the Saudi Telecom Company and other telecommunications companies, agreeing with foreign companies so that the Company may obtain and register agencies therefrom with the competent authorities, registering and objecting to registration of trademarks.

d. such other authorities as granted to him in writing by the Board of Directors and the Deputy Chairman shall replace the Chairman in case of the latter's absence.

The shareholder's General Assembly shall determine the special remuneration received by the Chairman and Managing Director, in addition to the remuneration prescribed for each director pursuant to Article (21) of the Company's Bylaws.

The Board of Directors shall appoint a Secretary from amongst its Directors or otherwise. The Secretary shall organize the meetings of the Board of Directors and its work, prepare related meeting minutes in writing and keep its records, write correspondence with governmental and non-governmental entities, and submit special invitations to attend the Board of Directors meetings at the request of the Board. The term of office of the Chairman, Deputy Chairman, Managing Director and Secretary, where he is a Director, shall not exceed their respective membership terms as Directors and they may be reappointed. The Board of Directors may dismiss any of them without prejudice to the right to compensation of the dismissed, if the dismissal was due to unlawful reasons or at an inappropriate time.

12.13.22 Board Meetings

The Board of Directors shall be convened at least two times per year upon a written invitation given by the Chairman. The Chairman shall call a meeting of the Board by written invitation, delivered personally, by mail, fax or e-mail, one week prior to the set meeting date, unless agreed otherwise by the Directors. The Chairman must call a meeting of the Board if so requested by any two Directors.

12.13.23 Quorum and Representation

A meeting of the Board shall be duly convened only if attended by at least four of the Directors, in person or by proxy. In the event that a Director appoints another Director to attend a Board meeting as his proxy, then such proxy shall be appointed in accordance with the following guidelines:

a. a Director may not act as proxy for more than one other Director while attending the same meeting;

b. a proxy shall be appointed in writing; and

c. a Director acting by proxy may not vote on resolutions on which his principal is prohibited from voting.

Board resolutions shall be adopted with the approval of the majority of the Directors represented or in attendance. In the event of a tie, the chairman of the meeting, the Board Chairman or, in his absence, his delegate shall cast the deciding vote. It is for the Board of Directors to issue resolutions to pass, by presenting them to each of the Directors separately, as long as a Director does not request a Board meeting for deliberations. These resolutions are presented to the Board in the first following meeting.

12.13.24 Deliberations of the Board

Deliberations and resolutions of the Board shall be recorded in minutes to be signed by the Chairman, the present Directors and the Secretary. Such minutes shall be entered in a special register signed by the Chairman and the Secretary.

12.13.25 Shareholders' Assemblies

Any shareholder, regardless of the number of his Shares, shall have the right to attend the conversion General Assembly or any General Assembly personally or by proxy, provided that the Directors or Company employees may not act as proxies.

A. Conversion General Assembly

The founders shall invite all Shareholders to a conversion General Assembly within 45 days from the date of the decision of the Ministry of Commerce to authorize the conversion of the Company. To be validly constituted, a conversion General Assembly must be attended by Shareholders representing at least half (1/2) of the Company's capital. If such majority is not achieved, an invitation shall be sent for a second meeting after one hour from the end of the first meeting, provided that the invitation for the first meeting mentioned the possibility of having a second meeting. In any event, this second meeting shall be valid regardless of the number of Shareholders represented therein.

B. Ordinary General Assembly

Except for matters falling within the jurisdiction of the Extraordinary General Assembly, the Ordinary General Assembly shall be competent to deal with all other matters related to the Company and shall be convened at least once a year during the first six months following the end of the Company's financial year. Other Ordinary General Assembly meetings may be called when necessary.

C. Extraordinary General Assembly

The Extraordinary General Assembly shall be competent to amend the provisions of the Bylaws, to the extent permitted under the law. Furthermore, the Extraordinary General Assembly shall be empowered to adopt resolutions in matters within the jurisdiction of the Ordinary General Assembly under the same conditions and manners as prescribed for the latter.

D. Manner of Convening Assemblies

Public and private assemblies are convened at the invitation of the Board in accordance with the Companies Law and its implementing regulations, and if requested to do so by the Company's external auditors, the Audit Committee or by a number of Shareholders representing at least 5% of the Company's capital. The external auditors may convene a General Assembly if the Board did not convene the General Assembly within 30 days from the date of the external auditors request to do so.

The call for a General Assembly meeting shall be published in a daily newspaper distributed in the locality of the head office of the Company at least 21 days prior to the date set for such meeting. Nevertheless, a notice sent by registered mail to all Shareholders on the mentioned date shall suffice. A copy of both the invitation and the agenda shall be sent to the Ministry of Commerce as well as to the CMA for companies listed on the Exchange, within the period set for publication.

E. Record of Attendance

Shareholders who wish to attend a General Assembly shall register their names at the Company's head office before the time specified for the General Assembly.

F. Quorum for the Ordinary General Assembly

A meeting of the Ordinary General Assembly shall not be valid unless attended by the Shareholders representing at least 25% of the Company's share capital. If such quorum cannot be achieved at the first meeting, a second meeting shall be convened after one hour from the end of the first meeting, provided that the invitation for the first meeting mentioned the possibility of having a second meeting. And, if the invitation did not mention the possibility of having a second meeting, a notice shall be published in the manner prescribed in Article 30 of the Bylaws to convene a second meeting within 30 days from the date of the last convened meeting. In any case, the second meeting shall be deemed valid irrespective of the number of Shares represented therein.

G. Quorum for the Extraordinary General Assembly

A meeting of the Extraordinary General Assembly shall not be valid unless it is attended by Shareholders representing at least 50% of the Company's Share capital. If such quorum cannot be achieved at the first meeting, a second meeting shall be convened after one hour from the end of the first meeting, provided that the invitation for the first meeting mentioned the possibility of having a second meeting. Otherwise, a notice shall be published in the manner prescribed in Article 31 of the Company's Bylaws, and the second meeting shall be deemed valid if attended by Shareholders representing at least 25% of the Company's Share capital. If the required quorum is not achieved in the second meeting, there shall be an invitation for a third meeting in accordance with Article 31 of the Company's Bylaws and the third meeting shall be deemed valid irrespective of the number of Shares represented therein.

H. Voting Rights

Each Shareholder shall have a vote for every Share represented by him in the Constituent General Assembly meeting, and each Shareholder shall have one vote for every Share he represents at the General Assemblies. Cumulative voting shall be used in electing the Board of Directors.

I. Resolutions

Resolutions of the Constituent General Assembly and the Ordinary General Assembly shall be adopted by an absolute majority of the Shares represented at the meeting.

Resolutions of the Extraordinary General Assembly shall be adopted by a vote of two thirds (2/3) of the Shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's term, dissolving the Company prior to the expiry of the term specified under the Bylaws or merging the Company with another company or establishment, then such resolution shall be valid only if adopted by a vote of three quarters (3/4) of the Shares represented at the meeting.

J. Discussion of Agenda

Each Shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the Directors and the external auditors. The Directors or the external auditors shall answer the Shareholders' questions in a manner that does not prejudice the Company's interest. If a Shareholder deems the answer to the question unsatisfactory, such Shareholder may refer the issue to the General Assembly and its decision in this regard shall be conclusive.

K. Proceedings of the General Assembly

The General Assembly shall be presided over by the Chairman, or in his absence, his delegate. The Chairman shall appoint a secretary for the meeting and a vote counter. Minutes shall be written for the meeting which shall include the names of the Shareholders present, in person or represented by proxy, the number of Shares held by each Shareholder, the number of votes attached to such Shares, the resolutions adopted at the meeting, the number of assenting or dissenting votes for such resolutions and a comprehensive summary of the discussions that took place during the meeting. Such minutes shall be regularly recorded after each meeting in a special register that shall be signed by the Chairman, the Secretary and the vote counter.

12.13.26 Audit Committee

The Audit Committee shall be formed by three (3) members by a resolution of the Company's Ordinary General Assembly provided that the members are not executive Directors, whether shareholders or otherwise. The resolution shall also determine the Audit Committee's composition rules, mandate and procedures as well as the remuneration of its members. The meeting of the Audit Committee shall be valid by the presence of the majority of its members. All of its decisions shall be made by the majority of votes of the present members. In the event of a tie, the side to which the committee chairman belongs shall prevail.

The Audit Committee shall oversee the affairs of the Company. For such purpose, the Committee has the right to review all of the Company's records and documents, require any explanations or statements from the members of the Board of Directors or the Executive Management. The Committee may request that the Board of Directors call the general meeting if the Board of Directors obstructs its course of work or the Company suffers serious damage or losses.

The Audit Committee shall check the Company's financial statements, and the reports and notes to be provided by the external auditors. It shall express its opinion on the same, if any. It shall also prepare a report on its opinion with respect to the sufficiency of the internal control system in the Company, along with other activities within its competence. The Board of Directors shall deposit enough copies of this report in the Company's head office at least twenty-one (21) days prior to the date of the convening of the General Assembly, in order to provide it to any shareholder wishing to have the same. The report shall be read out at the meeting.

12.13.27 External Auditors

The Company shall have one or more external auditors licenced to practice in the Kingdom. The Ordinary General Assembly may appoint the external auditors annually and may also determine their remuneration and the duration of work. The Ordinary General Assembly may change the external auditors at any time without prejudice to their right to compensation if such change was due to unlawful reasons or at an inappropriate time.

The external auditors shall have access at all times to the Company's books, records and any other documents, and may request information and clarifications as they deem necessary. They may further verify the Company's assets and liabilities. The Chairman shall enable the external auditors to perform their duties specified in the preceding paragraph. If the external auditors encounter a difficulty in this regard, they shall record it in a report submitted to the Board of Directors. If the Board does not facilitate the work of the external auditors, they shall call the Ordinary General Assembly to consider the matter.

12.13.28 Financial Year

The Company's financial year shall commence on 1 January and conclude on 31 December each year, provided that the first financial year commences on the date of its registration in the commercial register and concludes on 31st of December of the following year.

12.13.29 Financial Documents

At the end of each financial year, the Board of Directors shall prepare the financial statements of the Company and a report of its activities and financial position for such financial year, including the proposed method of distributing net profits. The Board of Directors shall put these documents at the disposal of the external auditors at least 45 days prior to the date specified for the General Assembly.

The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Financial Officer shall sign the documents set forth in the above paragraph, and copies thereof shall be deposited at the Company's head office at the disposal of the Shareholders at least 21 days before the date specified for the General Assembly.

The Chairman of the Board of Directors shall provide the Shareholders with the financial statements of the Company, the Board of Directors' report and the external auditors' report, unless they are published in a daily newspaper distributed in the city where the head office of the Company is located. The Chairman shall also send a copy of these documents to the Ministry of Commerce and the CMA at least 15 days before the date specified for the General Assembly.

12.13.30 Distribution of Dividends

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

a. 10% of the net profits shall be set aside to create a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when such statutory reserve totals 30% of the Company's paid-up capital;

b. the Ordinary General Assembly, upon a proposal by the Board of Directors, may set aside 5% of the net profits to create a voluntary reserve to support the financial position of the Company;

c. the Ordinary General Assembly may resolve to create other reserves to the extent that they serve the Company's interests, or to ensure the distribution of fixed dividends – so far as possible – to the Shareholders. The Ordinary General Assembly may also deduct amounts from the net profits to create social institutions for the Company's employees or to support existing institutions of such kind; and

d. all remaining net profits shall be distributed to the Shareholders unless otherwise decided by the Ordinary General Assembly.

e. The Company may distribute interim dividends semi-annually or quarterly according to the rules determined by the competent authority.

12.13.31 Disputes

If the Directors have committed an act that has caused particular damage to a Shareholder, such Shareholder shall have the right to sue the Directors for liability, provided that the Company still has the right to bring such action. The Shareholder shall notify the Company of his intention to file such an action.

12.13.32 Company Losses

If the Company's losses amount to half (1/2) of the paid up capital, at any time during the financial year, any officer of the Company or external auditor, upon becoming aware of such losses, shall notify the Chairman of the Board of Directors, and the Chairman shall immediately inform the Directors. The Board of Directors shall, within 15 days of such notification, convene an Extraordinary General Assembly to meet within 45 days from the date on which the Board of Directors was notified of the losses, to resolve whether to increase or reduce the capital of the Company pursuant to the provisions of the Companies Law, such that the losses become less than half (1/2) of the Company's paid up capital, or dissolve the Company before the end of its term as stated in the Bylaws.

The Company shall be deemed dissolved by operation of law if the General Assembly is not convened during the term specified in the above paragraph, or if the General Assembly is convened but is unable to adopt a resolution on the matter, or if the General Assembly resolves to increase the capital in accordance with the conditions specified in the above paragraph but the capital increase is not fully subscribed to within 90 days from the date on which the General Assembly adopted the resolution to increase the capital.

12.13.33 Dissolution and Liquidation of the Company

The Company, upon its dissolution, shall enter a liquidation phase during which it shall retain its legal personality to the extent necessary for the liquidation. The Extraordinary General Assembly shall issue a resolution for the voluntary liquidation of the Company, which must include the appointment of a liquidator and the specification of his powers, fees, any restrictions on his powers and the period required for the liquidation process. The period of a voluntary liquidation process shall not exceed five years and may not be extended without a court order. The authority of the Board of Directors shall cease upon the dissolution of the Company. However, the Board of Directors shall remain responsible for the management of the Company and shall be deemed as liquidators towards third parties, until a liquidator is appointed. General Assemblies shall continue throughout the duration of the liquidation process, but their role shall be limited to exercising their competencies as far as they do not conflict with those of the liquidator.

12.14 Description of Shares

12.14.1 Company's Share Capital

The Company's current capital is two hundred million Saudi riyals (SAR 200,000,000), divided into twenty million 20,000,000 ordinary Shares with a fully-paid nominal value of ten (10) Saudi riyals per share.

12.14.2 Ordinary Shares

The Shares shall be nominal Shares and may not be issued at less than their nominal value. However, the Shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the statutory reserve, even if such reserve has reached its maximum limit. Each share shall be indivisible vis-à-vis the Company. In the event that a Share is owned by several persons, they shall select one person from amongst themselves to exercise, on their behalf, the rights pertaining to such Share, and they shall be jointly responsible for the obligations arising from the ownership of such Share.

12.14.3 Repurchase of Shares

According to Article 112 of the Companies Law, the Company may buy its Shares in accordance with the rules set by the competent authority, provided that the Shares purchased by the Company shall not entitle it to votes in the Shareholders' assemblies.

12.14.4 Rights of Holders of Ordinary Share

Pursuant to Article 110 of the Companies Law, Shares confer on the Shareholder all of the rights attached to the Shares, in particular the right to receive a share of the profits to be distributed, to receive a share of the Company's assets surplus upon liquidation, to attend the General Assemblies, to participate in its deliberations, to vote on its resolutions, to dispose of the shares, to request access to the Company's books and documents, to monitor the work of the Board of Directors, to file a claim of responsibility against the Directors, and to challenge the validity of the resolutions of the General Assembly in accordance with the conditions and restrictions contained in the Companies Law and the Bylaws. Each Shareholder shall have the right to discuss the matters stated in the agenda of the General Assembly and direct questions thereon to the Directors and the external auditors. The Board of Directors or the external auditors shall answer the questions of the Shareholders to the extent that it does not put the interest of the Company at risk. If a Shareholder is not satisfied with the answer, such Shareholder may refer the issue to the General Assembly whose resolution shall be conclusive and binding in this regard.

12.14.5 Amendment to the Rights of Shareholders

The Shareholders' rights to obtain a share of the profits to be distributed, to receive a share of the Company's assets surplus upon liquidation, to attend the General Assemblies, to participate in its deliberations, to vote on its resolutions, to dispose of the Shares, to request access to the Company's books and documents, to monitor the work of the Board of Directors, to file a claim of responsibility against the Directors, and to challenge the validity of the resolutions of the General Assembly (in accordance the conditions and restrictions set out in the Companies Law and the Bylaws) are granted pursuant to the Companies Law and therefore may not be amended.

12.15 Representations Related to Legal Information

The Directors declare the following:

a. the issue does not violate the relevant laws and regulations of the Kingdom;
b. the issue does not violate any of the contracts or agreements to which the Company is a party;
c. all material legal information related to the Company has been disclosed in this Prospectus;
d. except as described in section 12.12 (**Litigation**) of this Prospectus, the Issuer is not a party to any existing claims or legal procedures that may have a material effect on the Issuer's operations or financial position; and
e. the Directors are not subject to any legal proceedings or actions that may, individually or collectively, have a material effect on the Company's business or financial position.

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UNDERWRITING

The Company and the Underwriter (Aljazira Capital Company (Aljazira Capital)) have entered into an underwriting agreement on 27/12/1443H (corresponding to 26/07/2022G), whereby the Underwriter has agreed to fully underwrite the Offering of six million (6,000,000) ordinary Shares under an underwriting agreement (the "Underwriting Agreement") entered into with the Company, subject to certain conditions. The name and address of the Underwriter are set out below:

13.1 Underwriter

Aljazira Capital Company (Aljazira Capital)
King Fahad Road
P.O. Box 20428, Riyadh 11455
Kingdom of Saudi Arabia
Tel: +966 (11) 225 6000
Fax: +966 (11) 225 6811
Website: www.aljaziracapital.com.sa
E-mail: contactus@aljaziracapital.com.sa

The principal terms of the Underwriting Agreement are set out below:

13.2 Summary of Underwriting Arrangements

Under the terms and subject to the conditions contained in the Underwriting Agreement:

a. The Selling Shareholders undertake to the Underwriter that, on the first Business Day after the allocation of the Offer Shares following the end of the Offering Period, they shall:

   1. sell and allocate the Offer Shares to any Individual Investor or Participating Party whose application for Offer Shares has been accepted by a Receiving Agent;s and
   2. sell and allocate to the Underwriter the Offer Shares that are not subscribed by Individual Investors or Participating Parties pursuant to the Offering.

b. The Underwriter undertakes to the Selling Shareholders that at the date of allocation, they will be entitled to purchase any Offer Shares that are not subscribed for by Individual Investors or Participating Parties, according to what is mentioned below:

Table No. (13.1): Underwritten Shares

Underwriter	Number of Offer Shares to be Underwritten	Percentage of Offer Shares Underwritten
Aljazira Capital Company (Aljazira Capital)	6,000,000	100%

Source: The Company.

The Company and the Selling Shareholders have committed to satisfy all of the provisions of the Underwriting Agreement.

13.3 Underwriting Costs

The Selling Shareholders will pay the Underwriter an underwriting fee based on the total value of the Offering. Moreover, the Selling Shareholders have agreed on behalf of the Company to pay the Underwriter's costs and expenses in connection with the Offering.

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EXPENSES

The Selling Shareholders will be responsible for all costs and expenses associated with the Offering, which are estimated to be approximately twenty million SAR (20,000,000). This figure includes the fees of each of the Financial Advisor, the Underwriter, the Lead Manager, the Bookrunner, the Legal Advisor, the Financial Due Diligence Advisor, the Market Study Consultant, in addition to the Receiving Agents, marketing, printing and distribution expenses and other relevant costs. The Offering expenses will be deducted from the Offering Proceeds. The Company will not be responsible for the payment of the Offering expenses.

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UNDERTAKINGS FOLLOWING ADMISSION

Following the Admission, the Company undertakes to:

a. complete Form 8 (related to compliance with the Corporate Governance Regulations) and, in the event the Company does not comply with any of the requirements of the Corporate Governance Regulations, to explain the reasons for such non-compliance;

b. provide the CMA with the date on which the first General Assembly will be held following Admission so that a representative thereof may attend;

c. submit transactions and contracts in which a Director has a direct or indirect interest for authorisation by the General Assembly (in accordance with the Companies Law, Corporate Governance Regulations and the Regulatory Rules and Procedures Issued pursuant to the Companies Law) and renew such authorisation on an annual basis, provided that the interested Director shall be prohibited from voting on the relevant resolution (whether in the Board or the General Assembly) (for further details regarding Related Party contracts and transactions, see Section 12.9 (**Related Party Contracts and Transactions**);

d. disclose material developments related to the Company and projects set out in Section 4.7 (**Future Plans and Initiatives**); and

e. comply with all of the mandatory provisions of the Rules on the Offer of Securities and Continuing Obligations, Listing Rules, and the Corporate Governance Regulations immediately upon Admission.

Similarly, following the Admission, the Directors undertake to:

a. record all Board of Directors resolutions by means of written meetings minutes, which shall be signed by the Chairman and the Secretary; and

b. disclose the details of any Related Party transactions in accordance with the Companies Law and the Corporate Governance Regulations.

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WAIVERS

The Company has not applied to the CMA for any waivers from any of its regulatory requirements.

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SUBSCRIPTION TERMS AND CONDITIONS

The Company has made an application to the CMA for the registration and offer of the Shares under the Rules on the Offer of Securities and Continuing Obligations issued by the CMA pursuant to Resolution No. 3-123-2017 dated 9 Rabi' al-Thani 1439H (corresponding to 27 December 2017G) in accordance with the Capital Market Law passed by Royal Decree No. M/30 dated 2 Jumada al-Akhirah 1424H, as amended by CMA Board Resolution No. 1-104-2019 dated 1 Safar 1441H (corresponding to 30 September 2019G), and an application for the listing of the Shares on the Exchange in accordance with the Listing Rules approved by CMA Board Resolution No. 3-123- 2017 dated 9 Rabi' al-Thani 1439H (corresponding to 27 December 2017G).

All Subscribers must carefully read the subscription terms and conditions before completing the Subscription Application Form. Signing the Subscription Application Form and delivering it to a Receiving Agents shall be deemed as acceptance and approval of the subscription terms and conditions.

17.1 Subscription to Offer Shares

The Offering will consist of six million (6,000,000) Offer Shares with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share at an Offer Price of Sixty-nine SAR (69) per Offer Share. The Offer Shares represent 30% of the Company's capital with a total value of Four hundred and fourteen million SAR (414,000,000). Note that the offering to Individual Investors and subsequent listing of the Company's shares are contingent on the success of the Participating Entities' subscription to all of the Offer Shares. The Offering will be cancelled if it is not covered during this period. The CMA also has the right to suspend the Offering if, at any time after its approval of this Prospectus and before registration and admission to listing of the Shares on the Exchange, a material adverse change has occurred in respect of the Company's operations.

The Offering is restricted to the following groups of Investors:

17.1.1 Tranche (A): Participating Parties

Comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions including investment funds, companies, Qualified Foreign Investors, GCC Corporate Investors and certain other Foreign Investors pursuant to swap agreements. Participating Entities will provisionally be allocated six million (6,000,000) Offer Shares, representing 100% of the Offer Shares. The final allocation for the Participating Entities will be made upon the expiry of the Individual Investors' subscription period, using the discretionary allocation mechanism. As a result, some of the Participating Entities may not be allocated any Offer Shares. If there is sufficient demand by Individual Investors, the Bookrunner shall have the right to reduce the previously allocated Offer Shares to Participating Entities to five million four hundred thousand (5,400,000) Offer Shares, representing 90% of the total Offer Shares.

17.1.2 Tranche (B): Individual Investors

Comprising Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor Saudi Arabian children, as well as any non-Saudi natural persons resident in the Kingdom or GCC natural persons holding a bank account with a Receiving Agent and entitled to open an investment account. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of six hundred thousand (600,000) ordinary Shares, representing 10% of the total Offer Shares, shall be allocated to Individual Investors. If the Individual Investors do not subscribe in full to the Offer Shares allocated to them, the Bookrunner may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed by them.

17.2 Book-Building and Subscription by Participating Parties

a. The Company and the Financial Advisor shall determine the price range for the purposes of book-building, which will be made available to all Participating Parties, without any restriction.

b. Each of the Participating Parties shall submit a Bidding Participation Application during the book-building period. The Participating Entities may change or cancel their Bidding Participation Application at any time during the book-building period, provided that such change is made by submitting an amended or additional Bidding Participation Application, where applicable, prior to the conclusion of fixing the Offer Price, which precedes the commencement of the Offering Period. The number of Offer Shares to be subscribed by each Participating Entity shall neither be less than one hundred thousand (100,000) Offer Shares nor more than nine hundred and ninety-nine thousand nine hundred and ninety-nine (999,999) Offer Shares, and in relation only to public investment funds, without exceeding the maximum amount specified for each participating fund that is determined in accordance with the Book-Building Instructions. The number of requested shares shall be subject to allocation. The Bookrunner will inform the Participating Entities of the Offer Price and the number of Offer Shares provisionally allocated to them, using the discretionary allocation mechanism. As a result, some of the Participating Entities may not be allocated any Offer Shares. Subscriptions by the Participating Entities shall commence during the Offering Period, which also includes the Individual Investors, according to the subscription terms and conditions detailed in the Subscription Application Forms.

c. After book-building for the Participating Entities is completed, the Bookrunner will announce the coverage percentage for the Participating Entities.

d. The Bookrunner and the Company will have the power to determine the Offer Price based on the supply and demand for the Offer Shares, provided that it does not exceed the price set out in the Underwriting Agreement and provided that the Offer Price is in accordance with the tick size applied by Tadawul.

17.3 Subscription by Individual Investors

Each Individual Investor shall subscribe for a minimum of ten (10) Offer Shares and a maximum of two hundred and fifty thousand (250,000) Ordinary Shares. Changes to or withdrawals of the subscription application shall not be permitted once the Subscription Application Form has been submitted.

Subscription Application Forms will be provided during the Offering Period through the websites of the Receiving Agents. Subscription Application Forms shall be completed in accordance with the instructions mentioned below. Individual Investors who have participated in one of the recent initial public offerings can also subscribe through the websites, smart phone applications or ATMs of any of the Receiving Agents' branches that offer any or all such services to its customers, provided that, the following requirements are satisfied:

a. the Individual Investor has a bank account with a Receiving Agent, which offers such services;

b. there have been no changes to the personal information or data of the Individual Investor since his subscription in the last Offering; and

c. a non-Saudi and GCC Individual Investor must have an account with a Capital Market Institution that provides such service.

A signed Subscription Application Form may be submitted to any branch of a Receiving Agent and represents a legally binding agreement between the Selling Shareholders and the relevant Individual Investor submitting it.

Individual Investors may obtain a copy of this Prospectus from the websites of the Company (www.naqiwater.com), the CMA (www.cma.org.sa) or the Financial Advisor (www.aljaziracapital.com), and the Subscription Application Forms from the websites of the following Receiving Agents:

Bank Aljazira
King Abdulaziz Road
P.O. Box 6277, Jeddah 21442, Kingdom of Saudi Arabia
Tel: + 966 (11) 6098888
Fax: + 966 (11) 6091888
Website: www.baj.com.sa
E-mail: www.shakwa@baj.com.sa

Al Rajhi Bank
King Fahd Road
P.O. Box 28, Riyadh 11411, Kingdom of Saudi Arabia
Tel: + 966 (11) 8282515
Fax: + 966 (11) 2798190
Website: www.alrajhibank.com.sa
E-mail: contactcenter1@alrajhibank.com.sa

The Receiving Agents will commence receiving Subscription Application Forms through their website, smart phone applications, or ATMs relating a Receiving Agent providing such service beginning on Wednesday 28/12/1443H (corresponding to 27/7/2022G) until Thursday 29/12/1443H (corresponding to 28/7/2022G). Once the Subscription Application Form is signed and submitted, the relevant Receiving Agent will stamp it and provide the Individual Investor with a copy of the completed Subscription Application Form. If the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Receiving Agent, the Subscription Application Form will be considered void. The Individual Investors do not have the right to claim any compensation for damages incurred due to such cancellation.

Each Individual Investor is required to specify the number of Offer Shares applied for in the Subscription Application Form, and the total subscription amount will be equal to the number of Offer Shares applied for multiplied by the Offer Price of Sixty-nine SAR (69) per Offer Share.

Subscriptions by Individual Investors for less than ten (10) Offer Shares or fractional Shares will not be accepted. Increments are to be made in multiples of such minimum number, while the maximum number of Offer Shares to be applied for is two hundred and fifty thousand (250,000) Offer Shares.

Subscription Application Forms for Individual Investors should be submitted during the Offering Period and accompanied (where applicable) by the following documents (the Receiving Agents will verify all copies against the originals and will return the originals to the relevant Individual Investor):

a. the original and copy of the Individual Investor's national civil identification card (in the case of individuals, including Saudi and other GCC nationals);
b. the original and copy of the family civil identification card (when subscribing on behalf of family members);
c. the original and copy of a power of attorney (when subscribing on behalf of others);
d. the original and copy of a certificate of guardianship (when subscribing on behalf of orphans);
e. the original and copy of a divorce certificate (when subscribing on behalf of the children of a divorced Saudi woman);
f. the original and copy of a death certificate (when subscribing on behalf of the children of a widowed Saudi woman); and
g. the original and copy of a birth certificate (when subscribing on behalf of the children of a divorced or widowed Saudi woman).

Powers of attorney are only allowed for family members (parents and children only). In the event that an application is made on behalf of an Individual Investor (parents and children only), the name of the person signing on behalf of the Individual Investor must be stated in the Subscription Application Form, accompanied by a valid original and a copy of the power of attorney. The power of attorney must be notarised by a notary public for Individual Investors residing in the Kingdom and must be legalised through a Saudi embassy or consulate in the relevant country for Individual Investors residing outside the Kingdom. The concerned official of the relevant Receiving Agents shall compare the copy with the original version and return the original version to the Individual Investor.

One Subscription Application Form should be completed for each primary Individual Investor applying for himself and members appearing on his family identification card if the family members apply for the same number of Offer Shares as the primary Individual Investor. In this case:

a. all Offer Shares allocated to the primary Individual Investor and dependent Individual Investors will be registered in the primary Individual Investor's name;
b. the primary Individual Investor will receive any refund in respect of amounts not allocated and paid for by himself or dependent Individual Investors; and
c. the primary Individual Investor will receive all dividends distributed in respect of the Offer Shares allocated to himself and dependent Individual Investors (in the event that the Shares are not sold or transferred).

Separate Subscription Application Forms must be used if:

a. the Offer Shares to be allocated are to be registered in a name other than the name of the primary Individual Investor;
b. dependent Individual Investors intend to apply for a different number of Offer Shares than the primary Individual Investor; or
c. the wife subscribes in her name, adding allocated Offer Shares to her account (she must complete a separate Subscription Application Form from the Subscription Application Form completed by the relevant primary Individual Investor). In the latter case, applications made by husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Receiving Agents.

A Saudi female divorcee or widow who has minor children from a marriage to a non-Saudi husband can subscribe on behalf of those children provided that she submits proof of motherhood. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If the primary Individual Investor subscribes for himself and his family members who are registered in the family identification card, and a family member subscribes for a separate subscription application, only the request of the family member who has submitted a separate application from the request of the primary Individual Investor will be cancelled.

During the Offering Period, only a valid Iqama will be an acceptable form of identification for non-Saudi dependents. Passports or birth certificates will not be accepted. Non-Saudi dependents may only be included as dependents with their mother and may not subscribe as primary Individual Investors. The maximum age for non-Saudi dependents to be included with their mother is 18. Any documents issued by a foreign Government must be legalised through a Saudi embassy or consulate in the relevant country.

Each Individual Investor agrees to subscribe for and purchase the number of Offer Shares specified in his/her Subscription Application Form for an amount equal to the number of Offer Shares applied for, multiplied by the Offer Price of SAR (69) per Offer Share. Each Individual Investor shall acquire the number of Offer Shares allocated to him/her upon:

a. delivery by the Individual Investor of the Subscription Application Form to a Receiving Agent; and
b. payment in full by the Individual Investor to the relevant Receiving Agent of the total value of the Offer Shares subscribed for.

The total value of the Offer Shares subscribed for must be paid in full at a branch of the relevant Receiving Agent by authorising a debit of the Individual Investor's account held with the relevant Receiving Agents to whom the Subscription Application Form is being submitted. The Offer Shares ownership transfer will be valid only from the time such transfer is recorded in the Company's share register and the Shares have commenced trading on the Exchange.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offer, the Company shall have the right to reject such application, in full or in part. The Individual Investor shall accept any number of Offer Shares allocated to him/her unless the allocated shares exceed the number of Offer Shares he has applied for.

17.4 Allocation and Refunds

The Lead Manager and the Receiving Agents shall open and operate escrow accounts named "Naqi Water Company IPO". The Receiving Agents shall deposit all amounts received from the Subscribers into the escrow accounts mentioned above.

The Lead Manager and Receiving Agents, as applicable, will send notification letters to the Subscribers informing them of the final number of Offer Shares allocated together with the amounts to be refunded. Excess subscription monies, if any, will be refunded to the Subscribers in whole without any deductions or fees and will be deposited in the Subscribers' accounts specified in the Subscription Application Forms. The announcement of the final allocation will be on 5/1/1444H (corresponding to 3/8/2022G) and refunds shall be made no later than 6/1/1444H (corresponding to 4/8/2022G) (for further details, see "KEY DATES AND SUBSCRIPTION PROCEDURES", page (xiv), and Section 17 (SUBSCRIPTION TERMS AND CONDITIONS)). Subscribing Individual Investors should communicate with the Lead Manager or the branch of the relevant Receiving Agent where they submitted their Subscription Application Form, as applicable, for any further information.

17.4.1 Allocation of Offer Shares to Participating Entities

The allocation of the Offer Shares to Participating Entities will, after completion of the allocation of the Offer Shares to Individual Investors, be determined by the Financial Advisor in coordination with the Company at their discretion. The number of Offer Shares to be initially allocated to the Participating Entities is six million (6,000,000) Offer Shares, representing 100% of the total number of Offer Shares. If there is sufficient demand by Individual Investors, the Bookrunner shall have the right to reduce the previously allocated Offer Shares to Participating Entities to five million four hundred thousand (5,400,000) ordinary Shares, representing 90% of the total Offer Shares after the completion of the Individual Investors' subscription process.

17.4.2 Allocation of Offer Shares to Individual Investors

There will be an allocation of a maximum of six hundred thousand (600,000) Offer Shares, representing 10% of the total number of Offer Shares, to Individual Investors. The minimum allocation per Individual Investor is ten (10) Offer Shares, and the maximum allocation per Individual Investor is two hundred and fifty thousand (250,000) Offer Shares. The balance of the Offer Shares (if available) will be allocated on a pro-rata basis of the percentage applied for by each individual investor to the number of Offer Shares applied for by each Individual Investor. If the number of Individual Investors exceeds sixty thousand (60,000) Individual Investors, the Company will not guarantee the minimum allocation. The Offer Shares will be allocated at the discretion of the Company and the Financial Advisor. Excess subscription monies, if any, will be refunded to the Individual Investors without any charge or withholding by the Receiving Agents.

17.5 Circumstances Where Trading and Listing May be Suspended or Cancelled

17.5.1 Power to Suspend Trading or Cancel Listing

a. The CMA may suspend trading in listed securities or cancel the listing at any time as it deems fit, in any of the following circumstances:

   1. the CMA considers it necessary for the protection of investors or the maintenance of an orderly market;
   2. the issuer fails, in a manner which the CMA considers material, to comply with the CML, its implementing regulations or the Listing Rules;
   3. the issuer fails to pay on time any fees due to the CMA or the Exchange or any fines due to the CMA;
   4. if it considers that the issuer or its business, the level of its operations or its assets are no longer suitable for the continued listing of its securities on the Exchange;
   5. when a reverse takeover announcement does not contain sufficient information about the proposed transaction. If the issuer provides sufficient information regarding the target and the CMA is satisfied, following the issuer's announcement, that there will be sufficient information available for the public about the proposed transaction of the reverse takeover, the CMA may decide not to suspend trading at this stage;
   6. when information about the proposed transaction of reverse takeover is leaked and the issuer cannot accurately assess its financial position and the Exchange cannot be informed accordingly;
   7. when an application for the financial restructuring of the issuer in the case of its accumulated losses reaching 50% or more of its capital is registered with the court under the Bankruptcy Law;
   8. when the request for liquidation procedure or the administrative liquidation of the issuer is registered with the court under the Bankruptcy Law;
   9. upon the issuance of a final judgment closing the financial restructuring and initiating the liquidation procedure or the administrative liquidation procedure of the issuer in court under the Bankruptcy Law; or
   10. upon the issuance of a final judgment initiating the liquidation procedure or the administrative liquidation procedure of the issuer in court under the Bankruptcy Law.

b. The lifting of trading suspension under paragraph (a) above is subject to the following:

   1. the issuer adequately addressing the conditions that led to the suspension and the lack of the need to continue the suspension for the protection of investors;
   2. the lifting of the suspension is unlikely to affect the normal activity of the Exchange;
   3. the issuer complies with any other conditions that the CMA may require;
   4. upon the issuance of a final judgment initiating financial restructuring for the issuer under the Bankruptcy Law, unless it was suspended from its activities by the relevant competent authority, if the suspension is made in accordance with paragraph (a)((7)) above; and
   5. upon the issuance of a final judgment rejecting the commencement of liquidation procedure or administrative liquidation of the issuer under the Bankruptcy Law, unless the issuer was suspended from its activities by the relevant competent authority, if the suspension is made in accordance with paragraph (a)((8)) above.

c. The Exchange shall suspend the trading of securities of the Company in any of the following cases:

   1. the issuer does not comply with the deadlines for the disclosure of its periodic financial information within the periods specified in accordance with applicable implementing regulations;
   2. the external auditor's report on the financial statements of the issuer contains an adverse opinion or an abstention from expressing opinion;
   3. the liquidity requirements in Part 2 of the Listing Rules are not satisfied after listing after the time limit set by the Exchange for the issuer to rectify its conditions, unless the CMA agrees otherwise; or
   4. upon the issuance of a resolution by an Extraordinary General Assembly of the issuer to reduce its capital for two trading days following the issuance of such resolution.

d. The Exchange shall remove the suspension referred to in subparagraphs (1) and (2) of paragraph (c) above, after one trading session has passed after the reason for the suspension ceases to exist. In the event that the issuer's shares are available for trading outside the platform, the Exchange shall remove the suspension within a period of not more than five trading sessions after the reason for the suspension ceases to exist.

e. The Exchange may at any time propose that the CMA suspend the trading of any listed security or cancel its listing where, in its opinion, it is likely that any of the above circumstances of paragraph (a) above are to occur.

f. The issuer whose securities are subject to a trading suspension must continue to comply with the Capital Market Law, its implementing regulations and the Listing Rules.

g. If the listing suspension continues for six (6) months with no appropriate procedure made by the issuer to correct such suspension, the CMA may cancel the listing of issuer.

h. Upon the issuer's completion of a reverse takeover, the issuer's shares are de-listed. If the issuer wishes to re-list its shares, it must submit a new application for the registration and admission to listing in accordance with the requirements stipulated in the Rules on the Offer of Securities and Continuing Obligations.

i. This paragraph shall not prejudice the suspension of trading and cancellation of listing resulting from the losses of the issuer pursuant to the relevant implementing regulations of the CML and Listing Rules.

17.5.2 Voluntary Cancellation of Listing

a. After its shares have been listed on the Exchange, an issuer may not cancel the listing of its securities without the prior approval of the CMA. To obtain CMA approval, the issuer must provide the cancellation application to the CMA along with a simultaneous notice to the Exchange. The application must include the following:

   1. specific reasons for the request for cancellation;
   2. a copy of the disclosure described in paragraph (d) below;
   3. a copy of the relevant documentation and a copy of all related communication to shareholders if the cancellation is to take place as a result of a takeover or other corporate action by the issuer; and
   4. the names and contact information of the financial advisor and legal advisor appointed according to the Rules on the Offer of Securities and Continuing Obligations.

b. The CMA may, at its discretion, approve or reject the cancellation request.

c. The issuer must obtain the consent of the Extraordinary General Assembly on the cancellation of the listing after obtaining CMA approval.

d. Where cancellation is made at the issuer's request, it must disclose it to the public as soon as possible. The disclosure must include the reason for the cancellation, the nature of the event resulting in the cancellation, and the extent to which it affects the issuer's activities.

17.5.3 Temporary Trading Suspension

a. An issuer may request from the Exchange a temporary trading suspension of its securities upon the occurrence of an event during trading hours which requires immediate disclosure under the CML, its implementing regulations or the Listing Rules, where the issuer cannot maintain the confidentiality of this information until the end of the trading period. The Exchange shall suspend trading of the securities of that issuer immediately upon receiving such request.

b. When trading is temporarily suspended at the issuer's request, the issuer must disclose to the public as soon as possible the reason for the suspension, its anticipated period and the nature of the event that caused it, and the extent to which it affects the issuer's activities.

c. The CMA may impose a temporary trading suspension without a request from the issuer if the CMA becomes aware of information or circumstances affecting the issuer's activities which the CMA considers would be likely to interrupt the operation of the Exchange or the protection of investors. If its securities are subject to temporary trading suspension, the issuer must continue to comply with the CML, its implementing regulations and Listing Rules.

d. The Exchange may propose that the CMA exercise its powers in accordance with paragraph (c) above, if it becomes aware of information or circumstances affecting the issuer's activities which would be likely to interrupt the operation of the Exchange or the protection of investors.

e. A temporary trading suspension will be lifted following the elapse of the period referred to in the disclosure specified in paragraph (b) above in this Section, unless the CMA or the Exchange decide otherwise.

17.5.4 Re-Registering and Listing After Cancellation of Listing

After the cancellation of the listing of an issuer's securities, the issuer must submit new applications in accordance with the procedures set out in the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules if it wishes to re-list such securities.

17.6 Approvals and Decisions under Which the Shares are Offered

The following are the decisions and approvals under which the Offer Shares are publicly offered:

a. the Company's Board of Directors' resolution recommending the Offering issued on 7 Muharram 1443H (corresponding to 15 August 2021G);

b. the Company's General Assembly resolution approving the Offering issued on 5 Rajab 1443H (corresponding to 6 February 2022G);

c. the CMA's approval of the Shares Offering issued on 24/10/1443H (corresponding to 25/5/2022G); and

d. the conditional approval of Tadawul to list the Shares.

17.7 Lock-up Period

The Substantial Shareholders specified on page (x) Table 2 (**Substantial Shareholders and their Ownership in the Company**) of this Prospectus may not dispose of any of their Shares for a period of (6) six months from the date on which trading of the Shares commences on the Exchange. Following the end of the Lock-up Period, the Selling Shareholders may dispose of their Shares without obtaining prior approval of the CMA. The Company may not list shares of the same class of the listed shares for a period of six (6) months from the date of commencement of trading the Shares on the Exchange.

17.8 Acknowledgments and Declarations by Subscribers

By completing and delivering the Subscription Application Form, each Subscriber:

a. agrees to subscribe to the number of Offer Shares specified in the Subscription Application Form;

b. warrants that he/she has read this Prospectus and understood all its content;

c. accepts the Bylaws and all Offering instructions and terms mentioned in this Prospectus and the Subscription Application Form, and subscribes to the Offer Shares accordingly;

d. declares that neither he/she nor any of his/her family members included in the Subscription Application Form have previously subscribed for any Shares and that the Company has the right to reject any or all duplicate applications;

e. accepts the number of Offer Shares allocated to him/her (to the maximum of the amount subscribed for) as per the Subscription Application Form;

f. warrants not to cancel or amend the Subscription Application Form after submitting it to the Lead Manager or the Receiving Agents; and

g. retains his/her right to sue the Company for damages caused directly by incorrect or incomplete information contained in the Prospectus, or by omitting key information that should have been part of the Prospectus and could have affected his/her decision to purchase the Shares.

For further details on the allocation process, see Section 17.4 (**Allocation and Refunds**).

17.9 Shareholders' Record and Trading Arrangements

Tadawul shall keep a Shareholders' Register containing their names, nationalities, addresses, professions, the Shares held by them and the amounts paid for these Shares.

17.10 Saudi Exchange (Tadawul)

In 1990G, full electronic trading in the Kingdom equities was introduced. Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. Trading in shares occurs on the "Tadawul" system through a fully integrated trading system covering the entire trading process from the execution of the trade transaction through its settlement. Trading occurs on each Business Day of the week between 10:00 a.m. and 3:00 p.m. from Sunday to Thursday, during which orders are executed. However, during times other than those times, orders can be entered, amended or cancelled from 9:30 a.m. to 10:00 a.m. Such times will change during the month of Ramadan and will be announced by the Tadawul Management. Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit), provided that if several orders are generated at the same price, they are executed according to the time of entry. Tadawul disseminates a comprehensive range of information through various channels, in particular, the "Tadawul" website and "Tadawul" Information Link, which supplies trading data in real time to information providers such as Reuters. Exchange transactions are settled on a T+2 basis, meaning that a share ownership transfers takes two Business Days after the trade transaction is executed.

Listed companies are required to disclose all material decisions and information that are important for the investors via Tadawul. Surveillance and monitoring are the responsibility of Tadawul as the operator of the market to ensure fair trading and an orderly market.

17.11 Securities Depository Center (Edaa)

The Securities Depository Center Company (Edaa) was established in 2016G as a closed joint stock company in accordance with the Saudi Companies Law issued by Royal Decree No. M/3 dated 28 Muharram 1437H (corresponding to 10 November 2015G), with a capital of SAR 400,000,000 divided into 40,000,000 shares, with a nominal value of SAR 10 per share, and is fully owned by the Exchange.

The establishment was based on the CMA's approval of the request of Tadawul's Board of Directors in relation to conversion of the Securities Depository Center into a joint stock company in accordance with the Capital Market Law issued by Royal Decree No. M/30 dated 2 Jumada al-Akhirah 1424H (2 July 2003G).

The activities of Edaa are to conduct businesses related to depositing, registering, transferring, settling and clearing securities, and recording any ownership restrictions on the deposited securities. Further, it deposits and manages the records of the issuers of securities, and organises issuers' general assemblies, including remote voting services (e-Voting), reporting, notifications, and information, as well as providing other related services that Edaa may provide in accordance with the CML and its implementing regulations.

17.12 Trading of Company's Shares

Trading of the Shares is expected to commence on Tadawul after the finalisation of the allocation process and the announcement of the start date of trading by Tadawul. Following the Admission, Saudi natural persons, non-Saudi natural persons holding valid residency permits in the Kingdom, GCC natural persons, companies, banks, and investment funds will be permitted to trade in the Offer Shares once they are traded on the Exchange. Moreover, Qualified Foreign Investors will be permitted to trade in the Shares in accordance with the QFI Rules; Foreign Investors will also have the right to invest indirectly to acquire economic benefits in the Shares by entering into SWAP agreements with Capital Market Institutions to acquire, hold and trade in the Shares on the Exchange on behalf of such Foreign Investor. It should be noted that Capital Market Institutions shall be deemed the legal owners of the Shares under the SWAP agreements.

Furthermore, Shares can only be traded after allocated Offer Shares have been credited to Subscribers' accounts at Tadawul, the Company has been registered in the Main Market and its Shares listed on the Exchange. Pre-trading in Shares is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company and the Selling Shareholders shall bear no legal responsibility in connection with pre-trading activities.

17.13 Miscellaneous

The Subscription Application Form and all related terms, conditions, provisions, covenants and undertakings shall be binding upon and inure to the benefit of their parties and their respective successors, permitted assigns, executors, administrators and heirs, provided that neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto are assigned and delegated by any of the parties to the subscription without the prior written consent of the other party.

These instructions, the conditions and the receipt of any Subscription Application Forms and related contracts shall be governed, construed and enforced in accordance with the laws of the Kingdom.

This Prospectus has been released in both Arabic and English languages and the Arabic version is the only one approved by the CMA. In the event of a discrepancy between the English and the Arabic text, the Arabic text of this Prospectus shall prevail.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than the Kingdom are expressly prohibited, except for certain GCC investors, Qualified Foreign Investor, foreign strategic investors and/or certain other Foreign Investors through SWAP agreements, taking into account the relevant rules and instructions. The Offering does not constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction in which such offer or solicitation would be unlawful. All recipients of this Prospectus must inform themselves of any regulatory restrictions relevant to the Offering and the sale of Offer Shares and to observe all such restrictions.

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules, the Company must submit a supplementary prospectus to the CMA if, at any time after the publication of this Prospectus and before completion of the Offering, the Company becomes aware of: (i) a significant change in any material information contained in this Prospectus or any document required under the Rules on the Offer of Securities and Continuing Obligations or the Listing Rules; or (ii) the occurrence of additional significant matters that have become known which would have been required to be included in this Prospectus. Except for the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the aforementioned and other risks, uncertainties and assumptions, the future events and circumstances set forth in this Prospectus may not occur as expected by the Company or may not occur at all. Consequently, the prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

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DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the Company's head office on Al Absah District, P.O. Box 608, Unaizah 51911, Kingdom of Saudi Arabia, between 9:00 a.m. and 5:00 p.m. from Monday 21/11/1443H (20/06/2022G) until Thursday, 29/12/1443H (corresponding to 28/7/2022G) for a period of not less than 20 days prior to the end of the Offering Period:

a. the CMA announcement of the approval of the Offering;
b. the Tadawul approval of the Admission;
c. the Company General Assembly's approval of the Offering, dated 5 Rajab 1443H (corresponding to 6 February 2022G);
d. the Company's Bylaws, and amendments;
e. the Company's articles of association, and amendments;
f. the Company's commercial registration certificate issued by the Ministry of Commerce;
g. the audited financial statements of the Company for the financial years ended 31 December 2019G, 2020G and 2021G;
h. the reviewed financial statements of the Company for the period ended 31 March 2022G;
i. the valuation report prepared by the Financial Advisor;
j. the market study report prepared by the Market Study Consultant;
k. all other reports, letters, documents, value and data assessments prepared by any expert, including any part thereof mentioned in this Prospectus;
l. contracts and agreements disclosed in Section 12.9 (**Related Party Contracts and Transactions**); and
m. letters of consent from each of:
    1. the Financial Advisor, Lead Manager, Bookrunner and Underwriter (Aljazira Capital Company (Aljazira Capital)) for the inclusion of its name, logo, and statements in this Prospectus;
    2. the Auditors:
        - (Al Yousif Al Saeed Co. (Certified Public Accountants)) for inclusion herein of their names and logos, along with the audit reports on the financial statements of the Company for the financial year ended 31 December 2019G; and
        - (Dr. Mohammed Al-Amri & Co.) to include their name, logo and statements in this Prospectus, in addition to the Company's audited financial statements for the financial years ended 31 December 2020G and 2021G in this Prospectus,
    3. the Financial Due Diligence Advisor (PricewaterhouseCoopers (Public Accountants)) for the inclusion of its name, logo and statements in this Prospectus;
    4. the Market Study Consultant (Euromonitor International Limited Company) for the inclusion of its name, logo and statements, in this Prospectus; and
    5. the Legal Advisor (Zeyad Yousef AlSalloum and Yazeed Abdulrahman AlToaimi Company for Legal Services and Consultation), for the inclusion of its name, logo, and statements, in this Prospectus.
n. the Underwriting Agreement.

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FINANCIAL STATEMENTS AND AUDITORS' REPORT

This Section contains the audited financial statements of the Company for the financial year ended 31 December 2019G, and the accompanying notes thereto, that have been prepared in accordance with the IFRS as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA and audited by Al Yousif Al Saeed Co. (Certified Public Accountants). This Section also contains the Company's audited financial statements for the financial years ended 31 December 2020G and 2021G and the reviewed financial statements for the period ended on 31 March 2022G, and the accompanying notes thereto, that have been prepared in accordance with the IFRS as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA and audited by Dr. Mohammed Al-Amri & Co.

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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الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

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P.O. Box 8736, Riyadh 11492
Unified Number : 92 002 4254
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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
		161,728,604	165,319,932
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
		97,684,224	82,789,090
TOTAL ASSETS		**259,412,828**	248,109,022
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
		217,881,915	207,933,945
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
		15,606,540	14,937,504
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
		25,924,373	25,237,573
TOTAL LIABILITIES		**41,530,913**	40,175,077
TOTAL EQUITY AND LIABILITIES		**259,412,828**	248,109,022

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	(41,946,432)	(35,999,720)
Gross profit		**18,273,140**	21,549,374
Selling and distribution expenses	20	**(6,258,087)**	(5,820,292)
General and administrative expenses	21	**(2,107,725)**	(2,355,789)
Operating profit		**9,907,328**	13,373,293
Other income		**744,852**	779,266
Finance cost		**(241,113)**	(332,480)
Profit before zakat		**10,411,067**	13,820,079
Zakat expenses	17	(463,097)	(514,355)
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
(Saudi Closed Joint Stock Company)

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

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

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Naqi Water Company
(Saudi Closed Joint Stock Company)

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.

Naqi Water Company
(Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 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 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:

		Commercial register date		
Serial	Commercial Register Number	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.

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.

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.

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.

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.

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

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.

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.

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

(SAUDI RIYALS)

	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:

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

** 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

	31 March 2022	31 December 2021
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)
	(556,320)	(485,376)
Net book value	**862,549**	933,493

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:

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

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

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

9. INVENTORY

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

10. TRADE AND OTHER RECIEVABLES

	31 March 2022	31 December 2020
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
	25,049,426	23,205,255
Provision for other debit balances	**(1,048,051)**	(1,048,051)
	24,001,375	22,157,204

(SAUDI RIYALS)

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

	31 March 2022	31 December 2021
Balance at the beginning of the period/ year	**293,953**	281,945
Additions	**-**	12,008
Balance at the end of the period/ year	**293,953**	293,953

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

	31 March 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	**1,048,051**	1,048,051

11. CASH AND CASH EQUIVALENTS

	31 March 2022	31 December 2021
cash at banks	**47,767,314**	37,639,457
cash on hand	**482,796**	221,541
	48,250,110	37,860,998

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:

Shareholder's name	No. of Shares	Share Value	Amount
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
	45,338		**45,338,000**

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:

Shareholder's name	No. of Shares	Share Value	Amount
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:

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 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

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**

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

	31 March 2022	31 December 2021
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:

	31 March 2022	31 December 2021
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

(SAUDI RIYALS)

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

	31 March 2022	31 December 2021
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)
	2,492,721	2,283,822

The following are the significant actuarial assumptions:

Discount rate	-	%2.7
Salary growth rate	-	%2

15. TRANSACTIONS WITH RELATED PARTIES

Name of related parties	Nature of transaction	Relation	THE THREE-MONTH PERIOD ENDED 31 MARCH 2022	2021
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**
	1,026,776	**217,381**	**1,595,053**	**6,899,820**

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
	18,032,143	11,314,755

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
Additionds 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	**2,375,219**	**1,912,122**

- 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
	60,219,572	57,549,094

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
	41,946,432	35,999,720

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**
	6,258,087	5,820,292

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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
	2,107,725	2,355,789

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.

As at 31 March, 2022	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**
	36,662,973	**23,549,154**	**12,556,029**	**36,662,973**

As at 31 December, 2021	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
	35,979,133	**23,325,451**	**12,653,682**	**35,979,133**

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.

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
As at 31 March, 2022		
Trade payables	**1,245,430**	**1,271,885**
As at 31 December, 2021		
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.

Naqi Water Company
(Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)
(SAUDI RIYALS)

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 .

NAQI WATER COMPANY
(Saudi Closed Joint Stock Company)

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

NAQI WATER COMPANY
(Saudi Closed Joint Stock Company)

FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

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الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of financial statements

Opinion

We have audited the financial statements of Naqi Water Company, a Saudi Closed Joint Stock Company ("the Company"), which comprise the statement of financial position as at 31 December 2021, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA and Regulations for Companies and the Company's Article of Association, and for such internal control as management determines is necessary to enable the preparation of these financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Charged with Governance in particular, the board of directors, are responsible for overseeing the Company's financial reporting process.

Dr. Mohammed Al-Amri & Co. Chartered Accountants, a professional closed joint stock company registered in the Kingdom of Saudi Arabia under CR no. 1010433982, with paid-up capital of SAR (1,000,000) is a member of BDO International Limited, a UK Company Limited by guarantee, and forms part of the international BDO network of independent member firms.
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To the shareholders of
Naqi Water Company (Continued)
(A Saudi Closed Joint Stock Company)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

For Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362

Riyadh on: 16 Rajab 1443 (H)
Corresponding to: 17 February 2022 (G)

NAQI WATER COMPANY
(Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2021

	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property ,Plant and equipment	5	**161,277,195**	126,803,823
Advance payments for the purchase of property, plant and equipment	6	**1,982,250**	19,516,111
Right of use Asset	7	**933,493**	1,217,269
Intangible assets	8	**1,126,994**	760,327
		165,319,932	148,297,530
Current assets			
Inventories	9	**22,553,507**	16,268,718
Trade and other Recievables	10	**22,157,204**	10,973,810
Due from related parties	15	**217,381**	-
Cash and cash equivalents	11	**37,860,998**	29,713,591
		82,789,090	56,956,119
TOTAL ASSETS		**248,109,022**	205,253,649
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	**200,000,000**	150,000,000
Statutory reserve	12	**7,727,599**	7,795,482
Retained earnings		**206,346**	6,467,286
		207,933,945	164,262,768
LIABILITIES			
Non-current liabilities			
Long term loan – Non Current Portion	13	**12,095,334**	16,851,005
Employees' end of service benefits	14	**2,283,822**	1,090,511
Lease liablitiy - Non Current portion	7	**558,348**	826,053
		14,937,504	18,767,569
Current liabilities			
Long term loan – Current Portion	13	**4,755,671**	3,648,995
Due to related parties	15	**6,899,820**	2,730,374
Trade and other payables	16	**11,314,755**	12,081,383
Zakat	17	**1,912,122**	3,432,244
Lease liablitiy - Current Portion	7	**355,205**	330,316
		25,237,573	22,223,312
TOTAL LIABILITIES		**40,175,077**	40,990,881
TOTAL EQUITY AND LIABILITIES		**248,109,022**	205,253,649

Financial manager **Chief excutive officer**

The accompanying notes from (1) to (28) form an integral part of these financial statements.

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Naqi Water Company
(Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021
(SAUDI RIYALS)

		The year ended 31 December	
	Note	**2021**	2020
Sales	18	277,823,065	264,514,045
Cost of Sales		(164,868,568)	(160,493,074)
Gross profit		112,954,497	104,020,971
Selling and distribution expenses	19	(23,937,018)	(14,836,244)
General and administrative expenses	20	(10,750,035)	(7,847,494)
Operating profit		78,267,444	81,337,233
Other income /(Expense) , Net		1,433,537	(725,305)
Finance cost		(1,193,591)	(592,307)
Profit before zakat		78,507,390	80,019,621
Zakat expenses	17	(1,231,403)	(2,064,806)
Net profit for the year		77,275,987	77,954,815
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss:			
Actuarial Gain (Losses) from re-measurement on employees' end of service benefits	14	395,190	(160,788)
Total comprehensive income for the year		77,671,177	77,794,027
Basic and diluted earnings per share from net profit for the year	21	3,86	3,90

The accompanying notes from (1) to (28) form an integral part of these financial statements.

Naqi Water Company
(Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021
(SAUDI RIYALS)

	Share capital	Amounts under capital increase	Statutory reserve	Retained earnings	Total
For the year ended 31 December, 2021					
As at 1 January 2021	**150,000,000**	**-**	**7,795,482**	**6,467,286**	**164,262,768**
Comprehensive income:					
Net profit for the year	-	-	-	**77,275,987**	**77,275,987**
Other comprehensive income	-	-	-	**395,190**	**395,190**
Total comprehensive income	-	-	-	**77,275,177**	**77,671,177**
Transferred for capital increase (note 12)	**50,000,000**	-	**(7,795,482)**	**(42,204,518)**	-
Transfer to statutory reserve	-	-	**7,727,599**	**(7,727,599)**	-
Dividends (note 24)	-	-	-	**(34,000,000)**	**(34,000,000)**
As at 31 December 2021	**200,000,000**	**-**	**7,727,599**	**206,346**	**207,933,945**
For the year ended 31 December, 2020					
As at 1 January 2020	45,338,000	40,000,000	7,404,590	25,657,083	118,399,673
Comprehensive income:					
Net profit for the year	-	-	-	77,954,815	77,954,815
Other comprehensive income	-	-	-	(160,788)	(160,788)
Total comprehensive income	-		-	77,794,027	77,794,027
Amounts under capital increase	104,662,000	(40,000,000)	(7,404,590)	(57,257,410)	-
Statutory reserve			7,795,482	(7,795,482)	-
Dividends (note 24)			-	(31,930,932)	(31,930,932)
Balance as at 31 December 2020	150,000,000	-	7,795,482	6,467,286	164,262,768

The accompanying notes from (1) to (28) form an integral part of these financial statements.

Naqi Water Company
(Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(SAUDI RIYALS)

	The year ended 31 December	
	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before zakat	**78,507,390**	80,019,621
Adjustments :		
Depreciation of Property ,Plant and equipment	**18,036,558**	14.813,824
Amortization of intangible assets	**103,642**	82,249
Depreciation on Right-of-use asset	**283,776**	201,600
Provision for expected credit loss	**-**	1,731,396
Provision for employees' end of service benefits	**1,598,181**	837,356
Finance costs	**1,193,591**	592,307
Capital losses	**-**	82,917
	99,723,138	98,361,270
Working capital changes		
Trade and other recievables	**(11,183,394)**	(981,718)
Inventories	**(6,284,789)**	(8,062,486)
Due from related parties	**(217,381)**	1,385,539
Trade and other payables	**(730,322)**	4,462,077
Due to related parties	**4,169,446**	(11,837,430)
Cash generated from operating activities	**85,476,698**	83,327,252
Employees' end of service benefits paid	**(36,265)**	(62,069)
Zakat paid	**(2,751,525)**	(671,602)
Net cash generated from operating activities	**82,688,908**	82,593,581
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property ,plant and equipment	**(33,858,797)**	(27,936,693)
Proceeds from disposal of property, plant and equipment	**58,867**	-
Advances for the purchase of property, plant and equipment	**(1,176,139)**	(19,516,111)
Additions to intangible assets	**(470,309)**	(681,168)
Net cash used in investing activities	**(35,446,378)**	(48,133,972)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Payments)/Proceeds from loans	**(3,648,995)**	20,500,000
Finance costs paid	**(1,203,312)**	(592,307)
Lease liabilitiy	**(242,816)**	(262,500)
Dividends paid	**(34,000,000)**	(31,930,932)
Net cash used in financing activities	**(39,095,123)**	(12,285,739)
Net change in cash and cash equivalents	**8,147,407**	22,173,870
Cash and cash equivalents at the beginning of the year	**29,713,591**	7,539,721
Cash and cash equivalents at the end of the year	**37,860,998**	29,713,591
Non-Cash transaction:		
Additions of property, plant and equipment against advance payments for the purchase of property, plant and equipment	**(18,710,000)**	-
Capital increase from retained earnings and reserves	**50,000,000**	-

The accompanying notes from (1) to (28) form an integral part of these financial statements.

Naqi Water Company
(Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021
(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 AH corresponding to June 10, 2017 AD, 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 AH corresponding to May 23, 2017 AD.

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

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:

		Commercial register date		
Serial	Commericial Register Number	Hijri	Georgian	City
1	1010603193	03/13/1441 AH	November 11, 2019 AD	Riyadh
2	1128183653	05/17/1441 AH	January 13, 2020 AD	Unaizah

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs), issued by the International Accounting Standards Board (IASB) as endorsed by the Saudi Organization for Auditors and Accountants("SOCPA").

Wherever the phrase "International Financial Reporting Standards" appears in these notes, it refers to the "International Financial Reporting Standards approved in the Kingdom of Saudi Arabia and other standards and issuances approved by the Saudi Organization for Auditors and Accountants." The approved international standards are international standards as issued by the International Council, in addition to the requirements and disclosures added by the Authority to some of these standards, in accordance with what was stated in the document of approval of international financial reporting standards. And other standards and publications mean what the Saudi Organization for Auditors and Accountants approves of standards and technical opinions for topics not covered by international standards, such as the issue of Zakat.

2.2 Basis of measurement

The 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 financial statements are prepared using the accrual basis of accounting and on the going concern principle.

2.3 Functional and presentation currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 New standards, interpretations and amendments

3.1.1 New Standars and amendments

The following new standards and amendments for the first time as of 1 January 2021 , which has no material impact on the financial statements :

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Company has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Naqi Water Company
(Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021
(SAUDI RIYALS)

3.1.2 New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

• Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);

• Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);

• Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and

• References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:

• Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);

• Definition of Accounting Estimates (Amendments to IAS 8); and

• Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

3.2 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

3.3 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.

3.4 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

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.

3.7 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 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.

3.10 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.

3.11 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

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.

3.12 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.

3.13 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.

3.14 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.

3.15 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.

3.16 Earnings per share

Basic earnings per share and diluted earnings per share (if any) are presented for common shares. Basic earnings per share is calculated by dividing the profit or loss of the company's common stockholders by the weighted average number of common shares outstanding during the period, adjusted by the number of common shares repurchased or issued during Period. Diluted earnings per share are calculated by adjusting the profit or loss of the company's ordinary shareholders and the weighted average number of shares outstanding during the period by the effects of all dilutive potential ordinary shares issued.

3.17 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 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.

3.18 Segment reporting

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.

4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of 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 financial statements and the disclosures attached to the 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 financial statements. In addition to the main assumptions that were taken when estimating the impact of future conditions on the numbers appearing in the financial statements and the disclosures related to them on the date of preparing the 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	Trucks	Cars	Furniture and fixtures	Machinery and equipment	Tools	Computer	Desalination plant and laboratory equipment	Total
Cost:										
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)
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 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)
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

- The cost of the above lands is represented in the plots of land on which the company's factory is built, including two plots of land at an amount of 3,800,000 Saudi riyals whose ownership title transferred from the shareholders to the company on 3 and 4 February, 2021 AD.

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	Land	Buildings	Trucks	Cars	Furniture and fixtures	Machinery and equipment	Tools	Computer	Desalination plant and laboratory equipment	Total
Cost:										
As at 1 January 2020	3,800,000	17,985,761	2,576,592	2,421,579	70,370,177	147,980	146,316	8,325,396	21,096,112	126,869,913
Additions during the year	-	1,496,046	3,909,751	1,045,078	12,165,945	18,048	183,460	720,575	8,397,790	27,936,693
disposals	-		(93,279)	-		-	(2,325)	-	-	(95,604)
Converted from projects in progress	-	11,223,900	-	-	18,270,002	-	-	-	(29,493,902)	-
As at 31 December 2020	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
Accumulated depreciation:										
As at 1 January 2020	-	1,634,338	70,091	482,556	8,842,300	42,292	46,111	1.988.354	-	13,106,042
Charge for the year	-	688,039	1,753,110	557,528	9,990,811	16,265	84,511	1.723.560	-	14,813,824
disposals	-	-	(12,687)	-	-	-	-	-	-	(12,687)
As at 31 December 2020	-	2,322,377	1,810,514	1,040,084	18,833,111	58,557	130,622	3,711,914	-	27,907,179
Net book value:										
At 31 December 2020	3,800,000	28,383,330	4,582,550	2,426,573	81,973,013	107,471	196,829	5,334,057	-	126,803,823

The depreciation for the year has been allocated as follows:

	31 December 2021	31 December 2020
Cost of sales	**15,687,656**	12,801,558
Selling and distribution expenses	**2,177,088**	1,705,417
General and administrative expenses	**171,814**	306,849
	18,036,558	**14,813,824**

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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:

	31 December 2021	31 December 2020
Advance payments - production line *	**1,380,000**	1,009,103
Advance Payments - Cars **	**602,250**	17,912,500
Advance payments - desalination plant	**-**	594,508
	1,982,250	19,516,111

* 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 advance payments for the cars item above were financed through the loan obtained by the company during the year 2020 AD (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 capital commitments related to the advance payments above were disclosed in Note No. (26).

7. RIGHT OF USE ASSETS

	31 December 2021	31 December 2020
Cost		
Balance as at 31 December	**1,418,869**	1,418,869
Accumulated Depreciation:		
Balance as at 1 January	**(201,600)**	-
Depreciation for the year	**(283,776)**	(201,600)
Net book value as at 31 December	**933,493**	1,217,269

Lease Liability

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

	31 December 2021	31 December 2020
Lease liability at the beginning of the year	**1,156,369**	1,418,869
Deduct: rent payments made during the year	**(242,816)**	(262,500)
	913,553	1,156,369
Current	**355,205**	330,316
Non-current	**558,348**	826,053

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

	31 December 2021	31 December 2020
Cost		
Balance as at 1 January	**864,069**	182,901
Additions during the year	**470,309**	681,168
	1,334,378	864,069
Amortization		
Balance as at 1 January	**(103,742)**	(21,493)
Amortization during the year	**(103,642)**	(82,249)
Amortization during the year	**(207,384)**	(103,742)
Net book value	**1,126,994**	760,327

9. INVENTORIES

	31 December 2021	31 December 2020
Raw materials	**13,250,604**	8,874,564
Finished Goods	**4,888,266**	1,872,770
Spare parts	**4,414,637**	5,521,384
	22,553,507	16,268,718

10. TRADE AND OTHER RECIEVABLES

	31 December 2021	31 December 2020
Trade receivables	**10,243,139**	6,537,039
Less: Allowance for expected credit losses	**(293,953)**	(281,945)
	9,949,186	6,255,094
Letters of guarantee	**5,294,902**	-
Underwriting project expenses	**2,553,913**	699,722
Advance payments to suppliers	**1,897,412**	73,672
Prepaid expenses	**1,406,475**	2,853,004
Other debit balances	**1,048,052**	1,561,051
Staff Loans	**717,875**	724,775
Checks under collection	**13,797**	-
petty cash	**323,643**	367,543
	23,205,255	12,534,861
Provision for other debit balances	**(1,048,051)**	(1,561,051)
	22,157,204	10,973,810

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

	31 December 2021	31 December 2020
Balance as at 1 January	**281,945**	111,600
Additions	**12,008**	170,345
Balance as at 31 December	**293,953**	281,945

(SAUDI RIYALS)

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

	31 December 2021	31 December 2020
Balance as at 1 January	**1,561,051**	-
(Reverse) / Additions	**(513,000)**	1,561,051
Balance as at 31 December	**1,048,051**	1,561,051

11. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
cash at banks	**37,639,457**	29,367,395
cash on hand	**221,541**	346,196
	37,860,998	29,713,591

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:

Shareholder's name	**No. of Shares**	**Share Value**	**Amount**
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
	45 338		**45,338,000**

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:

Shareholder's name	**No. of Shares**	**Share Value**	**Amount**
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**

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On 14 January, 2021 AD, 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	8 500	1,000	85,000,000
Al Sadd Modern Advanced Company	8 500	1,000	85,000,000
	17 000		**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 AD, 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 AH (corresponding to 12 December, 2021 AD), 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

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**

13. LONG TERM LOANS

	31 December 2021	31 December 2020
Non-Current portion	**12,095,334**	16,851,005
Current portion	**4,755,671**	3,648,995
	16,851,005	20,500,000

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

	31 December 2021	31 December 2020
Balance at the beginning of the year	**20,500,000**	-
Additions during the year	-	20,500,000
Payments during the year	**3,648,995**	-
Balance at the end of the year	**16,851,005**	20,500,000

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.

Naqi Water Company
(Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021
(SAUDI RIYALS)

14. EMPLOYEES' END OF SERVICE BENEFITS

Reconciliation of present value of employees' defined benefit obligation

	31 December 2021	31 December 2020
Opening balance	**1,090,511**	154,436
Current service cost	**1,598,181**	834,176
Finance cost	**26,585**	3,180
paid	**(36,265)**	(62,069)
Actuarial losses (gains) from remeasurement of employee end-of-service benefits	**(395,190)**	160,788
	2,283,822	1,090,511

The following are the significant actuarial assumptions:

Discount rate	**%2.7**	**%2.8**
Salary growth rate	**%2**	**%3**

15. TRANSACTIONS WITH RELATED PARTIES

Name of related parties	**Nature of transaction**	**Relation**	31 December 2020	31 December 2019
Al Sadd Modern Advanced Company	financing, payment	shareholder	**-**	(1,000,000)
	purchases		**82,743,637**	80,286,658
	Expense notice		**451,483**	-
	Payments		**(77,434,109)**	(81,934,209)
	Settlement of payments made through contracts with related parties		-	(8,274,042)
Zulal Water Factory Company	purchases	Affiliate	**33,617,495**	41,945,834
	Purchase of machinery and equipment		**(120,000)**	12,236,992
	Spare Parts Purchases		**1,622,543**	2,479,240
	Payment and discount notices		**(36,782,000)**	(56,873,891)
	Settlement of payments made through contracts with related parties		**-**	(3,250,000)
Middle East Machinery Factory Co. Ltd.	Purchase of property and machinery		**25,454,460**	-
	Purchase of spare parts		**1,976,39**	4,081,069
	Payments		**(28,052,035)**	(2,169,736)
	Advance payments for the purchase of machinery and equipment	Affiliate	-	1,603,611

Transactions with related parties include value added tax for the year ending on December 31, 2021 AD, amounting to 19,394,326 SAR (2020G amount: 14,344,186 SAR)

(SAUDI RIYALS)

The related party balances as at December 31 were as follows:

Due from related parties

	31 December 2021	31 December 2020
Al Sadd Modern Advanced Company	-	-
Zulal Water Factory Company	**217,381**	-
Amin bin Abdullah bin Ali Al Mallah	-	-
Middle East Machinery Factory Co. Ltd.	-	-
	217,381	-

Due to related parties

	31 December 2021	31 December 2020
Al Sadd Modern Advanced Company	**5,761,011**	-
Zulal Water Factory Company	-	1,204,581
Amin bin Abdullah bin Ali Al Mallah	**234,190**	-
Middle East Machinery Factory Co. Ltd.	**904,619**	1,525,793
	6,899,820	2,730,374

16. TRADE AND OTHER PAYABLES

	31 December 2021	31 December 2020
Trade payables	**7,573,802**	8,348,530
Accrued expenses	**2,447,193**	1,395,042
Vat	**1,064,188**	2,071,934
Eligible financing costs	**229,572**	265,877
	11,314,755	12,081,383

17. ZAKAT PROVISION

17.1 Zakat

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

	31 December 2021	31 December 2020
Total items subject to zakat	**240,747,644**	169,057,157
Total deduction from the zakat base	**(165,559,268)**	(160,521,294)
Zakat base	**75,188,376**	8,535,863
adjusted net income	**76,484,876**	82,592,255
Zakat at 2.5%	**1,912,122**	2,064,806

Naqi Water Company
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021
(SAUDI RIYALS)

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

Zakat was calculated in the current year based on adjusted net income.

	31 December 2021	31 December 2020
Balance at the beginning of the year	**3,432,244**	2,039,040
Formed	**1,912,122**	2,064,806
Paid	**(2,751,525)**	(671,602)
No longer required	**(680,719)**	-
Balance at the end of the year	**1,912,122**	3,432,244

- 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.

17.2 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.

18. SALES

	The year ended 31 December	
	2021	2020
Wholesale sales	**186,549,828**	188,442,762
Retail sales	**91,273,237**	76,071,283
	277,823,065	264,514,045

19. SELLING AND DISTRIBUTION EXPENSES

	The year ended 31 December	
	2021	2020
Salaries, wages and other benefits	**12,846,741**	5,692,752
sale commissions	**2,425,839**	2,550,069
Depreciation of property, plant and equipment	**2,177,088**	1,705,417
Transportation	**2,087,359**	-
Advertising expenses	**1,917,123**	2,947,331
Fuels	**1,832,299**	455,229
Other	**373,835**	927,233
Maintenance and repair	**276,734**	558,213
	23,937,018	14,836,244

Naqi Water Company
(Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021
(SAUDI RIYALS)

20. GENERAL AND ADMINISTRATIVE EXPENSES

	The year ended 31 December	
	2021	2020
Salaries, wages and other benefits	**8,077,014**	5,330,101
Professional and consulting fees	**788,288**	276,986
Stationery and prints	**364,932**	110,534
Depreciation of the right of use Asset	**283,776**	201,600
Government fees and subscriptions	**253,725**	95,989
Depreciation of property, plant and equipment	**171,814**	306,849
Maintenance and repair	**169,107**	104,487
Banking expenses	**130,970**	41,484
Hospitality and hygiene	**113,775**	55,773
Amortization of intangible assets	**103,642**	103,742
Donations	**50,000**	75,000
Post, phone and internet	**43,182**	215,134
Other	**199,810**	929,815
	10,750,035	7,847,494

21. EARNINGS PER SHARE

	The year ended 31 December	
	2021	2020
Net profit for the year	**77,275,987**	77,954,815
Weighted average number of shares	**20,000,000**	20,000,000
Basic and diluted earnings per share	**3,86**	3,90

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.

As at 31 December, 2021	**Book value**	**less than one year**	**From 1 to 5 years**	**More than five 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	**11,324,519**	**11,324,519**	-	-	**11,324,519**
Lease liablitiy	**913,553**	**355,205**	**558,348**	-	**913,553**
	35,988,897	**23,335,215**	**12,653,682**	-	**35,988,897**

Naqi Water Company
(Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021
(SAUDI RIYALS)

As at 31 December, 2020	**Book value**	**less than one year**	**From 1 to 5 years**	**more than five years**	**Total**
Loan	20,500,000	3,648,995	16,851,005	-	20,500,000
Due to related parties	2,730,374	2,730,374		-	2,730,374
Trade and other payables	12,081,383	12,081,383		-	12,081,383
Lease liablitiy	1,156,369	330,316	826,053	-	1,156,369
	36,468,126	**18,791,068**	**17,677,058**	**-**	**36,468,126**

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.

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
As at 31 December, 2021		
Trade payables	**442,808**	452,214
As at 31 December, 2020		
Trade payables	**1,120,254**	1,1098,288

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.

	31 December 2021	31 December 2020
Cash and cash equivalents	**37,639,457**	29,367,395
Trade receivables	**10,243,139**	6,537,039
	47,882,596	35,904,434

Naqi Water Company
(Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021
(SAUDI RIYALS)

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

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.

23 .SEGMENT REPORTING

The company has one operating sector, which is the sale of water products, and it operates in one geographical area, which is the Kingdom of Saudi Arabia, and therefore there is no sectoral information to be disclosed.

24. DIVIDENDS

On December 11, 2021, the company's board of directors proposed distributing dividends for the third and fourth quarters of 2021, amounting to 17,000,000 Saudi riyals, and on December 12, 2021 AD, the company's general assembly approved those distributions.

On June 3, 2021, the company's board of directors proposed distributing dividends for the first quarter of 2021, in the amount of 8,500,000 Saudi riyals. On June 4, 2021, the company's general assembly approved those distributions. On August 15, 2021, the company's board of directors proposed dividends in the amount of 8,500,000 Saudi riyals for the second quarter of 2021. On September 26, 2021, the company's general assembly approved those distributions.

On February 27, 2020, the company's shareholders decided to distribute dividends for the year ending on December 31, 2020, in an amount of SAR 31,930,932, and on October 30, 2019 AD, the company's shareholders decided to distribute dividends for the year ending on December 31, 2019 in an amount of SAR 14,093,412.

25. CORONA VIRUS (COVID-19) AND THE FINANCIAL IMPACT

Earlier in the year 2020, the presence of the emerging corona virus (Covid-19) was confirmed. Since then, the virus has spread all over the world, including Saudi Arabia, and has greatly affected business and commercial activities, and the government has imposed some precautionary measures during the year, which included - among other measures - the suspension of non-vital activities in addition to restrictions imposed on the movement of transmission. individuals. The supply of basic goods and beverages has been classified as an essential service by the government, and accordingly, the government has not imposed restrictions on the company's operations or its supply chain.

The government lifted restrictions on many commercial activities, while restrictions continued on others. From time to time, the government takes decisions to impose restrictions and precautionary measures or to reduce them according to the developments in the epidemiological situation.

The company's main product is bottled water, and the company has been negatively affected by preventive measures, but the company's management invested in some alternatives and took some measures that helped reduce this impact, and the company's management believes that the effects of the epidemic began to recede gradually with the start of vaccination campaigns, and this will be reflected On the company's financial results positively during the subsequent period, but the reason for the increase in sales and profits for the year 2021 AD is attributed to capital expansions and additions of new production lines, and there is no effect on the decline in the value of assets or the continuity of the company from the available information.

Given that the extent and duration of these effects is not yet known and depends on the future developments of the epidemic, which cannot be predicted at the present time, due to the presence of a high level of uncertainty, it is difficult to estimate the financial implications of this event and its consequences during the next twelve months.

The management will continue to monitor the situation and, when there is more clarity on the final impact, the company will update all stakeholders if necessary in accordance with the regulatory requirements.

Naqi Water Company
(Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021
(SAUDI RIYALS)

26. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

-The company has no contingent liabilities as of December 31, 2021 and 2020.

- 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 AD until the first half of the year 2022 , the following are the details of the capital commitments:

	31 December 2021	31 December 2020
Total capital contracts	**15,571,000**	45,332,500
Advance payments for the purchase of property, plant and equipment/projects under Construction	**(1,982,250)**	(19,516,111)
Capital commitments	**13,588,750**	25,816,389

27. 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 and used by the company in one of its products, and that party is demanding compensation for using the registered trademark, and the claimant for the private right did not claim any specific compensation, and the ruling in the case fined Naqi Water Company 10,000 Saudi riyals with an apology through its electronic platform, as well as publishing an official announcement of the apology through the newspapers.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The issuance of these financial statements was approved with the approval of the Board of Directors on 14 Rajab, 1443 H corresponding to 15 February, 2022 AD.

NAQI WATER COMPANY
(Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
AND INDEPENDENT AUDITOR'S REPORT

NAQI WATER COMPAN
(SAUDI CLOSED JOINT STOCK COMPANY)
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
(SAUDI RIYALS)

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الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of financial statements

Opinion

We have audited the financial statements of Naqi Water Company, a Saudi Closed Joint Stock Company ("the Company"), which comprise the statement of financial position as at 31 December 2020, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Auditors and Accountants ("SOCPA").

Basis for Opinion

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

Other Matter

The company's financial statements for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those financial statements on 27 October 2020.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA and Regulations for Companies and the Company's Article of Association, and for such internal control as management determines is necessary to enable the preparation of these financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Charged with Governance in particular, the board of directors, are responsible for overseeing the Company's financial reporting process.

Dr. Mohammed Al-Amri & Co. Chartered Accountants, a professional closed joint stock company registered in the Kingdom of Saudi Arabia under CR no. 1010433982, with paid-up capital of SAR (1,000,000) is a member of BDO International Limited, a UK Company Limited by guarantee, and forms part of the international BDO network of independent member firms.
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To the shareholders of
Naqi Water Company (Continued)
(A Saudi Closed Joint Stock Company)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

For Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362

Riyadh on: 17 Ramadan 1442 (H)
Corresponding to: 29 April 2021 (G)

Naqi Water Company
(Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2020
(SAUDI RIYALS)

	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	5	126,803,823	113,763,871
Advances for the purchase of property, plant and equipment	6	19,516,111	-
Right of use asset	7	1,217,269	-
Intangible assets	8	760,327	161,408
		148,297,530	**113,925,279**
Current assets			
Inventories	9	16,268,718	8,206,232
Trade and other Receivable	10	10,973,810	11,723,488
Due from related parties	15	-	1,385,539
Cash and cash equivalents	11	29,713,591	7,539,721
		56,956,119	**28,854,980**
TOTAL ASSETS		**205,253,649**	**142,780,259**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	150,000,000	45,338,000
Amounts under capital increase account		-	40,000,000
Statutory reserve	12	7,795,482	7,404,590
Retained earnings	12	6,467,286	25,657,083
		164,262,768	**118,399,673**
LIABILITIES			
Non-current liabilities			
Long-term loan	13	16,851,005	-
Employees' end of service benefits	14	1,090,511	154,436
Lease liablitiy- non current portion	7	826,053	-
		18,767,569	**154,436**
Current liabilities			
Long-term loan- current portion	13	3,648,995	-
Due to related parties	15	2,730,374	14,567,804
Trade payables and other liabilities	16	12,081,383	7,619,306
Zakat Provision	17	3,432,244	2,039,040
Lease liablitiy- current portion	7	330,316	-
		22,223,312	**24,226,150**
TOTAL LIABILITIES		**40,990,881**	**24,380,586**
TOTAL EQUITY AND LIABILITIES		**205,253,649**	**142,780,259**

Financial Manager   Chief Executive Officer

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

Naqi Water Company
(Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020
(SAUDI RIYALS)

		For the year ended 31 December	
	Note	**2020**	2019
Sales	18	264,514,045	207,299,975
Cost of Sales	19	(160,493,074)	(164,374,593)
Gross profit		**104,020,971**	**42.925.382**
Selling and distribution expenses	20	(14,836,244)	(4.415.509)
General and administrative expenses	21	(7,847,494)	(3,605,972)
Operating profit		**81,337,233**	**34,903,901**
Other (expenses)/ income, net		(725,305)	781,089
Finance cost		(592,307)	-
Profit before zakat		80,019,621	35,684,990
Zakat expenses	17	(2,064,806)	(906,176)
Net profit for the year		**77,954,815**	**34,778,814**
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss:			
Re-measurement of employees' end of service benefits	14	(160,788)	31,739
Total comprehensive income for the year		**77,794,027**	**34,810,553**

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

Naqi Water Company
(Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020
(SAUDI RIYALS)

	Share capital	Amounts under capital increase account	Statutory reserve	Retained earnings	Total
For the year ended 31 December, 2020					
As at 1 January 2020	45,338,000	40,000,000	7,404,590	25,657,083	118,399,673
Net profit for the year	-	-	-	77,954,815	77,954,815
Other comprehensive income	-	-	-	(160,788)	(160,788)
Total comprehensive income	-	-	-	77,794,027	77,794,027
Transferred for capital increase (note 12)	104,662,000	(40,000,000)	(7,404,590)	(57,257,410)	-
Transfer to statutory reserve	-	-	7,795,482	(7,795,482)	-
Dividends (note 23)	-	-	-	(31,930,932)	(31,930,932)
As at 31 December 2020	**150,000,000**	**-**	**7,795,482**	**6,467,286**	**164,262,768**
For the year ended 31 December, 2019					
As at 1 January 2019	45,338,000	-	3,926,709	8,417,826	57,682,532
Net profit for the year	-	-	-	34,778,814	34,778,814
Other comprehensive income	-	-	-	31,739	31,739
Total comprehensive income	-	-	-	34,810,553	34,810,553
Amounts under capital increase account	-	40,000,000	-	-	40,000,000
Statutory reserve	-	-	3,477,881	(3,477,881)	-
Dividends (note 23)	-	-	-	(14,093,412)	(14,093,412)
Balance as at 31 December 2019	**150,000,000**	**40,000,000**	**7,404,590**	**25,657,083**	**118,399,673**

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

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Naqi Water Company
(Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2020
(SAUDI RIYALS)

	For the year ended 31 December	
	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before zakat	80,019,621	35,684,990
Adjustments:		
Depreciation of Property, plant and equipment	14,813,824	5,318,066
Amortization of intangible assets	82,249	21,493
Amortization of Right-of-use asset	201,600	-
Provision for trade and other receivables	1,731,396	-
Provision for employees' end of service benefits	837,356	124,516
Finance costs	592,307	-
capital losses	82,917	-
	98,361,270	**41,149,065**
Working capital changes		
Trade and other receivables	(981,718)	178,445
Inventories	(8,062,486)	(2,032,952)
Due from related parties	1,385,539	1,614,461
Trade payables	4,462,077	2,961,756
Due to related parties	(11,837,430)	2,639,201
Cash generated from operating activities	**83,327,252**	**46,509,976**
Employees' end of service benefits paid	(62,069)	(121,133)
Zakat paid	(671,602)	-
Net cash generated from operating activities	**82,593,581**	**46,388,843**
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(27,936,693)	(28,205,013)
Advances for the purchase of property, plant and equipment	(19,516,111)	-
Additions to intangible assets	(681,168)	(22,725)
Net cash used in investing activities	**(48,133,972)**	**(28,227,738)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	20,500,000	-
Finance costs paid	(592,307)	-
Lease Liability	(262,500)	-
Dividends paid	(31,930,932)	(14,093,412)
Net cash used in financing activities	**(12,285,739)**	**(14,093,412)**
Net change in cash and cash equivalents	**22,173,870**	**4,067,693**
Cash and cash equivalents at the beginning of the year	**7,539,721**	**3,472,028**
Cash and cash equivalents at the end of the year	**29,713,591**	**7,539,721**
Non-cash transaction:		
Additions of property, plant and equipment in exchange for a capital increase	-	**40,000,000**

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

NAQI Naqi Water نقي للمياه

(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 from Unaizah.

On 16 Ramadan 1438 AH corresponding to June 10, 2017 AD, 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 AH corresponding to May 23, 2017 AD.

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:

	Date of the commercial register		
Commercial Registration No	Hijri	Gregorian	City:
1010603193	13/03/1441 AH	11/11/2019 AD	Riyadh
1128183653	17/05/1441 AH	13/1/2020 AD	Unaizah

On 31December 2019, the shareholders decided to open a new branch for the company in the city of Unaizah - Qassim. On 1 January, 2020, a contract was signed to purchase the net assets of the Unaizah branch owned by Naqi Trading Corporation (owned by its owner Amin bin Abdullah bin Ali Al Mallah) for the company, this branch was purchased for the amount of 4,820,197 Saudi riyals, the net assets of the branch at the date of purchase are as follows:

Assets	Amount
Property and equipment	3,161,124
Accounts receivables	1,150,431
Other Debit balances	370,856
Inventory	356,134
Cash at Banks	232,572
Liabilities	(450,920)
Net Assest	4,820,197

The company's financial year start at the begining of January and end at the end of December of each gregorian year.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs), issued by the International Accounting Standards Board (IASB) as endorsed by the Saudi Organization for Auditors and Accountants("SOCPA").

Wherever the phrase "International Financial Reporting Standards" appears in these notes, it refers to the "International Financial Reporting Standards approved in the Kingdom of Saudi Arabia and other standards and issuances approved by the Saudi Organization for Auditors and Accountants." The approved international standards are international standards as issued by the International Council, in addition to the requirements and disclosures added by the Authority to some of these standards, in accordance with what was stated in the document of approval of international financial reporting standards. And other standards and publications mean what the Saudi Organization for Auditors and Accountants approves of standards and technical opinions for topics not covered by international standards, such as the issue of Zakat.

2.2 Basis of measurement

The 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 financial statements are prepared using the accrual basis of accounting and on the going concern principle.

2.3 Functional and presentation currency

These 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 Effective

The following are a number of amendments to the International Financial Reporting Standards that entered into force on January 01, 2020, and do not have a material impact on these financial statements:

- Amendments to International Accounting Standard No. (1) and International Accounting Standard No. (8) - The use of a consistent definition of materiality in all International Financial Reporting Standards
- Amendments to International Accounting Standard No. (3) "Business Combinations" - Definition of Business.
- Amendments to the references to the conceptual framework of the International Financial Reporting Standards.

3.2 New standards, interpretations and amendments issued and not yet effective

The standards and interpretations listed below are not expected to have a material impact on the company's financial statements:

- International Financial Reporting Standard No. (17) "Insurance Contracts" is effective starting on or after January 1, 2021 AD.
- Classification of Liabilities Amendments to International Accounting Standard No. (1) "Presentation of Financial Statements" These amendments are effective starting from or after January 1, 2021
- Amendments to International Accounting Standard No. (28) "Sale or contribution of assets between an investor and its associate or joint venture. These amendments are available for voluntary application and the effective date is deferred indefinitely."

3.3 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:

The first step: defining the contract or contracts with clients.

Step Two: Determine the performance obligations in the contract.

Step Three: Determine the transaction price.

Step Four: charging the transaction price to the performance obligations in the contract.

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

- 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

3.4 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	Useful life(Year):
Buildings	3%
Cars	25%
Furniture and fixtures	20%
machinery and equipment	10%
tools	10%
computer	20%
Desalination plant and laboratory equipment	20%

Projects in progress 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 in progress 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.

3.5 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.

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 expenses

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.

3.6 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.

3.7 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.

3.8 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.

3.9 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.

3.10 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

- 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.

3.11 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.

3.12 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 group 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 group 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 group 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

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 liabilities

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.

3.13 Zakat provision

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.

3.14 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.

3.15 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.

3.16 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.

3.17 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 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:

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

Level two: 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.

4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of 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 financial statements and the disclosures attached to the 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 financial statements. In addition to the main assumptions that were taken when estimating the impact of future conditions on the numbers appearing in the financial statements and the disclosures related to them on the date of preparing the 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.

Naqi Water Company
(Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2020
(SAUDI RIYALS)

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Cars	Furniture and fixtures	machines and equipment	Tools	Computer	Desalination plant and laboratory equipment	Projects under construction	Total
Cost:										
As at 1 January 2020	3,800,000	17,985,761	2,576,592	2,421,579	70,370,177	147,980	146,316	8,325,396	21,096,112	126,869,913
Additions during the year	-	1,496,046	3,909,751	1,045,078	12,165,945	18,048	183,460	720,575	8,397,790	27,936,693
Disposals	-	-	(93,279)	-	-	-	(2,325)	-	-	(95,604)
Converted from projects in progress	-	11,223,900	-	-	18,270,002	-	-	-	(29,493,902)	-
As at 31 December 2020	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
Accumulated depreciation:										
As at 1 January 2020	-	1,634,338	70,091	482,556	8,842,300	42,292	46,111	1,988,354	-	13,106,042
Charge for the year	-	688,039	1,753,110	557,528	9,990,811	16,265	84,511	1,723,560	-	14,813,824
Disposals	-	-	(12,687)	-	-	-	-	-	-	(12,687)
As at 31 December 2020	-	2,322,377	1,810,514	1,040,084	18,833,111	58,557	130,622	3,711,914	-	27,907,179
Net book value:										
At 31 December 2020	3,800,000	28,383,330	4,582,550	2,426,573	81,973,013	107,471	196,829	5,334,057	-	126,803,823

The cost of land on which the company's factory is built, includes two plots of land, with a carrying value of 3,800,000 Saudi riyals as of 31 December 2020 and 2019. Their ownership is in the name of one of the shareholder, on 3 and 4 february 2021 the ownership title has been transferred to the name of the company.

Naqi Water Company
(Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020
(SAUDI RIYALS)

	Land	Buildings	Cars	Furniture and fixtures	machines and equipment	Tools	Computer	Desalination plant and laboratory equipment	Projects under construction	Total
Cost:										
As at 1 January 2019	3,800,000	17,311,443	113,000	952,923	29,442,739	142,972	93,958	6,807,865	-	58,664,900
Additions during the year	-	674,318	2,463,592	1,468,656	40,927,438	5,008	52,358	1,517,531	21,096,112	68,205,013
As at 31 December 2019	3,800,000	17,985,761	2,576,592	2,421,579	70,370,177	147,980	146,316	8,325,396	21,096,112	126,869,913
Accumulated depreciation:										
As at 1 January 2019	-	1,114,995	38,872	275,033	5,837,527	27,825	25,988	467,736	-	7,787,976
Charge for the year	-	519,343	31,219	207,523	3,004,773	14,467	20,123	1,520,618	-	5,318,066
As at 31 December 2019	-	1,634,338	70,091	482,556	8,842,300	42,292	46,111	1,988,354	-	13,106,042
Net book value:										
At 31 December 2019	**3,800,000**	**16,351,423**	**2,506,501**	**1,939,023**	**61,527,877**	**105,688**	**100,205**	**6,337,042**	**21,096,112**	**113,763,871**

The depreciation for the year has been allocated as follows:

	31 December 2020	31 December 2019
Cost of sales	12,801,558	5,195,925
Selling and distribution expenses	1,705,417	-
General and administrative expenses	306,849	122,141
	14,813,824	**5,318,066**

Naqi Water Company
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STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2020
(SAUDI RIYALS)

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

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

	31 December 2020	31 December 2019
Advance Payments - Cars *	17,912,500	-
Advance payments - production line *	1,009,103	-
Advance payments - desalination plant**	594,508	-
	19,516,111	-

* The advance payments for the cars item above were financed through the loan obtained by the company during the year 2020 AD (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 ASSET

	31 December 2020
Cost	
Balance as at 31 Decmber	1,418,869
Accumulated depreciation:	
Balance in 1 januray	-
Depreciation of the year	(201,600)
Net book value:	(201,600)
As at 31 Decmber 2020	1,217,269
As at 31 Decmber 2019	-

Lease liability

The following are the book values of the lease liability and the movements on it during the year:

	31 December 2020	31 December 2019
Lease liability at the beginning of the year	1,418,869	-
Deduct: rent payments made during the year	(262,500)	-
	1,156,369	-
Current	330,316	-
Non current	826,053	-

The right of use asset represent a warehouse lease for a period of five years starting on April 15, 2020, with an annual rental value of 350,000 Saudi riyals, and before that date the company did not have any lease contracts that fall under the scope of IFRS 16 “Lease Contracts”.

Naqi Water Company
(Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020
(SAUDI RIYALS)

8. INTANGIBLE ASSETS

	31 December 2020	31 December 2019
Cost		
Balance at the beginning of the year	182,901	160,176
Additions during the year	681,168	22,725
	864,096	**182,901**
Amortization		
Balance at the beginning of the year	(21,493)	-
Amortization for the year	(82,249)	(21,493)
	(103,742)	**(21,493)**
Net book value	**760,327**	**161,408**

9. INVENTORIES

	31 December 2020	31 December 2019
Raw materials	8,874,564	5,420,317
spare parts	5,521,384	1,457,172
Finished goods	1,872,770	1,988,743
Provision for decrease in inventory	-	(660,000)
	16,268,718	**8,206,232**

The following is the movement of decrease of inventories:

	31 December 2020	31 December 2019
Balance at the beginning of the year	660,000	350,000
Additions during the year	-	310,000
Utilized during the year	(660,000)	-
Balance at the end of the year	**-**	**660,000**

10. TRADE AND OTHER RECEIVABLES

	31 December 2020	31 December 2019
Trade receivables	6,537,039	4,231,110
Less: Allowance for expected credit losses	(281,945)	(111,600)
	6,255,094	**4,119,510**
Prepaid expenses	2,853,004	1,549,563
Staff loans	724,775	1,926,923
IPO project expenses	699,722	-
Petty cash	367,543	384,815
Advance payments to suppliers	73,672	1,832,109
Value added tax	-	1,906,541
Other	1,561,051	4,027
Provision for other debit balances	(1,561,051)	-
	10,973,810	**11,723,488**

(SAUDI RIYALS)

The movement of allowance for expected credit losses is as follows:

	31 December 2020	31 December 2019
Balance as at the beginning of the year	111,600	-
Additions during the year	170,345	111,600
Balance at the end of the year	**281,945**	**111,600**

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

	31 December 2020	31 December 2019
Balance as at 1 januray	-	-
Additions during the year	1,561,051	-
Balance as at 31 december	**1,561,051**	-

11. Cash and cash equivalents

	31 December 2020	31 December 2019
Cash at banks	29,367,395	7,335,092
Cash on hand	346,196	204,629
	29,713,591	**7,539,721**

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 among the shareholders as follows:

Shareholders	**No. of Shares**	**Share value**	**Amount**
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
	45 338		**45,338,000**

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, by the entry of "Al-Sadd modern advanced Company" by 10% of the company's capital. Till 8 December 2020 AD the company's article of association wasn't amended by this resolution, and at 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, 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 his 45% share in the capital (after the shareholder agreement of the new shareholder, "Al-Sadd Modern Advanced Company" entry by 10%) in favor of Al-Sadd Modern Advanced Company, so that its ownership percentage in the company's capital became 55%, with the same date Al Sadd Modern advanced Company waived 5% of its share in the company's capital in favor of the shareholders / Amin bin Abdullah bin Ali Al Mallah.

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(SAUDI RIYALS)

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

Shareholders name	No. of Shares	Share value	Amount
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 January 14, 2021 AD, 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 from the retained earnings and statutory reserve balance as of 20 January 2021 AD. As of 24 January 2021 AD all statutory procedures to amend the company's memorandum of association and commercial registry have been completed.

The capital structure on January 24, 2021 is as follows:

Shareholders name	No. of Shares	Share value	Amount
Amin bin Abdullah bin Ali Al Mallah	8 500	1,000	85,000,000
Al Sadd Modern Advanced Company	8 500	1,000	85,000,000
	17 000		**170,000,000**

13. LONG TERM LOAN

	31 December 2020	31 December 2019
Non-Current portion	16,851,005	-
Current portion	3,648,995	-
	20,500,000	**-**

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

	31 December 2020	31 December 2019
Balance at the beginning of the year	-	-
Additions during the year	20,500,000	-
Payments during the year	-	-
Balance at the end of the year	**20,500,000**	-

During the year of 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.

Naqi Water Company
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020
(SAUDI RIYALS)

14. EMPLOYEES' END OF SERVICE BENEFITS

	31 December 2020	31 December 2019
Opening balance	154,436	182,792
Current service cost	834,176	119,433
Finance cost	3,180	5,083
Paid	(62,069)	(121,133)
Actuarial losses (gains) from remeasurement of employee end-of-service benefits	160,788	(31,739)
	1,090,511	154,436

The following are the significant actuarial assumptions:

Discount rate	**%2.8**	3.1%
Salary growth rate	**%3**	5%

15. TRANSACTIONS WITH RELATED PARTIES

Name of related parties	**Nature of transaction**	**Relationship**	**31 December 2020**	31 December 2019
Al Sadd Modern Advanced Company	financing, payment on behalf	shareholder	**(1,000,000)**	(2,000,000)
	Purchases and spare parts		**80,286,658**	107,953,775
	payment on behalf		**(81,934,209)**	(105,054,190)
	Settlement of payments made through contracts with related parties		**(8,274,042)**	-
Zulal Water Factory Company	purchases	Affiliate	**41,945,834**	81,758,589
	Purchase of machinery and equipment		**12,236,992**	-
	operating expenses		**2,479,240**	-
	payment on behalf		**(56,873,891)**	(81,977,830)
	Settlement of payments made through contracts with related parties		(3,250,000)	-
Middle East Machinery Factory Co. Ltd.	Purchase of property and machinery Purchase of spare parts	Affiliate	**4,081,069**	4,417,270
	payment on behalf		**(2,169,736)**	(41,143)
	Advance payments for the purchase of machinery and equipment		**1,603,611**	-

The terms of transactions with related parties have been approved by the company's management.

Transactions with related parties include value added tax for the year ended 31 December, 2020 in the amount of 14,344,186 SAR (2019 amount: 8,941,140 SAR)

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(SAUDI RIYALS)

The related party balances as at December 31 were as follows:

Due from related parties

	31 December 2020	31 December 2019
Al Sadd Modern Advanced Company	-	1,000,000
Zulal Water Factory Company	-	-
Middle East Machinery Factory Co. Ltd.	-	385,539
	-	**1,385,539**

Due to related parties

	31 December 2020	31 December 2019
Al Sadd Modern Advanced Company	**-**	**9,901,397**
Zulal Water Factory Company	**1,204,581**	**4,666,407**
Middle East Machinery Factory Co. Ltd.	**1,525,793**	**-**
	2,730,374	**14,567,804**

16. TRADE AND OTHER PAYABLES

	31 December 2020	31 December 2019
Trade payables	8,348,530	6,586,998
Vat	2,071,934	-
Accrued expenses	1,395,042	1,032,308
Accrued finance costs	265,877	-
	12,081,383	**7,619,306**

17. ZAKAT PROVISION

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

	31 December 2020	31 December 2019
Total items subject to zakat	169,057,157	89,264,709
Total deduction from the zakat base	(160,521,294)	(113,946,279)
Zakat base	8,535,863	(24,681,570)
adjusted net income	82,592,255	36,247,025
Zakat at 2.5%	**2,064,806**	**906,176**

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

Zakat was calculated in the current year based on adjusted net income.

(SAUDI RIYALS)

	31 December 2020	31 December 2019
Balance at the beginning of the year	2,039,040	1,132,864
Charged during the year	2,064,806	906,176
Paid	(671,602)	-
Balance at the end of the year	**3,432,244**	2,039,040

- The company submitted its zakat returns for all years up to December 31, 2019, and paid the 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.

18. SALES

	The year ended 31 December	
	2020	2019
Wholesale sales	188,442,762	206,171,444
retail sales	76,071,283	1,128,531
	264,514,045	**207,299,975**

19. COST OF SALES

	The year ended 31 December	
	2020	2019
Raw materials and inventory change	**132,978,288**	145,421,078
Depreciation of property, plant and equipment	**12,801,558**	5,195,925
Operating expenses	**9,006,786**	9,435,634
Salaries, wages and other benefits	**5,706,442**	4,321,956
	160,493,074	164,374,593

Naqi Water Company
(Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020
(SAUDI RIYALS)

20. SELLING AND DISTRIBUTION EXPENSES

	The year ended 31 December	
	2020	2019
Salaries, wages and other benefits	**5,692,752**	-
Advertising expenses	**2,947,331**	4,222,644
Sales commissions	**2,550,069**	-
Depreciation of property, plant and equipment	**1,705,417**	-
Maintenance and repair	**558,213**	-
Fuels	**455,229**	-
Other	**927,233**	192,865
	14,836,244	**4,415,509**

21. GENERAL AND ADMINISTRATIVE EXPENSES

	The year ended 31 December	
	2020	2019
Salaries, wages and other benefits	5,330,101	2,013,163
Depreciation of property, plant and equipment	306,849	122,141
Professional and consulting fees	276,986	40,000
Post, phone and internet	215,134	113,907
Depreciation of the right of use	201,600	-
Stationery and prints	110,534	23,146
Maintenance and repair	104,487	116,736
Government fees and subscriptions	95,989	150,089
Travel expenses	76,969	45,835
Donations	75,000	50,000
Hospitality and hygiene	55,773	17,177
Electricity and water	50,434	14,799
Banking expenses	41,484	44,700
Fuels	39,707	10,584
Other	866,447	843,695
	7,847,494	3,605,972

(SAUDI RIYALS)

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.

As at 31 December, 2020	Book value	less than one year	From 1 to 5 years	more than five years	Total
Loan	20,500,000	3,648,995	16,851,005	-	20,500,000
Due to related parties	2,730,374	2,730,374	-	-	2,730,374
Trade and other payables	12,081,383	12,081,383	-	-	12,081,383
Lease liability	1,156,369	330,316	826,053	-	1,156,369
	36,468,126	18,791,068	17,677,058	-	36,468,126

As at December 31, 2019	Book value	less than one year	From 1 to 5 years	more than five years	Total
loan	-	-	-	-	-
Due to related parties	14,567,804	14,567,804	-	-	14,567,804
Trade and other payables	7,619,306	7,619,306	-	-	7,619,306
	22,187,110	22,187,110	-	-	22,187,110

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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(Saudi Closed Joint Stock Company)

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(SAUDI RIYALS)

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
As at 31 December, 2020		
Trade payables	**1,120,254**	1,109,828
As at 31 December, 2019		
Trade payables	**436,130**	427,578

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 December 2020	31 December 2019
Cash and cash equivalents	**29,713,591**	7,539,721
Trade receivables	**6,537,039**	4,231,110
	36,250,630	11,770,831

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.

(SAUDI RIYALS)

23. DIVIDENDS

On 27 February, 2020, the company's shareholders decided to distribute dividends for the year ending 31 December, 2020, in an amount of SAR 31,930,932, and on October 30, 2019 AD, the company's shareholders decided to distribute dividends for the year ending 31 December, 2019 in an amount of SAR 14,093,412.

24. CORONA VIRUS (COVID-19) AND THE FINANCIAL IMPACT

Earlier in the year 2020, the presence of the emerging corona virus (Covid-19) was confirmed. Since then, the virus has spread all over the world, including Saudi Arabia, and has greatly affected business and commercial activities, and the government has imposed some precautionary measures during the year, which included - among other measures - the suspension of non-vital activities in addition to restrictions imposed on the movement of transmission. individuals. The supply of basic goods and beverages has been classified as an essential service by the government, and accordingly, the government has not imposed restrictions on the company's operations or its supply chain.

The government lifted restrictions on many commercial activities, while restrictions continued on others. From time to time, the government takes decisions to impose restrictions and precautionary measures or to reduce them according to the developments in the epidemiological situation.

The company's main product is bottled water, and the company has been negatively affected by preventive measures, but the company's management invested in some alternatives and took some measures that helped reduce this impact, and the company's management believes that the effects of the epidemic began to recede gradually with the start of vaccination campaigns, and this will be reflected On the company's financial results positively during the subsequent period, but the reason for the increase in sales and profits for the year 2021 AD is attributed to capital expansions and additions of new production lines, and there is no effect on the decline in the value of assets or the continuity of the company from the available information.

Given that the extent and duration of these effects is not yet known and depends on the future developments of the epidemic, which cannot be predicted at the present time, due to the presence of a high level of uncertainty, it is difficult to estimate the financial implications of this event and its consequences during the next twelve months.

The management will continue to monitor the situation and, when there is more clarity on the final impact, the company will update all stakeholders if necessary in accordance with the regulatory requirements.

25. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

-The company has no contingent liabilities as of December 31, 2020 and 2019.

- 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 AD until the first half of the year 2022 AD, the following are the details of the capital commitments:

	31 December 2020	31 December 2019
Total capital contracts	45,332,500	32,507,242
Advance payments for the purchase of property, plant and equipment/projects in progress	(19,516,111)	(21,096,112)
Capital commitments	**25,816,389**	**11,411,130**

26. 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 and used by the company in one of its products, and that party is demanding compensation for using the registered trademark, and the claimant for the private right did not claim any specific compensation. And the legal advisory mentioned that the company situation is strong and there is no need to provide provision for any contingent liabilities.

27- SUBSEQUENET EVENTS

- On 14 January 2021 the shareholders agreed to increase the Company's capital by 20 million Saudi riyals to become 170 million Saudi riyals without any changes in ownership ratios. The increase will be financed from the balance of retained earnings and the statutory reserve on January 20, 2021 AD, on January 24, 2021 AD, the statutory procedures were completed to amend the company's articles of incorporation and commercial registry in the amount of the capital increase.
- On June 13, 2020, the partners decided to change the company's legal entity to be a closed joint stock company, and on March 14, 2021 AD, the statutory procedures were completed to amend the memorandum of association and the commercial registry, and it became a closed joint stock company.

28- COMPARATIVE FIGURES

Some comparative figures for the year 2019 have been reclassified to conform to the classification of the financial statements for the current year.

29.APPROVAL OF THE FINANCIAL STATEMENTS

The issuance of these financial statements was approved with the approval of the Board of Directors on April 7, 2021 AD.

Naqi Water Company
(Limited Liability Company)
Unaizah – Kingdom of Saudi Arabia
Financial statements as 31/12/2019

Naqi Water Company
(Limited Liability Company)
Unaizah – Kingdom of Saudi Arabia

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فاكس ٤٧٩١٨٢٨

Messrs\ Owner of Naqi Water Company
Unaizah - Kingdom of Saudi Arabia

Opinion

We have audited the accompanying statement of financial position of Naqi Water Company - a limited liability company – as at 31\12\2019, the statements of income, the statement of cash flows, the statement of changes in owners 'equity for the year ended on that date and the notes from No. (1) to No. (22), which are considered an integral part of these statements.

In our opinion, the financial statements: Present fairly, in all material respects, the financial position of Naqi Water Company - a limited liability company – as at 31\12\2019, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standard approved in the Kingdom of Saudi Arabia, and the standards and issuances Others issued by the Saudi Organization for Certified Public Accountants.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Saudi Arabia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Below is a description of each of the key audit matters and how to address them:

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فاكس ٤٧٩١٨٢٨

Risk title	**Key audit matter**	**Audit procedure**
Revenue recognition	Revenue is an important component of a company's performance and profitability. The audit standards stipulate the importance of evaluating the risks of over-performance of internal controls when ascertaining revenue recognition, which may result in associated risks, by recognizing revenue more than its actual value to increase profitability. Due to the importance of the amount of revenue and the inherent risk of recognizing revenue in excess of its actual value, revenue recognition is one of the important audit matters.	Our audit procedures include among other matters according to the phases of the following: • Test the design of control procedures and their operational effectiveness in relation to the recognition of its revenue and receivables. • Inspection on the basis of the sample, to audit revenue. • Cut-off procedures to ensure revenue is recorded in the correct period.
Inventory	Inventory is one of the important matters due to the nature of the company's activity, which depends on inventory and mainly for revenue generation, as well as due to the nature of the inventory represented in bottled desalinated water that is perishable or expired, the inventory is one of the things intrinsic due to its impact on the business outcome	Our audit procedures include among other matters according to the phases of the following: • Test the design of control procedures and their operational effectiveness in relation to inventory recognition • Detailed, substantive analytical procedures for inventory. • Test the correctness of inventory measurement at cost price and net realizable value, whichever is lower, as well as the company's policy to determine the cost using the weighted average method. • Testing the movement of inventory in the period following the financial statements to ensure that there is no need to form a provision for slow-moving or damaged inventory.

مكتب اليوسف للمحاسبة محاسبون ومراجعون قانونيون RIYADH AL-YOUSIF CPAs 111

AL YOUSIF

مكتب اليوسف للمحاسبة

Certified Public Accountants
P.O.Box 40821 Riyadh 11511
Telephone 4776141 / 4776110
Fax 4791828

محاسبون ومراجعون قانونيون
ص.ب ٤٠٨٢١ الرياض ١١٥١١
تليفون ٤٧٧٦١٤١ / ٤٧٧٦١١٠
فاكس ٤٧٩١٨٢٨

Audit Report

Responsibility of management and those charged with governance for the financial statements

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

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

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

The auditor's responsibility for auditing the financial statements

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with ISAs endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on legal and other regulatory requirements

The Companies Law requires the auditor to include in his report any violations of the provisions of the Companies Law or any other regulations governing the company's activity. During the course of our current review, it became clear to us that the company did not violate the provisions of the Companies Law and the company's articles of incorporation

Yousif S. Alahmed
License No. ١١١

Riyadh : 27/10/2020

مكتب اليوسف للمحاسبة
محاسبون ومراجعون قانونيون
الرياض
Reg. No. ١١١
RIYADH
CPAS
AL-YOUSIF

Naqi Water Company
(Limited Liability Company)
Unaizah – Kingdom of Saudi Arabia
Statement of financial position as at December 31, 2019

Exhibit (A)

	Note	31/12/2019 SR	31/12/2018 SR	1/1/2018 SR
Assets				
Current assets				
Cash	4	7,539.721	3,472.028	4,896.975
Trade receivables	5	4,119.510	5,446.822	1,718.764
Other receivables and other debit balances	6	6,054.415	4,046.799	917.764
Inventory	7	8,206.232	6,173.280	7,349.212
Prepaid Expenses		1,549.563	2,408.312	936.146
Related parties	8	1,385.539	3,000.000	3,847.180
Total current assets		28,854.980	24,547.241	19,666.041
Advance for assets purchases		-	-	2,560.289
property, plant and equipment	9			
Cost		105,773.801	58,664.900	43,267.726
Accumulated depreciation		13,106.042	7,787.976	3,780.757
Net book value		92,667.759	50,876.924	39,486.969
intangible assets	10	161.408	160,176	-
Projects under construction	11	21,096.112	-	304.930
total assets		142,789.259	75,584.341	62,018.229

The accompanying notes are integral part of these financial statement

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RIYADH
C.R. 1010429292
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Continue Exhibit (A)

	Note	31/12/2019	31/12/2018	1/1/2018
Liabilities and Equity		SR	SR	SR
Current Liabilities				
Accounts Payable		6,586.998	4,519.128	4,333.504
Accrued Expenses		1,033.308	138.422	163.956
Accrued Zakat	12	2,039.040	1,132.864	461.261
Related parties	8	14,567.804	11,928.603	4,407.412
Total current liabilities		24,226.150	17,719.017	9,366.133
End of service benefits provision	13	154,436	182,792	150.988
Related parties		-	-	1,754.412
Owners' Equity				
Capital	14	45,338.000	45,338.000	45,338.000
Proposed capital increase	15	40,000.000	-	-
Statutory reserve		7,404.590	3,926.709	1,318.313
Retained earnings	Exhibit B	25,653.244	8,445.723	4,090.383
Re-measurement of end of service benefits		3,839	27.900	-
Total Equity		118,399.673	57,682.532	50,746.696
Total Liabilities and Equity		142,780.259	75,584.341	62,018.229

The accompanying notes are integral part of these financial statement

Exhibit B

Naqi Water Company

(Limited Liability Company)

Unaizah – Kingdom of Saudi Arabia

Statement of income and other comprehensive income for the financial year ending on 31/12/2019

	Note	31/12/2019 SR	31/12/2018 SR
sales		217,529.529	144,215.578
cost of sale	16	(174,604.147)	(112,083.654)
Gross profit for the year		42,925.382	32,131.924
Selling and distribution expenses		(4,415.509)	(3,073.251)
General and administrative expenses	17	(3,717.572)	(2,610.708)
other income		897.772	317.394
financial burdens		(5,083)	(3,761)
Net profit for the year before zakat		35,684.990	26,761.598
Accrued zakat		(906,176)	(671,603)
net profit for the year		34,778.814	26,089.995
Other comprehensive income			
Items that will not be reclassified later within profit or loss			
Actuarial gains (losses) from remeasurement of EOS		31,739	(27,900)
total comprehensive income		34,810.553	26,062.095

The accompanying notes are integral part of these financial statement

Exhibit C

Naqi Water Company
(Limited Liability Company)
Unaizah – Kingdom of Saudi Arabia
Statement of changes in Owners' equity for the fiscal year ending on 31/12/2019

	Capital	The proposed capital increase	Statutory reserve	Retained earnings	Re-measurement of the reward for leaving the service	Total
	SR	SR	SR	SR	SR	SR
Balance in 31/12/2017	45,338.000	-	1,318.313	4,175.558	-	50,831.871
Other comprehensive income adjustment first term	-	-	-	85,175	-	85,175
Adjusted Balance	45,338.000	-	1,318.313	4,090.383	-	50,746.696
profit of the year	-	-	-	26,089.995	-	26,089.995
regular reserve	-	-	2,608.396	2,608.396	-	-
Distributions	-	-	-	19,126.259	-	19,126.259
Other comprehensive income	-	-	-	-	27.900	27.900
Balance in 31/12/2018	45,338.000	-	3,926.709	8,445.723	27.900	57,682.532
profit of the year	-	-	-	34,778.814	-	34,778.814
regular reserve	-	-	3,477.881	3,477.881	-	-
Distributions	-	-	-	14,093.412	-	14,093.412
The proposed capital increase	-	4,000.000	-	-	-	40,000.000
Other comprehensive income	-	-	-	-	31.739	31,739
Balance on 31/12/2019	45,338.000	4,000.000	7,404.590	25,653.244	3,839	118,399.673

The accompanying notes are integral part of these financial statement

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Exhibit D

Naqi Water Company
(Limited Liability Company)
Unaizah – Kingdom of Saudi Arabia
Statement of cash flows for the fiscal year ending in 31/12/2019

	31/12/2019 SR	31/12/2018 SR
operational activities		
net profit for the year	34,778.814	26,089.995
Adjustments are added		
Depreciation of property, plant and equipment	5,318.066	4,007.219
amortization of intangible assets	21,493	-
Accrued zakat due	906.176	671,603
End-of-service Provision	124.516	116.179
	41,149.065	30,884.996
Changes in operating assets and liabilities		
Account's receivables	1,327.312	3,728.058
Other receivables and balances	2,007.616	3,129.035
Inventory	2,032.952	1,175.932
Prepaid expenses	858.749	1,472.166
Due from related parties	1,614.461	847.180
Accounts Payable	2,067.870	185.624
Expenses due	893.886	25,534
End of service provision paid	121.133	112.275
Related parties	2,639.201	7,521.191
Net cash generated from operating activities	46,338.843	32,147.855
investment activities		
Purchase of property, plant and equipment	47,108.901	15,397.174
Advance payments to purchase assets	-	2,560.289
intangible assets	22.725	-
Projects under construction	21,096.112	304.930
deferred revenue expenditures	-	160,176
Net cash used in investing activities	68,227.738	12,692.131
financing activities		
The proposed capital increase	40,000.000	-
Related parties	-	1,754.412
Distributions	14,093.412	19,126.259
Net cash generated (used in financing activities)	25,906.588	20,880.671
Cash (user generated during the year	4,067.693	1,424.947
Balance of cash and cash equivalents at the beginning of the period	3,472.028	4,896.975
Cash balance at the end of the year	7,539.721	3,472.028

The accompanying notes are integral part of these financial statement

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RIYADH
Reg. No.
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AL-YOUSIF

NAQI نقي
Naqi Water نقي للمياه

Naqi Water Company
(Limited Liability Company)
Unaizah – Kingdom of Saudi Arabia
Clarifications about the final accounting statements

1. Overview:

Naqi Water Factory was established - a branch of a sole proprietorship - for its owner / AMIN BIN ABDULLAH BIN ALI AL-MALLAH, under Commercial Registration No. 1128018184, dated 27/06/1435

On 16/09/1438 H, corresponding to 10/06/2017, The Corporation turned into a limited liability company with its rights and obligations and the same as the previous commercial registration number. The contract was audited by the Notary Public at the Ministry of Commerce and Investment No. 381318962 and dated 08/29/1438. The amended commercial register was issued, and the company's activity is summarized in the wholesale and retail sale of water soft drinks and juices, wholesale and retail sale of ice, wholesale and retail sale of bottled water of all kinds, production and bottling of pure billed water.

- The accounts include the head office and the following branch:
- Naqi Water Company Branch Commercial Registration No. 1010603193 dated 13/03/1441

2. Significant Accounting Policies:

The attached financial statements have been prepared in accordance with the International Financial Reporting Standards approved by the Saudi Organization for Certified Public Accountants based on a decision of the partners' board on 30/10/2019

A) Basics of preparation

The financial statements for the year ending on December 31, 2019 have been prepared for the period from January 1, 2019 to December 31, 2019 in accordance with the international financial reporting standards approved in the Kingdom of Saudi Arabia and other standards and issuances approved by the Saudi Organization for Certified Public Accountants. The audited financial statements have been prepared on the historical cost basis, except for the employee benefit obligations where the actuarial present value calculation is used. The financial statements are presented in Saudi Riyals

B) Classification of assets and liabilities into current or non-current

The company classifies assets as current assets if:

- Expectation of realization of the asset or intent to sell it if it is depreciated during the normal business cycle of the company, or
- The asset is mainly held for trading, or
- The asset is expected to be realized within 12 months after the balance sheet date, or
- It is cash or cash equivalent, unless it is prohibited to exchange the asset or use it to settle a liability within at least 12 months from the date of the statement of financial position.

All other assets are classified as non-current

The company classifies the liability as a current liability if:

- Expectation of settlement of the obligation during the normal business cycle of the company, or
- The obligation is held primarily for the purpose of trading, or
- The obligation is expected to be settled within 19 months after the balance sheet date, or
- There is no unconditional right to defer the settlement of the obligation for at least 12 months after the balance sheet date.

All other liabilities are classified as non-current liabilities.

C) Fair value measurement:

Fair value is the amount that would be received in a contract to sell an asset if it were paid in a liability settlement contract between two parties in an arm's length transaction at the measurement date. The fair value measurement is determined by the assumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability. Or, in the absence of a principal market, in the most advantageous market for the asset or liability, the principal or most advantageous market must be accessible by the company, and the fair value of the asset or liability is established assuming that market participants will benefit when pricing the assets and liabilities and that they seek To achieve their best economic interests when measuring the fair value of non-financial assets, and the ability of market participants to achieve economic benefits through the best and maximum use of the asset or selling it to other market participants who use the asset in the best and maximum way was considered.

All assets and liabilities that are measured at fair value or disclosed in the financial statements are categorized within the fair value hierarchy listed below and based on the most significant level inputs to the fair value:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Measurement Methods The lowest-significant level inputs to the fair value measurement. Observable directly or indirectly
- Level 3: measurement methods that are considered the lowest level inputs. significant to the fair value measurement. unobservable

For assets and liabilities that are recognized in the financial statements at fair value repeatedly, the company ascertains whether transfers have taken place between the levels of the fair value measurement hierarchy by re-evaluating the classification on the basis of the lowest level inputs that are significant to the fair value measurement as a whole) at the end of each financial reporting period

D) Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer and an amount reflects the price the company expects to be entitled to in exchange for those goods or services.

The following are special considerations that must be met before recognizing revenue:

The goods

Revenue from the sale of goods is realized when control of the asset is transferred to the customer, and this is generally when the goods are delivered. The company takes into account the availability of other promises in the contract that include an independent performance obligation to which part of the transaction price must be allocated (such as guarantees, discount on quantities) in the context of Determining the transaction price for sales of goods, the company takes into account the impact of the variable price, the presence of material financing elements, non-cash price and receivable freight to the customer, if any.

Variable price

If the price is in the contract and includes a variable amount, the company estimates the amount of the price that it will be entitled to in exchange for transferring the goods to the customer, the variable price is estimated upon entering into the contract and remains restricted until it becomes possible and strong reversal of material revenue in the amount of accumulated revenue recorded and this will not happen When the uncertainty associated with the variable price is removed later, some contracts for the sale of goods give the customer the right to return and the right to obtain a discount on quantities. Both the right of return and the commercial discount led to an increase in the variable security.

Return Rights

Some contracts give the customer the right to return the goods during a specified period. The company uses the expected value method to estimate the goods that were returned, as this method provides the best expectations regarding the amount of the variable price to which the company is entitled. The requirements of IFRS 10 are also applied regarding restricted estimates. For the variable price to determine the amount of the variable price that can be included in the transaction price for the goods that are expected to be returned, instead of obtaining revenues from them.

Commercial Discount

In the event that the company offers a discount on quantities with a future effect to some customers in the event that the quantity of products purchased during the period exceeds the ceiling specified in the contract, the discounts are settled against the amounts payable to the customer, and in order to estimate the variable price of the expected future discounts, the company applies the most probable amount method for contracts With a single ceiling for quantity discounts, and the expected value method for contracts with more than one ceiling to obtain a discount on quantities, the number of commercial discount ceilings in the contract mainly determines the best method that expects the best amount of a variable price, and the company then applies the requirements of restricted estimates on the variable price and records Obligation to return in exchange for expected discounts in the future on quantities

G) Expenses

All expenses including operating expenses, general and administrative expenses, selling and marketing expenses and other expenses are recognized and included in the income statement for the fiscal year in which those expenses were incurred.

H) zakat

The company measures the zakat provision for each financial period separately in accordance with the provisions and rules of zakat in the Kingdom of Saudi Arabia on the basis of accrual. The zakat provision is charged to a separate item in the income statement, and any additional zakat obligations, if any, are recorded in the same financial period in which the zakat provision is made. zakat rate baggage

J) value added tax

Expenses and assets are recognized net value (deducting value added tax), except when value added tax is due on the purchase of assets or services that are not recovered from the tax authority, in which case the value added tax is recognized as part of the cost of acquiring the asset or as part of the expense, according to the case When receivables and payables are shown with the amount of VAT, the net amount of sales tax (recoverable from) or (payable to the tax authority is included as part of the accounts receivable or payables in the statement of financial position

Y) Foreign Currency Transactions

The company's financial statements are presented in Saudi riyals, which is the company's operating currency, and foreign currency transactions are initially recorded by the company in the operating currency of each of them at the rate prevailing on the date of the transaction, and monetary assets and liabilities in foreign currency are retranslated into the operating currency at the spot rate prevailing on the date of preparation. Statement of financial position

F) property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. This cost includes the cost of replaced parts of property, plant and equipment and borrowing costs for long-term construction projects in case the recognition requirements are met, when significant parts of property, plant and equipment are required to be replaced in certain periods., the company recognizes these parts as individual assets with a specific useful life and fixed depreciation. Similarly, when conducting a comprehensive examination, the carrying value is recognized as a replacement if the recognition conditions are met, and all other repair and maintenance costs are recognized in the income statement when incurred

Depreciation is calculated on a straight-line basis over the assets' useful life as follows:

buildings	3%
the cars	25%
Furniture	20%
The machines and the equipment's	10%
number and tools	10%
computer	20%
Air conditioners	20%
Fittings	20%
Desalination plants and laboratory equipment	20%

Property, plant and equipment are derecognized upon disposal or when no economic benefits are expected to be obtained from their use or sale in the future, and any gain or loss arising from disposal of the assets (calculated as the difference between the net disposal proceeds and the book value of the assets) is recorded in the income statement on the date They are discarded, and the residual values of the assets, their useful lives and depreciation methods are reviewed at the end of each fiscal year and adjusted prospectively if necessary.

S) Projects in progress

Projects under implementation are shown at cost, deducting impairment losses, if any. Projects under implementation include the cost of materials, construction, construction and other costs directly attributable to delivering the asset to the site and making it in the necessary condition to be able to work in the manner determined by the administration. Projects under implementation are not depreciated.

Lease contracts

A lease is a contract that gives the right to control the use of an identified asset for a period of time in exchange for the Company's consideration as a lessee. The Company applies a recognition and measurement model for all leases, except for short-term leases and leases of low-value assets.

The Company recognizes a lease obligation to make lease payments and the right to use the asset represents the right to use the underlying asset.

Right-of-use assets

The company recognizes the right-of-use assets on the date commencing from the lease contract (the date on which the right-of-use asset becomes available). Recorded lease commitments, initial direct costs and lease payments paid on or before the contract commencement date less any lease incentives received. It is transferred to the company at the end of the lease term, or the cost reflects the exercise of the purchase option, so depreciation is calculated using the estimated useful life of the asset, and right-of-use assets are subject to depreciation, please refer to the accounting policies in the paragraph on impairment of non-financial assets

Rental Obligations

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of the lease payments over the term of the lease. Lease expenses include fixed payments (including non-important fixed payments) less any lease incentives receivable, variable-value lease payments based on index or rate, and amounts the lease payments also include the exercise price of the purchase option that the company is strongly expected to exercise and penalty payments related to termination if the lease terms give the company the option to terminate the lease. Variable lease payments that do not depend on an index or A fixed rate as an expense (unless incurred in the production of goods) in the period in which payment is made

When calculating the present value of lease payments, the company uses the increased borrowing rate at the start date of the contract. If the interest rate implicit in the contract cannot be determined immediately after the start of the contract, the amount of the lease obligations is increased to reflect the adoption of interest and reduced the amount when rents are paid. Remeasure the carrying amount of the lease liability if there is a modification, a change in the lease term, a change in lease payments (i.e. changes in future payments resulting from a change in the index or rate used to determine such lease payments), or a change in the assessment of an option to purchase the asset

W) Intangible assets

Acquired intangible assets are measured individually upon initial recognition at cost, and after initial recognition intangible assets are stated at cost minus any accumulated losses and any accumulated impairment losses, and if the company finds intangible assets created from within the facility (excluding capitalized development costs) They are not capitalized and the expenses are reflected in the income statement if incurred, and the expected useful lives of intangible assets are estimated for a specific period of time or for an indefinite period

For intangible assets with definite useful lives, they are amortized over the period of their economic useful life, and their impairment is assessed when there is an indication that the value of the asset may be impaired. The amortization period and the method of amortization of intangible assets with a definite useful life are reviewed at least at the end of each period financial report, changes in the expected useful life are calculated as changes in accounting estimates, and amortization expenses for intangible assets with a specified useful life are recognized in the income statement within the expenses that are consistent with the function of intangible assets

P) financial instruments

The financial instrument in any contract that leads to the creation of a financial asset for an entity and a financial liability or equity instrument for another entity.

1) financial assets

Initial recognition and measurement

Financial assets are classified in debt instruments upon initial recognition, and subsequently measured at amortized cost, at fair value through income or at fair value through other comprehensive income.

The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial asset and the company's business model for managing them, with the exception of trade receivables that do not contain a significant financial component, the company initially measures the financial asset at its fair value plus in the case of a financial asset not classified at fair value from Through the statement of other comprehensive income, transaction costs. Trade receivables that do not have a significant financial component, or for which the Company has applied a functional multiplier, are measured at the transaction rate established under IFRS 10 Revenue from Contracts with Customers

In order to classify a financial asset as a debt instrument and carry it at amortized cost or FVTOCI, it must generate cash flows that are only "Payments of the principal amount or interest on the principal amount outstanding." This assessment is referred to as a test only for payments of principal or interest on the principal amount outstanding." At the instrument level, financial assets with cash flows that are not included in "Payments of Principal Amount or Interest on the Principal Amount Outstanding" are classified and measured at fair value through the statement of other comprehensive income. Regardless of the business model

A company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether the cash flows arise from the collection of contractual cash flows, the sale of financial assets or both measured at fair value through other comprehensive income within the scope of a business model with the objective of holding and selling financial assets to collect contractual cash flows, purchases or sales of financial assets that require delivery of assets within a specific time frame that is legally established or recognized in the marketplace (in normal trade) The date of the trade, i.e. the date of the company's commitment to buy or sell these assets

Post measurement

For the purpose of subsequent measurement, financial assets are classified into the following categories:

Unrestricted area financial assets (debt instruments)

Financial assets at fair value through other comprehensive income with the recycle of accumulated profits and losses (debt instruments)

Financial assets classified at fair value through the statement of other comprehensive income with no recycle of accumulated profits and losses upon derecognition (equity instruments)

Financial assets at fair value through income statement.

M) Financial Instruments / Post-measurement (continued)

Financial assets at amortized cost (debt instruments):

Financial assets are subsequently measured at amortized cost using the effective interest method and are subject to impairment. Gains and losses are recognized in the income statement when the asset is disposed of, modified, or impaired. Financial assets at amortized cost with the company include other trade receivables and amounts due from related parties

Financial assets at fair value through other comprehensive income (debt instruments):

For debt instruments at fair value through other comprehensive income, interest income is recognized, foreign exchange revaluation and impairment losses or reversal of restrictions in the value of other comprehensive income are accounted for in the same way as financial assets measured at amortized cost Residual fair value changes are included in other comprehensive income upon disposal The cumulative fair value change recognized in other comprehensive income is recycled to the income statement

Financial assets at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the company may elect to irrevocably classify its equity investments as equity instruments designated at fair value through other comprehensive income when it meets the definition of equity under IAS 32 "Financial Instruments: Present and Not Held for Trading". . The classification has been determined on the basis of each instrument separately. Gains and losses from these financial assets are not permanently rolled over in the income statement. Dividends are recognized as other income in the income statement when the right to pay is established, except when the company benefits from these proceeds as part of the cost of recovery. The financial asset, in which case, such gains are recorded in other comprehensive income, the equity instruments designated at fair value through other comprehensive income are not subject to an assessment of impairment.

Revocation of recognition

A financial asset (or a part of a financial asset or part of a company of similar financial assets) is principally derecognized (i.e., removed from the company's statement of financial position) when:

1. The right to receive cash flows from the asset has expired

2. The Company has transferred its rights to receive cash flows from an asset or assumed an obligation to pay the received cash flows in full without material delay to third methods under a pass-through agreement, or the Company has transferred all of the risks and rewards of the asset, or the Company has not transferred or recognized all of the risks and rewards of the asset but has transferred Control of an asset When the company transfers its rights to receive cash flows from an asset or enters into a bed arrangement, it assesses if and to what extent it has retained the risks and rewards of ownership and has neither transferred nor retained substantially all the risks and rewards associated with the asset nor transferred control of the asset. On the asset, the company continues to recognize the transferred asset to the extent that the company's relationship with it continues, in which case the company continues to recognize the liabilities associated with the asset. The associated liability and the transferred asset are measured on a basis that reflects the rights and liabilities that the company has retained, and the continuation of the relationship that takes the form of a guarantee on the transferred asset is measured at the original book value of the asset and the maximum amount that the company can be required to repay - whichever is lower.

Impairment of financial assets

The company recognizes an allowance for expected credit losses for all debt instruments not held at fair value through the income statement. The expected credit losses are based on the difference between the normal cash flows due under the contract and all the cash flows that the company expects to receive, discounted approximately at the original effective interest rate. Expected cash flows include cash flows from the sale of held collateral or other credit improvements that are an integral part of the contractual terms, and expected credit losses are recognized in two phases. Allowance for expected credit losses for credit losses that occur on probable publication events within the next 12 months (expected credit losses over the next 12 months), for exposures to credit risks for which there has been a significant increase in credit risk since initial recognition: a loss allowance should be established for the remaining period of risk regardless of timing of default (lifetime ECL)

For trade and other receivables, the company has applied a simplified approach to calculating expected credit losses. As a result, the company does not track changes in human risk, but records a loss allowance based on the lifespan of the expected credit losses at the date of each financial report. The company has formed a matrix based on past credit loss experience, adjusted for forward looking factors related to the debtors and the economic environment

For debt instruments at fair value through other comprehensive income, the company applies the low credit risk simplification at each financial reporting date, the company assesses whether the debt instruments include low credit risk using all reasonable and supportive information available without additional cost or effort for the evaluation work, The company re-evaluates the internal credit rating of debt instruments. In addition, the company considers that there is a significant increase in credit risk when the contractual payments are more than 30 days behind the due date, and the company considers the financial asset to be in default when the contractual payments are late. b) 90) Puma, but in some cases the company may also consider a financial asset to be in default when internal and external information indicates that the company is not likely to receive the full contractual amounts outstanding before taking into account the credit improvements held by the company. A financial asset is written off when there is no reasonable expectation that the contractual cash flows will be recovered.

2) Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified upon initial recognition as financial liabilities at fair value through the income statement, as loans and advances, payables or derivatives defined with hedging instruments in a hedge act as appropriate, and all financial liabilities are initially recognized at fair value, and in the case of loans, advances and payables minus attributable costs Direct to Transactions The Company's financial liabilities include trade creditors, amounts payable, loans, Islamic Murabaha contracts including overdraft facilities and derivative financial instruments.

Post measurement

It includes financial liabilities at fair value through income statement

Financial liabilities held for trading, which are financial liabilities identified upon initial recognition at fair value through the income statement. Financial liabilities are classified as held for trading when acquired for the purpose of repurchasing them in the near future. This category also includes derivative financial instruments entered into by the company. Which are not classified as hedging instruments in a hedging relationship as defined in IFRS 9, and embedded stand-alone derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the income statement.

Financial liabilities at amortized cost (loans and advances)

This category is the closest to the company. After initial recognition, interest-bearing loans and advances are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are included in the income statement when liabilities are derecognized, as well as through the effective interest rate amortization process. The amortization cost is calculated by taking into account any discount or in addition to the acquisition, fees and costs that are an integral part of the effective interest rate, and includes the amortization of the effective interest rate as financing costs in the income statement.

annulment of recognition

A financial liability is derecognized, the number of which has been fulfilled, canceled or expired, and when an existing financial liability is replaced by another from the same lender on completely different terms or the terms of the existing obligation substantially, such replacement or modification is treated as derecognition of the original financial liability with the recognition of the liability The new difference between the book values in question is recorded in the income statement

3) Financial Instruments Clearing

Financial assets and financial liabilities are offset and recorded net in the statement of financial position only when there is a current enforceable right in the listed hearing settlement systems and the company has the intention to settle assets with liabilities on a net basis or realize assets and pay liabilities simultaneously

O) Inventory

Inventory is shown at cost or net recoverable value - whichever is lower, and net recoverable value is the estimated selling price during normal activity minus the estimated cost of completion and any other costs required to complete the sale. Likely

N) Impairment of non-financial assets

On the date of preparing the financial statements, the company assesses whether there is an indication of an asset's depreciation, and if there is any indication of that, or when an annual selection for the asset's depreciation is needed, the company estimates the recoverable value of the asset and the recoverable value of the asset is the fair value of the asset Or the cash-generating unit minus the selling cost or the value in use of the asset, whichever is higher, and it is determined for a single asset unless the asset generates independent cash flows. In determining value in use, the future cash flows are discounted to the present value using a pre-tax discount rate that reflects market assessments of the time value of money and the risks associated with the asset. In determining fair value less costs to sell, recent banking transactions are taken into account, or a valuation model is used the appropriate

In calculating impairment, the company relies on detailed budgets and discretionary accounts that are prepared separately for each cash-generating unit in the company to which individual assets are distributed. These detailed budgets and discretionary accounts usually cover five years to cover longer periods. A long-term growth rate is calculated and applied On the future cash flows of the project after the fifth year, and impairment losses for continuing operations, including the decrease in the value of goods, are recognized in the income statement under the item of expenses that are consistent with the function of the asset whose value is impaired, and for assets other than goodwill, an assessment is made at the date of each statement A financial position to see if there is any indication that the losses resulting from impairment that were previously recorded no longer exist or have decreased. Impairment loss only if there has been a change in the assumptions used to determine the recoverable amount of the asset since the last impairment loss was recognized, and the reversal of the entry is limited so that it does not The carrying amount of the asset exceeds the recoverable amount and does not exceed the carrying amount that would have been determined (after deducting depreciation), had no impairment loss been recorded for the asset in previous years, and this reversal of entry is recorded in the income statement.

k) Cash and the like

Cash and cash equivalents consist of balances with banks, cash in hand, and checks under collection that are convertible into cash with a maturity of 3 months or less upon inception and that are not subject to the risk of change in value, if any. For the purposes of preparing the cash flow statement, cash and cash equivalents consist of: Balances with banks, cash in hand, and checks under collection mentioned above, minus overdraft balances from banks, as they are considered part of the company's cash management

H) Allotments

Provisions are recognized when the company has a present obligation (legal or constructive) resulting from past events, and it is probable that the company will be required to settle this obligation through cash outflows representing economic benefits, and a reliable estimate can be made of the amount of the obligation. Where the company expects to recover some or all of the provisions, for example, under an insurance contract, the recoveries are recognized as a separate asset only when the recovery process is actually certain, and the expense related to the provision is presented in the income statement after deducting any recoveries and if the impact of the value material, provisions are discounted using the current pre-tax rate that reflects, when appropriate, the risks specific to the obligation, and when discounting is used, the increase in the provision over time is recognized as a finance cost

R) Employee benefit obligations

Short Term Commitments

Includes salaries and wages obligations, including non-cash benefits, accrued leave, travel costs, education and furniture, which are expected to be fully settled within 12 months after the end of the year in which the employee renders the related service and are recognized up to the end of the period announced in the financial statements, and are measured by the amount expected to They are paid when the obligations are settled, and the liabilities are presented as current employee benefit obligations in the statement of financial position

Defined Benefit Program

A defined benefit plan is a post-employment benefit plan and is different from a defined contribution plan. The net obligation in the statement of financial position in relation to the post-employment defined benefit program is the present value of the defined benefit obligation as at the reporting date. The defined benefit obligation is calculated annually by Independent actuarial expert using the unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates on high quality corporate bonds and is quantified in the currency in which the benefits will be paid. In countries where there is no market for such bonds, using market rates for government bonds, the net interest cost is calculated by applying the discount rate to the net defined benefit obligation balance and the fair value of the program assets. actuarial in the period in which it appears in the statement of other comprehensive income, and the change is recognized the present value of the defined benefit obligation arising from program adjustments or immediate clearance is recognized in the income statement as ex-service costs. Current and past costs are recognized immediately after service in the income statement, while the reversal of the discount rates for the settlement of a liability is recorded as a financial cost. Any changes in the net liability Because of actuarial valuations and changes in assumptions, it is considered as a re-measurement and is included in the statement of other comprehensive income. The actuarial valuation process takes into account the provisions of the labor law in the Kingdom of Saudi Arabia and the company's policy.

3) Significant accounting estimates and assumptions and general judgments

a) the useful lives of property, plant and equipment

The company's management determines the estimated useful lives of property, plant and equipment and the symptoms of calculating depreciation, and these estimates are determined after taking into account the expected use of the assets or natural wear and tear. The management examines the residual value and useful lives on an annual basis and depreciation expenses are adjusted on a future basis if the management You see that the useful lives differ from previous estimates

b) impairment of non-financial assets

Impairment appears when the carrying 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). For similar assets or observable market prices less incremental costs of disposal of the asset, the value in use calculation is based on a discounted cash flow model, and cash flows are derived from the budget for the next five years that do not include restructuring activities that the company has not yet committed to or significant future investments that could be The asset performance enhances 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 the expected future cash inflows and the growth rate used for extrapolation purposes

c) Provision for expected credit losses on trade receivables

The company uses a provision matrix to calculate expected credit losses for trade receivables. The provision rates depend on the number of days elapsed for groupings of different customer segments with questionable loss patterns (in terms of geographical presence, product type, customer type, customer classification, coverage guarantees through documentary credits and other forms of credit guarantees), the matrix initially depends on the historical default rates of the company, and the company calibrates the matrix to adjust the historical experience of credit loss in the light of expected information for the future, for example, if the expected economic conditions (GDP) indicate a decline in the economy over the year In the future, which would increase the number of default cases, the historical default rates are adjusted in light of this at the date of each financial report, the historical observed default rates are updated and changes in future estimates are analyzed. ECL is a significant estimate, and the amount of ECL is very sensitive to change In the expected economic conditions and conditions, the company's historical credit loss experience and expected economic conditions may not represent the actual default of customers in the future, and information about expected credit losses is disclosed on trade receivables.

D) employee benefit programs

The discount rate is the most variable indicator, and when determining the appropriate discount rate, the management takes into account the commission rates on corporate bonds registered in currencies consistent with the currencies in which the post-employment benefit obligation is recorded, at least with a rating of (AA) or higher, according to what is It is determined by recognized international rating agencies and is estimated when needed with the rate of return in line with the expected duration of the specified benefits commitment. The quality of the relevant bonds is also reviewed, and those bonds that have high credit margins are excluded from the bond analysis on the basis of determining the discount rate, And those as they do not represent high quality documents. The death rate is determined based on publicly available death tables in the Arab countries, and these death tables are subject to change only from time to time according to demographic changes. Salary increases are determined based on expected future inflation rates for the respective countries and future salary increases.

G) Measuring the fair value of financial instruments

In the event that it is not possible to measure the fair value of the financial assets and financial liabilities recorded in the statement of financial position based on prices traded in active markets, their fair value is determined using valuation methods, including the discounted cash flow model. The inputs to these models are obtained from observable markets when possible., but if this is not feasible, a degree of judgment must be used to determine fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions related to these factors may affect the disclosed fair value of financial instruments.

H) Low value of the goods

Goods are recorded at cost or net recoverable value (whichever is lower) when the goods are presented or when they become damaged, their recoverable value is estimated. Obsolete or damaged is estimated on a gross basis, and the provision is formed according to the type of goods and the degree of obsolescence or damage based on the realizable value, which represents the expected selling price, deducting the estimated costs of completing the sale.

Y) New standards, interpretations issued but not yet effective:

- IFRS 17 "Insurance contracts" is effective for the accounting period beginning on January 1, 2014

- Amendments to IFRS 3 - Amendments to the definition of business effective for the accounting period beginning on January 1, 2020

The company has not approved the early application of any standard, interpretation or other amendment that was issued but not yet effective

3. The impact of the shift in international standards:

3.1 Matching the financial position, changes in equity and cash flows in accordance with the International Financial Reporting Standard. This note aims to present the transformation matching, including the adjustments that were made by the company to amend the comparative financial statements from the international standards for small and medium-sized enterprises to the international standards for the opening statement of financial position as well. It is on January 1, 2018. The adjustments below show the effect of the shift as it appears from the matching tables for the opening balances, changes in equity and the statement of cash flows in the following tables:

Conformance of the statement of financial position on the date of transition to international standards as in 1/1/2018

	According to the International Financial Reporting Standard for Small and Medium-sized Enterprises 1/1/2018 SR	Re tab 1/1/2018 SR	The impact of the transition to the International Financial Reporting Standard 1/1/2018 SR	According to the International Financial Reporting Standard 1/1/2018 SR
Assets				
Current assets				
Cash	4,896.975	-	-	4,896.975
Trade receivables	1,718.764	-	-	1,718.764
Other receivables and balances	917.764	-	-	917.764
Inventory	7,349.212	-	-	7,349.212
Expenses paid in advance	936.146	-	-	936.146
Related parties	3,847.180	-	-	3,847.180
Total current assets	19,666.041	-	-	19,666.041
Advance payments to purchase assets	2,560.289	-	-	2,560.289
property, plant and equipment				
the cost	39,767.726	3,500.000	-	43,267.726
depreciation complex	3,430.757	350.000	-	3,780.757
Net book value	36,336.969	3,150.000	-	39,486.969
Projects under construction	304.930		-	304.930
deferred revenue expenditures	3,150.000	3,150.000	-	-
total assets	62,018.229	-	-	62,018.229

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Conformance of the statement of financial position on the date of transition to international standards as in 1/1/2018

	According to the International Financial Reporting Standard for Small and Medium-sized Enterprises 1/1/2018 SR	Re tab 1/1/2018 SR	The impact of the transition to the International Financial Reporting Standard 1/1/2018 SR	According to the International Financial Reporting Standard 1/1/2018 SR
Liabilities and Equity				
Current Liabilities				
Accounts Payable	4,333.504	-	-	4,333.504
deserved payments	163.956	-	-	163.956
The legal zakat due	461.261	-	-	461.261
Related parties	4,407.412	-	-	4,407.412
Total current liabilities	9,366.133	-	-	9,366.133
Related parties	1,754.412	-	-	1,754.412
End of service specifier	65,813	-	85,175	150.988
Property rights				
capital	45,338.000	-	-	45,338.000
regular reserve	1,318.313	-	-	1,318.313
Retained earnings	4,175.558	-	85,175	4,090.383
Total Equity	53,515.638	-	-	50,746.696
Total Liabilities and Equity	62,018.229	-	-	62,018.229

Conformance of the statement of financial position on the date of transition to international standards as in 31/12/2018

	According to the International Financial Reporting Standard for Small and Medium-sized Enterprises 31/12/2018	Re tab 31/12/2018	The impact of the transition to the International Financial Reporting Standard 31/12/2018	According to the International Financial Reporting Standard 31/12/2018
Assets				
Current assets				
Cash	3,472.028	-	-	3,472.028
Trade receivables	5,446.822	-	-	5,446.822
Other receivables and balances	4,046.799	-	-	4,046.799
Inventory	6,173.280	-	-	6,173.280
Expenses paid in advance	2,408.312	-	-	2,408.312
Related parties	3,000.000	-	-	3,000.000
Total current assets	24,547.241	-	-	24,547.241

property, plant and equipment				
the cost	55,164.900	3,500.000	-	58,664.900
depreciation complex	7,087.976	700.000	-	7,787.976
Net book value	48,076.294	2,800.000	-	50,76.924
Projects under construction	-	160,176	-	160,176
deferred revenue expenditures	2,960.176	2,960.176	-	-
total assets	75,584.341	-	-	75,584.341

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Conformance of the statement of financial position on the date of transition to international standards as in 31/12/2018

	According to the International Financial Reporting Standard for Small and Medium-sized Enterprises 31/12/2018 SR	Re tab 31/12/2018 SR	The impact of the transition to the International Financial Reporting Standard 31/12/2018 SR	According to the International Financial Reporting Standard 31/12/2018 SR
Liabilities and Equity				
Current Liabilities				
Accounts Payable	4,519.128	-	-	4,519.128
deserved payments	138.422	-	-	138.422
The legal zakat due	1,132.864	-	-	1,132.864
Related parties	11,928.603	-	-	11,928.603
Total current liabilities	17,719.017	-	-	17,719.017
End of service specifier	75,755	-	107,037	182.792
Property rights				
capital	45,338.000	-	-	45,338.000
regular reserve	3,926.709	-	-	3,926.709
Retained earnings	8,524.760	-	79,137	8,445.723
Re-measurement of end of service benefits	-	-	27.900	27.900
Total Equity	57,789.569	-	-	57,682.532
Total Liabilities and Equity	75,584.341	-	-	75,584.341

Reconciliation of the income statement and other comprehensive income for the period ended on 31/12/2018

	According to the International Financial Reporting Standard for Small and Medium-sized Enterprises 31/12/2018 SR	Re tab 31/12/2018	The impact of the transition to the International Financial Reporting Standard 31/12/2018	According to the International Financial Reporting Standard 31/12/2018
sales	144,215.578	-	-	144,215.578
cost of sale	108,552.888	3,540.565	9,799	112,083.654
Total profit for the year	35,662.690	3,540.565	9,799	32,131.924
Selling and distribution expenses	-	3,073.251	-	3,073.251
General and administrative expenses	5,217.305	2,606.597	-	2,610.708
Depreciation of property, plant and equipment	3,657.219	3,657.219	-	-
deferred revenue expenditures	350.000	350.000	-	-
other income	317.394	-	-	317.394
Financing costs for end of service provision	-	-	3,761	3,761
Net profit for the year before zakat	26,755.560	-	6,038	26,761.598
The legal zakat	671.603	-	-	671,603
	26,083.957		6,038	26,089.995
net profit for the year				
Other comprehensive income				
Items that will not be reclassified later within profit or loss				
Actuarial gains (losses) from remeasurement of severance pay	-	-	27,900	27,900
net income and other comprehensive income	26,083.957	-	21,862	26,062.095

Reconciling the statement of cash flows for the fiscal year ending in 31/12/2018

	According to the International Financial Reporting Standard for Small and Medium-sized Enterprises 31/12/2018	Re tab 31/12/2018	The impact of the transition to the International Financial Reporting Standard 31/12/2018	According to the International Financial Reporting Standard 31/12/2018
operational activities				
net profit for the year	26,083.957	-	6,038	26,089.995
Adjustments are added				
Depreciation of property, plant and equipment	3,657.219	350.000	-	4,007.219
amortization of intangible assets	350.000	350.000	-	-
The legal zakat due	671.603	-	-	671,603
Dedicated end-of-service component	108.554	-	7,625	116.179
	30,871.333	-	13,663	30,884.996
Changes in operating assets and liabilities				
commercial receivables	3,728.058	-	-	3,728.058
Other receivables and balances	3,129.035	-	-	3,129.035
Inventory	1,175.932	-	-	1,175.932
Prepaid expenses	1,472.166	-	-	1,472.166
Due from related parties	847.180	-	-	847.180
Accounts Payable	185.624	-	-	185.624
Expenses due	25,534	-	-	25,534
End of service provision paid	98,612	-	13,663	112.275
Related parties	7,521.191	-	-	7,521.191
Net cash generated from operating activities	32,147.855	-	-	32,147.855
investment activities				
Purchase of property, plant and equipment				
Incorporation expenses	15,397.174	-	-	15,397.174
deferred revenue expenditures	160.176	-	-	160.176
Advance payments to purchase assets	2,560.289	-	-	2,560.289
Projects under construction	304.930	-	-	304.930
Net cash used in investing activities	12,692.131	-	-	12,692.131
financing activities				
Related parties	1,754.412	-	-	1,754.412
Distributions	19,126.259	-	-	19,126.259
Net cash generated in financing activities	20,880.671	-	-	20,880.671
Cash generated during the year	1,424.947	-	-	1,424.947
Balance of cash and cash equivalents at the beginning of the period	4,896.975	-	-	4,896.975
Cash balance at the end of the period	3,472.028	-	-	3,472.028

Summary of the company's plan to transition from the International Financial Reporting Standard for Small and Medium-Sized Entities 2019 (IFRSs) to the Standards from International Financial Reporting Full Version

- On 10/30/2019, the Board of Partners decided to switch to the international standard from the International Reporting Standard

Financial reporting for small and medium-sized enterprises to the full application of financial reporting standards

The project for the transition to international standards requires the company to prepare its financial statements in accordance with international standards as of January 2018. Accordingly, the management has set the following procedures in its plan for the transition to applying international standards:

An expert was contracted on 8/7/2020 to prepare the gaps report, which is based on a complete analysis of the currently applied accounting policies with a deep understanding of the nature of the company's activity and the applicability of standards to identify the gaps between what is actually applied and international standards

1. The transition expert prepared his final report on 9/10/2020 and included the proposed financial statements in accordance with International Financial Reporting Standards. In his report, he based his report on the actuarial expert's opinion regarding employee benefits issued in this regard.
2. Preparing the opening balances for the year 2018 in accordance with the requirements of international standards after taking into account the requirements of the International Financial Reporting Standard (IFRSs) No. 1: Adoption of the International Financial Reporting Standards for the first time without prejudice to the current system based on the International Financial Reporting Standard for Small and Medium Enterprises, taking into account the relative importance of each balance, and the importance of the differences that were identified in the accounting for the item between Saudi and international standards
3. Follow-up of the company's transactions during 2018, their proof and measurement in accordance with the requirements of the International Financial Reporting Standard, and the preparation of the company's financial statements for 2018 in accordance with the requirements of international standards, without prejudice to the system based on Saudi standards
4. Work to stop all procedures based on international standards for small and medium-sized enterprises as of the beginning of the fiscal year 2019 AD and replace them with the requirements of the International Financial Reporting Standard in case of discrepancy, and start proving, measuring and recording all the company's transactions in accordance with the requirements of international standards
5. Preparing and issuing financial statements for the financial year ending on December 31, 2019 in accordance with the International Financial Reporting Standard with comparative figures for the year 2018 prepared in accordance with the International Financial Reporting Standard
6. The company has issued its financial statements for the year ending on December 31, 2018G in accordance with the International Standard for Small and Medium-Sized Enterprises and other versions issued by the Saudi Organization for Certified Public Accountants. Therefore, the attached financial statements are in no way considered a substitute for those financial statements issued by the company for the same year in accordance with Standards recognized in the Kingdom of Saudi Arabia

	31/12/2019	31/12/2018	1/1/2018

	SR	SR	SR
4. Cash			
This item consists of the following:			
Fund	204,629	41,788	212.262
Al Rajhi Bank	7,330.426	3,430.240	4,684.713
Al Jazeera Bank	4,666	-	-
Total	7,539.721	3,472.028	4.796.975

	31/12/2019 SR	31/12/2018 SR	1/1/2018 SR
5. Trade receivables			
This item consists of the following:			
customers	4,231.110	5,446.822	1,718.764
provision for doubtful debts	111.600	-	-
Total	4,119.510	5,446.822	1,718.764

	31/12/2019 SR	31/12/2018 SR	1/1/2018 SR
6. Other receivables and other debit balances			
This item consists of the following:			
petty cash	384.815	35,237	88,865
Suppliers Advances	1,832.109	2,516.948	573.525
Staff Advances	1,926.923	1,357.835	84,431
Added Value tax	1,906.541	-	-
Miscellaneous Debtors	4.027	136.779	170,943
Total	6,544.15	4,046.799	917.764

	31/12/2019 SR	31/12/2018 SR	1/1/2018 SR
7. Inventory			
This item consists of the following:			
raw material stock	5,420.317	4,117.175	5,909.855
full production stock	1,457.172	2,406.105	1,439.357
Inventory of used spare parts	1,988.743	-	-
Provision for idle stock	660.000	350.000	-
Total	8,206.232	6,173.280	7,349.212

8- Related parties

Statement

This item consists of the following:

	relationship type	nature of relationship	Balance at the beginning of the year		Movement during the year		Balance at the end of the year	
			Debit	Credit	Debit	Credit	Debit	Credit
AL SAYED MODERN COMPANY	Sister	Financing	3,000.000	-	-	2,000.000	1,000.000	-
AL SAYED MODERN COMPANY	Sister	Commercial	-	7,001.812	105,054.190	107,953.775	-	9,901.397
ZULAL FACTORY COMPANY	Sister	Commercial	-	4,885.648	81,977.830	81,758.587	-	4,666.407
MIDDLE EAST FACTORY COMPANY	Sister	Commercial	-	41.143	4,417.270	3,990.587	385.539	-
Total			3,000.000	11,928.603	191.449.290	195,702.951	1,385.539	14,567.804

The commercial transactions that took place between the company and its sister companies were carried out in accordance with the current market prices and the commercial conditions in force in the market.

9. property, plant and equipment

Depreciation ratios		3%	25%	20%	10%	10%	20%	20%	20%	20%	
Statement	lands	buildings	cars	furniture	machinery and equipment	Tools	Computer	Air conditioning	equipment	Desalination plants and laboratory equipment	Total
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR
Net assets transferred	3,800.000	17,311.443	113.000	152,916	29,442.739	142.972	93,958	416,224	383.783	6,807.865	58,664.900
Addition	-	674.318	2,463.592	30,507	40,927.438	5,008	52,358	906.769	531.380	1,517.531	47,108.901
Disposal	-	-	-	-	-	-	-	-	-	-	-
Balance on 31/12/2019	3,800.000	17,985.761	2,576.592	183,423	70,370.177	147.980	146,316	1,322.993	915,163	8,325.396	105,773.801
Accumulated depreciation	-	1,114.995	38,872	32.093	5,837.527	27,825	25,988	106,020	136.920	467.736	7,787.976
Addition	-	519,343	31,219	31.653	3,004.773	14.467	20,123	95.951	79,919	1,520.618	5,318.066
disposal	-	-	-	-	-	-	-	-	-	-	-
Balance on 31/12/2019	-	1,634.338	70,091	63,746	8,842.300	42.292	46,111	201,971	216,839	1,988.354	13,106.042
net value 31/12/2019	3,800.000	16,351.423	2,506.501	119,677	61,527.877	105,688	100,205	1,121.022	698,324	6,337.042	92,667.759
net value 31/12/2018	3,800.000	16,196.448	74.128	120,823	23,605.212	115.147	67,970	310.204	246,863	6,340.129	50,876.924
net value 1/1/2018	3,800.000	9,523.076	102,378	63,114	26,736.878	230.675	49,624	180.037	301,187	-	39,486.969

The lands mentioned in the company's articles of incorporation and added during the year are registered in the names of the partners, and legal procedures are being taken to transfer them in the name of the company.

	31/12/2019 SR	31/12/2018 SR	1/1/2018 SR
10. intangible assets			
This item consists of the following:			
Accounting programs	182,901	160.176	-
fire brigade	21,493	-	-
net assets	161,408	160,176	-

	31/12/2019 SR	31/12/2018 SR	1/1/2018 SR
11. Projects under construction			
This item consists of the following:			
Water production line under installation	12,135.000	-	-
buildings under construction	8,961.112	-	304.930
Total	21,096.112	-	304.930

	31/12/2019 SR	31/12/2018 SR	1/1/2018 SR
zakat due			
net profit for the year	35,705.992	26,755.560	13,710.200
adjustment			
Dedicated end-of-service component	119.433	108.554	-
Provision for doubtful debts component	111.600	-	-
Provision for idle debt	310.000	-	-
Adjusted profit for the year	36,247.025	26,864.114	13,710.200
Positive pot elements			
capital	85,338.000	45,338.000	45,338.000
regular reserve	3,926.709	1,586.689	-
Related parties	-	-	1,754.412
The total elements of the positive pot	89,264.709	46,924.689	47,092.412
Subtract negative pot elements			
net property, plant and equipment	92,706.009	48,237.100	36,336.969
Founding expenses	-	2,800.000	3,150.000
intangible assets	144.158	-	-
Projects under construction	8,961.112	-	304.930
Advance payments for the purchase of fixed assets	12,135.000	-	2,560.289
Total negative pot elements	113,946.279	51,037.100	42,352.188
bowl net	24,681.570	4,112.411	4,740.224
legal zakat			
The zakat base on the adjusted profit	36,247.025	26,864.114	18,450.424
Sharia Zakat 2.5%	906.176	671.603	461.261

	31/12/2019 SR	31/12/2018 SR	1/1/2018 SR
13. End of service specifier			
This item consists of the following:			
The balance of the first duration	182.792	150,988	-
financing costs	5,083	3,761	-
Current service cost	119,433	112,418	150,988
Paid end of service	121,133	112,275	
Re-measurement of end-of-service provision	31,739	27,900	
Balance at the end of the period	154,436	182,792	150,988

14 – Capital

Money The company's capital, according to Article Seven of the Memorandum of Association, was set at an amount of (45,338,000) Saudi riyals divided into (45,338) in-kind shares, the value of each share (1,000) riyals distributed among the partners as follows:

Partner name	In-kind shares	share value SR	Total SR
AMIN BIN ABDULLAH BIN ALI AL-MALAH	22,669	1,000	22,669.000
YASSER AQEEL ABDUL AZIZ AL-AQEEL	22,669	1,000	22,669.000
Total	45,338		45,338.000

15. The proposed capital increase

The partners decided on 31/12/2019 to increase the company's capital by 40 million riyals to become (85.338.000 million) riyals. Also, it was approved to enter Al-Sayed Al-Haditha Company as a new partner at 10% of the company's capital after the increase, and legal measures are being taken to amend the memorandum of association.

	31/12/2019 SR	31/12/2018 SR
16. Sales cost		
This item consists of the following:		
first term stock	6,523.280	7,349.212
purchases	157,532.834	96,506.975
operating expenses *	18,953.515	14,750.747
End of term merchandise	8,405.482	6,523.280
Total	174,604.147	112,083.654

Operating Expenses	31/12/2019 SR	31/12/2018 SR
Salaries, wages, etc.	4,545.192	3,753.666
Governmental fees	803.337	463.152
Travel and ticket expenses	43.917	85,946
Labor accommodation expenses	106.055	53.136
Fuels	354.234	178.683
electricity and water	2,336.140	1,479,478
Damaged goods	188,406	151,004
phone and mail	36.433	87,726
maintenance	799.129	412.062
Fixes and improvements	108.042	-
waste transportation	200.089	146.435
Maintenance of production lines	2,059.431	2,746.580
Social insurance	27,510	173.886
medical insurance	122,246	100,680
Indemnity	71,397	51.590
property depreciation	5,195.925	3,540.565
Provision for idle stock	310.000	-
Water bottling costs	654.759	-
other	991.273	1,326.158
Total	18,953.515	14,750.747

17-General and administrative expenses	31/12/2019 SR	31/12/2018 SR
This item consists of the following:		
Salaries, wages and allowances	2,013.163	1,276.478
Social insurance	321,714	102,427
medical insurance	73,279	45,054
Government fees and subscriptions	150,089	103,432
Stationery and prints	23,146	15,235
computer supplies	27,325	9,855
Travel expenses	45,835	24,054
Mail, telephone and internet	113,907	133,362
electricity and water	14,799	25,252
Hospitality and hygiene	17,177	8,230
Maintenance and repair	116,736	109,229
Bank expenses	44,700	23,603
Fuels	10,584	11,293
Indemnity	58,968	56,964
Depreciation of property, plant and equipment	122,141	466,654
amortization of intangible assets	16,017	-
Doubtful debts	111,600	-
miscellaneous	436,392	199,476
Total	3,717.572	2,610.708

18. The fair value of financial instruments and management of the risks associated with them

A. Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

B. Liquidity Risk

Liquidity risk is all the factors that affect the company's ability to pay part or all of its obligations on dates, and financing is made from partners to reduce that risk to a minimum.

C. Credit Risk

The credit risk is represented in the debtors' inability to meet their obligations on the due dates, which causes a financial loss to the company, and the company is constantly following up on the debtors in order to reduce the credit risk to a minimum.

19. Geographical distribution:

All the company's assets and liabilities are located in the Kingdom of Saudi Arabia.

20. Subsequent events:

After the end of the fiscal year on December 31, 2019, the world and the Kingdom were exposed to the emerging corona virus (Covid 19) pandemic, and due to the precautionary measures taken by the Kingdom to confront this pandemic, this partially caused a slowdown in the company's business completion, but this did not affect the company's ability to continue as the company It has the necessary ingredients for crisis management, and since the company cannot determine the cost of this slowdown at the present time, due to the lack of clarity on the extent of its impact and its continuity, and the company's management believes that it has the ability to continue despite the precautionary measures followed, and therefore the financial statements were prepared on the principle of continuity.

21- The Board of Directors approved the financial statements on 10/14/2020

22. General

- The numbers in this data have been rounded to the nearest correct Saudi Riyal.
- Some comparative figures have been reclassified to conform to the current budget classification.

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