

**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-MONTH AND SIX-MONTH PERIODS ENDED  
30 JUNE 2020**

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

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**INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six-month period ended 30 June 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 June 2020 and the related interim condensed statements of comprehensive income for the three-month and six-month periods ended 30 June 2020 and the related interim condensed statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standards 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 that is endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

Yousef A. AlMubarak  
Certified Public Accountant  
License No (427)

Riyadh: 2 Dhual-Hijja 1441H  
(23 July 2020)



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

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2020

	Notes	<i>For the three-month period ended 30 June (Unaudited)</i>		<i>For the six-month period ended 30 June (Unaudited)</i>	
		2020 SR	2019 SR	2020 SR	2019 SR
Revenue	3	<b>118,028,599</b>	97,785,452	<b>250,767,015</b>	184,805,260
Cost of revenue	4	<b>(83,992,943)</b>	(68,730,359)	<b>(178,172,302)</b>	(129,464,988)
<b>GROSS PROFIT</b>		<b>34,035,656</b>	29,055,093	<b>72,594,713</b>	55,340,272
Selling and distribution expenses		<b>(546,491)</b>	(131,203)	<b>(1,132,898)</b>	(491,996)
General and administrative expenses		<b>(6,472,210)</b>	(5,289,267)	<b>(12,124,639)</b>	(11,067,222)
<b>OPERATING PROFIT</b>		<b>27,016,955</b>	23,634,623	<b>59,337,176</b>	43,781,054
Finance costs		<b>(1,024,981)</b>	(1,700,427)	<b>(1,901,719)</b>	(2,976,603)
Other income, net	5	<b>196,748</b>	32,400	<b>206,070</b>	2,422,102
Gain (loss) on sale of property and equipment		<b>(15,379)</b>	72,199	<b>24,059</b>	36,733
<b>PROFIT FOR THE PERIOD BEFORE ZAKAT</b>		<b>26,173,343</b>	22,038,795	<b>57,665,586</b>	43,263,286
Zakat	6	-	-	-	-
<b>PROFIT FOR THE PERIOD</b>		<b>26,173,343</b>	22,038,795	<b>57,665,586</b>	43,263,286
Other comprehensive income		-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>26,173,343</b>	22,038,795	<b>57,665,586</b>	43,263,286
<b>Basic and diluted earnings per share:</b>	12				
Operating profit per share		<b>1.08</b>	0.94	<b>2.37</b>	1.75
Profit per share		<b>0.99</b>	0.88	<b>2.31</b>	1.73

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 FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 SR (Unaudited)	31 December 2019 SR (Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	7	65,970,914	62,680,145
Right-of-use assets		4,008,827	4,168,542
<b>TOTAL NON-CURRENT ASSETS</b>		<b>69,979,741</b>	<b>66,848,687</b>
<b>CURRENT ASSETS</b>			
Inventories		23,596,383	26,955,266
Due from related parties	14	106,124,468	--
Contract asset	8	133,460,446	112,716,201
Trade receivables, prepayments and other current assets	9	228,337,018	182,351,425
Cash and bank balances		16,215,962	17,059,045
<b>TOTAL CURRENT ASSETS</b>		<b>507,734,277</b>	<b>339,081,937</b>
<b>TOTAL ASSETS</b>		<b>577,714,018</b>	<b>405,930,624</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	10	250,000,000	80,000,000
Statutory reserve		-	19,065,309
Retained earnings		7,665,586	116,807,696
Re-measurement of employee defined benefit liabilities		(598,711)	(598,711)
<b>TOTAL EQUITY</b>		<b>257,066,875</b>	<b>215,274,294</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee defined benefit liabilities		34,822,420	32,268,879
Lease liabilities		3,817,371	3,902,371
Term loans	13	71,785,714	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>110,425,505</b>	<b>36,171,250</b>
<b>CURRENT LIABILITIES</b>			
Lease liabilities		326,961	246,164
Due to related parties	14	-	55,729,085
Trade payables, accruals and other liabilities		89,604,447	98,509,831
Term loans		59,285,714	-
Short-term loans	13	61,004,516	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>210,221,638</b>	<b>154,485,080</b>
<b>TOTAL LIABILITIES</b>		<b>320,647,143</b>	<b>190,656,330</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>577,714,018</b>	<b>405,930,624</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)

INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

For the six-month period ended 30 June 2020

	<i>Share capital</i> SR	<i>Statutory</i> <i>Reserve</i> SR	<i>Retained earnings</i> SR	<i>Re-measurement of</i> <i>employee defined</i> <i>benefit liabilities</i> SR	<i>Total</i> SR
<b><i>For the six-month period ended 30 June 2019</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	-	-	43,263,286	-	43,263,286
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	43,263,286	-	43,263,286
As at 30 June 2019 (Unaudited)	<u>80,000,000</u>	<u>9,892,572</u>	<u>77,516,350</u>	<u>(924,570)</u>	<u>77,516,350</u>
<b><i>For the six-month period ended 30 June 2020</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	-	-	57,665,586	-	57,665,586
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	57,665,586	-	57,665,586
Transferred to share capital (note 10)	135,873,005	(19,065,309)	(116,807,696)	-	-
Transferred from due to owner to share capital (note 10 and 14)	34,126,995	-	-	-	34,126,995
Dividends (note 11)	-	-	(50,000,000)	-	(50,000,000)
As at 30 June 2020 (Unaudited)	<u>250,000,000</u>	<u>-</u>	<u>7,665,586</u>	<u>(598,711)</u>	<u>257,066,875</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 six-month period ended 30 June 2020

	30 June 2020 SR (Unaudited)	30 June 2019 SR (Unaudited)
<b>OPERATING ACTIVITIES</b>		
Profit for the period before zakat	57,665,586	43,263,286
<i>Adjustments to reconcile profit before zakat and income tax to net cash flows:</i>		
Depreciation of property and equipment	8,449,920	6,779,360
Depreciation of right-of-use assets	159,715	-
Gain on sale of property and equipment	(24,059)	(36,733)
Provision for employee defined benefits	3,480,891	2,617,385
Finance costs	1,901,719	2,976,603
	<u>71,633,772</u>	<u>55,599,901</u>
<b>Working capital adjustments:</b>		
Trade receivables, prepayments and other assets	(45,985,593)	31,173,730
Inventories	3,358,883	1,058,569
Trade payables, accruals and other liabilities	(8,905,384)	3,674,831
Amounts due from/to related parties	(177,726,558)	(7,157,404)
Contract assets	(20,744,245)	(72,197,142)
	<u>(178,369,125)</u>	<u>12,152,485</u>
Cash flows used in operations		
Finance costs paid	(1,901,719)	(2,976,603)
Employees' benefits plan paid	(927,350)	(841,657)
	<u>(181,198,194)</u>	<u>8,334,225</u>
Net cash flows (used in) from operating activities		
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(11,796,927)	(6,607,381)
Proceeds from sale of property and equipment	80,297	91,010
	<u>(11,716,630)</u>	<u>(6,516,371)</u>
Net cash flows used in investing activities		
<b>FINANCING ACTIVITIES</b>		
Payment of lease liability	(4,203)	(769,732)
Proceeds from loans	202,968,802	-
Payment of loans	(10,892,858)	(13,333,334)
	<u>192,071,741</u>	<u>(14,103,066)</u>
Net cash flows from financing activities		
<b>Increase /(decrease) in cash and bank balances</b>	<b>(843,083)</b>	<b>(12,285,212)</b>
Cash and bank balances at the beginning of the period	17,059,045	36,949,745
	<u>16,215,962</u>	<u>24,664,533</u>
<b>Cash and bank balances at the end of the period</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

At 30 June 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 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 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.



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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 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. REVENUE**

**3.1 Disaggregated revenue information**

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

	<i>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
	<b>2020</b> <i>(Unaudited)</i> <b>SR</b>	2019 <i>(Unaudited)</i> <b>SR</b>	<b>2020</b> <i>(Unaudited)</i> <b>SR</b>	2019 <i>(Unaudited)</i> <b>SR</b>
<i>Types of services</i>				
Water (see note "a" below)	<b>54,681,683</b>	49,863,042	<b>116,840,860</b>	98,108,939
Waste Water (see note "b" below)	<b>43,691,151</b>	30,935,848	<b>89,933,511</b>	54,980,680
Integrated Water Solutions (see note "c" below)	<b>19,655,765</b>	16,986,562	<b>43,992,644</b>	31,715,641
	<b>118,028,599</b>	97,785,452	<b>250,767,015</b>	184,805,260

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2020

3. REVENUE (continued)

3.1 Disaggregated revenue information (continued)

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2020 (Unaudited) SR	2019 (Unaudited) SR	2020 (Unaudited) SR	2019 (Unaudited) SR
<i>a ) Services of segments (Water)</i>				
Water Withdraw and Treatment	34,847,884	33,677,959	74,808,979	65,995,575
Water Networks	19,833,799	16,185,083	42,031,881	32,113,364
	<u>54,681,683</u>	<u>49,863,042</u>	<u>116,840,860</u>	<u>98,108,939</u>

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2020 (Unaudited) SR	2019 (Unaudited) SR	2020 (Unaudited) SR	2019 (Unaudited) SR
<i>b) Services of segments (Waste Water)</i>				
Wastewater Networks	20,783,721	17,467,428	49,179,327	32,336,248
Wastewater Treatment	22,907,430	13,468,420	40,754,184	22,644,432
	<u>43,691,151</u>	<u>30,935,848</u>	<u>89,933,511</u>	<u>54,980,680</u>

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2020 (Unaudited) SR	2019 (Unaudited) SR	2020 (Unaudited) SR	2019 (Unaudited) SR
<i>c ) Services of segments (Integrated Water Solutions)</i>				
City Management	13,393,393	6,813,060	25,486,507	15,393,523
Stormwater Networks	5,577,429	7,431,155	15,027,964	11,994,964
Water Management Services	684,943	2,742,347	3,478,173	4,327,154
	<u>19,655,765</u>	<u>16,986,562</u>	<u>43,992,644</u>	<u>31,715,641</u>

*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*

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2020 (Unaudited) SR	2019 (Unaudited) SR	2020 (Unaudited) SR	2019 (Unaudited) SR
Revenue recognized over time	118,028,599	97,785,452	250,767,015	184,805,260
	<u>118,028,599</u>	<u>97,785,452</u>	<u>250,767,015</u>	<u>184,805,260</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2020

3. REVENUE (continued)

3.1 Disaggregated revenue information (continued)

Revenue per type of customer:

	<i>For the three-month period ended 30 June 2020</i>				<i>For the six-month period ended 30 June 2020</i>			
	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	53,944,485	43,401,734	16,303,097	113,649,316	114,686,130	89,344,697	35,777,887	239,808,714
Private customers	737,198	289,417	3,346,068	4,372,683	2,154,730	588,814	8,117,357	10,860,901
Related party (note 14)	-	-	6,600	6,600	-	-	97,400	97,400
	<u>54,681,683</u>	<u>43,691,151</u>	<u>19,655,765</u>	<u>118,028,599</u>	<u>116,840,860</u>	<u>89,933,511</u>	<u>43,992,644</u>	<u>250,767,015</u>

	<i>For the three-month period ended 30 June 2019</i>				<i>For the six-month period ended 30 June 2019</i>			
	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	45,559,545	28,426,134	15,449,543	89,435,221	89,739,142	52,062,484	29,887,223	171,688,849
Private customers	4,303,497	2,509,714	1,498,344	8,311,555	8,369,797	2,918,197	1,718,198	13,006,191
Related party (note 14)	-	-	38,675	38,675	-	-	110,220	110,220
	<u>49,863,042</u>	<u>30,935,848</u>	<u>16,986,562</u>	<u>97,785,452</u>	<u>98,108,939</u>	<u>54,980,680</u>	<u>31,715,641</u>	<u>184,805,260</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2020

4. COST OF REVENUE

	<i>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
	<b>2020</b> <i>(Unaudited)</i> SR	2019 <i>(Unaudited)</i> SR	<b>2020</b> <i>(Unaudited)</i> SR	2019 <i>(Unaudited)</i> SR
Salaries and wages	<b>49,430,667</b>	33,365,945	<b>98,577,013</b>	66,984,078
Materials	<b>16,074,928</b>	15,420,406	<b>41,268,548</b>	27,991,126
Repair and maintenance	<b>8,849,783</b>	8,419,551	<b>13,549,604</b>	13,578,025
Depreciation	<b>4,130,829</b>	3,299,122	<b>8,097,252</b>	6,552,412
Fuel	<b>2,382,953</b>	1,940,307	<b>5,154,967</b>	4,109,551
Bank charges	<b>413,664</b>	642,714	<b>383,632</b>	824,568
Others	<b>2,710,119</b>	5,642,314	<b>11,141,286</b>	9,425,228
	<b>83,992,943</b>	68,730,359	<b>178,172,302</b>	129,464,988

5. OTHER INCOME

	<i>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
	<b>2020</b> <i>(Unaudited)</i> SR	2019 <i>(Unaudited)</i> SR	<b>2020</b> <i>(Unaudited)</i> SR	2019 <i>(Unaudited)</i> SR
Incentives from the government (see note below)	<b>188,037</b>	-	<b>188,037</b>	2,389,062
Foreign exchange gain, net	<b>8,711</b>	179	<b>18,033</b>	819
Others	-	32,221	-	32,221
	<b>196,748</b>	32,400	<b>206,070</b>	2,422,102

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

6. 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 2018.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2020

7. 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 30 June 2020 (Unaudited)</i>	<i>Total 31 December 2019 (Audited)</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	<b>205,367,180</b>	180,689,748
Additions	21,200	7,326,806	258,621	4,190,300	<b>11,796,927</b>	28,823,210
Disposals	-	(319,899)	(43,232)	(35,500)	<b>(398,631)</b>	(4,717,579)
Acquisition of a division	-	-	-	-	-	571,801
At the end of the period	<u>2,669,620</u>	<u>122,829,529</u>	<u>12,865,299</u>	<u>78,401,028</u>	<b><u>216,765,476</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	64,951	3,450,113	604,673	4,330,183	<b>8,449,920</b>	14,410,840
Disposal	-	(310,185)	(18,008)	(14,200)	<b>(342,393)</b>	(3,715,902)
Acquisition of a division	-	-	-	-	-	457,866
At the end of the period	<u>1,897,352</u>	<u>89,361,329</u>	<u>8,352,315</u>	<u>51,183,566</u>	<b><u>150,794,562</u></b>	<u>142,687,035</u>
Net book value						
<b>30 June 2020 (Unaudited)</b>	<b><u>772,268</u></b>	<b><u>33,468,200</u></b>	<b><u>4,512,984</u></b>	<b><u>27,217,462</u></b>	<b><u>65,970,914</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>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 June 2020

**8. CONTRACT ASSET**

	<b>30 June 2020 SR (Unaudited)</b>	<b>31 December 2019 SR (Audited)</b>
Opening balance	<b>112,716,201</b>	75,447,439
Value of work performed	<b>250,767,016</b>	423,228,466
Progress billings	<b>(230,022,771)</b>	(385,959,704)
	<b><u>133,460,446</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.

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

	<b>30 June 2020 SR (Unaudited)</b>	<b>31 December 2019 SR (Audited)</b>
Trade receivables	<b>172,812,506</b>	144,038,290
Retention receivables	<b>8,663,060</b>	7,700,533
Less: provision for expected credit losses	<b>(4,526,301)</b>	(4,526,301)
	<b><u>176,949,265</u></b>	<u>147,212,522</u>
Prepaid expenses	<b>38,338,894</b>	28,008,996
Advance to suppliers	<b>8,728,501</b>	5,395,660
Other receivables	<b>4,320,358</b>	1,734,247
	<b><u>228,337,018</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 154 million which is due from Government and quasi-Government institutions (31 December 2019: SR 127 million).

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At 30 June 2020

**10. 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.

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").

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 June 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><u>25,000,000</u></b>	<b><u>250,000,000</u></b>	<b><u>80,000</u></b>	<b><u>80,000,000</u></b>

**11. DIVIDENDS**

On 29 June 2020, the Board of Directors has approved to distribute cash dividends equal to 20% of the capital amounting to SR 50,000,000.

**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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2020

**12. EARNINGS PER SHARE (continued)**

	<i>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
	<b>2020</b> <i>(Unaudited)</i> SR	2019 <i>(Unaudited)</i> SR	<b>2020</b> <i>(Unaudited)</i> SR	2019 <i>(Unaudited)</i> SR
Operating profit for the period (SR)	<b>27,016,955</b>	23,591,979	<b>59,337,176</b>	43,738,410
Profit for the period (SR)	<b>26,173,343</b>	22,038,795	<b>57,665,586</b>	43,263,286
Weighted number of shares used as the denominator in calculating basic and diluted earnings per share (note 10)	<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>1.08</b>	0.94	<b>2.37</b>	1.75
Basic and diluted earnings per share of profit for the period	<b>0.99</b>	0.88	<b>2.31</b>	1.73

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

**13. LOANS AND BORROWINGS**

	<i>30 June 2020</i> SR <i>(Unaudited)</i>	<i>31 December 2019</i> SR <i>(Audited)</i>
<b>CURRENT</b>		
Short-term loans	<b>61,004,516</b>	-
Term loans	<b>59,285,714</b>	-
Total	<b>120,290,230</b>	-
<b>NON-CURRENT</b>		
Term loans	<b>71,785,714</b>	-
<b>Total loans and borrowings</b>	<b>192,075,944</b>	-

*Below is the movement of the loans and borrowings:*

Balance as at 1 January 2020	-	-
Loans obtained during the period / year	<b>202,968,802</b>	-
Payments made during the period / year	<b>(10,892,858)</b>	-
Balance as at 30 June 2020	<b>192,075,944</b>	-

**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.



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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2020

**14. 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 related party	Relationship	Nature of transaction	For the three-month period ended 30 June		For the six-month period ended 30 June	
			2020 (Unaudited) SR	2019 (Unaudited) SR	2020 (Unaudited) SR	2019 (Unaudited) SR
Alkhorayef Group company	Shareholder / Owner	Shared service cost	<b>120,150</b>	120,150	<b>240,300</b>	240,300
		Proposed increase in capital (note 10)	-	-	<b>34,126,995</b>	-
		Financing*	<b>123,257,093</b>	75,067,291	<b>233,454,393</b>	157,965,836
Alkhorayef Commercial Company	Affiliate	Revenue	<b>6,600</b>	38,675	<b>97,400</b>	110,220
Key management personnel		Short-term benefits	<b>645,098</b>	457,390	<b>1,268,259</b>	960,095
		Post-employment benefits	<b>51,422</b>	34,880	<b>75,228</b>	64,346

\*During 2016, the Company has signed an intercompany funding agreement with Alkhorayef Group Company. The purpose of the agreement is for the Company to borrow as and when needed from its Alkhorayef Group Company (Parent Company). This borrowing from the parent company is mainly to meet any working capital needs. During the quarter, the Company has collected around SR 203 million from the government which caused the intercompany account to turn in the Company's favor. Subsequent to the period ended 30 June 2020, Alkhorayef Group Company fully settled the receivable balance amounting to SR 106,124,468 (note 18).

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

	30 June 2020 SR (Unaudited)	31 December 2019 SR (Audited)
Alkhorayef Group Company (Shareholder / Owner)	-	(55,729,085)
	-	55,729,085

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

	30 June 2020 SR (Unaudited)	31 December 2019 SR (Audited)
Alkhorayef Group Company (Shareholder / Owner)	<b>106,124,468</b>	-
	<b>106,124,468</b>	-

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2020

**15. CONTINGENT LIABILITIES**

The Company's bankers have issued, on its behalf, bank guarantees amounting to SR 259,233,309 (31 December 2019: SR 226,442,422) which are outstanding at the reporting date.

**16. 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.

**17. 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 six-months period ended 30 June 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.

**18. EVENTS AFTER THE REPORTING PERIOD**

The Company and the shareholder has an intercompany funding agreement which stipulates that whenever the Company needs fund the Company can borrow from Alkhorayef Group Company (shareholder). Subsequent to period ended 30 June 2020, Alkhorayef Group Company fully settled the receivable balance on 14 July 2020 (note 14). No other events have occurred subsequent to the balance sheet date which requires adjustment to, or disclosure, in these interim condensed financial statements.

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

The interim condensed financial statements have been approved by the Board of Directors on 2 Dhual-Hijja 1441H (corresponding to 23 July 2020).