

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

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## KPMG Professional Services

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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 interim statement of financial position as at 31 March 2023;
- the condensed interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2023;
- the condensed interim statement of changes in equity for the three-month period ended 31 March 2023;
- the condensed interim statement of cash flows for the three-month period ended 31 March 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 31 March 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.



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

To the Shareholders of Alkhorayef for Water and Power Technologies Company (Continued)

## Other Matter

The condensed interim financial statements of the Company for the three-month period ended 31 March 2022 were reviewed by another auditor who expressed an unmodified conclusion on those condensed interim financial statements on 19 May 2022.

## KPMG Professional Services



**Fahad Mubark Al Dossari**  
License No: 469

Riyadh on 21 Shawwal 1444H  
Corresponding to: 11 May 2023

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

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**At 31 March 2023**

	Notes	31 March 2023 SR (Unaudited)	31 December 2022 SR (Audited)
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property and equipment	5	294,799,004	299,238,468
Right-of-use assets		5,557,757	5,415,512
Equity accounted investee	4	7,840,000	5,390,000
Capital advances		12,175,665	10,653,925
<b>Total non-current assets</b>		<b>320,372,426</b>	<b>320,697,905</b>
<b>Current assets</b>			
Inventories		83,025,650	56,653,734
Prepayments and other current assets	6	163,142,650	82,082,623
Contract assets	7	488,809,677	426,040,163
Trade and other receivables	8	252,860,359	216,486,001
Cash and bank balances	9	81,359,992	84,630,225
<b>Total current assets</b>		<b>1,069,198,328</b>	<b>865,892,746</b>
<b>Total assets</b>		<b>1,389,570,754</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		142,475,630	109,747,190
Actuarial reserve		5,362,277	5,362,277
<b>Total equity</b>		<b>430,309,818</b>	<b>397,581,378</b>
<b>Non-current liabilities</b>			
Employees' defined benefit liabilities		44,719,312	43,672,901
Non-current portion of lease liabilities		3,006,552	3,778,799
Advance from customer – long term portion		55,870,782	49,983,834
Non-current portion of term loans	11	165,755,619	105,513,500
<b>Total non-current liabilities</b>		<b>269,352,265</b>	<b>202,949,034</b>
<b>Current liabilities</b>			
Trade payables, accruals and other liabilities		207,950,709	143,398,682
Current portion of term loans	11	431,449,732	398,302,871
Current portion of lease liabilities		2,098,286	1,511,717
Advance from customer – short term portion		34,206,593	31,698,991
Amounts due to related parties		-	1,589,543
Zakat payable	16	14,203,351	9,558,435
<b>Total current liabilities</b>		<b>689,908,671</b>	<b>586,060,239</b>
<b>Total liabilities</b>		<b>959,260,936</b>	<b>789,009,273</b>
<b>Total equity and liabilities</b>		<b>1,389,570,754</b>	<b>1,186,590,651</b>

These condensed interim financial statements on pages 3 to 18 have been approved by Board of Directors on 21 Shawwal 1444H (corresponding to 11 May 2023) and are signed on their behalf by:

Chairman of Board

Chief Executive Officer

Finance Director

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 period ended 31 March 2023**

		<i>For the three months period ended 31 March (Unaudited)</i>	
		2023	2022
	Note	SR	SR
Revenue	14	321,610,690	173,527,475
Cost of revenue	15	(264,842,401)	(129,964,309)
<b>Gross profit</b>		<b>56,768,289</b>	<b>43,563,166</b>
Selling and distribution expenses		(94,824)	(368,960)
General and administrative expenses		(11,013,154)	(9,614,041)
Impairment loss on trade receivables including contract assets		-	(3,555,460)
Gain on sale of property and equipment		27,321	70,181
<b>Operating profit</b>		<b>45,687,632</b>	<b>30,094,886</b>
Finance costs		(9,323,626)	(1,522,370)
Other income, net		1,098,110	260,688
Share of loss from an associate	4.1	(88,760)	-
<b>Profit before zakat</b>		<b>37,373,356</b>	<b>28,833,204</b>
Zakat	16	(4,644,916)	(3,524,086)
<b>Profit for the period</b>		<b>32,728,440</b>	<b>25,309,118</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>32,728,440</b>	<b>25,309,118</b>
<i>Earnings per share (EPS):</i>			
Basic and diluted earning per share	12	1.31	1.01

Chairman of Board



Chief Executive Officer



Finance Director



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



**ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY**  
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**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**For the three-month period ended 31 March 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	-	-	25,309,118	-	25,309,118
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	25,309,118	-	25,309,118
Dividends (note 17)	-	-	(37,500,000)	-	(37,500,000)
As at 31 March 2022 (Unaudited)	<u>250,000,000</u>	<u>21,727,793</u>	<u>75,859,249</u>	<u>(3,271,555)</u>	<u>344,315,487</u>
As at 1 January 2023 (Audited)	<b>250,000,000</b>	<b>32,471,911</b>	<b>109,747,190</b>	<b>5,362,277</b>	<b>397,581,378</b>
Profit for the period	-	-	32,728,440	-	32,728,440
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	32,728,440	-	32,728,440
As at 31 March 2023 (Unaudited)	<u><b>250,000,000</b></u>	<u><b>32,471,911</b></u>	<u><b>142,475,630</b></u>	<u><b>5,362,277</b></u>	<u><b>430,309,818</b></u>

Chairman of Board



Chief Executive Officer



Finance Director



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

**ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY**  
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**CONDENSED INTERIM STATEMENT OF CASHFLOWS**  
**For the three-month period ended 31 March 2023**

	31 March 2023 SR (Unaudited)	31 March 2022 SR (Unaudited)
<b>OPERATING ACTIVITIES</b>		
Profit for the period	32,728,440	25,309,118
Adjustments to reconcile profit for the period to net cash flows:		
Depreciation of property and equipment	10,915,912	8,015,773
Depreciation of right-of-use assets	410,269	154,826
Gain on sale of property and equipment	(27,323)	(70,181)
Provision for expected credit losses	-	3,555,460
Provision for employees' defined benefits	2,221,867	2,575,472
Finance costs	9,323,626	1,522,370
Share of loss from associate	88,760	-
Zakat charge	4,644,916	3,524,086
Settlement of finance lease contract	5,833	-
	<u>60,312,300</u>	<u>44,586,924</u>
Working capital adjustments:		
Trade and other receivables, prepayments and other assets	(114,748,604)	(19,075,354)
Inventories	(26,371,916)	151,886
Advance from customer	8,394,550	-
Trade payable, accruals and other liabilities	64,463,267	(6,467,520)
Amount due to related parties	(1,589,543)	-
Contract assets	(65,455,296)	(81,060,600)
	<u>(74,995,242)</u>	<u>(61,864,664)</u>
Cash flows used in operations	(9,281,650)	(1,522,370)
Finance costs paid	(1,175,456)	(1,098,497)
Employees' defined benefits paid	<u>(85,452,348)</u>	<u>(64,485,531)</u>
Net cash flows used in operating activities		
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(6,805,725)	(11,300,859)
Movement in capital advances	(1,521,740)	-
Proceeds from sale of property and equipment	356,600	203,101
Investment in an associate	-	(245,000)
Loan to an associate	(2,450,000)	(2,940,000)
	<u>(10,420,865)</u>	<u>(14,282,758)</u>
Net cash flows used in investing activities		
<b>FINANCING ACTIVITIES</b>		
Payment of principal portion of lease liabilities	(744,024)	(565,624)
Finance costs paid on lease liabilities	(41,976)	-
Proceeds from term loans	176,628,084	257,132,445
Repayment of term loans	(83,239,104)	(120,264,822)
Dividends paid	-	(37,018,554)
	<u>92,602,980</u>	<u>99,283,445</u>
Net cash flows from financing activities		
<b>Net change in cash and bank balances</b>	<u>(3,270,233)</u>	<u>20,515,156</u>
Cash and bank balances at the beginning of the period	84,630,225	42,020,512
<b>Cash and bank balances at the end of the period</b>	<u>81,359,992</u>	<u>62,535,668</u>
<b>Significant non-cash transactions</b>		
Recognition of right-of-use assets and lease liabilities	<u>3,517,206</u>	<u>1,515,029</u>

Chairman of Board

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

Chief Executive Officer

Finance Director



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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)**  
**31 March 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 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 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 2023), 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 three-month period ended 31 March 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)**  
**31 March 2023**

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

**2.2 New standards, interpretations and amendments (continued)**

New and revised IFRSs	Effective for annual periods beginning on or after
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
Extension of the Temporary Exemption from Applying IFRS 9 - Amendments to IFRS 4	1 January 2023
Amendments to IFRS 17 Insurance Contracts	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 an unincorporated joint arrangement) whereby the Company and the other venture 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>	
			<u>31 March 2023</u>	<u>31 December 2022</u>
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**

	<b>Makkah UJV</b>		<b>Riyadh TSE</b>	
	<b>31 March 2023</b> <b>SR</b>	<b>31 December 2022</b> <b>SR</b>	<b>31 March 2023</b> <b>SR</b>	<b>31 December 2022</b> <b>SR</b>
Total current assets	5,394,229	5,394,229	504,501	504,501
Total current liabilities	(3,359,984)	(3,359,984)	(92,117)	(92,117)
Net assets	2,034,245	2,034,245	412,384	412,384
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)**  
**31 March 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-Akhirah 1443H (corresponding to 6 January 2022).

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 (but not majority) representation on the board of the associate. The investment is accounted for using the equity method in these financial statements.

<u>Associate name</u>	<u>Location</u>	<u>Principal activities</u>	<u>Percentage of ownership</u>	
			<u>31 March</u> <u>2023</u>	<u>31</u> <u>December</u> <u>2022</u>
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 31 March 2023 and 31 December 2022.

**4.1 Summarised financial statements of the associate**

	<b>31 March</b> <b>2023</b> <b>SR</b>	<b>31 December</b> <b>2022</b> <b>SR</b>
Total current assets	<b>37,393,323</b>	31,588,707
Total non-current assets	<b>4,052,677</b>	4,269,214
Total current liabilities	<b>(26,293,892)</b>	(25,448,556)
Non-current liabilities	<b>(19,167,020)</b>	(14,243,135)
Net liability	<b>(4,014,912)</b>	(3,833,770)
Company's share of interest in associate at 49%	<b>(1,967,307)</b>	(1,878,547)
Revenue	<b>11,762,696</b>	34,273,615
Loss for the period	<b>(181,143)</b>	(4,333,768)
Company's share of loss for the period at 49%	<b>(88,760)</b>	(2,123,547)

**4.2** Cumulative share of loss of SR 2.21 million has exceeded the carrying value of investment as at 31 March 2023 by SR 1.967 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 31 March 2023 the Company has provided additional funding of SR 2.45 million proportionate to its share in the EWC.

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)**

**31 March 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	Furniture and	Motor	Capital work	<b>31 March</b>	<b>31 December</b>
	SR	machines	fixtures	vehicles	in progress	<b>2023</b>	<b>2022</b>
		SR	SR	SR	SR	<b>SR</b>	<b>SR</b>
						<b>(Unaudited)</b>	<b>(Audited)</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>	321,004,743
Additions	309,737	1,377,853	1,224,910	3,893,225	-	<b>6,805,725</b>	188,400,130
Disposals	-	(73,000)	(70,792)	(437,004)	-	<b>(580,796)</b>	(24,332,527)
	<u>3,613,565</u>	<u>264,938,910</u>	<u>18,501,958</u>	<u>113,680,342</u>	<u>90,562,500</u>	<u><b>491,297,275</b></u>	<u>485,072,346</u>
At the end of the period							
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>	173,584,565
Charge for the period	57,748	6,893,734	321,640	3,642,790	-	<b>10,915,912</b>	35,103,726
Disposals	-	(30,417)	(65,843)	(155,259)	-	<b>(251,519)</b>	(22,854,413)
	<u>1,911,177</u>	<u>119,050,911</u>	<u>10,439,410</u>	<u>65,096,773</u>	<u>-</u>	<u><b>196,498,271</b></u>	<u>185,833,878</u>
At the end of the period							
Carrying value							
<b>31 March 2023 (Unaudited)</b>	<u><b>1,702,388</b></u>	<u><b>145,887,999</b></u>	<u><b>8,062,548</b></u>	<u><b>48,583,569</b></u>	<u><b>90,562,500</b></u>	<u><b>294,799,004</b></u>	<u>-</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>-</u>	<u>299,238,468</u>

(a) 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.

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)**

**31 March 2023**

**6. PREPAYMENTS AND OTHER CURRENT ASSETS**

	<b>31 March 2023 SR (Unaudited)</b>	<b>31 December 2022 SR (Audited)</b>
Prepaid expenses	<b>79,208,936</b>	44,831,314
Advances to suppliers	<b>64,161,273</b>	17,445,152
Employees' advances and receivables	<b>8,231,288</b>	8,890,988
Others	<b>11,541,153</b>	10,915,169
	<b>163,142,650</b>	82,082,623

**7. CONTRACT ASSETS**

	<b>31 March 2023 SR (Unaudited)</b>	<b>31 December 2022 SR (Audited)</b>
Opening balance	<b>426,040,163</b>	236,382,937
Value of work performed	<b>321,610,691</b>	822,032,855
Less: progress billings	<b>(252,086,637)</b>	(628,306,871)
	<b>495,564,217</b>	430,108,921
Less: allowance for expected credit losses	<b>(6,754,540)</b>	(4,068,758)
<b>Closing balance</b>	<b>488,809,677</b>	426,040,163

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**

	<b>31 March 2023 SR (Unaudited)</b>	<b>31 December 2022 SR (Audited)</b>
Trade receivables	<b>248,048,334</b>	214,725,792
Retention receivables	<b>9,727,168</b>	9,361,134
	<b>257,775,502</b>	224,086,926
Less: allowance for expected credit losses	<b>(4,915,143)</b>	(7,600,925)
	<b>252,860,359</b>	216,486,001



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

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

	<b>31 March 2023 SR (Unaudited)</b>	<b>31 December 2022 SR (Audited)</b>
Opening balance	<b>11,669,683</b>	5,396,800
Add: Charge for the period / year	-	6,272,883
<b>Closing balance</b>	<b>11,669,683</b>	<b>11,669,683</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 253 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>31 March 2023 SR (Unaudited)</b>	<b>31 December 2022 SR (Audited)</b>
Bank balances	<b>76,502,992</b>	84,629,475
Cash in hand	<b>4,857,000</b>	750
	<b>81,359,992</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.

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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**31 March 2023**

**11. TERM LOANS**

	<b>31 March 2023 SR (Unaudited)</b>	<b>31 December 2022 SR (Audited)</b>
Short term loans	<b>270,355,706</b>	156,708,847
Current portion of long-term loans	<b>161,094,026</b>	241,594,024
Loans current liability	<b>431,449,732</b>	398,302,871
Loans non-current liability	<b>165,755,619</b>	105,513,500
	<b>31 March 2023 SR (Unaudited)</b>	<b>31 December 2022 SR (Unaudited)</b>
Opening balance	<b>503,816,371</b>	218,792,397
Add: Obtained during the period	<b>176,628,084</b>	1,167,056,997
Less: Repayments during the period	<b>(83,239,104)</b>	(882,033,023)
<b>Closing balance</b>	<b>597,205,351</b>	503,816,371

The Company has obtained Sharia Compliant Murabaha loan facilities from commercial banks with maturity dates ranging from 2023 to 2032. 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. 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 period ended 31 March</b>	
	<b>2023 (Unaudited)</b>	<b>2022 (Unaudited)</b>
Profit for the period (SR)	<b>32,728,440</b>	25,309,118
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
Basic and diluted earnings per share of profit for the period (SR)	<b>1.31</b>	1.01

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

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**31 March 2023**

**13. 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:

			<b>Amount of transactions</b>	
			<b>31 March 2023</b>	31 March 2022
<b>Related parties</b>	<b>Relationship</b>	<b>Nature of transactions</b>	<b>SR (Unaudited)</b>	<b>SR (Unaudited)</b>
Alkhorayef Group company	Parent Company	Shared service cost	<b>429,817</b>	180,000
		Land rental	<b>82,800</b>	72,000
Abdullah Ibrahim Alkhorayef Sons Company	Ultimate Parent Company and a board member	Land rental	<b>71,300</b>	69,425
Alkhorayef Commercial	A subsidiary to the Parent	Sale	<b>42,550</b>	36,800
		Purchases	<b>43,578</b>	244,687
Alkhorayef Industries Company("AIC")	A subsidiary to the Parent	Sale	-	16,560
Saudi Part Center("SPC")	A subsidiary to the Parent	Purchases	<b>4,370</b>	9,576
Erwaa Water Company ("EWC")	An associate to the Company	Share of loss	<b>(1,967,314)</b>	-
		Loan during the period	<b>2,450,000</b>	2,940,000

**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:

		<b>Amount of transactions</b>	
		<b>31 March 2023</b>	31 March 2022
<b>Related parties</b>	<b>Nature of transactions</b>	<b>SR (Unaudited)</b>	<b>SR (Unaudited)</b>
Key management personnel Note 13.3	Short-term benefits	<b>1,469,782</b>	1,445,437
	Post-employment benefits	<b>108,363</b>	715,204
Board of directors	Remuneration and sitting fees	<b>257,500</b>	268,500

13.1 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.

13.2 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.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)**

**31 March 2023**

**14. REVENUES**

**14.1 Disaggregated revenue information**

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

	<b>For the three months period ended 31 March</b>	
	<b>2023</b>	<b>2022</b>
	<b>SR</b>	<b>SR</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Types of services</b>		
Water (see note "a" below)	<b>179,240,630</b>	66,936,169
Wastewater (see note "b" below)	<b>65,460,859</b>	46,386,596
Integrated Water Solutions (see note "c" below)	<b>76,909,201</b>	60,204,710
	<b>321,610,690</b>	173,527,475

	<b>For the three months period ended 31 March</b>	
	<b>2023</b>	<b>2022</b>
	<b>SR</b>	<b>SR</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>a) Categories of segments (Water)</b>		
Water Withdraw and Treatment	<b>53,654,226</b>	42,868,661
Water Networks	<b>125,586,404</b>	24,067,508
	<b>179,240,630</b>	66,936,169

	<b>For the three months period ended 31 March</b>	
	<b>2023</b>	<b>2022</b>
	<b>SR</b>	<b>SR</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>b) Categories of segments (Wastewater)</b>		
Wastewater Networks	<b>47,413,608</b>	33,724,936
Wastewater Treatment	<b>18,047,251</b>	12,661,660
	<b>65,460,859</b>	46,386,596

	<b>For the three months period ended 31 March</b>	
	<b>2023</b>	<b>2022</b>
	<b>SR</b>	<b>SR</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>c) Categories of segments (Integrated Water Solutions)</b>		
City Management	<b>23,905,299</b>	23,027,294
Water Management Services	<b>34,236,012</b>	22,078,643
Stormwater Networks	<b>18,767,890</b>	15,098,773
	<b>76,909,201</b>	60,204,710

**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.

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**31 March 2023**

**15. COST OF REVENUES**

	<b>For the three months period ended 31 March</b>	
	<b>2023</b>	<b>2022</b>
	<b>SR</b>	<b>SR</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Employees' salaries and other benefits	<b>104,728,130</b>	72,774,159
Materials consumed	<b>118,905,169</b>	30,884,324
Depreciation and amortization	<b>11,224,713</b>	7,988,277
Repair and maintenance	<b>10,070,203</b>	5,263,698
Utilities	<b>5,709,230</b>	3,639,508
Rent	<b>4,541,442</b>	3,245,787
Insurance	<b>2,458,959</b>	1,498,429
Penalties	<b>1,053,714</b>	636,068
Professional fees	<b>703,327</b>	584,381
Others	<b>5,447,514</b>	3,449,678
	<b>264,842,401</b>	129,964,309

**16. ZAKAT**

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

	<b>31 March 2023</b>	<b>31 December 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>4,644,916</b>	9,585,084
Paid during the period	<b>-</b>	(8,138,362)
	<b>14,203,351</b>	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. No assessment has been received for the year ended 31 December 2021 and 2022.

**17. DIVIDENDS**

No dividend was declared for the period ended 31 March 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

**18. 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.



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**31 March 2023**

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

**Based on nature of services:**

<b>31 March 2023</b>	<b>Water</b>	<b>Wastewater</b>	<b>Integrated Water Solution</b>	<b>Other unallocated</b>	<b>Total</b>
Revenue	179,240,630	65,460,859	76,909,201	-	321,610,690
Cost of revenue	(146,152,996)	(54,141,777)	(64,547,628)	-	(264,842,401)
Profit for the period	33,087,634	11,319,082	12,361,573	(24,039,849)	32,728,440
Assets	600,628,273	219,347,808	302,922,531	266,672,142	1,389,570,754
Liabilities	-	-	-	959,260,936	959,260,936

  

<b>31 March 2022</b>	<b>Water</b>	<b>Waste Water</b>	<b>Integrated Water Solution</b>	<b>Other unallocated</b>	<b>Total</b>
Revenue	66,936,169	46,386,596	60,204,710	-	173,527,475
Cost of revenue	(47,078,615)	(36,124,234)	(46,761,460)	-	(129,964,309)
Profit for the period	19,857,554	10,262,363	13,443,251	(18,254,049)	25,309,118
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.

**19. CONTINGENCIES**

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

	<b>31 March 2023</b>	<b>31 December 2022</b>
	<b>SR</b>	<b>SR</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Letters of guarantee	577,679,822	418,833,920
Letters of credit	59,890,086	71,452,137
	<b>637,569,908</b>	<b>490,286,057</b>

**20. 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.

**21. 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.

**22. CHANGES IN PRIOR PERIOD**

- a) Impairment loss on trade receivables including contract assets amounting to SR 3,555,460 was classified under general and administrative expenses in the prior period financial statements. This has been now appropriately presented as a separate note line in statement of profit or loss.

The following tables summarise the impacts on the financial statements.

	For the three months period ended 31 March 2022 <u>previously reported</u>		For the three months period ended 31 March 2022 <u>after reclassification</u>
<b>Statement of profit or loss</b>		<b>Reclassification</b>	
General and administrative expenses	13,169,500	(3,555,460)	9,614,040
Impairment loss on trade receivables including contract assets	-	3,555,460	3,555,460

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

The condensed interim financial statements have been approved by the Board of Directors on 21 Shawwal 1444H (corresponding to 11 May 2023).