

**Alkhorayef Water and Power Technologies  
Company  
(A Saudi Closed Joint Stock Company)  
(Formerly A Limited Liability Company)**

**UNAUDITED INTERIM CONDENSED  
FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS PERIOD ENDED  
30 SEPTEMBER 2020**

Alkhorayef Water and Power Technologies Company  
(A Saudi Closed Joint Stock Company)

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INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month and nine-month period ended 30 September 2020

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**Independent auditor's review report on the interim condensed financial statements  
To the Shareholders of Alkhorayef Water and Power Technologies Company (A Saudi Closed  
Joint Stock Company)**

**Introduction**

We have reviewed the accompanying interim condensed statement of financial position of Alkhorayef Water and Power Technologies Company (A Saudi Closed Joint Stock Company) ("the Company") as at 30 September 2020 and the related interim condensed statements of comprehensive income for the three-month and nine-month periods ended 30 September 2020 and the related interim condensed statements of changes in equity and cash flows for the nine-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 Standard 34, "Interim Financial Reporting" ("IAS 34") 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 as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

Yousef A. AlMubarak  
Certified Public Accountant  
License No. 427

Riyadh: 22 Rabi'l 1442H  
(8 November 2020)



Alkhorayef Water and Power Technologies Company  
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	<i>Note</i>	<i>30 September 2020 SR (Unaudited)</i>	<i>31 December 2019 SR (Audited)</i>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	<b>67,306,906</b>	62,680,145
Right-of-use assets		<b>4,721,000</b>	4,168,542
<b>TOTAL NON-CURRENT ASSETS</b>		<b>72,027,906</b>	66,848,687
<b>CURRENT ASSETS</b>			
Inventories		<b>25,765,088</b>	26,955,266
Contract asset	5	<b>146,906,518</b>	112,716,201
Trade receivables, prepayments and other current assets	6	<b>233,883,336</b>	182,351,425
Cash and bank balances		<b>42,635,061</b>	17,059,045
<b>TOTAL CURRENT ASSETS</b>		<b>449,190,003</b>	339,081,937
<b>TOTAL ASSETS</b>		<b>521,217,909</b>	405,930,624
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	7	<b>250,000,000</b>	80,000,000
Statutory reserve		-	19,065,309
Retained earnings		<b>12,362,625</b>	116,807,696
Re-measurement of employee defined benefit liabilities		<b>(598,711)</b>	(598,711)
<b>TOTAL EQUITY</b>		<b>261,763,914</b>	215,274,294
<b>NON-CURRENT LIABILITIES</b>			
Employee defined benefit liabilities		<b>36,448,575</b>	32,268,879
Lease liabilities		<b>3,550,994</b>	3,902,371
Term loans	10	<b>53,035,714</b>	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>93,035,283</b>	36,171,250
<b>CURRENT LIABILITIES</b>			
Lease liabilities		<b>951,450</b>	246,164
Amount due to Parent Company	11	<b>6,208,773</b>	55,729,085
Trade payables, accruals and other liabilities		<b>93,001,687</b>	98,509,831
Short-term loans	10	<b>66,256,802</b>	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>166,418,712</b>	154,485,080
<b>TOTAL LIABILITIES</b>		<b>259,453,995</b>	190,656,330
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>521,217,909</b>	405,930,624

The attached notes from 1 to 19 form an integral part of these interim condensed financial statements.

Alkhorayef Water and Power Technologies Company  
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the three month and nine-month periods ended 30 September 2020

	Note	<i>For the three-month period ended 30 September (Unaudited)</i>		<i>For the nine-month period ended 30 September (Unaudited)</i>	
		2020	2019	2020	2019
		SR	SR	SR	SR
Revenue	12	<b>129,498,003</b>	112,650,444	<b>380,265,018</b>	297,455,704
Cost of revenue	13	<b>(96,680,724)</b>	(82,066,964)	<b>(274,853,027)</b>	(211,732,199)
<b>GROSS PROFIT</b>		<b>32,817,279</b>	30,583,480	<b>105,411,991</b>	85,723,505
Selling and distribution expenses		<b>(375,009)</b>	(375,726)	<b>(1,507,907)</b>	(867,722)
General and administrative expenses		<b>(6,985,909)</b>	(5,692,541)	<b>(19,110,548)</b>	(16,602,161)
<b>OPERATING PROFIT</b>		<b>25,456,361</b>	24,515,213	<b>84,793,536</b>	68,253,622
Finance costs		<b>(960,953)</b>	(1,530,548)	<b>(2,862,673)</b>	(4,464,506)
Other income (expense), net	14	<b>180,811</b>	(64,654)	<b>386,882</b>	2,357,448
Gain on sale of property, plant and equipment		<b>20,821</b>	5,860	<b>44,880</b>	42,593
<b>PROFIT FOR THE PERIOD BEFORE ZAKAT</b>		<b>24,697,040</b>	22,925,871	<b>82,362,625</b>	66,189,157
Zakat	15	-	-	-	-
<b>PROFIT FOR THE PERIOD</b>		<b>24,697,040</b>	22,925,871	<b>82,362,625</b>	66,189,157
Other comprehensive income		-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>24,697,040</b>	22,925,871	<b>82,362,625</b>	66,189,157
<b>Basic and diluted earnings per share:</b>	9				
Operating profit per share		1.02	0.98	3.39	2.73
Profit per share		0.99	0.92	3.29	2.65

The attached notes from 1 to 19 form an integral part of these interim condensed financial statements.

Alkhorayef Water and Power Technologies Company  
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2020

	<i>Share capital SR</i>	<i>Statutory reserve SR</i>	<i>Retained earnings SR</i>	<i>Re-measurement of employee defined benefit liabilities SR</i>	<i>Total SR</i>
<b><i><u>For the nine-month period ended 30 September 2019</u></i></b>					
As at 1 January 2019 (Audited)	80,000,000	9,892,572	34,253,064	(924,570)	123,221,066
Profit for the period	-	-	66,189,157	-	66,189,157
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	66,189,157	-	66,189,157
As at 30 September 2019 (Unaudited)	<u>80,000,000</u>	<u>9,892,572</u>	<u>100,442,221</u>	<u>(924,570)</u>	<u>189,410,223</u>
<b><i><u>For the nine-month period ended 30 September 2020</u></i></b>					
As at 1 January 2020 (Audited)	80,000,000	19,065,309	116,807,696	(598,711)	215,274,294
Profit for the period	-	-	82,362,625	-	82,362,625
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	82,362,625	-	82,362,625
Transferred to share capital (note 7)	135,873,005	(19,065,309)	(116,807,696)	-	-
Transferred from due to owner to share capital (note 7 and 11)	34,126,995	-	-	-	34,126,995
Dividends (note 8)	-	-	(70,000,000)	-	(70,000,000)
As at 30 September 2020 (Unaudited)	<u>250,000,000</u>	<u>-</u>	<u>12,362,625</u>	<u>(598,711)</u>	<u>261,763,914</u>

The attached notes from 1 to 19 form an integral part of these interim condensed financial statements.

Alkhorayef Water and Power Technologies Company  
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2020

	<i>30 September 2020 SR (Unaudited)</i>	<i>30 September 2019 SR (Unaudited)</i>
<b>OPERATING ACTIVITIES</b>		
Profit for the period before zakat	<b>82,362,625</b>	66,189,157
<i>Adjustments to reconcile profit before zakat and income tax to net cash flows:</i>		
Depreciation of property, plant and equipment	<b>12,865,889</b>	10,425,560
Depreciation of right-of-use assets	<b>400,059</b>	-
Gain on sale of property, plant and equipment	<b>(44,880)</b>	(42,593)
Provision for employee defined benefits	<b>4,409,516</b>	3,686,905
Finance costs	<b>2,862,673</b>	4,464,506
	<b>102,855,882</b>	84,723,535
<b>Working capital adjustments:</b>		
Trade receivables, prepayments and other assets	<b>(51,531,911)</b>	20,147,687
Inventories	<b>1,190,178</b>	(2,598,158)
Trade payables, accruals and other liabilities	<b>(5,508,144)</b>	9,086,848
Contract assets	<b>(34,190,317)</b>	(90,804,323)
Cash flows from operations	<b>12,815,688</b>	20,555,589
Finance costs paid	<b>(2,862,673)</b>	(4,464,506)
Employees' benefits plan paid	<b>(229,820)</b>	(1,052,299)
Net cash flows from operating activities	<b>9,723,195</b>	15,038,784
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<b>(17,594,568)</b>	(16,559,648)
Purchase of right-of-use assets	<b>(952,517)</b>	-
Proceeds from sale of property, plant and equipment	<b>146,798</b>	100,760
Net cash flows used in investing activities	<b>(18,400,287)</b>	(16,458,888)
<b>FINANCING ACTIVITIES</b>		
Addition (Payment) of lease liability	<b>353,909</b>	(769,732)
Proceeds from loans	<b>257,069,802</b>	-
Payment of loans	<b>(137,777,286)</b>	(20,000,000)
Amounts due to related party	<b>(65,393,317)</b>	2,172,957
Dividends paid	<b>(20,000,000)</b>	-
Net cash flows from (used in) financing activities	<b>34,253,108</b>	(18,596,775)
<b>Increase /(decrease) in cash and bank balances</b>	<b>25,576,016</b>	(20,016,879)
Cash and bank balances at the beginning of the period	<b>17,059,045</b>	36,949,745
<b>Cash and bank balances at the end of the period</b>	<b>42,635,061</b>	16,932,866
<b>SIGNIFICANT NON-CASH TRANSACTION</b>		
Dividend paid through related party balance	<b>50,000,000</b>	-

The attached notes from 1 to 19 form an integral part of these interim condensed financial statements.

# Alkhorayef Water and Power Technologies Company (A Saudi Closed Joint Stock Company)

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

At 30 September 2020

### 1. CORPORATE INFORMATION

Alkhorayef for Water and Power Technologies Company (A Saudi Closed Joint Stock Company) (the “Company”), formerly Owned by one Person as a limited liability Company (see note below) 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 owned 81% by Alkhorayef Group Company (the “Parent Company”) and 19% is owned by other shareholders.

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.

On 15 Shawwal 1441H (corresponding to 7 June 2020), the Board has approved the plan for initial public offering of the Company by offering 30% of the shares of the Company 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”).

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

#### 2.1 Basis of preparation

The interim condensed 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 based on actuarial present value calculations. These interim condensed financial statements are presented in Saudi Riyals (“SR”), except when otherwise indicated, which is the functional and presentation currency of the Company.

As per the Owner’s resolution dated 18 Ramadan 1441H (corresponding to 11 May 2020), the Alkhorayef Group Company (Owner) has decided to convert the legal form of the Company from a Limited Liability Company to a Closed Joint Stock Company. On 17 Shawwal 1441H (corresponding to 9 June 2020) Ministry of Commerce has approved the change in legal form of the Company from a Limited Liability Company to a Closed Joint Stock Company. The financial year of the Company shall continue as the change in legal form did not result in creating a new accounting unit.

On 15 Shawwal 1441H (corresponding to 7 June 2020), the Board has approved the plan for initial public offering of the Company by offering 30% of the shares of the Company 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”).

#### 2.2. New standards, interpretations and amendments adopted by the Company

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, except for the adoption of new standards effective 1 January 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed financial statements of the Company. As required by IAS 34, the nature and effect of these changes are disclosed below:

##### *Amendments to IFRS 3: Definition of a Business*

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed financial statements of the Company, but may impact future periods should the Company enter into any business combinations.



At 30 September 2020

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

**2.2. New standards, interpretations and amendments adopted by the Company (continued)**

*Amendments to IAS 1 and IAS 8: Definition of Material*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed financial statements of, nor is there expected to be any future impact to the Company.

*Conceptual Framework for Financial Reporting issued on 29 March 2018*

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

**3. INVESTMENT IN JOINT ARRANGEMENTS**

The Company participated in certain projects (undertaken through an unincorporated joint venture) whereby the Company and the other venturer 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.

During 2015 and 2017, the Company participated in certain projects (undertaken through an unincorporated joint venture whereby the Company and the other venturer 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:

Entity name	Location	Principal Activities	Percentage ownership	
			2020	2019
Operation and Maintenance for Hadda and Arana Waste Water Treatment Plants in Mecca	Kingdom of Saudi Arabia	Operations and Maintenance	49%	49%
Operation and Maintenance of Conveyance and Transportation of TSE to Riyadh Region and Suburbs	Kingdom of Saudi Arabia	Operations and Maintenance	49%	49%

Alkhorayef Water and Power Technologies Company  
(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2020

3. INVESTMENT IN JOINT ARRANGEMENTS (continued)

3.1 Summarised financial statements of the joint operations

	<i>Operation and Maintenance for Hadda and Arana Waste Water Treatment Plants in Mecca SR</i>	<i>Operation and Maintenance of Conveyance and Transportation of TSE to Riyadh Region and Suburbs SR</i>	<i>Total SR</i>
<b>30 September 2020</b>			
Total current assets	8,907,186	10,043,111	18,950,297
Total current liabilities	(6,475,810)	(7,626,156)	(14,101,966)
Net assets	<u>2,431,376</u>	<u>2,416,955</u>	<u>4,848,331</u>

*For the period ended 30 September 2020*

Revenue	-	3,957,834	3,957,834
Cost of revenue	-	(3,368,659)	(3,368,659)
General and administrative expenses	(10,480)	-	(10,480)
(Loss) / profit for the period	<u>(10,480)</u>	<u>589,175</u>	<u>578,695</u>

	<i>Operation and Maintenance for Hadda and Arana Waste Water Treatment Plants in Mecca SR</i>	<i>Operation and Maintenance of Conveyance and Transportation of TSE to Riyadh Region and Suburbs SR</i>	<i>Total SR</i>
<b>31 December 2019</b>			
Total current assets	9,008,544	5,915,321	14,923,865
Total current liabilities	(6,566,685)	(4,087,541)	(10,654,226)
Net assets	<u>2,441,859</u>	<u>1,827,780</u>	<u>4,269,639</u>

*For the period ended 30 September 2019*

Revenue	1,201,859	4,320,091	5,521,950
Cost of revenue	(1,798,539)	(3,851,368)	(5,649,907)
General and administrative expenses	(64,960)	(27)	(64,987)
Other income	65,756	-	65,756
(Loss) / profit for the period	<u>(595,884)</u>	<u>468,696</u>	<u>(127,188)</u>

Alkhorayef Water and Power Technologies Company  
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2020

**4. PROPERTY, PLANT AND EQUIPMENT**

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

	Buildings 20 years	Machines 7 years	Furniture and fixtures Motor Vehicles	7 years 5 years		
	<i>Buildings</i> <i>SR</i>	<i>Machines</i> <i>SR</i>	<i>Furniture and fixture</i> <i>SR</i>	<i>Motor Vehicles</i> <i>SR</i>	<i>Total</i> <i>30 September 2020</i> <i>(Unaudited)</i> <i>SR</i>	<i>Total</i> <i>31 December 2019</i> <i>(Audited)</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	<b>205,367,180</b>	180,689,748
Additions	36,950	11,717,982	421,251	5,418,385	<b>17,594,568</b>	28,823,210
Disposals	-	(453,198)	(52,752)	(35,500)	<b>(541,450)</b>	(4,717,579)
Acquisition of a division	-	-	-	-	-	571,801
At the end of the period	<u>2,685,370</u>	<u>127,087,406</u>	<u>13,018,409</u>	<u>79,629,113</u>	<b><u>222,420,298</u></b>	<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	<b>142,687,035</b>	131,534,231
Charge for the period	94,493	5,361,624	899,500	6,510,272	<b>12,865,889</b>	14,410,840
Disposal	-	(405,397)	(19,935)	(14,200)	<b>(439,532)</b>	(3,715,902)
Acquisition of a division	-	-	-	-	-	457,866
At the end of the period	<u>1,926,894</u>	<u>91,177,628</u>	<u>8,645,215</u>	<u>53,363,655</u>	<b><u>155,113,392</u></b>	<u>142,687,035</u>
Net book value						
<b>30 September 2020 (Unaudited)</b>	<b><u>758,476</u></b>	<b><u>35,909,778</u></b>	<b><u>4,373,194</u></b>	<b><u>26,265,458</u></b>	<b><u>67,306,906</u></b>	
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  
(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2020

**5. CONTRACT ASSET**

	<i>30 September 2020 SR (Unaudited)</i>	<i>31 December 2019 SR (Audited)</i>
Opening balance	<b>112,716,201</b>	75,447,439
Value of work performed	<b>380,265,018</b>	423,228,466
Progress billings	<b>(346,074,701)</b>	(385,959,704)
	<b><u>146,906,518</u></b>	<u>112,716,201</u>

Contract assets relates to the Company's right to receive consideration for work completed but not billed at the reporting date. All contract balances have an aging of less than a year.

**6. TRADE RECEIVABLES, PREPAYMENTS AND OTHER ASSETS**

	<i>30 September 2020 SR (Unaudited)</i>	<i>31 December 2019 SR (Audited)</i>
Trade receivables	<b>177,053,852</b>	144,038,290
Retention receivables	<b>9,186,495</b>	7,700,533
Less: provision for expected credit losses	<b>(4,526,301)</b>	(4,526,301)
	<b><u>181,714,046</u></b>	<u>147,212,522</u>
Prepaid expenses	<b>40,289,550</b>	28,008,996
Advance to suppliers	<b>8,379,689</b>	5,395,660
Other receivables	<b>3,500,051</b>	1,734,247
	<b><u>233,883,336</u></b>	<u>182,351,425</u>

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. The receivables include amounts totaling SR 155 million which is due from Government and quasi-Government institutions (31 December 2019: SR 127 million).

**7. SHARE CAPITAL**

As per the Owner's resolution dated 23 Rajab 1441H (corresponding to 18 March 2020), the Owner increased 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 partial transfer from the Amounts due to Owner's account to the account of proposed increase in capital. The legal formalities relating to such increase of the share capital were completed during June 2020.

As per the shareholders agreements and the Owner's resolution dated 18 Ramadan 1441H (corresponding to 11 May 2020), Alkhorayef Group Company transferred 3,500,000 shares and 1,250,000 shares at SR 10 per share to individual shareholders and Nama Alkhorayef Company, respectively. In addition, the Owner has decided to convert the legal form of the Company from a Limited Liability Company to a Closed Joint Stock Company. Legal formalities to convert the Company to a Closed Joint Stock Company were completed during June 2020.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2020

**7. SHARE CAPITAL (continued)**

Share capital is divided into 25,000,000 share of SR 10 each (31 December 2019: 80,000 shares of 1,000 each). Share capital is distributed as follows.

	<i>30 September 2020</i> <i>(Unaudited)</i>		<i>31 December 2019</i> <i>(Audited)</i>	
	<i>Number of shares</i>	<i>Capital SR</i>	<i>Number of shares</i>	<i>Capital SR</i>
Alkhorayef Group Company	<b>20,250,000</b>	<b>202,500,000</b>	80,000	80,000,000
Individual shareholders	<b>3,500,000</b>	<b>35,000,000</b>	-	-
Nama Alkhorayef Company	<b>1,250,000</b>	<b>12,500,000</b>	-	-
	<b>25,000,000</b>	<b>250,000,000</b>	<b>80,000</b>	<b>80,000,000</b>

**8. DIVIDENDS**

The Board of Directors, in its meeting held on 27 September 2020, approved to distribute cash dividends amounting to SR 20 million (SR 0.8 per share).

The Board of Directors, in its meeting held on 29 June 2020, approved to distribute cash dividends amounting to SR 50 million (SR 2 per share) during the first half of 2020.

**9. 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.

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<i>2020</i> <i>(Unaudited)</i>	<i>2019</i> <i>(Unaudited)</i>	<i>2020</i> <i>(Unaudited)</i>	<i>2019</i> <i>(Unaudited)</i>
Operating profit for the period (SR)	<b>25,456,361</b>	24,515,213	<b>84,793,536</b>	68,253,623
Profit for the period (SR)	<b>24,697,040</b>	22,925,871	<b>82,362,625</b>	66,189,157
Weighted number of shares used as the denominator in calculating basic and diluted earnings per share (note 7)	<b>25,000,000</b>	25,000,000	<b>25,000,000</b>	25,000,000
Basic and diluted earnings per share of operating profit for the period (SR)	<b>1.02</b>	0.98	<b>3.39</b>	2.73
Basic and diluted earnings per share of profit for the period (SR)	<b>0.99</b>	0.92	<b>3.29</b>	2.65

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2020

**10. LOANS AND BORROWINGS**

	<i>30 September 2020</i>	<i>31 December 2019</i>
	SR	SR
	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>CURRENT</b>		
Short-term loans	<u>66,256,802</u>	<u>-</u>
 <b>NON-CURRENT</b>		
Term loans	<u>53,035,714</u>	<u>-</u>
 <i>Below is the movement of the loans and borrowings:</i>		
Balance as at 1 January 2020	-	-
Loans obtained during the period / year	257,069,802	-
Payments made during the period / year	<u>(137,777,286)</u>	<u>-</u>
Balance as at 30 September 2020	<u>119,292,516</u>	<u>-</u>

**Short-term loans**

The Company has obtained short-term loans from a local bank, which is repayable within nine months or less than a year and carries a commission rate of SIBOR plus 1.50% per annum. Such loans are secured by personal guarantees of the shareholders and assignment acknowledgement of contract proceeds.

**Term loans**

The Company has obtained term loans from a local bank, which is repayable in equal quarterly installments and carries varying rate of commission. Such loans are secured by personal guarantees of the shareholders and assignment acknowledgement of contract proceeds.

**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:

<i>Name of related party</i>	<i>Relationship</i>	<i>Nature of transaction</i>	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
			<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
			<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
			SR	SR	SR	SR
Alkhorayef Group company	Parent Company	Shared service cost	180,000	120,150	420,300	360,450
		Proposed increase in capital (note 7)	-	-	34,126,995	-
		Land rental	72,000	72,000	216,000	216,000
		Financing	117,100,203	77,406,500	350,554,596	235,372,336

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2020

**11. RELATED PARTY TRANSACTIONS (continued)**

Name of related party	Relationship	Nature of transaction	For the three-month period ended 30 September		For the nine-month period ended 30 September	
			2020	2019	2020	2019
			(Unaudited) SR	(Unaudited) SR	(Unaudited) SR	(Unaudited) SR
Alkhorayef Commercial Company	Affiliate	Sales	35,250	3,550	126,050	95,180
		Purchases	2,058,402	266,857	4,111,059	4,384,429
Abdullah Ibrahim Alkhorayef Company	Affiliate	Land rent	30,000	30,000	90,000	90,000
Alkhorayef Industries Company	Affiliate	Sales	-	-	6,600	-
Alkhorayef Petroleum Company	Affiliate	Sales	-	-	-	18,590
		Purchases	166,238	135,575	166,238	372,310
Saudi Parts Center Company	Affiliate	Purchases	60,488	81,366	88,607	659,556
Alkhorayef Printing Solutions Company	Affiliate	Purchases	42,455	38,565	93,290	169,180
Castrol	Affiliate	Purchases	29,174	-	73,773	-
Key management personnel		Short-term benefits	783,692	684,443	2,229,551	1,819,838
		Post-employment benefits	51,992	36,898	299,885	101,244

The breakdown of amounts due to a related party are as follows:

	30 September 2020	31 December 2019
	SR	SR
	(Unaudited)	(Audited)
Alkhorayef Group Company (Shareholder / Owner)	6,208,773	55,729,085
	<u>6,208,773</u>	<u>55,729,085</u>

**Terms and conditions of transaction with related party**

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2020

**12. REVENUE**

**12.1 Disaggregated revenue information**

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

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>
<b>Types of services</b>				
Water (see note "a" below)	<b>66,757,910</b>	52,810,608	<b>183,598,770</b>	150,938,138
Waste Water (see note "b" below)	<b>39,526,570</b>	40,233,138	<b>129,460,081</b>	94,712,001
Integrated Water Solutions (see note "c" below)	<b>23,213,523</b>	19,606,698	<b>67,206,167</b>	51,805,565
	<b>129,498,003</b>	112,650,444	<b>380,265,018</b>	297,455,704

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>
<b>a ) Services of segments (Water)</b>				
Water Withdraw and Treatment	<b>45,378,784</b>	34,250,185	<b>120,187,763</b>	100,264,351
Water Networks	<b>21,379,126</b>	18,560,423	<b>63,411,007</b>	50,673,787
	<b>66,757,910</b>	52,810,608	<b>183,598,770</b>	150,938,138

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>
<b>b) Services of segments (Waste Water)</b>				
Wastewater Networks	<b>23,888,585</b>	25,293,123	<b>73,067,912</b>	59,168,044
Wastewater Treatment	<b>15,637,985</b>	14,940,015	<b>56,392,169</b>	35,543,957
	<b>39,526,570</b>	40,233,138	<b>129,460,081</b>	94,712,001

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>
<b>c ) Services of segments (Integrated Water Solutions)</b>				
City Management	<b>13,333,410</b>	7,711,688	<b>37,672,665</b>	22,994,991
Stormwater Networks	<b>6,521,789</b>	8,581,844	<b>21,549,753</b>	20,576,808
Water Management Services	<b>3,358,324</b>	3,313,166	<b>7,983,749</b>	8,233,766
	<b>23,213,523</b>	19,606,698	<b>67,206,167</b>	51,805,565



Alkhorayef for Water and Power Technologies Company  
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

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12. REVENUE (continued)

12.1 Disaggregated revenue information (continued)

*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.

*Timing of revenue recognition*

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<i>2020 (Unaudited) SR</i>	<i>2019 (Unaudited) SR</i>	<i>2020 (Unaudited) SR</i>	<i>2019 (Unaudited) SR</i>
<i>Revenue recognized over time</i>	<u><u>129,498,003</u></u>	<u><u>112,650,444</u></u>	<u><u>380,265,018</u></u>	<u><u>297,455,704</u></u>

Revenue per type of customer:

	<i>For the three-month period ended 30 September 2020</i>				<i>For the nine-month period ended 30 September 2020</i>			
	<i>Water SR</i>	<i>Waste Water SR</i>	<i>SR Integrated Water Solutions SR</i>	<i>Total SR</i>	<i>Water SR</i>	<i>Waste Water SR</i>	<i>SR Integrated Water Solutions SR</i>	<i>Total SR</i>
<b>Revenue</b>								
Government	64,759,320	38,948,390	17,994,990	121,702,700	176,885,376	127,520,731	53,772,877	358,178,984
Private customers	1,998,590	578,180	5,167,193	7,743,963	6,713,394	1,939,350	13,284,550	21,937,294
Related party (note 11)	-	-	51,340	51,340	-	-	148,740	148,740
	<u><u>66,757,910</u></u>	<u><u>39,526,570</u></u>	<u><u>23,213,523</u></u>	<u><u>129,498,003</u></u>	<u><u>183,598,770</u></u>	<u><u>129,460,081</u></u>	<u><u>67,206,167</u></u>	<u><u>380,265,018</u></u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2020

12. REVENUE (continued)

12.1 Disaggregated revenue information (continued)

Revenue per type of customer: (continued)

	<i>For the three-month period ended 30 September 2019</i>				<i>For the nine-month period ended 30 September 2019</i>			
	SR		SR		SR		SR	
	<i>Water</i>	<i>Waste Water</i>	<i>Integrated Water Solutions</i>	<i>Total</i>	<i>Water</i>	<i>Waste Water</i>	<i>Integrated Water Solutions</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<b>Revenue</b>								
Government	48,497,334	39,654,968	16,660,780	104,813,082	136,130,442	92,595,160	46,548,003	275,273,605
Private customers	4,313,274	578,170	2,882,368	7,773,812	14,807,696	2,116,841	5,083,792	22,008,329
Related party (note 11)	-	-	63,550	63,550	-	-	173,770	173,770
	<u>52,810,608</u>	<u>40,233,138</u>	<u>19,606,698</u>	<u>112,650,444</u>	<u>150,938,138</u>	<u>94,712,001</u>	<u>51,805,565</u>	<u>297,455,704</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2020

13. COST OF REVENUE

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Salaries and wages	<b>52,068,778</b>	37,035,113	<b>150,645,791</b>	104,019,191
Materials	<b>20,089,371</b>	24,066,164	<b>61,357,919</b>	52,057,290
Repair and maintenance	<b>9,085,536</b>	5,799,887	<b>22,635,140</b>	19,377,912
Depreciation	<b>4,381,942</b>	3,522,393	<b>12,479,194</b>	10,074,805
Fuel	<b>3,078,550</b>	2,755,262	<b>8,233,517</b>	6,864,813
Insurance expenses	<b>1,215,090</b>	984,913	<b>3,452,678</b>	2,789,123
Bank charges	<b>363,769</b>	381,155	<b>747,401</b>	1,205,723
Others	<b>6,397,688</b>	7,522,077	<b>15,301,387</b>	15,343,342
	<b>96,680,724</b>	82,066,964	<b>274,853,027</b>	211,732,199

14. OTHER INCOME (EXPENSES), NET

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Incentives from the government (note a)	<b>132,608</b>	-	<b>320,646</b>	2,389,062
Foreign exchange gain/(loss), net	<b>48,203</b>	(64,654)	<b>66,236</b>	(63,835)
Others	-	-	-	32,221
	<b>180,811</b>	(64,654)	<b>386,882</b>	2,357,448

- a. This amount represents incentives received by the Company from the government for maintaining the required nationals quota.

15. ZAKAT

*Status of assessment*

The Company submitted its zakat returns and final assessments has been agreed with the General Authority of Zakat and Tax (“GAZT”) for all the years up to the year ended 31 December 2019. The zakat declaration is made on consolidated basis at the Group level. The Company has pledged to the Capital Market Authority that any charges relating to the zakat will be borne by the Parent Company, therefore no zakat charges has been made.

16. CONTINGENT LIABILITIES

The Company’s bankers have issued, on its behalf, bank guarantees amounting to SR 256,276,492 (31 December 2019: SR 226,442,422) which are outstanding at the reporting date.

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

At 30 September 2020

**17. 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 and contract assets and its financial liabilities consist of trade payables, lease liabilities and amounts due to a related party.

The fair values of the financial instruments have been assessed by management to be approximate to their carrying amounts due to their short-term nature.

**18. SIGNIFICANT EVENT**

A novel strain of coronavirus (COVID-19) was first identified at the end of December 2019, subsequently in March 2020 was declared as a pandemic by the World Health Organization (WHO). COVID-19 continues to spread throughout in nearly all regions around the world including the Kingdom of Saudi Arabia and resulted in travel restrictions and curfew in the cities which resulted in a slowdown of economic activities and shutdowns of many sectors at global and local levels.

The extent to which coronavirus pandemic impacts the Company's business, operations, and financial results, is uncertain and depends on many factors and future developments, that the Company may not be able to estimate reliably during the current period. These factors include the virus transmission rate, the duration of the outbreak, precautionary actions that may be taken by governmental authorities to reduce the spread of the epidemic and the impact of those actions on economic activity, the impact to the businesses of the Company's customers and partners and other factors.

Thus far and as of the date of preparation of the interim condensed financial statements for the three-months and nine-months period ended 30 September 2020, the Company's operations have not incurred significant impact from the COVID-19 outbreak. The Company will continue to evaluate the nature and extent of the impact on its business and financial results.

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

The interim condensed financial statements have been approved by the Board of Directors on 22 Rabi'I 1442H (corresponding to 8 November 2020).