

**ALKHORAYEF FOR WATER AND POWER  
TECHNOLOGIES COMPANY**  
(A Saudi Joint Stock Company)  
**Condensed interim Financial Statements (unaudited)**  
**With Independent Auditor's review report**  
For the three-month and nine-month periods ended  
30 September 2023

**ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED INTERIM FINANCIAL STATEMENT**  
**For the Three-month and Nine-month periods ended 30 September 2023**

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## KPMG Professional Services

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Kingdom of Saudi Arabia  
Commercial Registration No 1010425494

Headquarters in Riyadh

## كي بي إم جي للاستشارات المهنية

واجهة روشن، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤  
المركز الرئيسي في الرياض

# Independent Auditor's Report on Review of the Condensed Interim Financial Statements

To the Shareholders of Alkhorayef for Water and Power Technologies Company

## Introduction

We have reviewed the accompanying condensed interim financial statements of **Alkhorayef for Water and Power Technologies Company** ("the Company"), which comprises:

- the condensed statement of financial position as at 30 September 2023;
- the condensed statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2023;
- the condensed statement of changes in equity for the nine-month period ended 30 September 2023;
- the condensed statement of cash flows for the nine-month period ended 30 September 2023; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review

## Scope of Review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2023 condensed interim financial statements of **Alkhorayef for Water and Power Technologies Company** are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

## KPMG Professional Services



**Fahad Mubark AlDossari**  
License No: 469



Riyadh on: 6 November 2023  
Corresponding to: 22 Rabi Al Thani 1445H

**ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY**  
**(A Saudi Joint Stock Company)**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**At 30 September 2023**

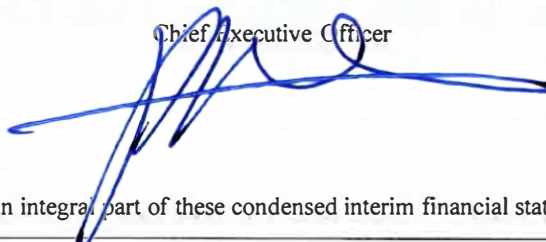
|  |              | <b>30 September<br/>2023</b> | <b>31 December<br/>2022</b> |
|--|--------------|------------------------------|-----------------------------|
|  |              | <b>SR</b>                    | <b>SR</b>                   |
|  | <i>Notes</i> | <b>(Unaudited)</b>           | <b>(Audited)</b>            |
| <b>ASSETS</b>                                  |              |                              |                             |
| <b>Non-current assets</b>                      |              |                              |                             |
| Property and equipment                         | 5            | 301,763,690                  | 299,238,468                 |
| Right-of-use assets                            |              | 5,350,261                    | 5,415,512                   |
| Equity accounted investee                      | 4            | 7,840,000                    | 5,390,000                   |
| Capital advances                               |              | 8,320,689                    | 10,653,925                  |
| <b>Total non-current assets</b>                |              | <b>323,274,640</b>           | <b>320,697,905</b>          |
| <b>Current assets</b>                          |              |                              |                             |
| Inventories                                    |              | 109,646,342                  | 56,653,734                  |
| Prepayments and other current assets           | 6            | 159,441,639                  | 82,082,623                  |
| Contract assets                                | 7            | 625,021,417                  | 426,040,163                 |
| Trade and other receivables                    | 8            | 293,694,241                  | 216,486,001                 |
| Cash and bank balances                         | 9            | 127,862,114                  | 84,630,225                  |
| <b>Total current assets</b>                    |              | <b>1,315,665,753</b>         | <b>865,892,746</b>          |
| <b>Total assets</b>                            |              | <b>1,638,940,393</b>         | <b>1,186,590,651</b>        |
| <b>EQUITY AND LIABILITIES</b>                  |              |                              |                             |
| <b>Equity</b>                                  |              |                              |                             |
| Share capital                                  | 10           | 250,000,000                  | 250,000,000                 |
| Statutory reserve                              |              | 32,471,911                   | 32,471,911                  |
| Retained earnings                              |              | 220,079,047                  | 109,747,190                 |
| Actuarial reserve                              |              | 5,362,277                    | 5,362,277                   |
| <b>Total equity</b>                            |              | <b>507,913,235</b>           | <b>397,581,378</b>          |
| <b>Non-current liabilities</b>                 |              |                              |                             |
| Employees' defined benefit liabilities         |              | 49,684,454                   | 43,672,901                  |
| Non-current portion of lease liabilities       |              | 3,224,062                    | 3,778,799                   |
| Advance from customer – long term portion      |              | 73,326,902                   | 49,983,834                  |
| Non-current portion of term loans              | 11           | 150,497,738                  | 105,513,500                 |
| <b>Total non-current liabilities</b>           |              | <b>276,733,156</b>           | <b>202,949,034</b>          |
| <b>Current liabilities</b>                     |              |                              |                             |
| Trade payables, accruals and other liabilities | 12           | 414,549,492                  | 143,398,682                 |
| Current portion of term loans                  | 11           | 363,930,658                  | 398,302,871                 |
| Current portion of lease liabilities           |              | 1,712,500                    | 1,511,717                   |
| Advance from customer – short term portion     |              | 61,392,304                   | 31,698,991                  |
| Amounts due to related parties                 | 14           | -                            | 1,589,543                   |
| Zakat payable                                  | 17           | 12,709,048                   | 9,558,435                   |
| <b>Total current liabilities</b>               |              | <b>854,294,002</b>           | <b>586,060,239</b>          |
| <b>Total liabilities</b>                       |              | <b>1,131,027,158</b>         | <b>789,009,273</b>          |
| <b>Total equity and liabilities</b>            |              | <b>1,638,940,393</b>         | <b>1,186,590,651</b>        |

These condensed interim financial statements on pages 2 to 19 have been approved by Board of Directors on 22 Rabi Al Thani 1445H (corresponding to 6 November 2023) and are signed on their behalf by:

Chairman of Board



Chief Executive Officer



Chief Financial Officer



The attached notes from 1 to 24 form an integral part of these condensed interim financial statements.

**ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY**  
**(A Saudi Joint Stock Company)**  
**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the Three-month and Nine-month periods ended 30 September 2023**

|   | <i>Note</i> | <i>For the three-months period<br/>ended 30 September<br/>(Unaudited)</i> |                   | <i>For the nine-months period<br/>ended 30 September<br/>(Unaudited)</i> |                    |
|---|-------------|---|-------------------|--|--------------------|
|   |             | <i>2023</i>   | <i>2022</i>       | <i>2023</i>  | <i>2022</i>        |
|   |             | <i>SR</i>   | <i>SR</i>         | <i>SR</i>  | <i>SR</i>          |
| Revenue   | 15          | 468,768,333   | 193,503,017       | 1,206,865,532  | 551,457,749        |
| Cost of revenue   | 16          | (397,414,608)   | (149,162,577)     | (1,016,927,249)  | (417,835,468)      |
| <b>Gross profit</b>   |             | <b>71,353,725</b>   | <b>44,340,440</b> | <b>189,938,283</b>   | <b>133,622,281</b> |
| Selling and distribution expenses                                 |             | (302,024)   | (395,903)         | (488,213)  | (1,174,473)        |
| General and administrative expenses                               |             | (14,174,504)  | (11,002,695)      | (37,448,349)   | (31,321,675)       |
| Impairment loss on trade receivables<br>including contract assets |             | (1,799,196)   | -                 | (1,799,196)  | (3,555,460)        |
| Gain from sale of property and equipment                          |             | 57,272  | 198,186           | 189,859  | 325,536            |
| <b>Operating profit</b>   |             | <b>55,135,273</b>   | <b>33,140,028</b> | <b>150,392,384</b>   | <b>97,896,209</b>  |
| Finance costs   |             | (10,060,484)  | (5,121,583)       | (30,308,345)   | (10,771,055)       |
| Other income, net   |             | 1,691,318   | 981,134           | 4,942,109  | 1,962,503          |
| Share of profit / (loss) from equity<br>accounted investee        |             | (1,008,708)   | 1,722,511         | (2,118,868)  | (205,175)          |
| <b>Profit before zakat</b>  |             | <b>45,757,399</b>   | <b>30,722,090</b> | <b>122,907,280</b>   | <b>88,882,482</b>  |
| Zakat   | 17          | (3,741,580)   | (2,595,905)       | (12,575,423)   | (9,121,725)        |
| <b>Profit for the period</b>                                      |             | <b>42,015,819</b>   | <b>28,126,185</b> | <b>110,331,857</b>   | <b>79,760,757</b>  |
| <b>Other comprehensive income</b>                                 |             | <b>-</b>  | <b>-</b>          | <b>-</b>   | <b>-</b>           |
| <b>Total comprehensive income for the<br/>period</b>              |             | <b>42,015,819</b>   | <b>28,126,185</b> | <b>110,331,857</b>   | <b>79,760,757</b>  |
| <b>Earnings per share (EPS):</b>                                  |             |   |                   |  |                    |
| Basic and diluted earning per share                               | 13          | 1.68  | 1.13              | 4.41   | 3.19               |

Chairman of Board



Chief Executive Officer



Chief Financial Officer



The attached notes from 1 to 24 form an integral part of these condensed interim financial statements.

**ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY**  
**(A Saudi Joint Stock Company)**  
**CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**For the Nine-month period ended 30 September 2023**

|                                     | Share<br>capital<br>SR | Statutory<br>reserve<br>SR | Retained<br>earnings<br>SR | Actuarial<br>reserve<br>SR | Total<br>SR  |
|-------------------------------------|------------------------|----------------------------|----------------------------|----------------------------|--------------|
| As at 1 January 2022 (Audited)      | 250,000,000            | 21,727,793                 | 88,050,131                 | (3,271,555)                | 356,506,369  |
| Profit for the period               | -                      | -                          | 79,760,757                 | -                          | 79,760,757   |
| Other comprehensive income          | -                      | -                          | -                          | -                          | -            |
| Total comprehensive income          | -                      | -                          | 79,760,757                 | -                          | 79,760,757   |
| Dividends (note 18)                 | -                      | -                          | (37,500,000)               | -                          | (37,500,000) |
| As at 30 September 2022 (Unaudited) | 250,000,000            | 21,727,793                 | 130,310,888                | (3,271,555)                | 398,767,126  |
| As at 1 January 2023 (Audited)      | 250,000,000            | 32,471,911                 | 109,747,190                | 5,362,277                  | 397,581,378  |
| Profit for the period               | -                      | -                          | 110,331,857                | -                          | 110,331,857  |
| Other comprehensive income          | -                      | -                          | -                          | -                          | -            |
| Total comprehensive income          | -                      | -                          | 110,331,857                | -                          | 110,331,857  |
| As at 30 September 2023 (Unaudited) | 250,000,000            | 32,471,911                 | 220,079,047                | 5,362,277                  | 507,913,235  |

Chairman of Board



Chief Executive Officer



Chief Financial Officer



The attached notes from 1 to 24 form an integral part of these condensed interim financial statements.



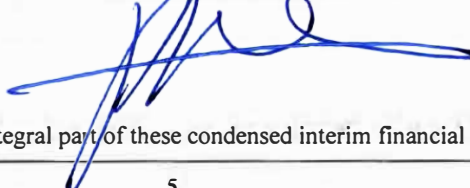
**ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY**  
**(A Saudi Joint Stock Company)**  
**CONDENSED STATEMENT OF CASHFLOWS**  
**For the Nine-month period ended 30 September 2023**

|   |      | 30 September<br>2023<br>SR<br>(Unaudited) | 30 September<br>2022<br>SR<br>(Unaudited) |
|---|------|---|---|
|   | Note |   |   |
| <b>OPERATING ACTIVITIES</b>                                       |      |   |   |
| Profit for the period before zakat                                |      | 122,907,280                               | 88,882,482                                |
| Adjustments to reconcile profit for the period to net cash flows: |      |   |   |
| Depreciation of property and equipment                            | 5    | 33,622,487                                | 25,342,795                                |
| Depreciation of right-of-use assets                               |      | 1,309,044                                 | 758,793                                   |
| Gain on sale of property and equipment                            |      | (189,859)                                 | (325,536)                                 |
| Provision for expected credit losses                              |      | 1,799,196                                 | 3,555,460                                 |
| Provision for employees' defined benefits                         |      | 9,514,192                                 | 8,158,958                                 |
| Finance costs   |      | 30,308,345                                | 10,771,055                                |
| Share of loss from equity accounted investee                      | 4    | 2,118,868                                 | 205,175                                   |
| Settlement of finance lease liability                             |      | 5,826                                     | (535)                                     |
|   |      | 201,395,379                               | 137,348,647                               |
| Working capital adjustments:                                      |      |   |   |
| Prepayments and other assets                                      | 6    | (77,359,016)                              | (39,959,928)                              |
| Trade and other receivables                                       | 8    | (76,839,053)                              | 2,418,079                                 |
| Inventories   |      | (52,992,608)                              | (16,067,553)                              |
| Advance from customer   |      | 53,036,381                                | -   |
| Trade payable, accruals and other liabilities                     | 12   | 269,031,942                               | (14,707,944)                              |
| Amount due to related parties                                     | 14   | (1,589,543)                               | -   |
| Contract assets   | 7    | (201,149,637)                             | (141,670,202)                             |
| Cash flows generated from / (used in) operating activities        |      | 113,533,845                               | (72,638,901)                              |
| Finance costs paid  |      | (30,182,417)                              | (10,674,244)                              |
| Employees' defined benefits paid                                  |      | (3,502,639)                               | (2,624,709)                               |
| Zakat Paid  | 17   | (9,424,810)                               | (8,138,362)                               |
| Net cash generated from / (used in) operating activities          |      | 70,423,979                                | (94,076,216)                              |
| <b>INVESTING ACTIVITIES</b>                                       |      |   |   |
| Purchase of property and equipment                                | 5    | (36,931,308)                              | (58,537,515)                              |
| Movement in capital advances                                      |      | 2,333,236                                 | -   |
| Proceeds from sale of property and equipment                      |      | 973,458                                   | 819,891                                   |
| Investment in equity accounted investee                           | 4    | -   | (245,000)                                 |
| Loan to equity accounted investee                                 | 4    | (2,450,000)                               | (6,860,000)                               |
| Net cash used in investing activities                             |      | (36,074,614)                              | (64,822,624)                              |
| <b>FINANCING ACTIVITIES</b>                                       |      |   |   |
| Payment of principal portion of lease liabilities                 |      | (1,603,572)                               | (1,043,190)                               |
| Finance costs paid on lease liabilities                           |      | (125,929)                                 | (96,811)                                  |
| Proceeds from term loans  | 11   | 388,143,290                               | 875,354,669                               |
| Repayment of term loans   | 11   | (377,531,265)                             | (624,180,751)                             |
| Dividends paid  | 18   | -   | (37,500,000)                              |
| Net cash from financing activities                                |      | 8,882,524                                 | 212,533,917                               |
| Net change in cash and bank balances                              |      | 43,231,889                                | 53,635,077                                |
| Cash and bank balances at the beginning of the period             | 9    | 84,630,225                                | 42,020,512                                |
| Cash and bank balances at the end of the period                   |      | 127,862,114                               | 95,655,589                                |
| <b>Significant non-cash transactions</b>                          |      |   |   |
| Recognition of right-of-use assets and lease liabilities          |      | 1,249,619                                 | 3,383,596                                 |

Chairman of Board



Chief Executive Officer



Chief Financial Officer



The attached notes from 1 to 24 form an integral part of these condensed interim financial statements.

## **1. CORPORATE INFORMATION**

Alkhorayef for Water and Power Technologies Company (the “Company”) is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010085982 dated 22 Safar 1412H (corresponding to 1 September 1991). The registered office is located at King Abdulaziz Road – Riyadh.

The Company is engaged in contracting for buildings, roads, industrial, mechanical, marine and electrical works, cleaning of buildings and cities, operation and maintenance of medical centers, hospitals, airports, and waste disposal, and environmental pollution control. Alkhorayef Group Company (“AGC”) is the Parent Company and Abdullah Ibrahim Alkhorayef sons (“AIA”) is the Ultimate Holding Company.

On 15 Shawwal 1441H (corresponding to 7 September 2020), the Company’s Board of Directors approved the plan for initial public offering of the Company by offering 30% of the Company’s shares for initial public offering by submitting an application and registering the securities to the Capital Market Authority and listing it through Saudi Stock Exchange (“Tadawul”).

On 16 Jumada Al Awal 1442H (corresponding to 31 December 2020), the Capital Market Authority announced the approval to offer 7,500,000 shares for public subscription representing (30%) of the Company’s shares. On 1 March 2021, the Company’s shares started the trading in Tadawul.

On 12 Safar 1443H (corresponding to 12 September 2021), the Company has established new branch in Iraq. Operations of this branch is estimated to start in the last quarter of 2023.

On 3 Jumada Al-Akhirah 1443H (corresponding to 6 January 2022), the Company has made investment in an associate with a third party (note 4).

## **2. BASIS OF PREPARATION**

### **2.1 Basis of preparation**

The condensed interim financial statements are prepared under the historical cost convention using the accrual basis of accounting and going concern concept, except for the employees’ terminal benefits that have been measured based on actuarial present value calculations. These condensed interim financial statements are presented in Saudi Riyals (“SR”), except when otherwise indicated, which is the functional and presentation currency of the Company.

The condensed interim financial statements for the nine-month period ended 30 September 2023 have been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’ (“IAS 34”) as endorsed in the KSA and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern. The Board of Directors confirmed that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual financial statements as at 31 December 2022. The significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.



**2. BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES (continued)**

**2.2 New standards, interpretations and amendments**

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several new standards and amendments apply for the first time in 2023, but do not have an impact on the condensed interim financial statements of the Company.

| <b>New and revised IFRSs</b>   | <b>Mandatory effective date</b> |
|--|---------------------------------|
| IFRS 17 Insurance Contracts  | 1 January 2023                  |
| Definition of Accounting Estimates - Amendments to IAS 8   | 1 January 2023                  |
| Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2                                    | 1 January 2023                  |
| Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12                  | 1 January 2023                  |
| Non-current Liabilities with Covenants and classification of liabilities as current or non-current – Amendments to IAS 1 | 1 January 2024                  |
| Lease Liability in Sale and Leaseback – Amendments to IFRS 16  | 1 January 2024                  |
| Suppliers Finance Arrangements - Amendments to IAS 7 and IFRS 7  | 1 January 2024                  |
| Lack of Exchangeability – Amendments to IAS 21   | 1 January 2025                  |

These standards and amendments had no impact on the condensed interim financial statements of the Company.

The Company intends to use the practical expedients in future periods if they become applicable.

**ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)**  
**30 September 2023**

**3. INVESTMENT IN JOINT ARRANGEMENTS**

During 2015 and 2017, the Company participated in certain projects (undertaken through two unincorporated joint arrangements) whereby the Company and the other partners assumed an economic activity subject to joint control. Such unincorporated joint arrangements, whereby the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement, are classified as joint operations. In the accompanying financial statements, the Company reports its assets, including its share of any assets held jointly, its liabilities, including its share of any liabilities incurred jointly, its revenue including its share of the revenue from the sale of the output by the joint operation and its expenses, including its share of any expenses incurred jointly.

Below is the listing of the Company's joint arrangements:

| <u>Join operations name</u>   | <u>Location</u>         | <u>Principal activities</u> | <u>Percentage of ownership</u> |                  |
|---|-------------------------|-----------------------------|--------------------------------|------------------|
|   |                         |                             | <b>30 September 2023</b>       | 31 December 2022 |
| Operation and Maintenance for Hadda and Arana Wastewater Treatment Plants in Mecca ("Mecca UJV")            | Kingdom of Saudi Arabia | Operations and Maintenance  | <b>49%</b>                     | 49%              |
| Operation and Maintenance of Conveyance and Transportation of TSE to Riyadh Region and Suburbs (Riyadh TSE) | Kingdom of Saudi Arabia | Operations and Maintenance  | <b>49%</b>                     | 49%              |

**3.1 Summarised financial statements of the joint operations**

|                           | <u>Mecca UJV</u>         |                  | <u>Riyadh TSE</u>        |                  |
|---------------------------|--------------------------|------------------|--------------------------|------------------|
|                           | <b>30 September 2023</b> | 31 December 2022 | <b>30 September 2023</b> | 31 December 2022 |
|                           | <b>SR</b>                | <b>SR</b>        | <b>SR</b>                | <b>SR</b>        |
| Total current assets      | <b>5,394,229</b>         | 5,394,229        | -                        | 504,502          |
| Total current liabilities | <b>(3,359,984)</b>       | (3,359,984)      | -                        | (92,117)         |
| Net assets                | <b>2,034,245</b>         | 2,034,245        | -                        | 412,385          |
| Company's share at 49%    | <b>996,780</b>           | 996,780          | -                        | 202,069          |

On 23 August 2023, the company has received a partner resolution for the Riyadh TSE. The TSE balances are settled.

**4. INVESTMENT IN AN ASSOCIATE AND LOAN TO AN ASSOCIATE**

The Company entered into an agreement with Veolia Middle East Company to establish a limited liability company named Erwaa Water Company ("EWC"). EWC was established with a capital of SR 500,000 (500 shares of SR 1,000 each) on 3 Jumada Al-Alkhirah 1443H (corresponding to 6 January 2022).

| <u>Associate name</u>       | <u>Location</u>         | <u>Principal activities</u> | <u>Percentage of ownership</u> |                  |
|-----------------------------|-------------------------|-----------------------------|--------------------------------|------------------|
|                             |                         |                             | <b>30 September 2023</b>       | 31 December 2022 |
| Erwaa Water Company ("EWC") | Kingdom of Saudi Arabia | Operations and Maintenance  | <b>49%</b>                     | 49%              |

The Company has paid SR 245,000 representing 49% of share capital to EWC. Company has determined that it has significant influence because it has meaningful representation on the board of the associate. EWC had no contingent liabilities or capital commitments as at 30 September 2023.

**ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)**  
**30 September 2023**

**4. INVESTMENT IN AN ASSOCIATE AND LOAN TO AN ASSOCIATE (continued)**

**4.1 Summarised financial statements of the associate**

|   | <b>30 September<br/>2023<br/>SR</b> | 31 December<br>2022<br>SR |
|---|-------------------------------------|---------------------------|
| Total current assets                            | 34,249,036                          | 31,588,707                |
| Total non-current assets                        | 3,399,594                           | 4,269,214                 |
| Total current liabilities                       | (26,910,848)                        | (25,448,556)              |
| Non-current liabilities                         | (18,895,786)                        | (14,243,135)              |
| Net liabilities                                 | <u>(8,158,004)</u>                  | <u>(3,833,770)</u>        |
| Carrying amount of interest in associate at 49% | <u>(3,997,422)</u>                  | <u>(1,878,547)</u>        |
| Revenue   | 32,979,811                          | 34,273,515                |
| Loss for the period                             | <u>(4,324,220)</u>                  | <u>(4,333,768)</u>        |
| Company's share of loss for the period at 49%   | <u>(2,118,868)</u>                  | <u>(2,123,546)</u>        |

- 4.2** The Cumulative share of loss amounting to SR 4.2 million has exceeded the carrying value of investment as at 30 September 2023 by SR 3.99 million. The Company has recognized additional losses as an obligation and has presented under the liabilities since the Company has a legal obligation to record additional losses in proportion of its ownership percentage in accordance with terms of the agreement. This amount is included as a obligation within current liabilities. The loss has mainly arisen due to startup expenditures. EWC is expected to generate profits over the life of the project.

- 4.3** During the year ended 31 December 2022, shareholders of EWC agreed to provide additional funding to EWC to support its working capital requirements in proportion of their ownership percentage. Accordingly, an agreement between the Company and EWC was signed, under which the Company agreed to provide a maximum loan amount of SR 22.1 million. The loan carries rate of SIBOR plus profit margin and has a maturity date of 4 May 2028. During the period ended 30 September 2023 the Company has provided additional funding of SR 2.45 million proportionate to its share in the EWC.

Movement in loan to associate:

|                          | <b>30 September<br/>2023<br/>SR</b> | 31 December<br>2022<br>SR |
|--------------------------|-------------------------------------|---------------------------|
| Opening balance          | 5,390,000                           | -                         |
| Addition during the year | 2,450,000                           | 7,840,000                 |
| Repayments               | -                                   | (2,450,000)               |
| Closing balance          | <u>7,840,000</u>                    | <u>5,390,000</u>          |

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**5. PROPERTY AND EQUIPMENT**

The estimated useful lives of the assets for the calculation of depreciation are as follows:

|                |          |                        |         |
|----------------|----------|------------------------|---------|
| Buildings      | 20 years | Furniture and fixtures | 7 years |
| Heavy machines | 7 years  | Motor vehicles         | 5 years |

|                                      | <b>Buildings</b> | <b>Heavy machines</b> | <b>Furniture and fixtures</b> | <b>Motor vehicles</b> | <b>Capital work in progress</b> | <b>30 September 2023</b> |
|--------------------------------------|------------------|-----------------------|-------------------------------|-----------------------|---------------------------------|--------------------------|
|                                      | SR               | SR                    | SR                            | SR                    | SR                              | SR                       |
|                                      |                  |                       |                               |                       |                                 | <b>(Unaudited)</b>       |
| Cost:                                |                  |                       |                               |                       |                                 |                          |
| At the beginning of the period       | 3,303,828        | 263,634,057           | 17,347,840                    | 110,224,121           | 90,562,500                      | <b>485,072,346</b>       |
| Additions                            | 616,389          | 20,026,548            | 2,584,826                     | 13,703,545            | -                               | <b>36,931,308</b>        |
| Disposals                            | (45,600)         | (441,590)             | (106,304)                     | (1,007,733)           | -                               | <b>(1,601,227)</b>       |
| At the end of the period             | <b>3,874,617</b> | <b>283,219,015</b>    | <b>19,826,362</b>             | <b>122,919,933</b>    | <b>90,562,500</b>               | <b>520,402,427</b>       |
| Accumulated depreciation:            |                  |                       |                               |                       |                                 |                          |
| At the beginning of the period       | 1,853,429        | 112,187,594           | 10,183,613                    | 61,609,242            | -                               | <b>185,833,878</b>       |
| Charge for the period                | 192,301          | 21,282,177            | 989,928                       | 11,158,081            | -                               | <b>33,622,487</b>        |
| Disposals                            | (45,600)         | (167,664)             | (91,726)                      | (512,638)             | -                               | <b>(817,628)</b>         |
| At the end of the period             | <b>2,000,130</b> | <b>133,302,107</b>    | <b>11,081,815</b>             | <b>72,254,685</b>     | -                               | <b>218,638,737</b>       |
| Carrying value:                      |                  |                       |                               |                       |                                 |                          |
| <b>30 September 2023 (Unaudited)</b> | <b>1,874,487</b> | <b>149,916,908</b>    | <b>8,744,547</b>              | <b>50,665,248</b>     | <b>90,562,500</b>               | <b>301,763,690</b>       |

- (a) The land in which the buildings are situated on, is in the name of Alkhorayef Group Company, (the “Parent Company”) and Abdullah Ibrahim Alkhorayef Sons Company (the “Ultimate Parent Company”), which is leased to the Company for 20 years.
- (b) Capital work in progress include cost incurred for the purchase of new head office building in Riyadh currently undergoing some structural work for its intended use.

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**5. PROPERTY AND EQUIPMENT (CONTINUED)**

| <i>31 December 2022</i>      | <b>Buildings</b> | <b>Heavy machines</b> | <b>Furniture and fixtures</b> | <b>Motor vehicles</b> | <b>Capital work in progress</b> | <b>Total</b>        |
|------------------------------|------------------|-----------------------|-------------------------------|-----------------------|---------------------------------|---------------------|
|                              | <b>SR</b>        | <b>SR</b>             | <b>SR</b>                     | <b>SR</b>             | <b>SR</b>                       | <b>SR</b>           |
|                              |                  |                       |                               |                       |                                 | <b>(Audited)</b>    |
| Cost:                        |                  |                       |                               |                       |                                 |                     |
| At the beginning of the year | 2,710,334        | 210,548,824           | 15,500,048                    | 92,245,537            | -                               | <b>321,004,743</b>  |
| Additions                    | 891,942          | 66,084,989            | 3,131,742                     | 27,728,957            | 90,562,500                      | <b>188,400,130</b>  |
| Disposals                    | (298,448)        | (12,999,756)          | (1,283,950)                   | (9,750,373)           | -                               | <b>(24,332,527)</b> |
| At the end of the year       | <b>3,303,828</b> | <b>263,634,057</b>    | <b>17,347,840</b>             | <b>110,224,121</b>    | <b>90,562,500</b>               | <b>485,072,346</b>  |
| Accumulated depreciation:    |                  |                       |                               |                       |                                 |                     |
| At the beginning of the year | 2,034,554        | 103,164,749           | 9,807,238                     | 58,578,024            | -                               | <b>173,584,565</b>  |
| Charge for the year          | 113,905          | 21,506,022            | 1,338,673                     | 12,145,126            | -                               | <b>35,103,726</b>   |
| Disposals                    | (295,030)        | (12,483,177)          | (962,298)                     | (9,113,908)           | -                               | <b>(22,854,413)</b> |
| At the end of the year       | <b>1,853,429</b> | <b>112,187,594</b>    | <b>10,183,613</b>             | <b>61,609,242</b>     | -                               | <b>185,833,878</b>  |
| Carrying value:              |                  |                       |                               |                       |                                 |                     |
| 31 December 2022 (Audited)   | <b>1,450,399</b> | <b>151,446,463</b>    | <b>7,164,227</b>              | <b>48,614,879</b>     | <b>90,562,500</b>               | <b>299,238,468</b>  |

- (c) The land in which the buildings are situated on, is in the name of Alkhorayef Group Company, (the “Parent Company”) and Abdullah Ibrahim Alkhorayef Sons Company (the “Ultimate Parent Company”), which is leased to the Company for 20 years.
- (d) Capital work in progress include cost incurred for the purchase of new head office building in Riyadh currently undergoing some structural work for its intended use.

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**6. PREPAYMENTS AND OTHER CURRENT ASSETS**

|                                     | <b>30 September<br/>2023<br/>SR<br/>(Unaudited)</b> | <b>31 December<br/>2022<br/>SR<br/>(Audited)</b> |
|-------------------------------------|---|--|
| Prepaid expenses                    | 68,929,149  | 44,831,314                                       |
| Advances to suppliers               | 76,705,854  | 17,445,152                                       |
| Employees' advances and receivables | 7,125,339   | 8,890,988  |
| Others                              | 6,681,297   | 10,915,169                                       |
|                                     | <b>159,441,639</b>                                  | <b>82,082,623</b>                                |

**7. CONTRACT ASSETS**

|  | <b>30 September<br/>2023<br/>SR<br/>(Unaudited)</b> | <b>31 December<br/>2022<br/>SR<br/>(Audited)</b> |
|--|---|--|
| Opening balance                            | 426,040,163   | 236,382,937                                      |
| Value of work performed                    | 1,206,865,532                                       | 822,032,855                                      |
| Less: progress billings                    | (1,001,647,137)                                     | (628,306,871)                                    |
|  | 631,258,558   | 430,108,921                                      |
| Less: provision for expected credit losses | (6,237,141)   | (4,068,758)                                      |
| <b>Closing balance</b>                     | <b>625,021,417</b>                                  | <b>426,040,163</b>                               |

Contract assets relates to the Company's right to receive consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This occurs when the Company issues an invoice to the customer.

Movement of provisions for expected credit losses on contract assets:

|   | <b>30 September<br/>2023<br/>SR<br/>(Unaudited)</b> | <b>31 December<br/>2022<br/>SR<br/>(Audited)</b> |
|---|---|--|
| Opening balance                               | 4,068,758   | 120,994  |
| Add: Charge for the period / year             | 1,799,196   | 3,947,764  |
| Add: Allocation of for expected credit losses | 369,187   | --   |
| <b>Closing balance</b>                        | <b>6,237,141</b>                                    | <b>4,068,758</b>                                 |

**8. TRADE AND OTHER RECEIVABLES**

|  | <b>30 September<br/>2023<br/>SR<br/>(Unaudited)</b> | <b>31 December<br/>2022<br/>SR<br/>(Audited)</b> |
|--|---|--|
| Trade receivables                          | 285,870,167   | 214,725,792                                      |
| Retention receivables                      | 15,055,812  | 9,361,134  |
|  | <b>300,925,979</b>                                  | <b>224,086,926</b>                               |
| Less: provision for expected credit losses | (7,231,738)   | (7,600,925)                                      |
|  | <b>293,694,241</b>                                  | <b>216,486,001</b>                               |



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**8. TRADE AND OTHER RECEIVABLES (CONTINUED)**

Movement of provisions for expected credit losses on trade receivables and retentions:

|  | <b>30 September<br/>2023<br/>SR<br/>(Unaudited)</b> | <b>31 December<br/>2022<br/>SR<br/>(Audited)</b> |
|--|---|--|
| Opening balance                                | <b>7,600,925</b>                                    | 5,275,806  |
| Add: Charge for the period / year              | -   | 2,325,119  |
| Less: Allocation of for expected credit losses | <b>(369,187)</b>                                    | -  |
| <b>Closing balance</b>                         | <b>7,231,738</b>                                    | <b>7,600,925</b>                                 |

Trade receivables are non-interest bearing and are generally on terms of 60 to 120 days. Trade and retention receivables include amounts totaling SR 284 million which is due from Government and quasi-Government institutions (31 December 2022: SR 213 million).

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed. The Company does not hold collateral as security.

**9. CASH AND BANK BALANCES**

|               | <b>30 September<br/>2023<br/>SR<br/>(Unaudited)</b> | <b>31 December<br/>2022<br/>SR<br/>(Audited)</b> |
|---------------|---|--|
| Bank balances | <b>122,736,082</b>                                  | 84,629,475                                       |
| Cash in hand  | <b>5,126,032</b>                                    | 750  |
|               | <b>127,862,114</b>                                  | <b>84,630,225</b>                                |

**10. SHARE CAPITAL**

On 16 Jumada Al Awal 1442H (corresponding to 31 December 2020), the Capital Market Authority announced the approval to offer 7,500,000 shares for public subscription representing (30%) of the Company's shares. On 1 March 2021. The Company's shares started the trading in Tadawul. On 30 September 2023. Alkhorayef Group Company ("AGC") (the Parent Company) owns of the Company's shares 51% (31 December 2022: 51%).

Share capital is divided into 25,000,000 share of SR 10 each (31 December 2022: 25,000,000 shares of SR 10 each).

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**11. TERM LOANS**

|                                    | <b>30 September<br/>2023<br/>SR<br/>(Unaudited)</b> | <b>31 December<br/>2022<br/>SR<br/>(Audited)</b> |
|------------------------------------|---|--|
| Short term loans                   | <b>248,094,512</b>                                  | 156,708,847                                      |
| Long-term loans                    | <b>266,333,884</b>                                  | 347,107,524                                      |
| <b>Total loans</b>                 | <b>514,428,396</b>                                  | <b>503,816,371</b>                               |
|                                    |   |  |
|                                    | <b>30 September<br/>2023<br/>SR<br/>(Unaudited)</b> | <b>31 December<br/>2022<br/>SR<br/>(Audited)</b> |
| Short term loans                   | <b>248,094,512</b>                                  | 156,708,847                                      |
| Current portion of long-term loans | <b>115,836,146</b>                                  | 241,594,024                                      |
| Loans current liability            | <b>363,930,658</b>                                  | 398,302,871                                      |
| Loans non-current liability        | <b>150,497,738</b>                                  | 105,513,500                                      |
|                                    |   |  |
|                                    | <b>30 September<br/>2023<br/>SR<br/>(Unaudited)</b> | <b>31 December<br/>2022<br/>SR<br/>(Audited)</b> |
| Opening balance                    | <b>503,816,371</b>                                  | 218,792,397                                      |
| Add: Obtained during the period    | <b>388,143,290</b>                                  | 1,167,056,997                                    |
| Less: Repayments during the period | <b>(377,531,265)</b>                                | (882,033,023)                                    |
| <b>Closing balance</b>             | <b>514,428,396</b>                                  | <b>503,816,371</b>                               |

The Company has obtained Sharia Compliant Murabaha loan facilities from commercial banks with maturity dates ranging from 2022 to 2025. These loans carry varying Murabaha profit rates in conformity with the applicable loan agreements. These facilities bear profit margin at market rates, which are generally based on Saudi Inter Bank Offer Rate ("SIBOR") and are secured by assignment acknowledgement of contract proceeds.

**12. TRADE PAYABLES, ACCRUALS AND OTHER LIABILITIES**

|  | <b>30 September<br/>2023<br/>SR<br/>(Unaudited)</b> | <b>31 December<br/>2022<br/>SR<br/>(Audited)</b> |
|--|---|--|
| Trade payables   | <b>321,042,005</b>                                  | 83,544,850                                       |
| Accrued expenses   | <b>46,222,664</b>                                   | 39,797,290                                       |
| VAT payable  | <b>18,637,228</b>                                   | 12,884,264                                       |
| Obligation for loss from an equity accounted investee (note 4) | <b>3,997,415</b>                                    | 1,878,547  |
| Dividends payable  | <b>473,146</b>                                      | 473,146  |
| Provision for onerous contracts                                | <b>473,092</b>                                      | 473,092  |
| Other  | <b>23,703,942</b>                                   | 4,347,493  |
|  | <b>414,549,492</b>                                  | <b>143,398,682</b>                               |

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**13. EARNINGS PER SHARE**

Basic earnings per share attributable to the shareholders is calculated based on the weighted average number of outstanding shares during the period.

Diluted earnings per share is calculated by adjusting basic earnings per share for the weighted average number of additional shares that would have been outstanding assuming the conversion of all dilutive potential shares.

|   | <b>For the three-month<br/>period ended<br/>30 September</b> |                    | <b>For the Nine-month<br/>period ended<br/>30 September</b> |                    |
|---|--|--------------------|---|--------------------|
|   | <b>2023</b>  | <b>2022</b>        | <b>2023</b>   | <b>2022</b>        |
|   | <b>(Unaudited)</b>   | <b>(Unaudited)</b> | <b>(Unaudited)</b>  | <b>(Unaudited)</b> |
| Profit for the period (SR)  | <b>42,015,819</b>  | 28,126,185         | <b>110,331,857</b>  | 79,760,757         |
| Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share | <b>25,000,000</b>  | 25,000,000         | <b>25,000,000</b>   | 25,000,000         |
| Basic and diluted earnings per share of profit for the period (SR)  | <b>1.68</b>  | 1.13               | <b>4.41</b>   | 3.19               |

There has been no item of dilution affecting the weighted average number of shares.

**14. RELATED PARTIES TRANSACTIONS AND BALANCES**

Related parties of the Company include shareholders, Board of Directors, key management personnel and entities controlled, jointly controlled or significantly influenced by such parties.

The terms of the transactions with related parties are approved by the Company's management. The significant transactions with related parties during the Company's normal course of business included in the condensed interim financial statements are summarised as follows:

| <b>Related parties</b>                        | <b>Relationship</b>                        | <b>Nature of transactions</b> | <b>Amount of transactions</b> |                          |
|---|--|-------------------------------|-------------------------------|--------------------------|
|   |  |                               | <b>30 September 2023</b>      | <b>30 September 2022</b> |
|   |  |                               | <b>SR</b>                     | <b>SR</b>                |
|   |  |                               | <b>(Unaudited)</b>            | <b>(Unaudited)</b>       |
| Alkhorayef Group company                      | Parent Company                             | Shared service cost           | <b>1,289,452</b>              | 540,000                  |
|   |  | Land rental                   | <b>248,400</b>                | 216,000                  |
| Abdullah Ibrahim Alkhorayef Sons Company      | Ultimate Parent Company and a board member | Land rental                   | <b>213,900</b>                | 208,275                  |
| Alkhorayef Commercial Company                 | A subsidiary to the Parent                 | Sale                          | <b>144,273</b>                | 113,775                  |
|   |  | Purchases                     | <b>290,898</b>                | 1,310,639                |
| Alkhorayef Industries Company ("AIC")         | A subsidiary to the Parent                 | Sale                          | -                             | 33,810                   |
| Al Khorayef Petroluem Company ("APC")         | A subsidiary to the Parent                 | Purchases                     | -                             | 201,250                  |
| Alkhorayef Printing Solutions Company ("APS") | A subsidiary to the Parent                 | Purchases                     | <b>457,324</b>                | 360,596                  |
| Castrol                                       | A subsidiary to the Parent                 | Purchases                     | <b>596,597</b>                | 766,258                  |
| Saudi Part Center("SPC")                      | A subsidiary to the Parent                 | Purchases                     | <b>4,370</b>                  | 44,814                   |
| Erwaa Water Company ("EWC")                   | An associate to the Company                | Loan during the period        | <b>2,450,000</b>              | 6,860,000                |
|   |  | Share of loss                 | <b>2,118,868</b>              | 1,927,686                |

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**14. RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)**

**Key management compensation**

Key management personnel of the Company comprise of key members of the management having authority and responsibility for planning, directing and controlling the activities of the Company. The compensation to key management is shown below:

|                                    |                               | Amount of transactions |                    |
|------------------------------------|-------------------------------|------------------------|--------------------|
|                                    |                               | 30 September 2023      | 30 September 2022  |
|                                    |                               | SR                     | SR                 |
| <u>Related parties</u>             | <u>Nature of transactions</u> | <u>(Unaudited)</u>     | <u>(Unaudited)</u> |
| Key management personnel Note 14.2 | Short-term benefits           | 11,484,407             | 9,541,959          |
|                                    | Post-employment benefits      | 1,459,742              | 920,460            |
| Board of directors                 | Remuneration and sitting fees | 691,500                | 767,000            |

14.1 Sales to and purchases from related parties are made on mutually agreed terms. Outstanding balances at the year-end are unsecured. There have been no guarantees provided or received for any related party receivables or payables balance.

14.2 Key management personnel of the Company comprise of key members of the management having authority and responsibility for planning, directing and controlling the activities of the Company. The amounts disclosed are the amounts recognised as an expense during the reporting period related to key management personnel.

14.3 There are no balances outstanding due from related parties as at 30 September 2023 and 31 December 2022.

**15. REVENUES**

**15.1 Disaggregated revenue information**

Set out below is the disaggregation of the Company's revenue:

|   | For the three-months period ended 30 September |                    | For the nine-month period ended 30 September |                    |
|---|--|--------------------|--|--------------------|
|   | 2023   | 2022               | 2023   | 2022               |
|   | SR   | SR                 | SR   | SR                 |
|   | <u>(Unaudited)</u>                             | <u>(Unaudited)</u> | <u>(Unaudited)</u>                           | <u>(Unaudited)</u> |
| <b>Types of services</b>                        |  |                    |  |                    |
| Water (see note "a" below)                      | 319,628,590                                    | 81,592,398         | 775,462,553                                  | 227,724,088        |
| Wastewater (see note "b" below)                 | 68,146,436                                     | 44,828,161         | 199,404,879                                  | 130,908,718        |
| Integrated Water Solutions (see note "c" below) | 80,993,307                                     | 67,082,458         |  |                    |
|   |  |                    | 231,998,100                                  | 192,824,943        |
|   | <u>468,768,333</u>                             | <u>193,503,017</u> | <u>1,206,865,532</u>                         | <u>551,457,749</u> |

|  | For the three-months period ended 30 September |                    | For the nine-month period ended 30 September |                    |
|--|--|--------------------|--|--------------------|
|  | 2023   | 2022               | 2023   | 2022               |
|  | SR   | SR                 | SR   | SR                 |
|  | <u>(Unaudited)</u>                             | <u>(Unaudited)</u> | <u>(Unaudited)</u>                           | <u>(Unaudited)</u> |
| <b>a) Categories of segments (Water)</b> |  |                    |  |                    |
| Water Withdraw and Treatment             | 50,128,152                                     | 54,478,336         | 156,709,564                                  | 152,853,151        |
| Water Networks                           | 269,500,438                                    | 27,114,062         | 618,752,989                                  | 74,870,937         |
|  | <u>319,628,590</u>                             | <u>81,592,398</u>  | <u>775,462,553</u>                           | <u>227,724,088</u> |

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**15. REVENUES (CONTINUED)**

|   | <b>For the three-months<br/>period ended 30 September</b> |                    | <b>For the nine-month<br/>period ended 30 September</b>  |                    |
|---|---|--------------------|--|--------------------|
|   | <b>2023</b>   | <b>2022</b>        | <b>2023</b>  | <b>2022</b>        |
|   | <b>SR</b>   | <b>SR</b>          | <b>SR</b>  | <b>SR</b>          |
|   | <b>(Unaudited)</b>  | <b>(Unaudited)</b> | <b>(Unaudited)</b>                                       | <b>(Unaudited)</b> |
| <b>b) Categories of segments (Wastewater)</b>                     |   |                    |  |                    |
| Wastewater Networks   | <b>48,728,845</b>   | 32,792,039         | <b>146,535,591</b>                                       | 94,237,584         |
| Wastewater Treatment  | <b>19,417,591</b>   | 12,036,122         | <b>52,869,288</b>  | 36,671,134         |
|   | <b>68,146,436</b>   | 44,828,161         | <b>199,404,879</b>                                       | 130,908,718        |
|   |   |                    |  |                    |
|   | <b>For the three-months<br/>period ended 30 September</b> |                    | <b>For the nine-months<br/>period ended 30 September</b> |                    |
|   | <b>2023</b>   | <b>2022</b>        | <b>2023</b>  | <b>2022</b>        |
|   | <b>SR</b>   | <b>SR</b>          | <b>SR</b>  | <b>SR</b>          |
|   | <b>(Unaudited)</b>  | <b>(Unaudited)</b> | <b>(Unaudited)</b>                                       | <b>(Unaudited)</b> |
| <b>c) Categories of segments (Integrated<br/>Water Solutions)</b> |   |                    |  |                    |
| City Management   | <b>25,164,674</b>   | 26,627,674         | <b>70,635,773</b>  | 75,980,141         |
| Water Management Services   | <b>33,043,227</b>   | 24,166,587         | <b>102,929,877</b>                                       | 70,092,375         |
| Stormwater Networks   | <b>22,785,406</b>   | 16,288,197         | <b>58,432,450</b>  | 46,752,427         |
|   | <b>80,993,307</b>   | 67,082,458         | <b>231,998,100</b>                                       | 192,824,943        |

**Geographical markets**

The Company operates exclusively in the Kingdom of Saudi Arabia and therefore no additional geographical market information is presented in these condensed interim financial statements. Revenue on contracts is recognised over time in line with the revenue recognition policy. More than 98% of revenue is from contracts with Government entities.

**16. COST OF REVENUES**

|  | <b>For the three-months<br/>period ended 30 September</b> |                    | <b>For the nine-months<br/>period ended 30 September</b> |                    |
|--|---|--------------------|--|--------------------|
|  | <b>2023</b>   | <b>2022</b>        | <b>2023</b>  | <b>2022</b>        |
|  | <b>SR</b>   | <b>SR</b>          | <b>SR</b>  | <b>SR</b>          |
|  | <b>(Unaudited)</b>  | <b>(Unaudited)</b> | <b>(Unaudited)</b>                                       | <b>(Unaudited)</b> |
| Materials consumed                     | <b>228,630,705</b>  | 28,387,055         | <b>547,606,128</b>                                       | 85,549,470         |
| Employees' salaries and other benefits | <b>114,305,636</b>  | 85,570,270         | <b>327,685,991</b>                                       | 237,138,571        |
| Depreciation and amortisation          | <b>11,947,849</b>   | 9,136,225          | <b>34,661,183</b>  | 25,563,331         |
| Repair and maintenance                 | <b>13,624,718</b>   | 9,972,119          | <b>32,461,177</b>  | 22,194,982         |
| Utilities                              | <b>8,071,036</b>  | 5,659,321          | <b>20,112,734</b>  | 14,856,649         |
| Rent                                   | <b>5,891,970</b>  | 3,976,905          | <b>16,110,579</b>  | 9,745,987          |
| Insurance                              | <b>2,235,928</b>  | 2,356,599          | <b>6,944,622</b>   | 5,417,306          |
| Penalties                              | <b>2,266,705</b>  | 1,417,869          | <b>5,135,236</b>   | 6,733,108          |
| Professional fees                      | <b>939,551</b>  | 839,224            | <b>2,177,416</b>   | 1,770,233          |
| Others                                 | <b>9,500,510</b>  | 1,846,990          | <b>24,032,183</b>  | 8,865,831          |
|  | <b>397,414,608</b>  | 149,162,577        | <b>1,016,927,249</b>                                     | 417,835,468        |

**17. ZAKAT**

The movement in Zakat provision during the period is as follows:

|                        | <b>30 September<br/>2023</b> | <b>31 December<br/>2022</b> |
|------------------------|------------------------------|-----------------------------|
|                        | <b>SR</b>                    | <b>SR</b>                   |
|                        | <b>(Unaudited)</b>           | <b>(Audited)</b>            |
| Opening balance        | <b>9,558,435</b>             | 8,111,713                   |
| Charge for the period  | <b>12,575,423</b>            | 9,585,084                   |
| Paid during the period | <b>(9,424,810)</b>           | (8,138,362)                 |
|                        | <b>12,709,048</b>            | 9,558,435                   |

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**17. ZAKAT (CONTINUED)**

**Status of assessment**

Zakat returns have been submitted based on the consolidated zakat base of the group up to the year ended 31 December 2020. Final assessments of the group have been agreed up to the year ended 31 December 2015. The Company has also pledged to the Capital Market Authority that the Parent Company will bear any additional zakat amounts that might relate to the years for 2020 and before for which no final assessments have been issued. In May 2021 Company has separately registered with Zakat Tax and Custom Authority and accordingly filed Zakat return for the year ended 31 December 2021 and 2022. Zakat, Tax and Customs Authority (the "ZATCA") has opened the assessments for the years 2021 and 2022. The final assessment from ZATCA has not been finalized yet.

**18. DIVIDENDS**

No dividend was declared for the period ended 30 September 2023.

On 17 Sha'ban 1443H (corresponding to 20 March 2022), the Board of Directors has approved to distribute interim cash dividends equal to 15% of the capital amounted to SR 37,500,000 of SR 1.5 per share.

**19. OPERATING SEGMENTS**

As the operations of the Company are conducted in the Kingdom of Saudi Arabia, accordingly, for management purposes, the Company is organized into business units based on its products and services and has three reportable segments.

Operating segments is determined based on the Company's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Chief Executive Officer as he is primarily responsible for the allocation of resources to segments and the assessment of the performance of each of the segments.

The CODM uses underlying income as reviewed at monthly Executive Committee and Performance meetings as the key measure of the segments' results as it reflects the segments' performance for the period under evaluation. Revenue and segment profit is a consistent measure within the Company.

The identified key segments are water, wastewater and integrated water solution. Information regarding the Company's reportable segments is presented below:

**Based on nature of services:**

| <b>30 September 2023</b>     |                      |                      |                                  |                          |                        |
|------------------------------|----------------------|----------------------|----------------------------------|--------------------------|------------------------|
|                              | <b>Water</b>         | <b>Wastewater</b>    | <b>Integrated Water Solution</b> | <b>Other unallocated</b> | <b>Total</b>           |
| <b>Revenue</b>               | <b>775,462,553</b>   | <b>199,404,879</b>   | <b>231,998,100</b>               | <b>-</b>                 | <b>1,206,865,532</b>   |
| <b>Cost of revenue</b>       | <b>(645,406,867)</b> | <b>(172,574,311)</b> | <b>(198,946,071)</b>             | <b>-</b>                 | <b>(1,016,927,249)</b> |
| <b>Profit for the period</b> | <b>130,055,686</b>   | <b>26,830,568</b>    | <b>33,052,029</b>                | <b>(79,606,426)</b>      | <b>110,331,857</b>     |
| <b>Assets</b>                | <b>660,699,969</b>   | <b>226,116,140</b>   | <b>367,450,292</b>               | <b>384,673,992</b>       | <b>1,638,940,393</b>   |
| <b>Liabilities</b>           | <b>-</b>             | <b>-</b>             | <b>-</b>                         | <b>1,131,027,158</b>     | <b>1,131,027,158</b>   |
| <b>30 September 2022</b>     |                      |                      |                                  |                          |                        |
|                              | <b>Water</b>         | <b>Waste Water</b>   | <b>Integrated Water Solution</b> | <b>Other unallocated</b> | <b>Total</b>           |
| <b>Revenue</b>               | <b>227,724,088</b>   | <b>130,908,718</b>   | <b>192,824,943</b>               | <b>-</b>                 | <b>551,457,749</b>     |
| <b>Cost of revenue</b>       | <b>(162,309,710)</b> | <b>(105,754,590)</b> | <b>(149,771,168)</b>             | <b>-</b>                 | <b>(417,835,468)</b>   |
| <b>Profit for the period</b> | <b>65,414,378</b>    | <b>25,154,128</b>    | <b>43,053,775</b>                | <b>(53,861,524)</b>      | <b>79,760,757</b>      |
| <b>31 December 2022</b>      |                      |                      |                                  |                          |                        |
| <b>Assets</b>                | <b>404,314,227</b>   | <b>229,568,587</b>   | <b>281,754,246</b>               | <b>270,953,591</b>       | <b>1,186,590,651</b>   |
| <b>Liabilities</b>           | <b>-</b>             | <b>-</b>             | <b>-</b>                         | <b>789,009,273</b>       | <b>789,009,273</b>     |

**Geographical segments:**

All of the Company's operating assets and principal markets of activity are located in the Kingdom of Saudi Arabia.



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**20. CONTINGENCIES**

As of 30 September 2023 and 31 December 2022, the Company has the following contingencies:

|                      | <b>30 September<br/>2023<br/>SR<br/>(Unaudited)</b> | 31 December<br>2022<br>SR<br>(Audited) |
|----------------------|---|--|
| Letters of guarantee | <b>677,912,535</b>                                  | 418,833,920                            |
| Letters of credit    | <b>101,153,374</b>                                  | 71,452,137                             |
|                      | <b><u>779,065,909</u></b>                           | <u>490,286,057</u>                     |

**21. FAIR VALUES OF FINANCIAL INSTRUMENTS**

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, The principal or the most advantageous market must be accessible to the Company.

The Company's financial assets consist of cash and bank balances, trade and other receivables, prepayments and other current assets, contract assets and its financial liabilities consist of term loans, trade payables, accruals and other liabilities, and lease liabilities.

The fair values of the financial instruments of the Company are not materially different from their carrying values at the reporting date.

**22. EVENTS DURING THE REPORTING PERIOD**

On 23 July 2023 (corresponding to 5 Muharram 1445H), the Board of Directors of the Company recommended to the Extraordinary General Assembly to increase the company's Share capital by granting bonus shares to the company's shareholders by capitalizing 100,000,000 Saudi Riyals from retained earnings and granting one share for every two and a half shares owned.

**23. EVENTS AFTER THE REPORTING PERIOD**

No events have occurred subsequent to the reporting date and before the issuance of these condensed interim financial statements which require adjustment or disclosure in these condensed interim financial statements.

**24. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**

The condensed interim financial statements have been approved by the Board of Directors on 22 Rabi Al Thani 1445H (corresponding to 6 November 2023).