

**ALKHORAYEF FOR WATER AND POWER
TECHNOLOGIES COMPANY**
(A Saudi Joint Stock Company)
**Condensed Interim
Financial Statements**
For the three and six-month period ended 30 June 2022

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كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

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

To the Shareholders of Alkhorayef for Water and Power Technologies Company

Introduction

We have reviewed the accompanying condensed interim financial statements of **Alkhorayef for Water and Power Technologies Company** ("the Company"), which comprises:

- the condensed statement of financial position as at 30 June 2022;
- the condensed statement of profit or loss and other comprehensive income for the three month and six-month periods ended 30 June 2022;
- the condensed statement of changes in equity for the six-month period ended 30 June 2022;
- the condensed statement of cash flows for the six-month period ended 30 June 2022; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2022 condensed interim financial statements of **Alkhorayef for Water and Power Technologies Company** are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with the paid-up capital of SAR (25,000,000). Previously known as "KPMG Al Fozan & Partners Certified Public Accountants". A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مبنية مساهمة مثلية، مسجلة في المملكة العربية السعودية، رأسمالها (٢٥,٠٠٠,٠٠٠) ريال سعودي متفرع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبين ومراجعين كونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لكي بي إم جي العالمية المحدودة، شركة التجاريزة محدودة بضمان، جميع الحقوق محفوظة.

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

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

Other Matter

The condensed interim financial statements of the Company for the three-month and six-month periods ended 30 June 2021, were reviewed by another auditor who expressed an unmodified conclusion on those condensed interim financial statements on 11 August 2021.

The condensed interim financial statements of the Company for the three-month period ended 31 March 2022 were reviewed by another auditor who expressed an unmodified conclusion on those condensed interim financial statements on 19 May 2022. Furthermore, the financial statements of the Company as at and for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 20 March 2022.

KPMG Professional Services



Fahad Mubark Al Dosarri
License No: 469

Riyadh on: 17 August 2022
Corresponding to: 19 Muharram 1444H



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

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
At 30 June 2022

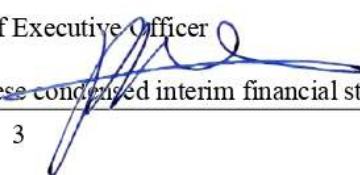
	Notes	30 June 2022 SR (Unaudited)	31 December 2021 SR (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	171,682,442	151,138,952
Right-of-use assets		4,418,381	3,291,600
Investment in an associate	4	1,257,314	-
TOTAL NON-CURRENT ASSETS		177,358,137	154,430,552
CURRENT ASSETS			
Inventories		40,771,702	35,918,304
Prepayments and other current assets	6	72,397,880	41,861,915
Contract assets	7	341,542,663	236,382,937
Trade and other receivables	8	275,574,494	240,853,792
Cash and bank balances	9	99,004,879	42,020,512
TOTAL CURRENT ASSETS		829,291,618	597,037,460
TOTAL ASSETS		1,006,649,755	751,468,012
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	250,000,000	250,000,000
Statutory reserve		21,727,793	21,727,793
Retained earnings		102,184,705	88,050,131
Actuarial Reserve		(3,271,555)	(3,271,555)
TOTAL EQUITY		370,640,943	356,506,369
NON-CURRENT LIABILITIES			
Employees' defined benefit liabilities		47,494,769	43,953,541
Non-current portion of lease liabilities		3,304,856	2,962,793
Non-current portion of term loans	11	146,029,262	60,128,357
TOTAL NON-CURRENT LIABILITIES		196,828,887	107,044,691
CURRENT LIABILITIES			
Trade payables, accruals and other liabilities		99,545,461	120,881,391
Current portion of term loans	11	332,489,816	158,664,040
Current portion of lease liabilities		645,477	259,808
Zakat payable	16	6,499,171	8,111,713
TOTAL CURRENT LIABILITIES		439,179,925	287,916,952
TOTAL LIABILITIES		636,008,812	394,961,643
TOTAL EQUITY AND LIABILITIES		1,006,649,755	751,468,012

These condensed consolidated interim financial statements on pages 3 to 19 have been approved by Board of Directors on 19 Muharram 1444H (corresponding to 17 August 2022) and are signed on their behalf by:

Chairman of Board



Chief Executive Officer



Chief Financial Officer



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

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

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Three-month and Six-month periods ended 30 June 2022

	Note	For the three months period ended 30 June (Unaudited)		For the six months period ended 30 June (Unaudited)	
		2022 SR	2021 SR	2022 SR	2021 SR
Revenue	14	184,427,257	134,886,016	357,954,732	267,904,275
Cost of revenue	15	(138,708,581)	(96,399,202)	(268,672,890)	(191,257,726)
GROSS PROFIT		45,718,676	38,486,814	89,281,842	76,646,549
Selling and distribution expenses		(409,610)	(956,819)	(778,570)	(1,545,516)
General and administrative expenses		(7,149,479)	(13,136,978)	(20,318,979)	(15,579,278)
Impairment loss on trade receivables including contract assets		(3,555,460)	-	(3,555,460)	(5,396,800)
OPERATING PROFIT		34,604,127	24,393,017	64,628,833	54,124,955
Gain from sale of property and equipment		57,169	-	127,350	886,144
Finance costs		(4,127,102)	(818,934)	(5,649,472)	(1,578,376)
Other income, net		720,682	222,814	981,369	372,783
Share of loss from an associate		(1,927,686)	-	(1,927,686)	-
PROFIT BEFORE ZAKAT		29,327,190	23,796,897	58,160,394	53,805,506
Zakat	16	(3,001,734)	(2,090,986)	(6,525,820)	(5,160,327)
PROFIT FOR THE PERIOD		26,325,456	21,705,911	51,634,574	48,645,179
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		26,325,456	21,705,911	51,634,574	48,645,179
Earnings per share (EPS):					
Basic and diluted earning per share	12	1.05	0.87	2.07	1.95

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

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
For the Six-month period ended 30 June 2022

	Share capital SR	Statutory reserve SR	Retained earnings SR	Actuarial reserve SR	Total SR
As at 1 January 2021 (Audited)	250,000,000	11,395,252	32,557,264	78,110	294,030,626
Profit for the period	-	-	48,645,179	-	48,645,179
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	48,645,179	-	48,645,179
Dividends (note 17)	-	-	(37,500,000)	-	(37,500,000)
As at 30 June 2021 (Unaudited)	<u>250,000,000</u>	<u>11,395,252</u>	<u>43,702,443</u>	<u>78,110</u>	<u>305,175,805</u>
As at 1 January 2022 (Audited)	250,000,000	21,727,793	88,050,131	(3,271,555)	356,506,369
Profit for the period	-	-	51,634,574	-	51,634,574
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	-	-
Dividends (note 17)	-	-	(37,500,000)	-	(37,500,000)
As at 30 June 2022 (Unaudited)	<u>250,000,000</u>	<u>21,727,793</u>	<u>102,184,705</u>	<u>(3,271,555)</u>	<u>370,640,943</u>

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

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

CONDENSED INTERIM STATEMENT OF CASHFLOWS
For the Six-month period ended 30 June 2022

	30 June 2022 SR (Unaudited)	30 June 2021 SR (Unaudited)
OPERATING ACTIVITIES		
Profit for the period	51,634,574	48,645,179
Adjustments to reconcile profit for the period to net cash flows:		
Depreciation of property and equipment	16,444,551	9,311,379
Depreciation of right-of-use assets	344,313	1,227,870
Gain on sale of property and equipment	(127,350)	(886,144)
Provision for expected credit losses	3,555,460	5,396,800
Provision for employees' defined benefits	5,479,051	3,823,984
Finance costs	5,649,472	1,578,376
Share of loss from associate	1,927,686	-
Zakat charge	6,525,820	5,160,327
Settlement of finance lease contract	(1,035)	-
	<u>91,432,542</u>	<u>74,257,771</u>
Working capital adjustments:		
Trade and other receivables, prepayments and other assets	(63,190,504)	(27,414,347)
Inventories	(4,853,398)	5,534,620
Trade payable, accruals and other liabilities	(21,335,930)	(13,556,132)
Amount due to related parties	-	(936,272)
Contract assets	(107,062,575)	(55,970,825)
	<u>(105,009,865)</u>	<u>(18,085,185)</u>
Cash flows used in operations	(105,009,865)	(18,085,185)
Finance costs paid	(5,600,555)	(1,528,901)
Employees' defined benefits paid	(1,937,823)	(2,639,466)
Zakat Paid	(8,138,362)	-
	<u>(120,686,605)</u>	<u>(22,253,552)</u>
Net cash flows used in operating activities	<u>(120,686,605)</u>	<u>(22,253,552)</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(40,979,335)	(18,483,297)
Proceeds from sale of property and equipment	399,871	2,046,611
Investment in an associate	(3,185,000)	-
	<u>(43,764,464)</u>	<u>(16,436,686)</u>
Net cash flows used in from investing activities	<u>(43,764,464)</u>	<u>(16,436,686)</u>
FINANCING ACTIVITIES		
Payment of principal portion of lease liabilities	(742,328)	(1,302,852)
Finance costs paid on lease liabilities	(48,917)	(49,475)
Proceeds from term loans	583,232,358	51,157,000
Repayment of term loans	(323,505,677)	(29,642,857)
Amount due to related parties	-	(12,011,957)
Dividends paid	(37,500,000)	-
	<u>221,435,436</u>	<u>8,149,859</u>
Net cash flows from financing activities	<u>221,435,436</u>	<u>8,149,859</u>
Net change in cash and bank balances	<u>56,984,367</u>	<u>(30,540,379)</u>
Cash and bank balances at the beginning of the period	<u>42,020,512</u>	<u>81,052,216</u>
Cash and bank balances at the end of the period	<u><u>99,004,879</u></u>	<u><u>50,511,837</u></u>
Significant non-cash transactions		
Recognition of right-of-use assets and lease liabilities	1,515,029	-
Dividend	-	37,500,000

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

30 June 2022

1. CORPORATE INFORMATION

Alkhorayef for Water and Power Technologies Company (the "Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010085982 dated 22 Safar 1412H (corresponding to 1 September 1991). The registered office is located at King Abdulaziz Road – Riyadh.

The Company is engaged in contracting for buildings, roads, industrial, mechanical, marine and electrical works, cleaning of buildings and cities, operation and maintenance of medical centers, hospitals, airports, and waste disposal, and environmental pollution control. Alkhorayef Group Company ("AGC") is the Parent Company and Abdullah Ibrahim Alkhorayef sons ("AIA") is the Ultimate Holding Company.

On 15 Shawwal 1441H (corresponding to 7 June 2020), the Company's Board of Directors approved the plan for initial public offering of the Company by offering 30% of the Company's shares for initial public offering by submitting an application and registering the securities to the Capital Market Authority and listing it through Saudi Stock Exchange ("Tadawul").

On 16 Jumada Al Awal 1442H (corresponding to 31 December 2020), the Capital Market Authority announced the approval to offer 7,500,000 shares for public subscription representing (30%) of the Company's shares. On 1 March 2021, the Company's shares started the trading in Tadawul.

On 12 Safar 1443H (corresponding to 12 September 2021), the Company has established new branch in Iraq. Operations of this branch is estimated to start in the last quarter of 2022.

On 3 Jumada Al-Alkhirah 1443H (corresponding to 6 January 2022), the Company has made investment in an associate with a third party (note 4).

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

2.1 Basis of preparation

The condensed interim financial statements are prepared under the historical cost convention using the accrual basis of accounting and going concern concept, except for the employees' terminal benefits that have been measured based on actuarial present value calculations. These condensed interim financial statements are presented in Saudi Riyals ("SR"), except when otherwise indicated, which is the functional and presentation currency of the Company.

The condensed interim financial statements for the three-month period ended 30 June 2022 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' ("IAS 34") as endorsed in the KSA and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern. The Board of Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at 31 December 2021. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

The Company follows the following accounting policy for its investment in an associate:

Investment in associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The Company's investment in its associate is accounted for using the equity method.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2022

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

2.1 Basis of preparation (continued)

Investment in associate (continued)

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill, if any, relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss and other comprehensive income reflects the Company's share of the results of operations of the associate. Any change in OCI of the investee is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after zakat.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss and other comprehensive income.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in statement of profit or loss and other comprehensive income.

The Company follows the following judgement in determining significant influence for its investment in an associate:

It is generally presumed that the Company has significant influence when the Company has 20% holding in an entity. Judgment is required, particularly where the Company owns shareholding and voting rights of more or less than 20% and where the Company has assessed to have 'significant influence' over such investees.

2.2 New standards, interpretations and amendments

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several new standards and amendments apply for the first time in 2022, but do not have an impact on the condensed interim financial statements of the Company.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2022

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

2.2 New standards, interpretations and amendments (continued)

Standards	Description	Mandatory effective date
IFRS 1	First-time Adoption of International Financial Reporting Standards: Subsidiary as a first-time adopter	1 January 2022
IFRS 9	Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
IAS 41	Agriculture: Taxation in fair value measurements	1 January 2022
Amendments to IFRS 3	Business Combinations: Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Onerous Contracts: Costs of Fulfilling a Contract	1 January 2022

These standards and amendments had no impact on the condensed interim financial statements of the Company.

The Company intends to use the practical expedients in future periods if they become applicable.

3. INVESTMENT IN JOINT ARRANGEMENTS

The Company participated in certain projects (undertaken through two unincorporated joint arrangements) whereby the Company and the other partner assumed an economic activity subject to joint control. Such unincorporated joint arrangements, whereby the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement, are classified as joint operations. In the accompanying financial statements, the Company reports its assets, including its share of any assets held jointly, its liabilities, including its share of any liabilities incurred jointly, its revenue including its share of the revenue from the sale of the output by the joint operation and its expenses, including its share of any expenses incurred jointly.

Below is the listing of the Company's joint arrangements:

Join operations name	Location	Principal activities	Percentage of ownership	
			2022	2021
Operation and Maintenance for Hadda and Arana Wastewater Treatment Plants in Mecca ("Mecca UJV")	Kingdom of Saudi Arabia	Operations and Maintenance	49%	49%
Operation and Maintenance of Conveyance and Transportation of TSE to Riyadh Region and Suburbs (Riyadh TSE)	Kingdom of Saudi Arabia	Operations and Maintenance	49%	49%

3.1 Summarised financial statements of the joint operations

	Mecca UJV		Riyadh TSE	
	30 June 2022 SR	31 December 2021 SR	30 June 2022 SR	31 December 2021 SR
Total current assets	5,706,633	6,220,806	516,698	516,698
Total current liabilities	(3,426,418)	(3,940,571)	(104,314)	(104,314)
Net assets	2,280,215	2,280,235	412,384	412,384
Company's share at 49%	1,117,305	1,117,315	202,068	202,068

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2022

4. INVESTMENT IN AN ASSOCIATE

The Company entered into an agreement with Veolia Middle East Company to establish a limited liability company named Erwaa Water Company ("EWC"). Accordingly, EWC was established with a capital of SR 500,000 (500 shares of SR 1,000 each) on 3 Jumada Al-Alkhirah 1443H (corresponding to 6 January 2022).

Associate name	Location	Principal activities	Percentage of ownership	
			2022	2021
Erwaa Water Company ("EWC")	Kingdom of Saudi Arabia	Operations and Maintenance	49%	-

4.1 Summarised financial statements of the associate

	30 June 2022 SR	31 December 2021 SR
Total current assets	21,926,854	-
Total non-current assets	4,002,071	-
Total current liabilities	20,066,832	-
Non current liabilities	3,296,147	-
Net assets	2,565,946	-
Company's share at 49%	1,257,314	-

Upon incorporation the Company paid SR 245,000 (49% of share capital) to EWC. During the six-month period ended 30 June 2022, partners of EWC agreed to inject additional cash of SR 6 million to EWC based on their ownership percentage to support its working capital requirements. Accordingly, a payment of SR 2.94 million was made by the Company to EWC during the six-month period ended 30 June 2022.

EWC had no contingent liabilities or capital commitments as at 30 June 2022.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
30 June 2022

5. PROPERTY AND EQUIPMENT

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

Buildings	20 years	Furniture and fixtures	7 years			
Heavy machines	7 years	Motor vehicles	5 years			
		Buildings	Heavy	Furniture and	Motor	
		SR	machines	fixtures	vehicles	Total
			SR	SR	SR	SR
Cost:						
At the beginning of the period		2,710,334	210,548,824	15,500,048	92,245,537	321,004,743
Additions		38,000	17,962,878	803,721	8,502,168	27,306,767
Disposals		-	(4,450)	-	(586,808)	(591,258)
At the end of the period		2,748,334	228,507,252	16,303,769	100,160,898	347,720,252
Accumulated depreciation:						
At the beginning of the period		2,034,554	103,164,749	9,807,238	58,578,024	173,584,565
Charge for the period		57,674	9,977,493	674,580	5,734,804	16,444,551
Disposals			(4,017)		(314,721)	(318,738)
At the end of the period		2,092,228	113,138,225	10,481,818	63,998,107	189,710,378
Carrying value						
30 June 2022 (Unaudited)		656,106	115,369,027	5,821,951	36,162,791	158,009,874
31 December 2021 (Audited)		675,780	107,384,075	5,692,810	33,667,513	147,420,178

As of 30 June 2022, a further amount of SR 13.6 million (31 December 2021: SR 3.7 million) is also capitalized relating to advances paid for acquisition of certain fixed assets. Including this amount of SR 13.6 million (31 December 2021: SR 3.7 million) the total property and equipment amounts to SR 171.68 million (31 December 2021: SR 151.13 million)

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2022

6. PREPAYMENTS AND OTHER CURRENT ASSETS

	30 June 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Prepaid expenses	51,288,468	30,743,716
Advances to suppliers	10,846,334	3,585,459
Employees' receivables	3,604,444	4,688,355
Others	6,658,634	2,844,385
	72,397,880	41,861,915

7. CONTRACT ASSETS

	30 June 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Opening balance	236,382,937	147,336,918
Value of work performed	357,954,732	569,038,542
Less: progress billings	(250,771,163)	(479,871,529)
Less: provision for expected credit losses	(2,023,843)	(120,994)
Closing balance	341,542,663	236,382,937

Contract assets relates to the Company's right to receive consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This occurs when the Company issues an invoice to the customer.

8. TRADE AND OTHER RECEIVABLES

	30 June 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Trade receivables	274,347,572	239,741,173
Retention receivables	8,155,339	6,388,425
	282,502,911	246,129,598
Less: provision for expected credit losses	(6,928,417)	(5,275,806)
	275,574,494	240,853,792

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

	30 June 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Opening balance	5,275,806	2,034,257
Add: Charge for the period / year	1,652,611	3,241,549
Closing balance	6,928,417	5,275,806

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8. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables are non-interest bearing and are generally on terms of 60 to 120 days. Trade and retention receivables include amounts totaling SR 264 million which is due from Government and quasi-Government institutions (31 December 2021: SR 222 million).

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed. The Company does not hold collateral as security.

9. CASH AND BANK BALANCES

	30 June 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Bank balances	95,733,807	41,961,338
Cash in hand	3,271,072	59,174
	<u>99,004,879</u>	<u>42,020,512</u>

10. SHARE CAPITAL

On 16 Jumada Al Awal 1442H (corresponding to 31 December 2020), the Capital Market Authority announced the approval to offer 7,500,000 shares for public subscription representing (30%) of the Company's shares. On 1 March 2021 the Company's shares started the trading in Tadawul.

Share capital is divided into 25,000,000 share of SR 10 each (31 December 2021: 25,000,000 shares of SR 10 each).

11. TERM LOANS

	30 June 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Commercial loans	478,519,078	218,792,397
Less: Current portion	(332,489,816)	(158,664,040)
Non-current portion	<u>146,029,262</u>	<u>60,128,357</u>

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11. TERM LOANS (continued)

	30 June 2022 SR (Unaudited)	30 June 2021 SR (Unaudited)
Opening balance	218,792,397	197,278,254
Add: Obtained during the period	583,232,358	51,157,000
Less: Repayments during the period	(323,505,677)	(29,642,857)
Closing balance	478,519,078	218,792,397

The Company has obtained Sharia Compliant Murabaha loan facilities from commercial banks for a total amount of SR 478 million (31 December 2021: SR 218 million). These facilities are maturing from 2022 to 2025. These loans carry varying Murabaha profit rates in conformity with the applicable loan agreements. These facilities bear profit margin at market rates, which are generally based on Saudi Inter Bank Offer Rate ("SIBOR") and are secured by assignment acknowledgement of contract proceeds.

12. EARNINGS PER SHARE

Basic earnings per share attributable to the shareholders is calculated based on the weighted average number of outstanding shares during the period.

Diluted earnings per share is calculated by adjusting basic earnings per share for the weighted average number of additional shares that would have been outstanding assuming the conversion of all dilutive potential shares.

	For the three-month period ended 30 June		For the Six-month period ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Profit for the period (SR)	26,325,456	21,705,911	51,634,574	48,645,179
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	25,000,000	25,000,000	25,000,000	25,000,000
Basic and diluted earnings per share of profit for the period (SR)	1.05	0.87	2.07	1.95

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

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13. RELATED PARTIES TRANSACTIONS AND BALANCES

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

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

Related parties	Relationship	Nature of transactions	Amount of transactions	
			30 June 2022 SR (Unaudited)	30 June 2021 SR (Unaudited)
Alkhorayef Group company	Parent Company	Shared service cost	360,000	360,000
		Land rental	144,000	144,000
Abdullah Ibrahim Alkhorayef Sons Company	Ultimate Parent Company and a board member	Land rental	138,850	12,500
Alkhorayef Commercial Company	A subsidiary to the Parent	Purchases	852,251	672,552
		Sales	77,539	29,460
Al Khorayef Petroluem Company ("APC")	A subsidiary to the Parent	Purchases	201,250	230,790
Alkhorayef Printing Solutions Company	A subsidiary to the Parent	Purchases	134,748	97,146
Castrol	A subsidiary to the Parent	Purchases	111,908	31,001
Alkhorayef Industries Company	A subsidiary to the Parent	Sale	16,560	-
Saudi Part Center("SPC")	A subsidiary to the Parent	Purchases	9,576	52,449
Erwaa Water Company ("EWC")	An associate to the Company	Investment	3,185,000	-
		Share of loss	1,927,686	-

Key management compensation

Key management personnel of the Company comprise of key members of the management having authority and responsibility for planning, directing and controlling the activities of the Company. The compensation to key management is shown below:

Related parties	Nature of transactions	Amount of transactions	
		30 June 2022 SR (Unaudited)	30 June 2021 SR (Unaudited)
Key management personnel Note 13.3	Short-term benefits	8,080,537	10,224,536
	Post-employment benefits	817,266	255,897
Board of directors	Remuneration	450,000	632,501

13.1 Sales to and purchases from related parties are made on mutually agreed terms. Outstanding balances at the year-end are unsecured. There have been no guarantees provided or received for any related party receivables or payables balance.

13.2 There are no balances outstanding due from and due to related parties as at 30 June 2022 and 30 June 2021.

13.3 Key management personnel of the Company comprise of key members of the management having authority and responsibility for planning, directing and controlling the activities of the Company. The amounts disclosed are the amounts recognised as an expense during the reporting period related to key management personnel.

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14. REVENUES

14.1 Disaggregated revenue information

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

	For the three months period ended 30 June		For the Six-month period ended 30 June	
	2022	2021	2022	2021
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Types of services				
Water (see note "a" below)	79,195,521	72,579,430	146,131,690	142,027,305
Wastewater (see note "b" below)	39,693,960	42,639,668	86,080,556	87,286,896
Integrated Water Solutions (see note "c" below)	65,537,776	19,666,918	125,742,486	38,590,074
	184,427,257	134,886,016	357,954,732	267,904,275

	For the three months period ended 30 June		For the Six-month period ended 30 June	
	2022	2021	2022	2021
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
a) Categories of segments (Water)				
Water Withdraw and Treatment	55,506,152	49,986,963	98,374,814	100,291,857
Water Networks	23,689,369	22,592,467	47,756,876	41,735,448
	79,195,521	72,579,430	146,131,690	142,027,305

	For the three months period ended 30 June		For the Six-month period ended 30 June	
	2022	2021	2022	2021
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
b) Categories of segments (Wastewater)				
Wastewater Networks	27,720,609	24,498,818	61,445,545	51,595,682
Wastewater Treatment	11,973,351	18,140,850	24,635,011	35,691,214
	39,693,960	42,639,668	86,080,556	87,286,896

	For the three months period ended 30 June		For the six months period ended 30 June	
	2022	2021	2022	2021
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
c) Categories of segments (Integrated Water Solutions)				
City Management	26,325,174	17,509,737	49,352,468	31,801,435
Water Management Services	23,847,145	42,391	45,925,788	3,961,229
Stormwater Networks	15,365,457	2,114,790	30,464,230	2,827,410
	65,537,776	19,666,918	125,742,486	38,590,074

Geographical markets

The Company operates exclusively in the Kingdom of Saudi Arabia and therefore no additional geographical market information is presented in these condensed interim financial statements. Revenue on contracts is recognised over time in line with the revenue recognition policy. More than 98% of revenue is from contracts with Government entities.

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15. COST OF REVENUES

	For the three months period ended 30 June		For the six months period ended 30 June	
	2022	2021	2022	2021
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Employees' salaries and other benefits	78,794,142	54,723,561	151,568,301	108,494,997
Materials consumed	26,278,090	17,709,935	57,162,414	38,356,210
Depreciation and amortisation	8,438,831	4,585,473	16,427,108	9,118,652
Repair and maintenance	6,959,167	7,595,198	12,222,865	16,302,262
Utilities	5,557,820	3,489,638	9,197,328	6,454,518
Rent	2,523,295	1,799,186	5,769,082	3,103,302
Insurance	1,562,278	1,049,149	3,060,707	2,273,801
Penalties	4,679,171	-	5,315,239	862,093
Professional fees	346,628	337,527	931,009	-
Others	3,569,159	5,109,535	7,018,837	6,291,891
	138,708,581	96,399,202	268,672,890	191,257,726

16. ZAKAT

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

	30 June 2022	31 December 2021
	SR	SR
	(Unaudited)	(Audited)
Opening balance	8,111,713	-
Charge for the period	6,525,820	8,111,713
Paid during the period	(8,138,362)	-
	6,499,171	8,111,713

Status of assessment

Zakat returns have been submitted based on the consolidated zakat base of the group up to the year ended 31 December 2020. Final assessments of the group have been agreed up to the year ended 31 December 2015. The Company has also pledged to the Capital Market Authority that the Parent Company will bear any additional zakat amounts that might relate to the years for 2020 and before for which no final assessments have been issued. In May 2021 Company has separately registered with Zakat Tax and Custom Authority and accordingly filed Zakat return for the year ended 31 December 2021. No assessment has been received for the year ended 31 December 2021.

17. DIVIDENDS

On 17 Sha'ban 1443H (corresponding to 20 March 2022), the Board of Directors has approved to distribute interim cash dividends equal to 15% of the capital amounted to SR 37,500,000 of SR 1.5 per share (30 June 2021: SR 37,500,000 of SR 1.5 per share).

18. OPERATING SEGMENTS

As the operations of the Company are conducted in the Kingdom of Saudi Arabia, accordingly, for management purposes, the Company is organized into business units based on its products and services and has three reportable segments.

Operating segments is determined based on the Company's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Chief Executive Officer as he is primarily responsible for the allocation of resources to segments and the assessment of the performance of each of the segments.

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18. OPERATING SEGMENTS (continued)

The CODM uses underlying income as reviewed at monthly Executive Committee and Performance meetings as the key measure of the segments' results as it reflects the segments' performance for the period under evaluation. Revenue and segment profit is a consistent measure within the Company.

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

Based on nature of services:

30 June 2022	Water	Waste Water	Integrated Water Solution	Other unallocated	Total
Revenue	146,131,690	86,080,556	125,742,486	-	357,954,732
Cost of revenue	(103,464,717)	(68,442,612)	(96,765,561)	-	(268,672,890)
Profit for the period	42,666,965	17,637,941	27,049,250	(35,719,582)	51,634,574
Assets	284,618,713	197,844,954	344,885,637	179,300,451	1,006,649,755
Liabilities	-	-	-	636,008,812	636,008,812
30 June 2021	Water	Waste Water	Integrated Water Solution	Other unallocated	Total
Revenue	142,027,305	87,286,896	38,590,074	-	267,904,275
Cost of revenue	(97,080,026)	(60,275,989)	(33,901,711)	-	(191,257,726)
Profit for the period	44,838,149	26,987,379	3,275,505	(26,455,854)	48,645,179
31 December 2021					
Assets	268,543,521	209,020,529	193,902,341	80,001,621	751,468,012
Liabilities	-	-	-	394,961,642	394,961,642

Geographical segments:

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

19. CONTINGENCIES

As of 30 June 2022 and 31 December 2021, the Company has the following contingencies:

	30 June 2022	31 December 2021
	SR	SR
	(Unaudited)	(Audited)
Letters of guarantee	384,686,975	292,266,695
Letters of credit	57,295,654	53,379,806
	441,982,629	345,646,501

20. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the principal or the most advantageous market must be accessible to the Company.

The Company's financial assets consist of cash and bank balances, trade and other receivables, prepayments and other current assets, contract assets and its financial liabilities consist of term loans, trade payables, accruals and other liabilities, and lease liabilities.

The fair values of the financial instruments of the Company are not materially different from their carrying values at the reporting date.

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21. EVENTS AFTER THE REPORTING PERIOD

No events have occurred subsequent to the reporting date and before the issuance of these condensed interim financial statements which require adjustment or disclosure in these condensed interim financial statements.

22. COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current period's financial statements.

Statement of financial position	Note	31 December 2021 previously reported	Reclassification	31 December 2021 after reclassification
Non-Current assets				
Property and equipment	5	147,420,178	3,718,774	151,138,952
Current assets				
Advance to supplier	5	7,304,233	(3,718,774)	3,585,459
		For the six months period ended 30 June 2021 previously reported	Reclassification	For the six months period ended 30 June 2021 after reclassification
Statement of profit or loss				
General and administrative expenses		20,976,078	(5,396,800)	15,579,278
Impairment loss on trade receivables including contract assets		-	5,396,800	5,396,800

- a) Advance to suppliers against property and equipment, amounting to SR 3,718,774 were classified under advance to supplier under current assets in the prior period financial statements. For better presentation and understanding this has been reclassified in financial statements under property and equipment to reflect the nature of the balances more appropriately.
- b) Impairment loss on trade receivables including contract assets amounting to SR 5,396,800 was classified under general and administrative expenses in the prior period financial statements. For better presentation and understanding this has been reclassified and presented as a separate note line in statement of profit or loss.

23. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements have been approved by the Board of Directors on 19 Muharram 1444H (corresponding to 17 August 2022).