

**Alkhorayef for Water and Power
Technologies Company
(Owned by One Person)
(A Limited Liability Company)**

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

Alkhorayef for Water and Power Technologies Company (Owned by One Person)
(A Limited Liability Company)

INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2020

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**Independent auditor's review report on the interim condensed financial statements
To the Owner of Alkhorayef for Water and Power Technologies Company
(Owned by One Person)**

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Alkhorayef for Water and Power Technologies Company (Owned by One Person) ("the Company") as at 31 March 2020 and the related interim condensed statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standards 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing 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 interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

Saad M. Al-Khathlan
Certified Public Accountant
License No (509)

Riyadh: 17 Ramadan 1441H
(10 May 2020)



Alkhorayef for Water and Power Technologies Company (Owned by One Person)
(A Limited Liability Company)

INTERIM CONDENSED STATEMENT OF PROFIT OF LOSS

For the three-month period ended 31 March 2020

	<i>Note</i>	2020 SR <i>(Unaudited)</i>	2019 SR <i>(Unaudited)</i>
Revenue	3	132,738,416	87,019,808
Cost of revenue	4	(94,179,360)	(60,734,629)
GROSS PROFIT		38,559,056	26,285,179
Selling and distribution expenses		(586,408)	(360,793)
General and administrative expenses		(5,652,429)	(5,777,955)
OPERATING PROFIT		32,320,219	20,146,431
Finance costs		(876,738)	(1,276,176)
Other income, net		-	2,389,063
Foreign exchange gain, net		9,322	640
Gain (loss) on sale of property and equipment		39,440	(35,467)
PROFIT BEFORE ZAKAT		31,492,243	21,224,491
Zakat		-	-
PROFIT FOR THE PERIOD		31,492,243	21,224,491

The attached notes from 1 to 14 form an integral part of these interim condensed financial statements.

Alkhorayef for Water and Power Technologies Company (Owned by One Person)
(A Limited Liability Company)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the three-month period ended 31 March 2020

	2020 SR <i>(Unaudited)</i>	2019 SR <i>(Unaudited and unreviewed)</i>
PROFIT FOR THE PERIOD	31,492,243	21,224,491
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	31,492,243	21,224,491

The attached notes from 1 to 14 form an integral part of these interim condensed financial statements.

Alkhorayef for Water and Power Technologies Company (Owned by One Person)
(A Limited Liability Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	31 March 2020 SR (Unaudited)	31 December 2019 SR (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	64,425,866	62,680,145
Right-of-use assets		4,088,685	4,168,542
TOTAL NON-CURRENT ASSETS		68,514,551	66,848,687
CURRENT ASSETS			
Inventories		23,647,291	26,955,266
Contract asset	6	148,019,836	112,716,201
Trade and other receivable	7	219,159,119	147,212,522
Prepayments and other current assets		48,642,605	35,138,903
Cash and bank balances	8	14,566,779	17,059,045
TOTAL CURRENT ASSETS		454,035,630	339,081,937
TOTAL ASSETS		522,550,181	405,930,624
EQUITY AND LIABILITIES			
EQUITY			
Issued capital	9	80,000,000	80,000,000
Proposed increase in capital	10	170,000,000	-
Statutory reserve		-	19,065,309
Retained earnings		31,492,243	116,807,696
Re-measurement of employee defined benefit liabilities		(598,711)	(598,711)
TOTAL EQUITY		280,893,532	215,274,294
NON-CURRENT LIABILITIES			
Employee defined benefit liabilities		33,769,277	32,268,879
Lease liabilities		3,867,371	3,902,371
TOTAL NON-CURRENT LIABILITIES		37,636,648	36,171,250
CURRENT LIABILITIES			
Trade payables		56,840,759	58,442,389
Accruals and other liabilities		41,102,101	40,067,442
Due to related parties	11	105,790,579	55,729,085
Lease liabilities		286,562	246,164
TOTAL CURRENT LIABILITIES		204,020,001	154,485,080
TOTAL LIABILITIES		241,656,649	190,656,330
TOTAL EQUITY AND LIABILITIES		522,550,181	405,930,624

The attached notes from 1 to 14 form an integral part of these interim condensed financial statements.

Alkhorayef for Water and Power Technologies Company (Owned by One Person)
(A Limited Liability Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2020

	Share capital SR	Proposed Increase in Capital SR	Statutory Reserve SR	Retained earnings SR	Re-measurement of employee defined benefit liabilities SR	Total SR
As at 1 January 2019 (Unaudited)	80,000,000	-	9,892,572	34,253,064	(924,570)	123,221,066
Profit for the period	-	-	-	21,224,491	-	21,224,491
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	21,224,491	-	21,224,491
As at 31 March 2019 (Unaudited)	<u>80,000,000</u>	<u>-</u>	<u>9,892,572</u>	<u>55,477,555</u>	<u>(924,570)</u>	<u>144,445,557</u>
As at 1 January 2020 (Unaudited)	80,000,000	-	19,065,309	116,807,696	(598,711)	215,274,294
Profit for the period	-	-	-	31,492,243	-	31,492,243
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	31,492,243	-	31,492,243
Transferred to proposed increase in capital (note 10)	-	135,873,005	(19,065,309)	(116,807,696)	-	-
Transferred from due to owner to proposed increase in capital (note 11)	-	34,126,995	-	-	-	34,126,995
As at 31 March 2020 (Unaudited)	<u>80,000,000</u>	<u>170,000,000</u>	<u>-</u>	<u>31,492,243</u>	<u>(598,711)</u>	<u>280,893,532</u>

The attached notes from 1 to 14 form an integral part of these interim condensed financial statements.

Alkhorayef for Water and Power Technologies Company (Owned by One Person)
(A Limited Liability Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2020

	2020 SR (Unaudited)	2019 SR (Unaudited and Unreviewed)
OPERATING ACTIVITIES		
Profit before zakat and income tax	31,492,243	21,224,491
<i>Adjustments to reconcile profit before zakat and income tax to net cash flows:</i>		
Depreciation of property and equipment	4,131,271	3,360,197
Depreciation of right-of-use assets	79,857	78,801
(Gain) loss on sale of property and equipment	(39,440)	35,467
Provision for employee defined benefits	1,894,136	771,441
Finance costs	876,738	1,276,176
	38,434,805	26,746,573
Working capital adjustments:		
Trade receivables, prepayments and others assets	(85,450,299)	27,762,192
Inventories	3,307,975	(750,848)
Accounts payable, accruals and other liabilities	(1,486,099)	(1,006,588)
Amounts due from/to related parties	84,271,277	(41,280,513)
Contract asset	(35,303,635)	(30,201,068)
Cash flows from (used in) operations	3,774,024	(18,730,252)
Employees' benefits plan paid	(393,738)	(111,106)
Net cash flows from (used in) operating activities	3,380,286	(18,841,358)
INVESTING ACTIVITIES		
Purchase of property and equipment	(5,917,851)	(1,031,082)
Proceeds from sale of property and equipment	80,299	1,260
Net cash flows used in investing activities	(5,837,552)	(1,029,822)
FINANCING ACTIVITIES		
Payment of lease liability	(35,000)	(35,000)
Payment of obligations under capital lease contracts, net	-	(769,732)
Payment of loans	-	(6,666,667)
Net cash flows used in financing activities	(35,000)	(7,471,399)
Decrease in cash and bank balances	(2,492,266)	(27,342,579)
Cash and bank balances at the beginning of the period	17,059,045	36,949,745
Cash and bank balances at the end of the period	14,566,779	9,607,166

The attached notes from 1 to 14 form an integral part of these interim condensed financial statements.

Alkhorayef for Water and Power Technologies Company (Owned by One Person)
(A Limited Liability Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2020

1. CORPORATE INFORMATION

Alkhorayef for Water and Power Technologies Company Owned by one Person (the “Company”) is a limited liability 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.

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

2.1 Basis of preparation

The interim condensed financial statements for the three months ended 30 March 2020 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 Certified Public Accountants (“SOCPA”).

The interim condensed 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 2019.

2.2. New standards, interpretations and amendments

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2019. There are new standards, amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed financial statements of the Company.

There are other several amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s interim condensed financial statements. In the opinion of the management, these will have no significant impact on the interim condensed financial statements of the Company. The Company intends to adopt those amendments and interpretations, if applicable.

Alkhorayef for Water and Power Technologies Company (Owned by One Person)
(A Limited Liability Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

31 March 2020

3. REVENUE

3.1 *Disaggregated revenue information*

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

	<i>31 March 2020</i> <i>SR</i> <i>(Unaudited)</i>	<i>31 March 2019</i> <i>SR</i> <i>(Unaudited)</i>
<i>Types of services</i>		
Water (see note "a" below)	62,159,177	48,264,487
Waste Water (see note "b" below)	45,157,067	23,029,947
Integrated Water Solutions (see note "c" below)	25,422,172	15,725,374
	132,738,416	87,019,808
	<i>31 March 2020</i> <i>SR</i> <i>(Unaudited)</i>	<i>31 March 2019</i> <i>SR</i> <i>(Unaudited)</i>
<i>a) Services of segments (Water)</i>		
Water Withdraw and Treatment	39,961,095	32,336,206
Water Networks	22,198,082	15,928,281
	62,159,177	48,264,487
	<i>31 March 2020</i> <i>SR</i> <i>(Unaudited)</i>	<i>31 March 2019</i> <i>SR</i> <i>(Unaudited)</i>
<i>b) Services of segments (Waste Water)</i>		
Wastewater Networks	27,310,313	11,488,612
Wastewater Treatment	17,846,754	11,541,335
	45,157,067	23,029,947
	<i>31 March 2020</i> <i>SR</i> <i>(Unaudited)</i>	<i>31 March 2019</i> <i>SR</i> <i>(Unaudited)</i>
<i>c) Services of segments (Integrated Water Solutions)</i>		
City Management	12,002,313	8,508,917
Stormwater Networks	10,535,827	5,578,693
Water Management Services	2,884,032	1,637,764
	25,422,172	15,725,374

Geographical markets

The Company operates exclusively in the Kingdom of Saudi Arabia and therefore no additional geographical market information is presented in these interim condensed financial statements.

Alkhorayef for Water and Power Technologies Company (Owned by One Person)
(A Limited Liability Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

31 March 2020

4. COST OF REVENUE

	<i>31 March 2020</i> <i>SR</i> <i>(Unaudited)</i>	<i>31 March 2019</i> <i>SR</i> <i>(Unaudited)</i>
Salaries and wages	49,146,347	33,618,133
Materials	25,193,620	12,570,720
Repair and Maintenance	4,699,822	5,158,474
Depreciation	3,966,423	3,253,290
Fuel	2,788,164	1,929,454
Penalties	354,978	224,256
Other	8,030,006	3,980,302
	<hr/> 94,179,360 <hr/>	<hr/> 60,734,629 <hr/>

Alkhorayef for Water and Power Technologies Company (Owned by One Person)
(A Limited Liability Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

31 March 2020

5 PROPERTY, PLANT 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

	<i>Buildings</i>	<i>Machines</i>	<i>Furniture and fixture</i>	<i>Motor Vehicles</i>	<i>Total 31 March 2020 (Unaudited)</i>	<i>Total 31 December 2019</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<i>Cost</i>						
At the beginning of the year	2,648,420	115,822,622	12,649,910	74,246,228	205,367,180	180,689,748
Additions	6,700	4,957,550	98,101	855,500	5,917,851	28,823,210
Disposals	-	(312,200)	(16,574)	(35,500)	(364,274)	(4,717,579)
Acquisition of a division	-	-	-	-	-	571,801
At the end of the period	<u>2,655,120</u>	<u>120,467,972</u>	<u>12,731,437</u>	<u>75,066,228</u>	<u>210,920,757</u>	<u>205,367,180</u>
<i>Accumulated Depreciation</i>						
At the beginning of the period	1,832,401	86,221,401	7,765,650	46,867,583	142,687,035	131,534,231
Charge for the period	34,322	1,652,179	303,030	2,141,740	4,131,271	14,410,840
Disposal	-	(304,325)	(4,890)	(14,200)	(323,415)	(3,715,902)
Acquisition of a division	-	-	-	-	-	457,866
At the end of the period	<u>1,866,723</u>	<u>87,569,255</u>	<u>8,063,790</u>	<u>48,995,123</u>	<u>146,494,891</u>	<u>142,687,035</u>
Net book value						
31 March 2020 (Unaudited)	<u>788,397</u>	<u>32,898,717</u>	<u>4,667,647</u>	<u>26,071,105</u>	<u>64,425,866</u>	
31 December 2019 (Audited)	<u>816,019</u>	<u>29,601,221</u>	<u>4,884,260</u>	<u>27,378,645</u>		<u>62,680,145</u>

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(OWNED BY ONE PERSON)
(A LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2020

6. CONTRACT ASSETS

	<i>31 March 2020 SR (Unaudited)</i>	<i>31 Decemer 2019 SR (Audited)</i>
Opening balance	112,716,201	75,447,439
Value of work performed	132,738,416	423,228,466
Progress billings	(97,434,781)	(385,959,704)
	<u>148,019,836</u>	<u>112,716,201</u>

7. TRADE AND OTHER RECEIVABLES

	<i>31 March 2020 SR (Unaudited)</i>	<i>31 December 2019 SR (Audited)</i>
Trade receivables	215,113,042	144,038,290
Retention receivables	8,572,378	7,700,533
Less: provision for expected credit losses	(4,526,301)	(4,526,301)
	<u>219,159,119</u>	<u>147,212,522</u>

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. The receivables include amounts totaling SR 188 million which is due from Government and quasi-Government institutions (31 December 2019: SR 127 million).

8. CASH AND BANK BALANCES

	<i>31 March 2020 SR (Unaudited)</i>	<i>31 December 2019 SR (Audited)</i>
Bank balances	12,449,436	17,057,460
Cash in hand	2,117,343	1,585
	<u>14,566,779</u>	<u>17,059,045</u>

Alkhorayef for Water and Power Technologies Company (Owned by One Person)
(A Limited Liability Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

31 March 2020

9. ISSUED CAPITAL

Capital is divided into 80,000 share (31 December 2019: 80,000 shares) of SR 1,000 each. Capital is 100% owned by Alkhorayef Group Company.

10. PROPOSED INCREASE IN CAPITAL

As per the Owner's resolution dated 23 Rajab 1441H (corresponding to 18 March 2020), the Owner decided to increase the Company's capital from SR 80,000,000 to SR 250,000,000 through the transfer of SR 170,000,000 from the retained earnings, statutory reserve and portion of due to Owner to the account of proposed increase in capital. Legal formalities to reflect the change is under process.

11. RELATED PARTY TRANSACTIONS

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

Name of company	Related party	Nature of transaction	Amount of transactions	
			31 March 2020 SR (Unaudited)	31 March 2019 SR (Unaudited)
Alkhorayef Group company	Owner	Shares service cost	120,150	120,150
		Proposed increase in capital	34,126,995	-
Key management personnel		Short-term benefits	491,900	441,990
		Post-employment benefits	35,671	28,588

The breakdown of amounts due to related parties are as follows:

	31 March 2020 SR (Unaudited)	31 December 2019 SR (Audited)
Alkhorayef Group Company (Parent Company)	105,790,579	55,729,085
	<u>105,790,579</u>	<u>55,729,085</u>

12. 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, contract assets and amounts due from related parties and its financial liabilities consist of trade payables, lease liabilities and amounts due to related parties.

The fair values of the financial instruments of the Company are not materially different from their carrying values at the reporting date and these are classified within level 2 of the fair value hierarchy.

Alkhorayef for Water and Power Technologies Company (Owned by One Person)
(A Limited Liability Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

31 March 2020

13. EVENTS AFTER THE REPORTING PERIOD

The outbreak of Novel Coronavirus (COVID 19) occurred at a time of issuing report of first quarter and the condition has continued to evolve throughout the time line crossing 2020. Therefore, it is difficult to predict the full extent and duration of its business and economic impact. At the same time, fiscal and monetary policies are being relaxed to sustain the economy. Accordingly, the extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of these interim condensed financial statements. These developments could impact future financial results, cash flows and financial position.

14. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Management on 17 Ramadan 1441H (corresponding to 10 May 2020).