

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

UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

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

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Alkhorayef for Water and Power Technologies Company (A Saudi Joint Stock Company) ("the Company") as at 31 March 2022 and the related interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting 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 Professional Services



Marwan S. AlAfaliq
Certified Public Accountant
License No. 422

Riyadh: 18 Shawwal 1443H
(19 May 2022)



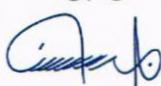
Alkhorayef for Water and Power Technologies Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

		31 March 2022 SR (Unaudited)	31 December 2021 SR (Audited)
	Notes		
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	150,572,344	147,420,178
Right-of-use assets		4,651,803	3,291,600
Investment in an associate	4	245,000	-
Amount due from an associate	4	2,940,000	-
TOTAL NON-CURRENT ASSETS		158,409,147	150,711,778
CURRENT ASSETS			
Inventories		35,766,418	35,918,304
Prepayments and other current assets	6	85,929,477	45,580,689
Contract assets	7	317,443,537	236,382,937
Trade and other receivables	8	216,024,898	240,853,792
Cash and bank balances	9	62,535,668	42,020,512
TOTAL CURRENT ASSETS		717,699,998	600,756,234
TOTAL ASSETS		876,109,145	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		75,859,249	88,050,131
Re-measurement of employees' defined benefit liabilities		(3,271,555)	(3,271,555)
TOTAL EQUITY		344,315,487	356,506,369
NON-CURRENT LIABILITIES			
Employees' defined benefit liabilities		45,430,516	43,953,541
Non-current portion of lease liabilities		3,513,965	2,962,793
Non-current portion of term loans	11	132,008,297	60,128,357
TOTAL NON-CURRENT LIABILITIES		180,952,778	107,044,691
CURRENT LIABILITIES			
Trade payables, accruals and other liabilities		114,895,317	120,881,391
Current portion of term loans	11	223,651,723	158,664,040
Current portion of lease liabilities		658,041	259,808
Zakat payable	16	11,635,799	8,111,713
TOTAL CURRENT LIABILITIES		350,840,880	287,916,952
TOTAL LIABILITIES		531,793,658	394,961,643
TOTAL EQUITY AND LIABILITIES		876,109,145	751,468,012

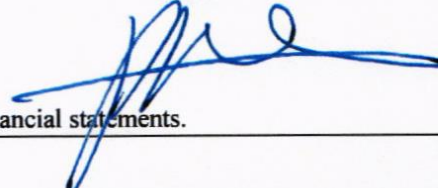
CFO



Chairman



CEO




The attached notes 1 to 22 form an integral part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

For the three-month period ended 31 March 2022

	Notes	2022 SR	2021 SR
Revenue	14	173,527,475	133,018,259
Cost of revenue	15	(129,964,309)	(94,858,524)
GROSS PROFIT		43,563,166	38,159,735
Selling and marketing expenses		(368,960)	(588,697)
General and administrative expenses		(13,169,500)	(7,839,100)
OPERATING PROFIT		30,024,706	29,731,938
Gain from sales of property and equipment		70,181	886,144
Finance cost		(1,522,370)	(759,442)
Other income, net		260,687	149,968
PROFIT BEFORE ZAKAT		28,833,204	30,008,608
Zakat	16	(3,524,086)	(3,069,340)
NET PROFIT FOR THE PERIOD		25,309,118	26,939,268
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement on defined benefits liability		-	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		25,309,118	26,939,268
Earnings per share ("EPS"):			
Basic and diluted earnings per share:			
Earning per share	12	1.01	1.08

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The attached notes 1 to 22 form an integral part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 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	-	-	26,939,268	-	26,939,268
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	26,939,268	-	26,939,268
As at 31 March 2021 (Unaudited)	<u>250,000,000</u>	<u>11,395,252</u>	<u>59,496,532</u>	<u>78,110</u>	<u>320,969,894</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	-	-	25,309,118	-	25,309,118
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	25,309,118	-	25,309,118
Dividends (note 17)	-	-	(37,500,000)	-	(37,500,000)
As at 31 March 2022 (Unaudited)	<u>250,000,000</u>	<u>21,727,793</u>	<u>75,859,249</u>	<u>(3,271,555)</u>	<u>344,315,487</u>

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The attached notes 1 to 22 form an integral part of these interim condensed financial statements

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

INTERIM CONDENSED STATEMENT OF CASHFLOWS

For the three-month period ended 31 March 2022

	31 March 2022 SR (Unaudited)	31 March 2021 SR (Unaudited)
OPERATING ACTIVITIES		
Profit before zakat	28,833,204	30,008,608
<i>Adjustments to reconcile profit before zakat to net cash flows:</i>		
Depreciation of property and equipment	8,015,773	4,683,993
Depreciation of right-of-use assets	154,826	1,127,211
Gain on sale of property and equipment	(70,181)	(886,144)
Provision for expected credit losses	3,555,460	-
Provision for employees' defined benefits	2,575,472	1,821,289
Finance costs	1,522,370	759,442
	<u>44,586,924</u>	<u>37,514,399</u>
<i>Working capital adjustments:</i>		
Trade and other receivables, prepayments and other assets	(19,075,354)	(40,924,792)
Inventories	151,886	5,568,035
Trade payable, accruals and other liabilities	(6,467,520)	4,235,826
Amount due to related parties	-	(642,250)
Contract assets	(81,060,600)	(17,013,610)
	<u>(61,864,664)</u>	<u>(11,262,392)</u>
Cash flows used in operations		
Finance costs paid	(1,522,370)	(759,442)
Employees' defined benefits paid	(1,098,497)	(1,530,090)
	<u>(64,485,531)</u>	<u>(13,551,924)</u>
Net cash flows used in operating activities		
INVESTING ACTIVITIES		
Purchase of property and equipment	(11,300,859)	(1,794,563)
Proceeds from sale of property and equipment	203,101	2,046,611
Investment in an associate	(245,000)	-
Amount due from an associate	(2,940,000)	-
	<u>(14,282,758)</u>	<u>252,048</u>
Net cash flows (used in) from investing activities		
FINANCING ACTIVITIES		
Payment of principal portion of lease liabilities	(565,624)	(1,290,228)
Proceeds from term loans	257,132,445	26,970,000
Repayment of term loans	(120,264,822)	(17,989,870)
Change in related parties' balances	-	(4,353,947)
Dividends paid	(37,018,554)	-
	<u>99,283,445</u>	<u>3,335,955</u>
Net cash flows from financing activities		
Increase (decrease) in cash and bank balances	20,515,156	(9,963,921)
Cash and bank balances at the beginning of the period	42,020,512	81,052,216
Cash and bank balances at the end of the period	62,535,668	71,088,295
Significant non-cash transactions:		
Recognition of right-of-use assets and lease liabilities	1,515,029	1,130,662
Lease termination	-	(1,014,542)

The attached notes from 1 to 22 form an integral part of these interim condensed financial statements

CFO

Chairman

CEO

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 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-Akhirah 1443H (corresponding to 6 January 2022), the Company has made investment in an associate with a third party, and has not commenced its operations (note 4).

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 measured 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.

The interim condensed financial statements for the three-month period ended 31 March 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 interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at 31 December 2021.

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 considerations made in determining significant influence is similar to those necessary to determine control over subsidiaries. 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 INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
31 March 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 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 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 interim condensed financial statements of the Company.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2022

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

2.2 New standards, interpretations and amendmentss (continued)

<i>Standards</i>	<i>Description</i>	<i>Mandatory effective date</i>
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 interim condensed 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 ventures) 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:

<i>Join venture name</i>	<i>Location</i>	<i>Principal activities</i>	<i>Percentage of ownership</i>	
			<i>2022</i>	<i>2021</i>
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

	<i>Mecca UJV</i>		<i>Riyadh TSE</i>	
	<i>31 March 2022 SR</i>	<i>31 December 2021 SR</i>	<i>31 March 2022 SR</i>	<i>31 December 2021 SR</i>
Total current assets	6,220,806	6,220,806	516,698	516,698
Total non-current assets	-	-	-	-
Total current liabilities	(3,940,571)	(3,940,571)	(104,314)	(104,314)
Net assets	2,280,235	2,280,235	412,384	412,384
Company's share at 49%	1,117,315	1,117,315	202,068	202,068

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2022

4. INVESTMENT IN AN ASSOCIATE AND AMOUNT DUE FROM 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-Akhirah 1443H (corresponding to 6 January 2022). EWC has not commenced operations as of 31 March 2022.

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

4.1 Summarised financial statements of the associate

	<i>31 March 2022</i> <i>SR</i>	<i>31 December 2021</i> <i>SR</i>
Total current assets	6,500,000	-
Total non-current assets	-	-
Total current liabilities	6,000,000	-
Net assets	500,000	-
Company's share at 49%	245,000	-

During the three-month period ended 31 March 2022, partners of Erwa agreed to provide an advance of SR 6 million to EWC based on their ownership percentage to support its working capital requirements. Accordingly, advance payment of SR 2.94 million was made by the Company to EWC during the three-month period ended 31 March 2022.

EWC had no contingent liabilities or capital commitments as at 31 March 2022.

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

31 March 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		
	<i>Buildings</i>	<i>Heavy</i>	<i>Furniture and</i>	<i>Motor</i>	<i>Total</i>
	<i>SR</i>	<i>machines</i>	<i>fixtures</i>	<i>vehicles</i>	<i>SR</i>
		<i>SR</i>	<i>SR</i>	<i>SR</i>	
<i>Cost:</i>					
At the beginning of the period	2,710,334	210,548,824	15,500,048	92,245,537	321,004,743
Additions	-	8,259,500	143,900	2,897,459	11,300,859
Disposals	-	(1,850)	-	(295,033)	(296,883)
At the end of the period	2,710,334	218,806,474	15,643,948	94,847,963	332,008,719
<i>Accumulated depreciation:</i>					
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	29,917	4,829,137	347,488	2,809,231	8,015,773
Disposals	-	(1,850)	-	(162,113)	(163,963)
At the end of the period	2,064,471	107,992,036	10,154,726	61,225,142	181,436,375
Net book value					
31 March 2022 (Unaudited)	645,863	110,814,438	5,489,222	33,622,821	150,572,344
31 December 2021 (Audited)	675,780	107,384,075	5,692,810	33,667,513	147,420,178

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

31 March 2022

6. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 March 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Prepaid expenses	50,456,111	30,743,716
Advances to suppliers	20,787,896	7,304,233
Employees' receivables	10,389,577	6,982,982
Other receivables	4,295,893	549,758
	85,929,477	45,580,689

7. CONTRACT ASSETS

	31 March 2022 SR (Unaudited)	31 December 2021 SR (Audited)
1 January	236,382,937	147,336,918
Value of work performed	173,527,475	569,038,542
Less: progress billings	(91,970,775)	(479,871,529)
Less: provision for expected credit losses	(496,100)	(120,994)
	317,443,537	236,382,937

Contract assets relates to the Company's right to receive consideration for work completed but not billed at the reporting date.

8. TRADE AND OTHER RECEIVABLES

	31 March 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Trade receivables	215,358,297	239,741,173
Retention receivables	9,122,761	6,388,425
	224,481,058	246,129,598
Less: provision for expected credit losses	(8,456,160)	(5,275,806)
	216,024,898	240,853,792

Terms and conditions of the above financial assets:

Trade receivables are non-interest bearing and are generally on terms of 60 to 120 days. Trade and retention receivables include amounts totaling SR 200 million which is due from Government and quasi-Government institutions (31 December 2021: SR 222 million).

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
31 March 2022

8. TRADE AND OTHER RECEIVABLES (continued)

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

	31 March 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Bank balances	59,417,392	41,961,338
Cash in hand	3,118,276	59,174
	<u>62,535,668</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

	31 March 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Commercial loans	355,660,020	218,792,397
Less: Current portion	(223,651,723)	(158,664,040)
Non-current portion	<u>132,008,297</u>	<u>60,128,357</u>

The Company has obtained Sharia Compliant Murabaha loan facilities from commercial banks for a total amount of SR 355 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.

As at 31 March 2022, the Company was not in compliance with one of the loan covenants, in relation to debt-to-earnings coverage ratio. However, during the year ended 31 December 2021, management received a waiver of covenant from the bank that the loan will not be called due to breach of the covenant.

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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.

	<i>For the three-month period ended 31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Operating profit for the period (SR)	30,024,706	29,731,938
Profit for the period (SR)	25,309,118	26,939,268
Weighted number of shares used as the denominator in calculating basic and diluted earnings per share	25,000,000	25,000,000
Basic and diluted earnings per share of operating profit for the period (SR)	1.20	1.19
Basic and diluted earnings per share of profit for the period (SR)	1.01	1.08

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

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 interim condensed financial statements are summarised as follows:

<i>Related parties</i>	<i>Relationship</i>	<i>Nature of transactions</i>	<i>Amount of transactions</i>	
			<i>2022</i>	<i>2021</i>
			<i>SR</i>	<i>SR</i>
			<i>(Unaudited)</i>	<i>(Unaudited)</i>
Alkhorayef Group company	Parent Company	Shared service cost	180,000	180,000
		Land rental	72,000	72,000
		Settlements for loans and other financing	-	(17,091,522)
		Transfer of VAT	-	7,309,782
		Letter of credit on behalf of the Company	-	3,606,044
Erwaa Water Company	Associate	Financing	2,940,000	-
Abdullah Ibrahim Alkhorayef Sons Company	Ultimate Parent Company and a board member	Land rental	69,425	12,500
Alkhorayef Commercial Company	A subsidiary to the Parent	Purchases	244,687	251,198
		Sales	36,800	-
Al Khorayef Petroluem Company ("APC")	A subsidiary to the Parent	Purchases	-	230,790
Alkhorayef Printing Solutions Company	A subsidiary to the Parent	Purchases	-	35,190
Alkhorayef Industries Company	A subsidiary to the Parent	Sales	16,560	-
Saudi Part Center("SPC")	A subsidiary to the Parent	Purchases	9,576	24,623

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13. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

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:

		<i>Amount of transactions</i>	
		<i>31 March 2022 SR (Unaudited)</i>	<i>31 March 2021 SR (Unaudited)</i>
<i>Related parties</i>	<i>Nature of transactions</i>		
Key management personnel (*)	Short-term benefits	1,445,437	1,246,579
	Post-employment benefits	715,204	82,423
Board of directors	Remuneration	268,500	227,000

13.1 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. There have been no guarantees provided or received for any related party receivables or payables balance.

13.2 Except for the outstanding balance receivable from Erwaa Water Company as at 31 Marh 2022, amounted to SR 2,940,000, there are no other balances outstanding due from and due to related parties as at 31 March 2022 and 31 March 2021.

(*) 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:

	<i>For the three-month period ended 31 March</i>	
	<i>2022</i> SR <i>(Unaudited)</i>	<i>2021</i> SR <i>(Unaudited)</i>
Types of services		
Water (see note "a" below)	66,936,169	69,447,875
Wastewater (see note "b" below)	46,386,596	44,647,228
Integrated Water Solutions (see note "c" below)	60,204,710	18,923,156
	173,527,475	133,018,259
	<i>For the three-month period ended 31 March</i>	
	<i>2022</i> SR <i>(Unaudited)</i>	<i>2021</i> SR <i>(Unaudited)</i>
a) Categories of segments (Water)		
Water Withdraw and Treatment	42,868,661	50,304,894
Water Networks	24,067,508	19,142,981
	66,936,169	69,447,875
	<i>For the three-month period ended 31 March</i>	
	<i>2022</i> SR <i>(Unaudited)</i>	<i>2021</i> SR <i>(Unaudited)</i>
b) Categories of segments (Wastewater)		
Wastewater Networks	33,724,936	27,096,864
Wastewater Treatment	12,661,660	17,550,364
	46,386,596	44,647,228
	<i>For the three-month period ended 31 March</i>	
	<i>2022</i> SR <i>(Unaudited)</i>	<i>2021</i> SR <i>(Unaudited)</i>
c) Categories of segments (Integrated Water Solutions)		
City Management	23,027,294	14,291,698
Water Management Services	22,078,643	1,846,439
Stormwater Networks	15,098,773	2,785,019
	60,204,710	18,923,156

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.

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15. COST OF REVENUES

	<i>For the three-month period ended 31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Employees' salaries and other benefits	72,774,159	53,771,436
Materials consumed	30,884,324	19,584,963
Depreciation and amortisation	7,988,277	4,533,179
Repair and maintenance	5,263,698	8,707,064
Utilities	3,639,508	2,964,880
Rent	3,245,787	1,304,116
Insurance	1,498,429	1,224,652
Penalties	636,068	81,723
Professional fees	584,381	524,566
Others	3,449,678	2,161,945
	129,964,309	94,858,524

16. ZAKAT

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

	<i>31 March 2022</i>	<i>31 December 2021</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Opening balance	8,111,713	-
Charge for the period	3,524,086	8,111,713
	11,635,799	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.

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.

18. CONTINGENCIES

As of 31 December, the Company has the following contingencies:

	<i>31 March 2022</i>	<i>31 December 2021</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Letters of guarantee	285,246,162	292,266,695
Letters of credit	61,513,978	53,379,806
	346,760,140	345,646,501

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19. 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 and these are classified within level 2 of the fair value hierarchy.

20. EVENTS AFTER THE REPORTING PERIOD

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

21. COMPARATIVE FIGURES

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

22. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 17 Shawwal 1443H (corresponding to 18 May 2022).