

**ALKHORAYEF FOR WATER AND POWER
TECHNOLOGIES COMPANY**
(A Saudi Joint Stock Company)
**Condensed Interim
Financial Statements**
For the three and six-month period ended 30 June 2023

**ALKHORAYEF FOR WATER AND POWER
TECHNOLOGIES COMPANY**
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<u>Index</u>	<u>Pages</u>
Independent auditor's review report	1
Condensed interim statement of financial position	2
Condensed interim statement of profit or loss and other comprehensive income	3
Condensed interim statement of changes in equity	4
Condensed interim statement of cash flows	5
Notes to the condensed interim financial statements	6- 17



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Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة الرياض، 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 June 2023;
- the condensed statement of profit or loss and other comprehensive income for the three month and six-month periods ended 30 June 2023;
- the condensed statement of changes in equity for the six-month period ended 30 June 2023;
- the condensed statement of cash flows for the six-month period ended 30 June 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 June 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: 9 August 2023
Corresponding to: 22 Muharram 1445H

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كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (٤٠٠٠٠٠٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة الجليزية محدودة بضمان. جميع الحقوق محفوظة.

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(A Saudi Joint Stock Company)

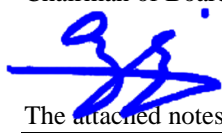
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

At 30 June 2023

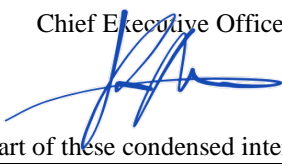
		30 June 2023 SR (Unaudited)	31 December 2022 SR (Audited)
	<i>Note</i>		
ASSETS			
Non-current assets			
Property and equipment	5	302,289,392	299,238,468
Right-of-use assets		5,266,760	5,415,512
Equity accounted investee	4	7,840,000	5,390,000
Capital advances		6,812,292	10,653,925
Total non-current assets		322,208,444	320,697,905
Current assets			
Inventories		81,045,731	56,653,734
Prepayments and other current assets	6	158,508,752	82,082,623
Contract assets	7	615,830,600	426,040,163
Trade and other receivables	8	208,320,923	216,486,001
Cash and bank balances	9	99,690,149	84,630,225
Total current assets		1,163,396,155	865,892,746
Total assets		1,485,604,599	1,186,590,651
EQUITY AND LIABILITIES			
Equity			
Share capital	10	250,000,000	250,000,000
Statutory reserve		32,471,911	32,471,911
Retained earnings		178,063,228	109,747,190
Actuarial reserve		5,362,277	5,362,277
Total equity		465,897,416	397,581,378
Non-current liabilities			
Employees' defined benefit liabilities		46,559,861	43,672,901
Non-current portion of lease liabilities		2,770,304	3,778,799
Advance from customer – long term portion		121,897,201	49,983,834
Non-current portion of term loans	11	150,497,738	105,513,500
Total non-current liabilities		321,725,104	202,949,034
Current liabilities			
Trade payables, accruals and other liabilities	12	277,106,502	143,398,682
Current portion of term loans	11	375,382,775	398,302,871
Current portion of lease liabilities		2,273,442	1,511,717
Advance from customer – short term portion		34,251,892	31,698,991
Amounts due to related parties		-	1,589,543
Zakat payable	17	8,967,468	9,558,435
Total current liabilities		697,982,079	586,060,239
Total liabilities		1,019,707,183	789,009,273
Total equity and liabilities		1,485,604,599	1,186,590,651

These condensed consolidated interim financial statements on pages 3 to 17 have been approved by Board of Directors on 20 Muharram 1445H (corresponding to 7 August 2023) and are signed on their behalf by:

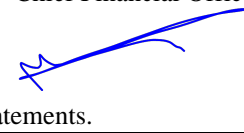
Chairman of Board



Chief Executive Officer



Chief Financial Officer



The attached notes from 1 to 23 form an integral part of these condensed interim financial statements.

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Three-month and Six-month periods ended 30 June 2023

	<i>Note</i>	<i>For the three months period ended 30 June (Unaudited)</i>		<i>For the six months period ended 30 June (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	416,486,509	184,427,257	738,097,199	357,954,732
Cost of revenue	16	(354,670,240)	(138,708,581)	(619,512,641)	(268,672,890)
Gross profit		61,816,269	45,718,676	118,584,558	89,281,842
Selling and distribution expenses		(91,365)	(409,610)	(186,189)	(778,570)
General and administrative expenses		(12,260,691)	(7,149,479)	(23,273,845)	(20,318,979)
Impairment loss on trade receivables and contract assets		-	(3,555,460)	-	(3,555,460)
Gain from sale of property and equipment		105,266	57,169	132,587	127,350
Operating profit		49,569,479	34,661,296	95,257,111	64,756,183
Finance costs		(10,924,235)	(4,127,102)	(20,247,861)	(5,649,472)
Other income, net		2,152,681	720,682	3,250,791	981,369
Share of loss from an associate		(1,021,400)	(1,927,686)	(1,110,160)	(1,927,686)
PROFIT BEFORE ZAKAT		39,776,525	29,327,190	77,149,881	58,160,394
Zakat expenses	17	(4,188,927)	(3,001,734)	(8,833,843)	(6,525,820)
Profit for the period		35,587,598	26,325,456	68,316,038	51,634,574
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		35,587,598	26,325,456	68,316,038	51,634,574
Earnings per share (EPS):					
Basic and diluted earning per share	13	1.42	1.05	2.73	2.07

Chairman of Board



Chief Executive Officer



Chief Financial Officer



The attached notes from 1 to 23 form an integral part of these condensed interim financial statements.

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
For the Six-month period ended 30 June 2023

	Share capital SR	Statutory reserve SR	Retained earnings SR	Actuarial reserve SR	Total 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	-	-	51,634,574	-	51,634,574
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	51,634,574	-	51,634,574
Dividends (note 18)	-	-	(37,500,000)	-	(37,500,000)
As at 30 June 2022 (Unaudited)	250,000,000	21,727,793	102,184,705	(3,271,555)	370,640,943
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	-	-	68,316,038	-	68,316,038
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	68,316,038	-	68,316,038
As at 30 June 2023 (Unaudited)	250,000,000	32,471,911	178,063,228	5,362,277	465,897,416

Chairman of Board



Chief Executive Officer



Chief Financial Officer



The attached notes from 1 to 23 form an integral part of these condensed interim financial statements.

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF CASHFLOWS

For the Six-month period ended 30 June 2023

	30 June 2023	30 June 2022
	SR	SR
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit for the period	68,316,038	51,634,574
Adjustments to reconcile profit for the period to net cash flows:		
Depreciation of property and equipment	22,052,889	16,444,551
Depreciation of right-of-use assets	848,198	344,313
Gain on sale of property and equipment	(132,587)	(127,350)
Provision for expected credit losses	-	3,555,460
Provision for employees' defined benefits	5,433,623	5,479,051
Finance costs	20,247,861	5,649,472
Share of loss from associate	1,110,167	1,927,686
Zakat charge	8,833,843	6,525,820
Gain on disposal of right of use assets	5,831	-
Settlement of finance lease contract	-	(1,035)
	126,715,863	91,432,542
Working capital adjustments:		
Prepayments and other assets	(76,426,129)	(63,190,504)
Trade and other receivables	8,165,078	
Inventories	(24,391,997)	(4,853,398)
Advance from customer	74,466,268	-
Trade payable, accruals and other liabilities	132,597,653	(21,335,930)
Amount due to related parties	(1,589,543)	-
Contract assets	(189,790,437)	(107,062,575)
Cash generated from operating activities	49,746,756	(105,009,865)
Finance costs paid	(20,163,908)	(5,600,555)
Employees' defined benefits paid	(2,546,663)	(1,937,823)
Zakat Paid	(9,424,810)	(8,138,362)
Net cash generated from / (used in) operating activities	17,611,375	(120,686,605)
INVESTING ACTIVITIES		
Purchase of property and equipment	(25,705,729)	(40,979,335)
Proceeds from sale of property and equipment	734,503	399,871
Investment in an associate	-	(3,185,000)
Loan to associate	(2,450,000)	-
Change in capital advance	3,841,633	-
Net cash used in from investing activities	(23,579,593)	(43,764,464)
FINANCING ACTIVITIES		
Payment of principal portion of lease liabilities	(952,047)	(742,328)
Finance costs paid on lease liabilities	(83,953)	(48,917)
Proceeds from term loans	228,789,309	583,232,358
Repayment of term loans	(206,725,167)	(323,505,677)
Dividends paid	-	(37,500,000)
Net cash generated from financing activities	21,028,142	221,435,436
Net change in cash and bank balances	15,059,924	56,984,367
Cash and bank balances at the beginning of the period	84,630,225	42,020,512
Cash and bank balances at the end of the period	99,690,149	99,004,879
Significant non-cash transactions		
Recognition of right-of-use assets and lease liabilities	705,277	1,515,029

Chairman of Board



Chief Executive Officer



Chief Financial Officer



The attached notes from 1 to 23 form an integral part of these condensed interim financial statements.

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2023

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 June 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 2022), 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-Alkhirah 1443H (corresponding to 6 January 2022, the Company has made investment in an associate with a third party (note 4).

2. BASIS OF PREPARATION AND CHANGES TO THE COMPANY’S ACCOUNTING POLICIES

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 six-month period ended 30 June 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 consider 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.

2.2 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.

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2023

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

2.2 New standards, interpretations and amendments (continued)

	Mandatory effective date
New and revised IFRSs	
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

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.

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 partner 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>	
			30 June 2023	31 December 2022
Operation and Maintenance for Hadda and Arana Wastewater Treatment Plants in Mecca ("Mecca UJV")	Kingdom of Saudi Arabia	Operations and Maintenance	49%	49%
Operation and Maintenance of Conveyance and Transportation of TSE to Riyadh Region and Suburbs (Riyadh TSE)	Kingdom of Saudi Arabia	Operations and Maintenance	49%	49%

3.1 Summarised financial statements of the joint operations

	<u>Mecca UJV</u>		<u>Riyadh TSE</u>	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	SR	SR	SR	SR
Total current assets	5,394,229	5,394,229	504,502	504,502
Total current liabilities	(3,359,984)	(3,359,984)	(92,117)	(92,117)
Net assets	2,034,245	2,034,245	412,385	412,385
Company's share at 49%	996,780	996,780	202,068	202,068

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
30 June 2023

4. EQUITY ACCOUNTED INVESTEE

The Company entered into an agreement with Veolia Middle East Company to establish a limited liability company named Erwaa Water Company ("EWC"). Accordingly, 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>	
			30 June 2023	31 December 2022
Erwaa Water Company ("EWC")	Kingdom of Saudi Arabia	Operations and Maintenance	49%	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 June 2023 and 31 December 2022.

4.1 Summarised financial statements of the associate

	30 June 2023 SR	31 December 2022 SR
Total current assets	35,210,289	31,588,707
Total non-current assets	3,604,233	4,269,214
Total current liabilities	(25,924,601)	(25,448,556)
Non current liabilities	(18,989,338)	(14,243,135)
Net liabilities	(6,099,417)	(3,833,770)
Company's share at 49%	(2,988,715)	(1,878,547)
Revenues	25,168,278	34,273,515
Loss for the period	(2,265,633)	(4,333,768)
Company share of loss for the Period at 49%	(1,110,160)	(2,123,546)

4.2 Cumulative share of loss of SR 3.23 million has exceeded the carrying value of investment as at 30 Jun 2023 by SR 2.988 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 Jun 2023 the Company has provided additional funding of SR 2.45 million proportionate to its share in the EWC.

Movement in loan to associate:

	30 June 2023 SR	31 December 2022 SR
Opening balance	5,390,000	-
Addition during the year	2,450,000	7,840,000
Repayments	-	(2,450,000)
Closing balance	7,840,000	5,390,000

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

	Buildings	Heavy machines	Furniture and fixtures	Motor vehicles	Capital work in progress	30 June 2023 Total SR (Unaudited)	31 December 2022 Total SR (Audited)
	SR	SR	SR	SR	SR		
Cost:							
At the beginning of the period	3,303,828	263,634,057	17,347,840	110,224,121	90,562,500	485,072,346	321,004,743
Additions	456,539	13,808,163	1,882,907	9,558,120	-	25,705,729	188,400,130
Disposals	-	(329,000)	(70,793)	(796,554)	-	(1,196,347)	(24,332,527)
At the end of the period	<u>3,760,367</u>	<u>277,113,220</u>	<u>19,159,954</u>	<u>118,985,687</u>	<u>90,562,500</u>	<u>509,581,728</u>	<u>485,072,346</u>
Accumulated depreciation:							
At the beginning of the period	1,853,429	112,187,594	10,183,613	61,609,242	-	185,833,878	173,584,565
Charge for the period	124,004	13,944,752	661,781	7,322,352	-	22,052,889	35,103,726
Disposals	-	(149,464)	(65,843)	(379,124)	-	(594,431)	(22,854,413)
At the end of the period	<u>1,977,433</u>	<u>125,982,882</u>	<u>10,779,551</u>	<u>68,552,470</u>	<u>-</u>	<u>207,292,336</u>	<u>185,833,878</u>
Carrying value							
30 June 2023 (Unaudited)	<u>1,782,934</u>	<u>151,130,338</u>	<u>8,380,403</u>	<u>50,433,217</u>	<u>90,562,500</u>	<u>302,289,392</u>	
31 December 2022 (Audited)	<u>1,450,399</u>	<u>151,446,463</u>	<u>7,164,227</u>	<u>48,614,879</u>	<u>90,562,500</u>		<u>299,238,468</u>

a) Capital work in progress includes cost incurred for the purchased of new head office building in Riyadh, currently undergoing some structural work for its intended use.

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2023

6. PREPAYMENTS AND OTHER CURRENT ASSETS

	30 June 2023 SR (Unaudited)	31 December 2022 SR (Audited)
Prepaid expenses	74,759,494	44,831,314
Advances to suppliers	67,635,071	17,445,152
Employees' advances and receivables	7,808,149	8,890,988
Others	8,306,038	10,915,169
	<u>158,508,752</u>	<u>82,082,623</u>

7. CONTRACT ASSETS

	30 June 2023 SR (Unaudited)	31 December 2022 SR (Audited)
Opening balance	426,040,163	236,382,937
Value of work performed	738,097,199	822,032,855
Less: progress billings	(541,552,223)	(628,306,871)
	<u>622,585,139</u>	<u>430,108,921</u>
Less: provision for expected credit losses	(6,754,539)	(4,068,758)
Closing balance	<u>615,830,600</u>	<u>426,040,163</u>

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.

8. TRADE AND OTHER RECEIVABLES

	30 June 2023 SR (Unaudited)	31 December 2022 SR (Audited)
Trade receivables	200,544,324	214,725,792
Retention receivables	12,691,743	9,361,134
	<u>213,236,067</u>	<u>224,086,926</u>
Less: provision for expected credit losses	(4,915,144)	(7,600,925)
	<u>208,320,923</u>	<u>216,486,001</u>

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

	30 June 2023 SR (Unaudited)	31 December 2022 SR (Audited)
Opening balance	11,669,683	5,396,800
Add: Charge for the period / year	-	6,272,883
Closing balance	<u>11,669,683</u>	<u>11,669,683</u>

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2023

8. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables are non-interest bearing and are generally on terms of 60 to 120 days. Trade and retention receivables include amounts totaling SR 207 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

	30 June 2023 SR (Unaudited)	31 December 2022 SR (Audited)
Bank balances	94,483,451	84,629,475
Cash in hand	5,206,698	750
	99,690,149	84,630,225

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.

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

11. TERM LOANS

	30 June 2023 SR (Unaudited)	31 December 2022 SR (Audited)
Short term loans	239,288,748	156,708,847
Current portion of long-term loans	136,094,027	241,594,024
Loans current liability	375,382,775	398,302,871
Loans non-current liability	150,497,738	105,513,500

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2023

11. TERM LOANS (continued)

	30 June 2023 SR (Unaudited)	31 December 2022 SR (Audited)
Opening balance	503,816,371	218,792,397
Add: Obtained during the period	228,789,309	1,167,056,997
Less: Repayments during the period	(206,725,167)	(882,033,023)
Closing balance	525,880,513	503,816,371

The Company has obtained Sharia Compliant Murabaha loan facilities from commercial banks. These facilities are maturing 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

	30 June 2023 SR (Unaudited)	31 December 2022 SR (Audited)
Trade payables	214,146,137	83,544,850
Accrued expenses	40,918,550	39,797,290
VAT payable	5,931,434	12,884,264
Provision for onerous contracts	473,092	473,092
Dividends payable	473,146	473,146
Obligation for loss from an equity accounted investee (note 4)	2,988,715	1,878,547
Other	12,175,428	4,347,493
	277,106,502	143,398,682

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.

	For the three-month period ended 30 June		For the Six-month period ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Profit for the period (SR)	35,587,598	26,325,456	68,316,038	51,634,574
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	25,000,000	25,000,000	25,000,000	25,000,000
Basic and diluted earnings per share of profit for the period (SR)	1.42	1.05	2.73	2.07

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

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2023

14. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties of the Company include shareholders, Board of Directors, key management personnel and entities of which they are principal owners.

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:

<u>Related parties</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>	
			30 June 2023 SR (Unaudited)	30 June 2022 SR (Unaudited)
Alkhorayef Group company	Parent Company	Shared service cost	859,635	360,000
		Land rental	165,600	144,000
Abdullah Ibrahim Alkhorayef Sons Company	Ultimate Parent Company and a board member	Land rental	142,600	138,850
Alkhorayef Commercial Company	A subsidiary to the Parent	Purchases	43,578	852,251
		Sales	73,957	77,539
Al Khorayef Petroleum Company ("APC")	A subsidiary to the Parent	Purchases	-	201,250
Alkhorayef Printing Solutions Company	A subsidiary to the Parent	Purchases	114,906	134,748
Castrol	A subsidiary to the Parent	Purchases	183,557	111,908
Alkhorayef Industries Company	A subsidiary to the Parent	Sales	-	16,560
Saudi Part Center("SPC")	A subsidiary to the Parent	Purchases	4,370	9,576
Erwaa Water Company ("EWC")	An associate to the Company	Loan during the period	2,450,000	3,185,000
		Share of loss	2,988,715	1,927,686

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:

<u>Related parties</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>	
		30 June 2023 SR (Unaudited)	30 June 2022 SR (Unaudited)
Key management personnel Note 13.3	Short-term benefits	9,373,875	8,080,537
	Post-employment benefits	500,125	817,266
Board of directors	Remuneration	479,000	450,000

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 There are no balances outstanding due from and due to related parties as at 30 June 2023 and 30 June 2022.

14.3 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.

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2023

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 June		For the Six-month period ended 30 June	
	2023	2022	2023	2022
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Types of services				
Water (see note "a" below)	276,593,333	79,195,521	455,833,963	146,131,690
Wastewater (see note "b" below)	65,797,584	39,693,960	131,258,443	86,080,556
Integrated Water Solutions (see note "c" below)	74,095,592	65,537,776	151,004,793	125,742,486
	416,486,509	184,427,257	738,097,199	357,954,732

	For the three months period ended 30 June		For the Six-month period ended 30 June	
	2023	2022	2023	2022
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
a) Categories of segments (Water)				
Water Networks	223,666,147	23,689,369	349,252,551	47,756,876
Water Withdraw and Treatment	52,927,186	55,506,152	106,581,412	98,374,814
	276,593,333	79,195,521	455,833,963	146,131,690

	For the three months period ended 30 June		For the Six-month period ended 30 June	
	2023	2022	2023	2022
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
b) Categories of segments (Wastewater)				
Wastewater Networks	50,393,138	27,720,609	97,806,746	61,445,545
Wastewater Treatment	15,404,446	11,973,351	33,451,697	24,635,011
	65,797,584	39,693,960	131,258,443	86,080,556

	For the three months period ended 30 June		For the six months period ended 30 June	
	2023	2022	2023	2022
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
c) Categories of segments (Integrated Water Solutions)				
Water Management Services	35,650,638	23,847,145	69,886,650	45,925,788
City Management	21,565,800	26,325,174	45,471,099	49,352,468
Stormwater Networks	16,879,154	15,365,457	35,647,044	30,464,230
	74,095,592	65,537,776	151,004,793	125,742,486

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.

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2023

16. COST OF REVENUES

	For the three months period ended 30 June		For the six months period ended 30 June	
	2023	2022	2023	2022
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Materials consumed	200,070,254	26,278,090	318,975,423	57,162,414
Employees 'salaries and other benefits	108,652,225	78,794,142	213,380,355	151,568,301
Depreciation and amortization	11,488,621	8,438,831	22,713,334	16,427,108
Repair and maintenance	8,766,256	6,959,167	18,836,459	12,222,865
Utilities	6,332,468	5,557,820	12,041,698	9,197,328
Rent	5,677,167	2,523,295	10,218,609	5,769,082
Insurance	2,249,735	1,562,278	4,708,694	3,060,707
Penalties	1,814,817	4,679,171	2,868,531	5,315,239
Professional fees	534,538	346,628	1,237,865	931,009
Others	9,084,159	3,569,159	14,531,673	7,018,837
	354,670,240	138,708,581	619,512,641	268,672,890

17. ZAKAT

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

	30 June 2023 SR (Unaudited)	31 December 2022 SR (Audited)
Opening balance	9,558,435	8,111,713
Charge for the period	8,833,843	9,585,084
Paid during the period	(9,424,810)	(8,138,362)
	8,967,468	9,558,435

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 June 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.

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2023

19. OPERATING SEGMENTS (continued)

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, waste water and integrated water solution. Information regarding the Company's reportable segments is presented below:

Based on nature of services:

	Water	Waste Water	Integrated Water Solution	Other unallocated	Total
30 June 2023					
Revenue	455,833,963	131,258,443	151,004,793	-	738,097,199
Cost of revenue	(378,785,135)	(111,910,253)	(128,817,253)	-	(619,512,641)
Profit for the period	77,048,828	19,348,190	21,077,380	(49,158,360)	68,316,038
Assets	573,154,123	237,517,999	318,717,002	356,215,475	1,485,604,599
Liabilities	-	-	-	1,019,707,183	1,019,707,183
30 June 2022					
Revenue	146,131,690	86,080,556	125,742,486	-	357,954,732
Cost of revenue	(103,464,717)	(68,442,612)	(96,765,561)	-	(268,672,890)
Profit for the period	42,666,965	17,637,941	27,049,250	(35,719,582)	51,634,574
31 December 2022					
Assets	404,314,227	229,568,587	281,754,246	270,953,591	1,186,590,651
Liabilities	-	-	-	789,009,273	789,009,273

Geographical segments:

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

20. CONTINGENCIES

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

	30 June 2023	31 December 2022
	SR	SR
	(Unaudited)	(Audited)
Letters of guarantee	559,142,695	418,833,920
Letters of credit	57,016,449	71,452,137
	616,159,144	490,286,057

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.

30 June 2023

22. EVENTS AFTER 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.

Except mentioned above, 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.

23. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements have been approved by the Board of Directors on 20 Muharram 1445H (corresponding to 7 August 2023).