Prospectus

Prospectus of Alkhorayef Water & Power Technologies

A Saudi closed joint stock company pursuant to Ministerial Resolution No. 359, dated 09/10/1441H (corresponding to 1 June 2020G), and with commercial registration No. 1010085982, dated 22/02/1412H (corresponding to 2 September 1991G).

Offering of seven million five hundred thousand (7,500,000) Shares representing 30% of the share capital Alkhorayef Water & Power Technologies through an initial public offering at an offer price of SAR (72) per Share.

الخريّف لتقنية المياه والطاقة
Alkhorayef Water & Power Technologies

Offering Period: Two (2) days starting from Tuesday, 04/07/1442H (corresponding to 16/02/2021G) to Wednesday, 05/07/1442H (corresponding to 17/02/2021G).

Alkhorayef Water & Power Technologies (hereinafter referred to as the "**Company** or "**Issuer**") is a Saudi closed joint stock company incorporated by virtue of Ministerial Resolution No. 359, dated 09/10/1441H (corresponding to 1 June 2020G), and registered under Commercial Registration No. 1010085982, dated 22/02/1412H (corresponding to 1 September 1991G) in the city of Riyadh, Kingdom of Saudi Arabia (the "**Kingdom**"). The current share capital of the Company is two hundred and fifty million Saudi Riyals (SAR 250,000,000), divided into twenty-five million (25,000,000) ordinary shares, with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share (the "**Shares**").

The Company commenced its operations in 1985G as a business unit within Abdullah Ibrahim Alkhorayef Sons Company, a Saudi closed joint stock company registered under Commercial Registration No. 1010000878 dated 09/02/1434H (corresponding to 22 December 2012G), and then the Company was established as a limited liability company called Alkhorayef Maintenance and Operations registered in the city of Riyadh under Commercial Registration No. 1010085982, dated 22/02/1412H (corresponding to 2 September 1991G), with a capital of five million Saudi riyals (SAR 5,000,000) divided into five thousand (5,000) cash and in kind shares (cash shares are 164 shares, of which 64 shares are held by Abdullah Ibrahim Alkhorayef Sons Company, and 100 shares are held by Alkhorayef Agricultural Projects Company (a limited liability company); in-kind shares are 4,836 shares which relate to maintenance and operation and are all held by Abdullah Ibrahim Alkhorayef Sons Company) with a nominal value of one thousand (SAR 1,000) per share. On 20/02/1414H (corresponding to 8 August 1993G), the Company was converted from a limited liability company to a limited partnership and its capital increased from five million Saudi riyals (SAR 5,000,000) divided into five thousand (5,000) cash and in kind shares (cash shares are 164 shares, of which 64 shares are held by Abdullah Ibrahim Alkhorayef Sons Company, and 100 shares are held by Alkhorayef Agricultural Projects Company (a limited liability company); in-kind shares are 4,836 shares which relate to maintenance and operation and are all held by Abdullah Ibrahim Alkhorayef Sons Company) with a nominal value of one thousand (SAR 1,000) per share, to seven million Saudi riyals (SAR 7,000,000) divided into seven thousand (7,000) shares with a nominal value of one thousand (SAR 1,000) per share, by issuing new cash shares whose value was paid by new shareholder Abdulrahman Abdullah Alkhorayef, and the Company's name was changed to Abdulrahman Abdullah Alkhorayef Maintenance and Operations LP. On 01/05/1414H (corresponding to 16 October 1993G), the Company's shareholding structure was changed and its capital was increased from seven million Saudi riyals (SAR 7,000,000) divided into seven thousand (7,000) shares with a nominal value of one thousand (SAR 1,000) per share to seven million two hundred thousand Saudi riyals (SAR 7,200,000) divided into seven thousand two hundred (7,200) shares with a nominal value of one thousand (SAR 1,000) per share, by issuing new cash shares whose value was paid by the shareholders in proportion to each of their share of the capital. Abdulrahman Abdullah Alkhorayef assigned 14.4% of his share of the Company's capital (i.e. 50% of his shares in the Company) to Hamad Abdullah Alkhorayef, Saad Abdullah Alkhorayef, Mohammad Abdullah Alkhorayef, Jawaher Abdullah Alkhorayef, Sara Abdullah Alkhorayef, Haya Abdullah Almubarak, Bandar Ibrahim Alkhorayef, Abdullah Ibrahim Alkhorayef, Fahd Ibrahim Alkhorayef, Ibtisam Ibrahim Alkhorayef, Sara Ibrahim Alkhorayef, Nujud Ibrahim Alkhorayef, and Muneira Abdullah Almubarak, while Abdullah Ibrahim Alkhorayef & Sons and Alkhorayef Agricultural Projects assigned their shares in full to the new abovementioned shareholders. On 26/11/1414H (corresponding to 7 May 1994G), the Company changed its name again to Alkhorayef Maintenance and Operations for Owner Abdulrahman Abdallah Alkhorayef & Partners LP. On 08/04/1421H (corresponding to 10 July 2000G), due to the death of shareholder Haya Abdullah Almubarak, the ownership of the deceased shareholders' Company shares was transferred to her six heirs: Abdulrahman Abdullah Alkhorayef, Hamad Abdullah Alkhorayef, Saad Abdullah Alkhorayef, Mohammad Abdullah Alkhorayef, Jawaher Abdullah Alkhorayef, and Sara Abdullah Alkhorayef, all of whom were shareholders in the Company, and they agreed to keep their shares within the Company capital. On 14/09/1427H (corresponding to 7 October 2006G), the shareholders assigned 6,480 shares to Alkhorayef Group Company (a Saudi closed joint stock company) and 720 shares to Alkhorayef Industries (a limited liability company). The Company was also converted from a limited partnership to a limited liability company called Alkhorayef Maintenance and Operations without altering its capital. On 05/05/1428H (corresponding to 22 May 2007G), the Company increased its capital from seven million two hundred thousand Saudi riyals (SAR 7,200,000) divided into seven thousand two hundred (7,200) shares with a nominal value of one thousand (SAR 1,000) per share, to forty million Saudi riyals (SAR 40,000,000) divided into forty thousand (40,000) shares with a nominal value of one thousand (SAR 1,000) per share, by issuing new cash shares whose value was paid by the shareholders in proportion to each of their share of the capital. On 05/02/1430H (corresponding to 31 January 2009G), the Company changed its name to its current name, Alkhorayef Water & Power Technologies. On 10/11/1432H (corresponding to 8 October 2011G), Alkhoryef Industries exited the Company by conceding the full four thousand (4,000) shares it owned in the Company, with three thousand six hundred (3,600) of those shares going to Alkhorayef Group Company and four hundred (400) shares going to Alkhorayef International (a limited liability company). On 07/06/1435H (corresponding to 7 April 2014G), the Company increased its capital from forty million Saudi riyals (SAR 40,000,000) divided into forty thousand (40,000) shares with a nominal value of one thousand (SAR 1,000) per share, to eighty million Saudi riyals (SAR 80,000,000) divided into eighty thousand (80,000) shares with a nominal value of one thousand (SAR 1,000) per share, by issuing new cash shares whose value was paid by the shareholders in proportion to each of their share of the capital. Pursuant to the shareholders' resolution dated 24/01/1436H (corresponding to 17 November 2014G), Alkhorayef Group Company assigned its full 79,200 shares to Abdullah Alkhorayef & Sons LP, while Alkhorayef International assigned its full 800 shares to Alkhorayef Investments. On 09/05/1438H (corresponding to 6 February 2017G), the Company was converted from a limited liability company to a sole proprietor limited liability company with the same capital, owned by Abdullah Ibrahim Alkhorayef Sons closed joint stock company, after Alkhorayef Investments (a limited liability company) assigned its full 800 shares to Abdullah Ibrahim Alkhorayef Sons closed joint stock company. On 07/05/1439H (corresponding to 24 January 2018G), Abdullah Ibrahim Alkhorayef Sons closed joint stock company assigned its full eighty thousand (80,000) shares Alkhorayef Group Company, and on 17/10/1441H (corresponding to 9 June 2020G), the Company was converted from a limited liability company to a closed joint stock company called Alkhorayef Water & Power Technologies and its capital was increased from eighty million Saudi riyals (SAR 80,000,000) divided into eighty thousand (80,000) shares with a nominal value of one thousand (SAR 1,000) per share to two hundred and fifty million Saudi riyals (SAR 250,000,000) divided into twenty-five million (25,000,000) ordinary Shares with a nominal value of ten (SAR 10) per share, by issuing new shares in exchange for capitalizing residual profits of one hundred and sixteen million eight hundred thousand Saudi riyals (SAR 116,800,000), capitalizing a sum of nineteen million seventy thousand Saudi riyals (SAR 19,070,000) from the Company's statutory reserve, and capitalizing a sum of thirty-four million one hundred thirty thousand Saudi riyals (SAR 34,130,000) from payable amounts to relevant parties. Alkhorayef Group Company assigned 19% of the Company capital to 18 new shareholders with various ownership rates (for further information on the Company's history, see Section 4.2 (**Corporate History and Evolution of Capital**)).

The initial public offering of the Company's shares (the "**Offering**") will be for seven million five hundred thousand (7,500,000) Shares (collectively, the "**Offer Shares**" and each an "**Offer Share**"). The Offering price will be Seventy Two Saudi Riyals (SAR 72) per Offer Share (the "**Offer Price**"), with each Offer Share carrying a fully paid nominal value of ten Saudi Riyals (SAR 10) per Offer Share. The Offer Shares represent thirty percent (30%) of the issued share capital of the Company. The Offering shall be restricted to the following two groups of investors (collectively, the "**Investors**"):

Tranche (A) Participating Parties: Participating parties comprising the parties entitled to participate in the book-building process as specified under the Instructions for Book-Building Process and Allocation Method in Initial Public Offerings (the "**Book-Building Instructions**") issued by the Capital Market Authority (the "**CMA**") (collectively referred to as the "**Participating Parties**" and each a "**Participating Party**") (for further details, see Section 1 (**Definitions and Abbreviations**)). The number of Offer Shares to be provisionally allocated to the Participating Parties actually involved in the book-building process from amongst the Participating Parties (collectively, the "**Participating Entities**" and each a "**Participating Entity**") is seven million five hundred thousand (7,500,000) ordinary Shares, representing one hundred percent (100%) of the Offer Shares. The final allocation will be made after the end of the Individual Investors' subscription, whereby the Bookrunner (as defined in Section 1 (**Definitions and Abbreviations**)) shall have the right, in the event that there is sufficient demand by Individual Investors, to reduce the number of Offer Shares allocated to Participating Entities to six million seven hundred and fifty thousand (6,750,000) Offer Shares, representing ninety percent (90%) of the Offer Shares.

Tranche (B) Individual Investors: Comprising Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, as well as non-Saudi resident natural persons and GCC citizens holding a bank account in one of the Receiving Agents and being entitled to open an investment account (the "**Individual Investors**" and each an "**Individual Investor**", and together with the Participating Parties, "**Subscribers**"). Subscription by a person in the name of his divorced wife shall be deemed invalid, and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of seven hundred and fifty thousand (750,000) Offer Shares representing ten percent (10%) of the total Offer Shares shall be allocated to Individual Investors, provided that the Participating Entities shall subscribe in full to the Offer Shares allocated to them. In the event that the Individual Investors do not subscribe in full to the Offer Shares allocated to them, the Bookrunner may reduce the number of Offer Shares allocated to them in proportion to the number of Offer Shares subscribed by them.

The Company's current shareholders (collectively, "**Current Shareholders**") hold all of the Company's shares prior to the Offering. The Offer Shares are being sold by only one shareholder, Alkhorayef Group Company (the "**Selling Shareholder**") in accordance with Table 5 (Direct Ownership Structure of the Company Pre and Post-Offering). Upon completion of the Offering, the Selling Shareholder will own fifty-one percent (51%) of the Shares, while the Current Shareholders own seventy percent (70%) of the Shares and will consequently retain a controlling interest in the Company. The Offering proceeds (the "**Offering Proceeds**") will, after deducting the Offering expenses, (the "**Net Offering Proceeds**") be paid to the Selling Shareholder. The Company will not receive any part of the Offering Proceeds (for further details, see Section 8 (**Use of Proceeds**)). The Offering is fully underwritten by the Underwriter (for further details, see Section 13 (**Underwriting**)). The Substantial Shareholders will be subject to a lock-up period during which they will be prohibited from selling their Shares for a period of six (6) months (the "**Lock-up Period**") from the date trading of the Company's Shares starts on the Saudi Stock Exchange ("**Tadawul**" or the "**Exchange**") commences as specified on page (xiv). The Substantial Shareholders of the Company who own five percent (5%) or more of its Shares are Alkhorayef Group Company and Alkhorayef Development. Table 5 (Direct Ownership Structure of the Company Pre and Post-Offering) sets out their shareholding of the Company's capital.

The Offering will commence on Tuesday, 04/07/1442H (corresponding to 16/02/2021G) and will remain open for a period of two (2) days up to and including the closing day on Wednesday, 05/07/1442H (corresponding to 17/02/2021G) (the "**Offering Period**"). Subscription to the Offer Shares by the Individual Investors can be made through any of the branches of the receiving agents (the "**Receiving Agents**") listed on page (viii) during the Offering Period (for further details, see Section 17 (**Subscription Terms and Conditions**)). Participating Parties can bid for the Offer Shares through the Bookrunner within the book-building period before the Shares are offered to the Individual Investors and the Offer Shares are subscribed to during the Offering Period for Individual Investors.

Each Individual Investor who subscribes to the Offer Shares must apply for a minimum of ten (10) Offer Shares. The maximum number of Offer Shares that can be subscribed to is two hundred and fifty thousand (250,000) Offer Shares. Note that the minimum number of allocated Offer Shares will be ten (10) Offer Shares per Individual Investor, and the balance of the Offer Shares, if any, will be allocated on a pro rata basis based on the number of Offer Shares applied for by each Individual Investor. In the event that the number of Individual Investors exceeds seventy-five thousand (75,000) Individual Investors, the Company will not guarantee the minimum allocation. The Offer Shares will be allocated in accordance with the proposals made by the Company and the Financial Advisor. Excess subscription monies, if any, will be refunded to the Individual Investors without any charge or withholding by the relevant Receiving Agents. Announcement of the final allotment will be made on Monday, 10/07/1442H (corresponding to 22/02/2021G) and refund of excess subscription monies will be made no later than Monday, 10/07/1442H (corresponding to 22/02/2021G) (for further details, see "**Key Dates and Subscription Procedures**" on page (xv) and Section 17 (**Subscription Terms and Conditions**)).

The Company has one class of ordinary Shares. Each Share entitles its holder to one vote, and each shareholder (a "**Shareholder**") has the right to attend and vote at general assembly meetings of the Company (the "**General Assembly**"). No Shareholder benefits from any preferential voting rights. The Offer Shares will entitle their holders to receive dividends declared by the Company as of the date of this Prospectus (the "**Prospectus**") and for subsequent financial years (for further details, see Section 7 (**Dividend Distribution Policy**)).

Prior to the Offering, there has been no public market for the Shares in the Kingdom or elsewhere. The Company has submitted the application for registration and offer of the Shares to the CMA, and an application for listing of the Shares on Tadawul. This Prospectus has been approved and all required documents have been submitted to the relevant authorities. All requirements have been met and all approvals for the Offering have been obtained. It is expected that trading in the Shares will commence on the Exchange after the final allocation of the Offer Shares and satisfaction of necessary conditions and procedures (for further details, see "**Key Dates and Subscription Procedures**" on page (xv)). Saudi nationals, non-Saudi nationals holding valid residency permits in the Kingdom, companies, banks, and investment funds established in the Kingdom or in countries of the Cooperation Council for the Arab States of the Gulf (the "**GCC**"), as well as GCC nationals will be permitted to trade in the Shares after their trading starts on the Exchange. Moreover, Qualified Foreign Investors will be permitted to trade in the Shares in accordance with Rules for Qualified Foreign Financial Institutions Investment in Listed Securities (all as defined in Section 1 (**Definitions and Abbreviations**)). Furthermore, non-Saudi nationals who are not residents in the Kingdom and institutions incorporated outside the Kingdom (collectively, the "**Foreign Investors**" and each a "**Foreign Investor**") will be permitted to make indirect investments to acquire an economic interest in the Shares by entering into a SWAP agreement with a person authorized by the CMA to acquire, hold and trade in shares on the Exchange on behalf of a Foreign Investor (the "**Authorized Person**"). Under such SWAP agreements, the Authorized Person will be the registered legal owner of such Shares.

Investment in Offering Shares involves certain risks and uncertainties. For a discussion of certain factors to be carefully considered before determining to subscribe for the Offer Shares, "**Important Notice**" Section on page (i) and Section 2 (**Risk Factors**) of this Prospectus should be considered.

Financial Advisor, Lead Manager, Lead Bookrunner and Lead Underwriter

السعودي الفرنسي كابيتال
Saudi Fransi Capital

Bookrunner and Underwriter

EFG HERMES
المجموعة المالية هيرميس

Receiving Agents

البنك السعودي الفرنسي Banque Saudi Fransi

بنك الرياض riyad bank

SABB ساب

This Prospectus includes information provided as part of the application for registration and offer of securities in compliance with the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority in the Kingdom of Saudi Arabia (the "CMA") and the application for listing of securities in compliance with the requirements of the Listing Rules of the Saudi Stock Exchange. The Directors, whose names appear on page (iv), collectively and individually, accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The CMA and the Exchange do not take any responsibility for the contents of this Prospectus, do not make any representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

This Prospectus is unofficial English translation of the official Arabic Prospectus and is provided for information purpose only. The Arabic Prospectus Published on the CMA's website (www.cma.org.sa) remains the only official, legally binding version and shall prevail in the event of any conflict between the two languages.

This Prospectus is dated 02/06/1442H (corresponding to 31/12/2020G)

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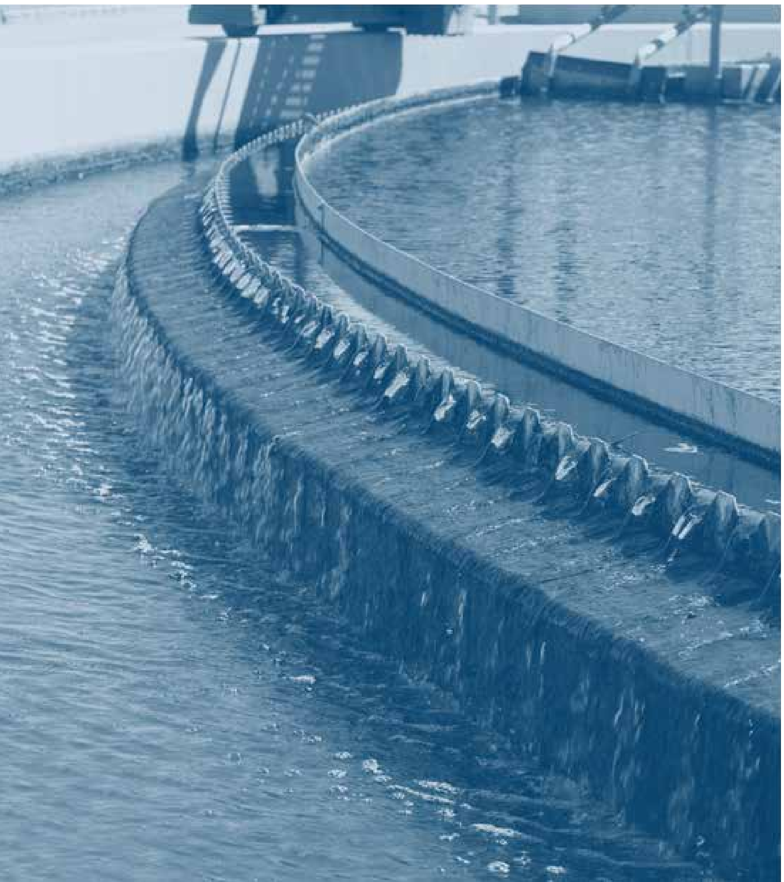
Alkhorayef Water & Power Technologies



IMPORTANT NOTICE

This Prospectus contains detailed information relating to the Company and the Offer Shares. When submitting an application for the Offer Shares, institutional and individual investors will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which may be obtained from the Company, the Lead Manager, the Receiving Agents, or by visiting the websites of the Company (www.awpt.com.sa), the CMA (www.cma.org.sa) or the Financial Advisor (www.sfc.sa).

With respect to the Offering, Saudi Fransi Capital has been appointed by the Company as the financial advisor (the "**Financial Advisor**"), the lead manager (the "**Lead Manager**"). The Company has appointed Saudi Fransi Capital and EFG Hermes KSA as the underwriters for the Offering (collectively, the "**Underwriter**") (for further information, see Section 13 (**Underwriting**), and bookrunners (collectively, the "**Bookrunner**").

This Prospectus includes information that has been presented in accordance with the Rules on the Offer of Securities and Continuing Obligations issued by the CMA. The Directors, whose names appear on page (iv), collectively and individually, accept full responsibility for the accuracy of the information contained in this Prospectus, and they affirm that according to their knowledge and belief, and after undertaking all possible reasonable enquiries, there are no other facts the omissions of which would make any statement contained herein misleading.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as of the date hereof, a substantial portion of the information in this Prospectus relevant to the market and industry in which the Company operates is derived from external sources. While neither the Company, the Financial Advisor nor any of the Company's other advisors, whose names appear on pages (vi) and (vii) of this Prospectus (together with the Financial Advisor, the "**Advisors**"), have any reason to believe that any of the market and industry information is materially inaccurate, neither the Company nor any of the Advisors has independently verified such information, and no representation or assurance is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as of the date hereof is subject to change. In particular, the actual financial position of the Company and the value of the Offer Shares may be adversely affected by future developments, such as inflation, interest rates, taxation or other economic, political and any other factors, over which the Company has no control (for further details, see Section 2 (**Risk Factors**)). Neither the delivery of this Prospectus nor any oral or written information in relation to the Offer Shares is intended to be, or should be construed as or relied upon in any way, as a promise, affirmation or representation as to future earnings, results or events.

This Prospectus is not to be regarded as a recommendation on the part of the Company, the Directors, the Selling Shareholder, the Receiving Agents or Advisors to participate in the Offering. Moreover, the information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, the financial situation or particular investment needs of the persons who intend to invest in the Offer Shares. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice from a CMA licensed financial advisor in relation to the Offering and must rely on its own examination of the Company and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and needs, including the merits and risks involved in investing in the Offer Shares. An investment in the Offer Shares may be appropriate for some investors but not others, and prospective investors should not rely on another party's decision whether to invest as a basis for their own examination of the investment opportunity and such investor's individual circumstances.

The Offering shall be restricted to the following two groups of investors:

Tranche (A): Participating Parties comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions (for further details, see Section 1 (**Definitions and Abbreviations**)).

Tranche (B): Individual Investors comprising Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, as well as non-Saudi resident natural persons and GCC citizens holding a bank account in one of the Receiving Agents and being entitled to open an investment account. Subscription by a person in the name of his divorced wife shall be deemed invalid, and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than the Kingdom are expressly prohibited, except for the foreign Participating Parties, taking into account the relevant rules and instructions. All recipients of this Prospectus must inform themselves of any legal restrictions relevant to the Offering and the sale of Offer Shares and observe all such restrictions.

MARKET AND INDUSTRY DATA

The information in Section 3 (**Market Overview**) is derived from public sources and the market study report prepared by A.T. Kearney Saudi Limited (the "**Market Study Consultant**") exclusively for the Company on 05/09/1441H (corresponding to 28 April 2020G). The Market Study Consultant's head office is located in Chicago, USA. For further details about the Market Study Consultant, visit its website (www.Kearney.com).

The Market Study Consultant does not, nor do any of its Subsidiaries, affiliates, partners, shareholders, directors, managers or their relatives, own any shares or any interest of any kind in the Company. As of the date of this Prospectus, the Market Study Consultant has given, and not withdrawn, its written consent for the use of its name and logo, and market information and data supplied by it to the Company in the manner and format set out in this Prospectus.

The Board of Directors believes that the information and data from third party sources contained in this Prospectus, including those provided by the Market Study Consultant, are reliable. However, such information and data have not been independently verified by the Company, the Directors, the Advisors or the Selling Shareholders, and thus none of them bears any liability for the accuracy or completeness of such information or data.

FINANCIAL AND STATISTICAL INFORMATION

The Company's audited financial statements for the financial year ended 31 December 2017G, and the accompanying notes thereto, have been prepared in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants ("**SOCPA**") and have been audited by Ernst & Young & Co. (Certified Public Accountants) (the "**Auditor**"). All the financial information for 2017G in this Prospectus has been extracted or derived from the comparative financial information for 2017G and included in the audited financial statements for the financial year ended 31 December 2018G, where the Company applied, during 2017G, the accounting standards issued by SOCPA in the comparative period in the financial statements for the financial year ended 31 December 2018G.

The Company's audited financial statements for the financial years ended 31 December 2018G and 2019G, and the accompanying notes, have been prepared in compliance with the International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia (IFRS) and other standards and pronouncements endorsed by SOCPA, and audited by the Auditor. The reviewed interim financial statements for the six-month period ended 30 June 2020G were prepared by the Company in accordance with IFRS and other standards and pronouncements endorsed by SOCPA.

The Company prepares its financial statements in Saudi Arabian Riyals. Since the financial year ended 31 December 2018G, the Company has prepared its financial statements in compliance with the IFRS endorsed by SOCPA.

The financial and statistical information contained in this Prospectus is subject to rounding. Accordingly, where numbers have been rounded up or down, there may be minor differences between the figures set out in this Prospectus and the audited or reviewed financial statements. In cases where amounts in this Prospectus are converted from USD to Saudi Riyals, the exchange rate shall be USD 0.27 for each Saudi Riyal.

Unless otherwise expressly provided in this Prospectus, any reference to "year" or "years" include reference to Gregorian years.

FORECASTS AND FORWARD-LOOKING STATEMENTS

Forecasts set forth in this Prospectus have been prepared on the basis of assumptions based on the Company's information according to its market experience, as well as on publicly available market information. Future operating conditions may differ from the assumptions used and consequently no affirmation, representation, or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company confirms, to the best of its reasonable knowledge and belief, that the statements contained in this Prospectus were subject to due diligence.

Certain statements in this Prospectus constitute, or may be deemed to constitute, "forward-looking statements". Such statements can generally be identified by their use of forward-looking words such as "intends", "plans", "estimates", "believes", "expects", "anticipates", "may", "will", "should", "expected", "would be" or the negative thereof or other variations of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events but are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied. Some of the risks and factors that could have such an effect are described in more detail (for more details, see Section 2 (**Risk Factors**)). Should any of these risks or uncertainties materialize or any underlying assumptions prove to be incorrect or inaccurate, the Company's actual results may vary materially from those described, expected, estimated or planned in this Prospectus.

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations, the Company must submit a supplementary prospectus to the CMA if, at any time after the publication of this Prospectus and before completion of the Offering, the Company becomes aware: (i) that there has been a significant change in any material information contained in this Prospectus or any document required under the Rules on the Offer of Securities and Continuing Obligations; or (ii) the occurrence of additional significant matters which would have been required to be included in this Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the aforementioned and other risks, uncertainties and assumptions, expectations of future events and circumstances set forth in this Prospectus may not occur as expected by the Company or may not occur at all. Consequently, the prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

DEFINITIONS AND ABBREVIATIONS

For an explanation of certain defined terms and abbreviations used in this Prospectus, see Section 1 (**Definitions and Abbreviations**).

CORPORATE DIRECTORY

Company's Board of Directors

The Company is managed by a Board of Directors comprised of six members in accordance with the Company's Bylaws, as is set out in the following table:

Table 1: Company's Board of Directors

Name	Position	Nationality	Membership Status	Direct Share Ownership		Indirect Share Ownership[1]		Date of Appointment[2]
				Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Mohammed Abdullah Alkhorayef	Board Chairman	Saudi	Non-executive	2.4%	2.4%	13.89%[3]	8.75%	22 May 2020G
Abdulaziz Abdulrahman Alkhorayef	Board Vice Chairman	Saudi	Non-executive	0.53%	0.53%	3.04%[4]	1.91%	22 May 2020G
Fahd Mohammed Alkhorayef	Director	Saudi	Non-executive	-	-	-	-	22 May 2020G
Ammar Ahmad Al-Zubaidi	Director	Jordanian	Non-executive	-	-	-	-	22 May 2020G
Abdulrahman Saud Al-Oweiss	Director	Saudi	Independent	-	-	-	-	22 May 2020G
Suleiman Mohammed Al-Quhaydan	Director	Saudi	Independent	-	-	-	-	22 May 2020G

Source: The Company

(1) Shareholding percentages are rounded.

(2) Dates listed in this table are the dates of appointment in the current positions in the Board of Directors. Their respective biographies in Section 5.2.4 (**Biographies of the Directors and the Secretary**) describe the dates of their appointment, whether in the Board of Directors or in any other position.

(3) Muhammad Abdullah Alkhorayef indirectly owns 13.89% of the Company's share capital before the Offering, as a result of: (i) ownership of 17.15% in Abdullah Ibrahim Alkhorayef Sons Company, which owns 30% of the shares of Alkhorayef Group Company, which in turn owns 81% of the Company's shares; and (ii) ownership of 12.01% in Alkhorayef Group Company, which owns 81% of the Company's shares.

(4) Abdulaziz Abdurrahman Alkhorayef indirectly owns 3.04% of the Company's share capital before the Offering, as a result of: (i) ownership of 3.75% in Abdullah Ibrahim Alkhorayef Sons Company, which owns 30% of the shares of Alkhorayef Group Company, which in turn owns 81% of the Company's shares; and (ii) ownership of 2.63% in Alkhorayef Group Company, which owns 81% of the Company's shares.

The current Board Secretary is Nayef Mohammad Ali Al-Shami who does not own any shares in the Company.

COMPANY'S REGISTERED ADDRESS AND REPRESENTATIVES

Address

Alkhorayef Water & Power Technologies
King Abdulaziz Road, Exit 5, an-Nafal District
P.O. Box: 62637
Riyadh, 11595
Kingdom of Saudi Arabia
Tel: + 966 (11) 4000612
Fax: + 966 (11) 4555179
Website: www.awpt.com.sa
E-mail: awpt@alkhorayef.com

الخريّف لتقنية المياه والطاقة
Alkhorayef Water & Power Technologies

Company's Representatives

Mohammed Abdullah Alkhorayef
Chairman of the Board of Directors
Alkhorayef Water & Power Technologies
Tulip Tower, King Fahad Rd & Oruba Rd Intersection, Olaya District
P.O. Box: 305
Riyadh, 11411
Kingdom of Saudi Arabia
Tel: + 966 (11) 1821 2667
Fax: + 966 (11) 1821 2695
Website: www.awpt.com.sa
E-mail: mohammed@alkhorayef.com

Rami Mohammed Moussilli
Chief Executive Officer
Alkhorayef Water & Power Technologies
King Abdulaziz Road, Exit 5, an-Nafal District
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Kingdom of Saudi Arabia
Tel: + 966 (11) 1203 3394
Fax: + 966 (11) 1203 0232
Website: www.awpt.com.sa
E-mail: rmoussilli@alkhorayef.com

Secretary of the Board

Nayef Mohammad Ali Al-Shami
Secretary of the Board
Alkhorayef Water & Power Technologies
Tulip Tower, King Fahd Road Intersection with AlOrouba Road, Olaya
P.O. Box: 305
Riyadh 11411
Kingdom of Saudi Arabia
Tel: +966 (11) 1400 0621
Fax: +966 (11) 1455 5179
Website: www.awpt.com.sa
E-mail: nalshami@alkhorayef.com

Stock Exchange

The Saudi Stock Exchange (Tadawul)
Tawuniya Towers, Northern Tower
King Fahad Road – Olaya 6897
Unit No. 15, Riyadh 12211 - 3388
Kingdom of Saudi Arabia
Tel: +966 (11) 920001919
Fax: +966 (11) 218 9133
Website: www.tadawul.com.sa
E-mail: webinfo@tadawul.com.sa

تداول
Tadawul

ADVISORS

Financial Advisor, Lead Manager, Lead Bookrunner and Lead Underwriter	
Saudi Fransi Capital King Fahad Road – 8092 Riyadh 3735-12313 P.O. Box: 23454, Riyadh 11426 Kingdom of Saudi Arabia Tel: +966 (11) 282 6666 Fax: +966 (11) 282 6823 Website: www.sfc.sa E-mail: project.flow@fransicapital.com.sa	
Bookrunner and Underwriter	
EFG Hermes KSA Third floor, Northern Tower Sky Tower, King Fahd Road Olaya, Riyadh Kingdom of Saudi Arabia Tel: + 966 (11) 293 8048 Fax: + 966 (11) 293 8032 Website: www.efghermes.com Email: EFG_Hermes_IPO@efg-hermes.com	
Legal Advisor	
Zeyad Yousef Alsalloum and Yazeed Abdulrahman Altoaimi Company for Legal Services and Consultation Sky Towers 2nd Floor, North Tower 8899 King Fahd Road, Al Olaya Riyadh 12214-2419 Kingdom of Saudi Arabia Tel: +966 (11) 202 0344, Ext.: 103 Fax: +966 (11) 229 2069 Website: www.statlawksa.com E-mail: capitalmarkets@statlawksa.com	
Financial Due Diligence Advisor	
KPMG Al Fozan & Partners KPMG Tower Riyadh Front – Airport Road P.O. Box: 92876, Riyadh 11663 Kingdom of Saudi Arabia Tel: +966 (11) 874 8500 Fax: +966 (11) 8748600 Website: www.kpmg.com/sa E-mail: marketingsa@kpmg.com	

Market Study Consultant	
A.T. Kearney Saudi Limited Olaya District, King Fahad Road, King Faisal Foundation Building, South Tower, 7th Floor, Office FS07A P.O. Box: 25495 Riyadh Kingdom of Saudi Arabia Tel: +966 (11) 290 5200 Fax: +966 (11) 206 1258 Website: www.kearney.com E-mail: awpt.ipo@kearney.com	KEARNEY
Auditor	
Ernst & Young & Co. (Certified Public Accountants) Faisaliya Tower – 14th Floor King Fahad Road P.O. Box: 2732, Riyadh 11461 Kingdom of Saudi Arabia Tel: +966 (11) 2159898 Fax: +966 (11) 2734740 Website: www.ey.com/mena E-mail: ey.ksa@sa.ey.com	EY

Note: All the above-mentioned Advisors and Auditor have given and, as of the date of this Prospectus, have not withdrawn their written consent to the inclusion of their respective names, addresses, logos and statements attributed to each of them in the context in which they appear in this Prospectus, and do not themselves, their employees (forming part of the engagement team serving the Company), or any of their employees' relatives have any shareholding or interest of any kind in the Company as of the date of this Prospectus which would impair their independence.

Receiving Agents	
Banque Saudi Fransi King Saud Road P.O. Box 56006, Riyadh 11554 Kingdom of Saudi Arabia Tel: +966 920000576 Fax: +966 (11) 4027261 Website: www.alfransi.com.sa E-mail: fransiplusadmin@alfransi.com.sa	
Riyad Bank Eastern Ring Road P.O. Box 22622, Riyadh 11614 Kingdom of Saudi Arabia Tel: +966 (11) 401 3030 Fax: +966 (11) 403 0016 Website: www.riyadbank.com E-mail: customercare@riyadbank.com	
Saudi British Bank (SABB) Prince Abdulaziz bin Mosaad bin Jelwi Street P.O. Box 9084, Riyadh 11413 Kingdom of Saudi Arabia Tel: +966 (11) 440 8440 Fax: +966 (11) 276 3414 Website: www.sabb.com E-mail: sabb@sabb.com	

OFFERING SUMMARY

This Offering Summary is intended to provide a brief overview of the information contained in this Prospectus. As such, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary must be read as an introduction to this Prospectus, and prospective investors should read this entire Prospectus in full before making any decision to invest in the Offer Shares.

In particular, it is important to carefully consider the "**Important Notice**" on page (i) and Section 2 (**Risk Factors**) prior to making any investment decision with respect to the Offer Shares.

Company Name, Description and Establishment Information	Alkhorayef Water & Power Technologies is a Saudi closed joint stock company incorporated under Ministerial Resolution No. 359, dated 09/10/1441H (corresponding to 1 June 2020G), and registered under Commercial Registration No. 1010085982, dated 22/02/1412H (corresponding to 2 September 1991G) in in the city of Riyadh, Kingdom of Saudi Arabia The current share capital of the Company is two hundred and fifty million Saudi Riyals (SAR 250,000,000), divided into twenty-five million (25,000,000) ordinary Shares, with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share (the "**Shares**"). The Company commenced its operations in 1985G as a business unit within Abdullah Ibrahim Alkhorayef Sons Company, a Saudi closed joint stock company registered under Commercial Registration No. 1010000878 dated 09/02/1434H (corresponding to 22 December 2012G), and then the Company was established as a limited liability company called Alkhorayef Maintenance and Operations registered in the city of Riyadh under Commercial Registration No. 1010085982, dated 22/02/1412H (corresponding to 2 September 1991G), with a capital of five million Saudi riyals (SAR 5,000,000) divided into five thousand (5,000) cash and in kind shares (the cash shares amount to 164 cash shares, of which 64 shares are held by Abdullah Ibrahim Alkhorayef Sons Company, and 100 shares by Alkhorayef Agricultural Projects Company (a limited liability company). The in-kind shares amount to 4,836 in-kind shares, which represent a division for maintenance and operation, all of which are held by Abdullah Ibrahim Alkhorayef Sons Company) with a nominal value of one thousand (SAR 1,000) per share. On 20/02/1414H (corresponding to 8 August 1993G), the Company was converted from a limited liability company to a limited partnership and its capital increased from five million Saudi riyals (SAR 5,000,000) divided into five thousand (5,000) cash and in kind shares (the cash shares amount to 164 cash shares, of which 64 shares are held by Abdullah Ibrahim Alkhorayef Sons Company, and 100 shares by Alkhorayef Agricultural Projects Company (a limited liability company). The in-kind shares amount to 4,836 in-kind shares, which represent a division for maintenance and operation, all of which are held by Abdullah Ibrahim Alkhorayef Sons Company) with a nominal value of one thousand (SAR 1,000) per share, to seven million Saudi riyals (SAR 7,000,000) divided into seven thousand (7,000) shares with a nominal value of one thousand (SAR 1,000) per share, by issuing new cash shares whose value was paid by new shareholder Abdulrahman Abdullah Alkhorayef, and the Company's name was changed to Abdulrahman Abdullah Alkhorayef Maintenance and Operations LP. On 01/05/1414H (corresponding to 16 October 1993G), Company's shareholding structure was changed and its capital was increased from seven million Saudi riyals (SAR 7,000,000) divided into seven thousand (7,000) shares with a nominal value of one thousand (SAR 1,000) per share to seven million two hundred thousand Saudi riyals (SAR 7,200,000) divided into seven thousand two hundred (7,200) shares with a nominal value of one thousand (SAR 1,000) per share, by issuing new cash shares whose value was paid by the shareholders in proportion to each of their share of the capital. Abdulrahman Abdullah Alkhorayef assigned 14.4% of his Company's capital (50% of his shares in the Company) to Hamad Abdullah Alkhorayef, Saad Abdullah Alkhorayef, Mohammad Abdullah Alkhorayef, Jawaher Abdullah Alkhorayef, Sara Abdullah Alkhorayef, Haya Abdullah Almubarak, Bandar Ibrahim Alkhorayef, Abdullah Ibrahim Alkhorayef, Fahd Ibrahim Alkhorayef, Ibtisam Ibrahim Alkhorayef, Sara Ibrahim Alkhorayef, Nujud Ibrahim Alkhorayef, and Muneira Abdullah Almubarak, while Abdullah Ibrahim Alkhorayef & Sons and Alkhorayef Agricultural Projects assigned their shares in full to the new abovementioned shareholders. On 26/11/1414H (corresponding to 7 May 1994G), the Company changed its name again to Alkhorayef Maintenance and Operations for Owner Abdulrahman Abdallah Alkhorayef & Partners LP. On 08/04/1421H (corresponding to 10 July 2000G), due to the death of shareholder Haya Abdullah Almubarak, the ownership of the deceased shareholders' Company shares was transferred to her six heirs: Abdulrahman Abdullah Alkhorayef, Hamad Abdullah Alkhorayef, Saad Abdullah Alkhorayef, Mohammad Abdullah Alkhorayef, Jawaher Abdullah Alkhorayef, and Sara Abdullah Alkhorayef, all of whom were shareholders in the Company, and they agreed to keep their shares within the Company capital. On 14/09/1427H (corresponding to 7 October 2006G), the shareholders assigned 6,480 shares to Alkhorayef Group Company and 720 shares to Alkhorayef Industries (a limited liability company). The Company was also converted from a limited partnership to a limited liability company called Alkhorayef Maintenance and Operations without altering its capital. On 05/05/1428H (corresponding to 22 May 2007G), the Company increased its capital from seven million two hundred thousand Saudi riyals (SAR 7,200,000) divided into seven thousand two hundred (7,200) shares with a nominal value of one thousand (SAR 1,000) per share, to forty million Saudi riyals (SAR 40,000,000) divided into forty thousand (40,000) shares with a nominal value of one thousand (SAR 1,000) per share, by issuing new cash shares whose value was paid by the shareholders in proportion to each of their share of the capital. On 05/02/1430H (corresponding to 31 January 2009G), the Company changed its name to its current name, Alkhorayef Water & Power Technologies.

	On 10/11/1432H (corresponding to 8 October 2011G), Alkhoryef Industries exited the Company by conceding the full four thousand (4,000) shares it owned in the Company, with three thousand six hundred (3,600) of those shares going to Alkhorayef Group Company and four hundred (400) shares going to Alkhorayef International. On 07/06/1435H (corresponding to 7 April 2014G), the Company increased its capital from forty million Saudi riyals (SAR 40,000,000) divided into forty thousand (40,000) shares with a nominal value of one thousand (SAR 1,000) per share, to eighty million Saudi riyals (SAR 80,000,000) divided into eighty thousand (80,000) shares with a nominal value of one thousand (SAR 1,000) per share, by issuing new shares whose value was paid by the shareholders in proportion to each of their share of the capital. Pursuant to the shareholders' resolution dated 24/01/1436H (corresponding to 17 November 2014G), Alkhorayef Group Company assigned its full 79,200 shares to Abdullah Alkhorayef & Sons LP, while Alkhorayef International assigned its full 800 shares to Alkhorayef Investments. On 09/05/1438H (corresponding to 6 February 2017G), the Company was converted to a sole proprietor limited liability company with the same capital, owned by Abdullah Ibrahim Alkhorayef Sons closed joint stock company, after Alkhorayef Investments assigned its full 800 shares to Abdullah Ibrahim Alkhorayef Sons closed joint stock company. On 07/05/1439H (corresponding to 24 January 2018G), Abdullah Ibrahim Alkhorayef Sons closed joint stock company assigned its full eighty thousand (80,000) shares Alkhorayef Group Company, and on 17/10/1441H (corresponding to 9 June 2020G), the Company was converted from a limited liability company to a closed joint stock company called Alkhorayef Water & Power Technologies and its capital was increased from eighty million Saudi riyals (SAR 80,000,000) divided into eighty thousand (80,000) shares with a nominal value of one thousand (SAR 1,000) per share to two hundred and fifty million Saudi riyals (SAR 250,000,000) divided into twenty-five million (25,000,000) ordinary Shares with a nominal value of ten (SAR 10) per share, by issuing new shares in exchange for capitalizing residual profits of one hundred and sixteen million eight hundred thousand Saudi riyals (SAR 116,800,000), capitalizing a sum of nineteen million seventy thousand Saudi riyals (SAR 19,070,000) from the Company's statutory reserve, and capitalizing a sum of thirty-four million one hundred thirty thousand Saudi riyals (SAR 34,130,000) from payable amounts from relevant parties. Alkhorayef Group Company assigned 19% of the Company capital to 18 new shareholders with various ownership rates (for further information on the Company's history, see Section 4.2 (**Corporate History and Evolution of Capital**)).
Company Activities	In accordance with the Bylaws, the Company's activities consist of the following: 1- mining and quarrying; 2- manufacturing; 3- electrical, gas and steam supply and air conditioning; 4- water supply, sanitation activities, waste management and treatment; 5- construction; 6- wholesale and retail trade and repair of motor vehicles and motorcycles; 7- transportation, storage, and cooling; 8- provision of accommodation and food services; 9- information and communication; 10- financial and insurance activities; 11- real estate activities; 12- professional, scientific and technical activities; 13- administrative and support services; 14- public administration and defence and compulsory social security; 15- education; 16- human health and social work activities; 17- art, entertainment and recreation; and 18- other service activities. In accordance with the main and branch Commercial Registrations, the Company's activities consist of the following: 1- Extension and maintenance of water lines between and within cities and construction of new networks, construction and repair of stations and main lines of water distribution, construction and repair of irrigation and watering canals, main water storage towers, drilling water wells, construction and repair of sewage stations and projects, and sewage networks and pumps, and construction of dams. 2- Repair and maintenance of water pipes, pipelines, and water purification devices, and collection and purification of water, disposal of sewage, operation of networks and sewage treatment facilities, extension, maintenance and repair of oil and gas pipelines, drilling of water wells and extension of irrigation pipes, and management of construction projects. 3- Retail sale of electrical equipment and supplies, sale of measurement and control devices, navigation equipment and devices, sale of water pumping equipment, retail sale of water purification equipment and supplies, and retail sale of electrical generators and supplies. 4- Water transmission and distribution, construction and repair of roads and streets, sidewalks and road supplies, construction of electric power stations and converters, construction of port berths and marine constructions, cleaning of waterways, groundwater withdrawal and site drying, installation, maintenance and repair of solar energy networks, and energy efficiency project management activities.

Substantial Shareholders

Substantial Shareholders' names and ownership in the Company pre- and post-Offering are provided in the table below:

Table 2: Substantial Shareholders and their Ownership in the Company

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%)[1]	Value of Shares (SAR)	Number of Shares	Ownership (%)[1]	Value of Shares (SAR)
Alkhorayef Group Company	20,250,000	81.0%	202,500,000	12,750,000	51.0%	127,500,000
Alkhorayef Development	1,250,000	5.0%	12,500,000	1,250,000	5.0%	12,500,000
Total	**21,500,000**	**86%**	**215,000,000**	**14,000,000**	**56%**	**140,000,000**

Source: The Company

[1] The shareholding percentages are rounded.

Company's Share Capital	Two hundred and fifty million Saudi riyals (SAR 250,000,000) fully paid.
Total Number of Issued Shares	Twenty-five million (25,000,000) fully paid ordinary Shares.
Nominal Value per Share	Ten Saudi riyals (SAR 10) per Share.
Offering	Initial public offering of seven million five hundred thousand (7,500,000) Shares, representing thirty percent (30%) of the Company's share capital, with a fully paid nominal value of ten Saudi riyals (SAR 10) per Share, at an Offer Price of SAR 72 per Offer Share.
Total number of Offer Shares	Seven million five hundred thousand (7,500,000) fully paid ordinary Shares.
Percentage of Offer Shares to the Total Number of Issued Shares	The Offer Shares represent 30% of the Company's share capital.
Offer Price	SAR 72 per Offer Share.
Total Value of Offer Shares	SAR 540,000,000.
Use of Proceeds	The Net Offering Proceeds amounting to SAR 521,000,000 (after deducting the Offering expenses estimated at SAR 19,000,000), will be paid to the Selling Shareholder. The Company will not receive any part of the Offering Proceeds (for further details, see Section 8 (**Use of Proceeds**)).
Number of Offer Shares to be Underwritten	Seven million five hundred thousand (7,500,000) ordinary Shares.
Total Offering Amount to be Underwritten	SAR 540,000,000.
Categories of Targeted Investors	Subscription to the Offering shares is limited to the following two groups of Investors: **Tranche (A) Participating Parties:** Participating Parties comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions (for further details, see Section 1 (**Definitions and Abbreviations**)). **Tranche (B) Individual Investors:** Individual Investors comprising Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, as well as non-Saudi resident natural persons or GCC citizens that have bank accounts with one of the Receiving Agents and are entitled to open an investment account. Subscription by a person in the name of his divorced wife shall be deemed invalid, and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

Total Offer Shares Available for Each of the Targeted Investors' Categories:	
Number of Offer Shares Available to Participating Parties	Seven million five hundred thousand (7,500,000) ordinary Shares, representing 100% of the total unmber of Offer Shares. If there is sufficient demand by Individual Investors, and the Participating Entities subscribe to all the Offer Shares allocated to them, the Bookrunner shall have the right, subject to the CMA's consent, to reduce the allocated Offer Shares allocated to Participating Entities to six million seven hundred and fifty thousand (6,750,000) Offer Shares, representing 90% of the total Offer Shares.
Number of Offer Shares Available to Individual Investors	A maximum of seven hundred and fifty thousand (750,000) Offer Shares, representing 10% of the total Offer Shares.
Subscription Method for Each of the Targeted Investors' Categories:	
Subscription Method for Participating Parties	Participating Parties as identified in Section 1 (**Definitions and Abbreviations**) may apply for participation in the book-building process by filling out the Bidding Participation Application that will be provided by the Bookrunner during the book-building process period. After provisional allocation, the Participating Entities shall complete the Subscription Application Forms that will be made available to them by the Bookrunner in accordance with the instructions mentioned in Section 17 (**Subscription Terms and Conditions**).
Subscription Method for Individual Investors	Subscription Application Forms will be available during the Offering Period at all Receiving Agents' branches. Subscription Application Forms shall be completed in accordance with the instructions mentioned in Section 17 (**Subscription Terms and Conditions**). Individual Investors who have recently participated in recent initial public offerings can also subscribe through the Internet, telephone banking, or ATMs of any of the Receiving Agents' branches that offer any or all such services to its customers, provided that: (i) the Individual Investor shall have a bank account at a Receiving Agent which offers such services; and (ii) there should have been no changes in the personal information or data of the Individual Investor since his/her subscription in a recent initial public offering.
Minimum Number of Offer Shares to be Applied for by Each of the Targeted Investors' Categories:	
Minimum Number of Offer Shares to be Applied for by Participating Entities	One hundred thousand (100,000) Offer Shares.
Minimum Number of Offer Shares to be Applied for by Individual Investors	Ten (10) Offer Shares.
Minimum Subscription Amount for Each of the Targeted Investors' Categories:	
Minimum Subscription Amount for Participating Entities	SAR 7,200,000.
Minimum Subscription Amount for Individual Investors	SAR 720.
Maximum Number of Offer Shares to be Applied for by Each of the Targeted Investors' Categories:	
Maximum Number of Offer Shares to be Applied for by Participating Entities	One million two hundred and forty-nine thousand nine hundred and ninety-nine (1,249,999) Offer Shares and, in relation to public funds only, no more than the maximum number of Offer Shares to be calculated for each participating public fund pursuant to the Book-Building Instructions.
Maximum Number of Offer Shares to be Applied for by Individual Investors	Two hundred and fifty thousand (250,000) Offer Shares.
Maximum Subscription Amount for Each of the Targeted Investors' Categories:	
Maximum Subscription Amount for Participating Entities	SAR 89,999,928.
Maximum Subscription Amount for Individual Investors	SAR 18,000,000.

Allocation and Refund of Excess Subscription Amount Method for Each of the Targeted Investors' Categories:	
Allocation of Offer Shares to Individual Investors	Allocation of the Offer Shares to Individual Investors is expected to be completed no later than Monday, 10/07/1442H (corresponding to 22/02/2021G). The minimum allocation per Individual Investor is ten (10) Offer Shares, and the maximum allocation per Individual Investor is two hundred and fifty thousand (250,000) Offer Shares, with any remaining Offer Shares, if any, being allocated on a pro-rata basis of the number of Offer Shares applied for by that Individual Investor to the total Offer Shares. In the event that the number of Individual Investors exceeds seventy-five thousand (75,000) Individual Investors, the Company will not guarantee the minimum allocation. The Offer Shares will be allocated in accordance with the proposals made by the Company and the Financial Advisor.
Allocation of Offer Shares to Participating Entities	Final allocation of the Offer Shares to Participating Entities shall be made through the Bookrunner after the completion of the Individual Investors subscription process. The number of Offer Shares to be provisionally allocated to Participating Entities is seven million five hundred thousand (7,500,000) Shares representing 100% of the total Offer Shares. If there is sufficient demand by Individual Investors, the Bookrunner shall have the right to reduce the number of Offer Shares allocated to Participating Entities to six million seven hundred and fifty thousand (6,750,000) Offer Shares representing 90% of the total Offer Shares.
Refund of Excess Subscription Monies	Excess subscription monies, if any, will be refunded to Subscribers without withholding any charge or commission by the Lead Manager or the Receiving Agents, as applicable. Announcement of the final allotment shall be made on Monday, 10/07/1442H (corresponding to 22/02/2021G), and refund of excess subscription monies will be made no later than Monday, 10/07/1442H (corresponding to 22/02/2021G), (for further details, see "**Key Dates and Subscription Procedures**" on page (xv) and Section 17 (**Subscription Terms and Conditions**)).
Offering Period for Individual Investors	The Offering will commence on Tuesday, 04/07/1442H (corresponding to 16/02/2021G) and will remain open for a period of two (2) days up to and including the Offering closing date which is Wednesday, 05/07/1442H (corresponding to 17/02/2021G) (for further information, see (**Key Dates and Subscription Procedures**) on page (xv)).
Entitlement to Dividends	The Offer Shares will be entitled to receive any dividends declared by the Company as of the date of this Prospectus and for subsequent financial years (for further details, see Section 7 (**Dividend Distribution Policy**)).
Voting Rights	The Company has one class of Shares only. None of the Shares carries any preferential voting rights. Each Share entitles its holder to one vote and each Shareholder has the right to attend and vote at the meetings of the General Assembly. A Shareholder has the right to delegate another Shareholder, but not a Director or an employee of the Company, to attend the General Assembly meetings (for further details, see Section 12.14 (**Description of Shares**)).
Restrictions on the Shares (Lock-up Period)	The Substantial Shareholders who own 5% or more of Company shares, namely Alkhorayef Group Company and Alkhorayef Development, are subject to a lock-up period of six (6) months from the date on which trading of the Offer Shares commences on the Exchange. They may not dispose of any of their Shares during such period. Table 4.16 (Details of Shareholders with 5% or more Direct Ownership of Ordinary Company Shares as of the Date of this Prospectus) of this prospectus sets out their ownership percentages of the Company capital. After the end of the Lock-up Period, they may dispose of their Shares without a prior approval from the CMA.
Listing of Shares	Prior to the Offering, the Company's Shares have never been listed in the Kingdom or elsewhere. An application has been made by the Company to the CMA for registration and offer of the Shares in accordance with the Rules on the Offer of Securities and Continuing Obligations. The Company also submitted an application to the Exchange for listing its Shares on the Exchange in accordance with the Listing Rules. All the relevant approvals required to conduct the Offering have been granted. All supporting documents requested by the CMA have been met. It is expected that trading in the Shares will commence on the Exchange after the final allocation of the Offer Shares (for further details, see (**Key Dates and Subscription Procedures**) on page (xv)).
Risk Factors	There are certain risks related to the investment in the Offer Shares. These risks can be categorized into: (i) risks related to the operations of the Company; (ii) risks related to the market, industry and regulatory environment, and (iii) risks related to the Offer Shares. These risks are described in Section 2 (**Risk Factors**) and should be considered carefully prior to any investment decision being made in relation to the Offer Shares.
Offering Expenses	The Selling Shareholder will bear all Offering expenses and costs estimated at around SAR 19,000,000. These expenses and costs will be deducted from the Offering Proceeds and include the fees of the Financial Advisor, the Underwriter, the Lead Manager, the Bookrunner, the Legal Advisors, the Financial Due Diligence Advisor and the Market Study Consultant, in addition to the fees of the Receiving Agents, and marketing, printing and distribution expenses and other relevant expenses.

Underwriter	Collectively: **Saudi Fransi Capital** King Fahad Road 8092 Riyadh 3735-12313 Riyadh 11426 P.O. Box: 23454, Riyadh 11426 Tel: +966 (11) 282 6666 Fax: +966 (11) 282 6823 Website: www.sfc.sa E-mail: project.flow@fransicapital.com.sa
	EFG Hermes KSA Third floor, Northern Tower Sky Tower, King Fahd Road Olaya, Riyadh Kingdom of Saudi Arabia Tel: + 966 (11) 293 8048 Fax: + 966 (11) 293 8032 Website: www.efghermes.com E-mail: EFG_Hermes_IPO@efg-hermes.com

Note: "**Important Notice**" Section on page (i) and Section 2 (**Risk Factors**) should be read thoroughly prior to an investment decision being made with respect to the Offer Shares under this Prospectus.

KEY DATES AND SUBSCRIPTION PROCEDURES

Table 3: Expected Offering Timetable

Expected Offering Timetable	Date
Application Period for Participation in Book-Building and Book-Building Process for Participating Entities	A period of eight (8) days starting from Sunday, 18/06/1442H (corresponding to 31/01/2021G), until the end of Tuesday, 27/06/1442H (corresponding to 09/02/2021G).
Deadline for Submission of Subscription Application Forms Based on the Number of the Offer Shares Provisionally Allocated for the Participating Entities	Monday, 03/07/1442H (corresponding to 15/02/2021G).
Offering Period for Individual Investors	A period of two (2) days starting from Tuesday, 04/07/1442H (corresponding to 16/02/2021G), until the end of Wednesday, 05/07/1442H (corresponding to 17/02/2021G).
Deadline for Payment of the Subscription Amount by Participating Entities Based on their Provisionally Allocated Offer Shares	Tuesday, 04/07/1442H (corresponding to 16/02/2021G).
Deadline for Submission of Subscription Application Forms and Payment of the Subscription Amount by Individual Investors	Wednesday, 05/07/1442H (corresponding to 17/02/2021G).
Announcement of the Final Allotment of the Offer Shares	Monday, 10/07/1442H (corresponding to 22/02/2021G).
Refund of Excess Subscription Monies (if any)	Monday, 10/07/1442H (corresponding to 22/02/2021G).
Expected Commencement Date for Trading the Shares on the Exchange	Trading of the Company's Shares on the Exchange is expected to start after completion of all the relevant legal requirements and procedures. The trading commencement date of the Shares will be announced in local newspapers and Tadawul's website (www.tadawul.com.sa).

Note: The above timetable and dates therein are indicative. Actual dates will be communicated through announcements in local daily newspapers in the Kingdom and on the websites of Tadawul (www.tadawul.com.sa), the Financial Advisor (www.sfc.com), and the Company (www.awpt.com.sa).

How to Apply for the Offer Shares

Subscription to the Offer Shares is restricted to the following two groups of Investors:

- **Tranche (A)**: Participating Parties comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions (for further details, see Section 1 (**Definitions and Abbreviations**)).
- **Tranche (B)**: Individual Investors comprising individuals holding the Saudi Arabian nationality, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, as well as non-Saudi resident natural persons and GCC citizens holding a bank account in one of the Receiving Agents and being entitled to open an investment account. Subscription by a person in the name of his divorced wife shall be deemed invalid, and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

(a) Participating Parties

Participating Parties may apply for participation in the book-building process by filling out the Bidding Participation Application that will be provided by the Bookrunner during the book-building process period and obtain the Bidding Participation Application from the Bookrunner after provisional allocation. The Bookrunner shall, after the approval of the CMA, offer the Offer Shares to the Participating Parties only during the book-building period. Subscriptions by the Participating Entities shall commence during the Offering Period, which also includes the Individual Investors, according to the terms and conditions detailed in the Subscription Application Forms. A signed and sealed Subscription Application Form must be submitted to the Bookrunner representing a legally binding agreement between the Company and the relevant Participating Entity submitting the same.

(b) Individual Investors

Subscription Application Forms for Individual Investors will be available during the Offering Period at the branches of the Receiving Agents. Individual Investors can also subscribe through the internet, telephone banking, or ATMs of any of the Receiving Agents that provide some or all of these channels to Individual Investors who have recently participated in recent initial public offerings, provided that:

- the Individual Investor must have a bank account at the Receiving Agent which offers such services, and
- there should have been no changes in the personal information or data of the Individual Investor (by way of exclusion or addition of any member of his/her family) since he/she last participated in an initial public offering.

Subscription Application Forms must be filled out according to the instructions mentioned in Section 17 (**Subscription Terms and Conditions**). An applicant must complete all the relevant sections in the Subscription Application Form. The Company reserves the right to reject any Subscription Application Form, in part or in whole, if any of the subscription terms and conditions is not met. After being submitted, the Subscription Application Form cannot be amended or withdrawn. Upon submission, the Subscription Application Form shall be considered to be a legally binding agreement by the relevant investor and the Selling Shareholder (for further details, see Section 17 (**Subscription Terms and Conditions**)).

Excess subscription monies, if any, will be refunded to the primary Individual Investor's account held with the Receiving Agent from which the subscription amount has been debited in the first place, without withholding any charge or commission by the Lead Manager or the Receiving Agents. Excess subscription monies shall not be refunded in cash or to third-party accounts.

For further details regarding subscription by Individual Investors and the Participating Parties, see Section 17 (**Subscription Terms and Conditions**).

SUMMARY OF KEY INFORMATION

This summary of key information is intended to give an overview of the information contained in this Prospectus. However, it does not contain all the information that may be important to prospective investors. Accordingly, this summary must be treated as an introduction to this Prospectus, and recipients of this Prospectus are advised to read the entire Prospectus in full so that any decision to invest in the Offer Shares by prospective investors should be based on the consideration of this Prospectus as a whole. In particular, it is important for an investor to carefully consider the "**Important Notice**" Section on page (i) and Section 2 (**Risk Factors**) prior to making an investment decision with respect to the Offer Shares. The definitions and abbreviations contained herein are the same definitions specified in Section 1 (**Definitions and Abbreviations**) of this Prospectus and elsewhere in it.

OVERVIEW OF THE COMPANY

History of the Company

The Company commenced its operations in 1985G as a business unit within Abdullah Ibrahim Alkhorayef Sons Company, a Saudi closed joint stock company registered under Commercial Registration No. 1010000878 dated 09/02/1434H (corresponding to 22 December 2012G).

Then the Company was established as a limited liability company called Alkhorayef Maintenance and Operations registered in the city of Riyadh under Commercial Registration No. 1010085982, dated 22/02/1412H (corresponding to 2 September 1991G), with a capital of five million Saudi riyals (SAR 5,000,000) divided into five thousand (5,000) cash and in kind shares (the cash shares amount to 164 cash shares, of which 64 shares are held by Abdullah Ibrahim Alkhorayef Sons Company, and 100 shares by Alkhorayef Agricultural Projects Company (a limited liability company). The in-kind shares amount to 4,836 in-kind shares, which represent a division for maintenance and operation, all of which are held by Abdullah Ibrahim Alkhorayef Sons Company) with a nominal value of one thousand (SAR 1,000) per share.

On 20/02/1414H (corresponding to 8 August 1993G), the Company was converted from a limited liability company to a limited partnership and its capital increased from five million Saudi riyals (SAR 5,000,000) divided into five thousand (5,000) cash and in kind shares (the cash shares amount to 164 cash shares, of which 64 shares are held by Abdullah Ibrahim Alkhorayef Sons Company, and 100 shares by Alkhorayef Agricultural Projects Company (a limited liability company), while the in-kind shares amount to 4,836 in-kind shares, which represent a division for maintenance and operation, all of which are held by Abdullah Ibrahim Alkhorayef Sons Company) with a nominal value of one thousand (SAR 1,000) per share, to seven million Saudi riyals (SAR 7,000,000) divided into seven thousand (7,000) shares with a nominal value of one thousand (SAR 1,000) per share, by issuing new cash shares whose value was paid by new shareholder Abdulrahman Abdullah Alkhorayef, and the Company's name was changed to Abdulrahman Abdullah Alkhorayef Maintenance and Operations LP.

On 01/05/1414H (corresponding to 16 October 1993G), Company's shareholding structure was changed and its capital was increased from seven million Saudi riyals (SAR 7,000,000) divided into seven thousand (7,000) shares with a nominal value of one thousand (SAR 1,000) per share to seven million two hundred thousand Saudi riyals (SAR 7,200,000) divided into seven thousand two hundred (7,200) shares with a nominal value of one thousand (SAR 1,000) per share, by issuing new cash shares whose value was paid by the shareholders in proportion to each of their share of the capital. Abdulrahman Abdullah Alkhorayef assigned 14.4% of the Company's capital (50% of his shares in the Company) to Hamad Abdullah Alkhorayef, Saad Abdullah Alkhorayef, Mohammad Abdullah Alkhorayef, Jawaher Abdullah Alkhorayef, Sara Abdullah Alkhorayef, Haya Abdullah Almubarak, Bandar Ibrahim Alkhorayef, Abdullah Ibrahim Alkhorayef, Fahd Ibrahim Alkhorayef, Ibtisam Ibrahim Alkhorayef, Sara Ibrahim Alkhorayef, Nujud Ibrahim Alkhorayef, and Muneira Abdullah Almubarak, while Abdullah Ibrahim Alkhorayef & Sons and Alkhorayef Agricultural Projects assigned their shares in full to the new abovementioned shareholders.

On 26/11/1414H (corresponding to 7 May 1994G), the Company changed its name again to Alkhorayef Maintenance and Operations for Owner Abdulrahman Abdallah Alkhorayef & Partners LP.

On 08/04/1421H (corresponding to 10 July 2000G), due to the death of shareholder Haya Abdullah Almubarak, the ownership of the deceased shareholders' Company shares was transferred to her six heirs: Abdulrahman Abdullah Alkhorayef, Hamad Abdullah Alkhorayef, Saad Abdullah Alkhorayef, Mohammad Abdullah Alkhorayef, Jawaher Abdullah Alkhorayef, and Sara Abdullah Alkhorayef, all of whom were shareholders in the Company, and they agreed to keep their shares within the Company capital.

On 14/09/1427H (corresponding to 7 October 2006G), the shareholders assigned 6,480 shares to Alkhorayef Group Company (a Saudi closed joint stock company) and 720 shares to Alkhorayef Industries (a limited liability company). The Company was also converted from a limited partnership to a limited liability company called Alkhorayef Maintenance and Operations without altering its capital.

On 05/05/1428H (corresponding to 22 May 2007G), the Company increased its capital from seven million two hundred thousand Saudi riyals (SAR 7,200,000) divided into seven thousand two hundred (7,200) shares with a nominal value of one thousand (SAR 1,000) per share, to forty million Saudi riyals (SAR 40,000,000) divided into forty thousand (40,000) shares with a nominal value of one thousand (SAR 1,000) per share, by issuing new cash shares whose value was paid by the shareholders in proportion to each of their share of the capital.

On 05/02/1430H (corresponding to 31 January 2009G), the Company changed its name to its current name, Alkhorayef Water & Power Technologies.

On 10/11/1432H (corresponding to 8 October 2011G), Alkhoryef Industries exited the Company by conceding the full four thousand (4,000) shares it owned in the Company, with three thousand six hundred (3,600) of those shares going to Alkhorayef Group Company and four hundred (400) shares going to Alkhorayef International (a limited liability company).

On 07/06/1435H (corresponding to 7 April 2014G), the Company increased its capital from forty million Saudi riyals (SAR 40,000,000) divided into forty thousand (40,000) shares with a nominal value of one thousand (SAR 1,000) per share, to eighty million Saudi riyals (SAR 80,000,000) divided into eighty thousand (80,000) shares with a nominal value of one thousand (SAR 1,000) per share, by issuing new cash shares whose value was paid by the shareholders in proportion to each of their share of the capital.

Pursuant to the shareholders' resolution dated 24/01/1436H (corresponding to 17 November 2014G), Alkhorayef Group Company assigned its full 79,200 shares to Abdullah Alkhorayef & Sons LP, while Alkhorayef International assigned its full 800 shares to Alkhorayef Investments.

On 09/05/1438H (corresponding to 6 February 2017G), the Company (a limited liability company) was converted to a sole proprietor limited liability company with the same capital, owned by Abdullah Ibrahim Alkhorayef Sons closed joint stock company, after Alkhorayef Investments (a limited liability company) assigned its full 800 shares to Abdullah Ibrahim Alkhorayef Sons closed joint stock company.

On 07/05/1439H (corresponding to 24 January 2018G), Abdullah Ibrahim Alkhorayef Sons closed joint stock company assigned its full eighty thousand (80,000) shares Alkhorayef Group Company.

On 17/10/1441H (corresponding to 9 June 2020G), the Company was converted from a limited liability company to a closed joint stock company called Alkhorayef Water & Power Technologies and its capital was increased from eighty million Saudi riyals (SAR 80,000,000) divided into eighty thousand (80,000) shares with a nominal value of one thousand (SAR 1,000) per share to two hundred and fifty million Saudi riyals (SAR 250,000,000) divided into twenty-five million (25,000,000) ordinary

Shares with a nominal value of ten (SAR 10) per share, by issuing new shares in exchange for capitalizing residual profits of one hundred and sixteen million eight hundred thousand Saudi riyals (SAR 116,800,000), capitalizing a sum of nineteen million seventy thousand Saudi riyals (SAR 19,070,000) from the Company's statutory reserve, and capitalizing a sum of thirty-four million one hundred thirty thousand Saudi riyals (SAR 34,130,000) from payable amounts to relevant parties. Alkhorayef Group Company assigned 19% of the Company capital to 18 new shareholders with various ownership rates (for further information on the Company's history, see Section 4.2 (**Corporate History and Evolution of Capital**)).

Overview of the Company's Business

The Company is considered one of the largest subsidiaries of Alkhorayef Group Company. The Company is a major player with over 30 years of experience in the water and wastewater sectors in the Kingdom, with a multidisciplinary workforce of over 4,215 (as of 30 June 2020G) and a large fleet of wholly owned specialized heavy equipment. The company's expertise includes broad-ranging, integrated capabilities in operation, maintenance, engineering, procurement, construction, operation and commissioning of mega and high-profile projects serving local needs, which has led it to earn the trust of many major clients from the public and private sectors over the years. The Company's core activities consist of the following main business sectors (for more details, see Section 4.6 (**Overview of the Company's Business**):

- water sector;
- wastewater sector; and
- integrated water solutions sector.

Ownership Structure

The following table sets out the ownership structure of the Company's branches:

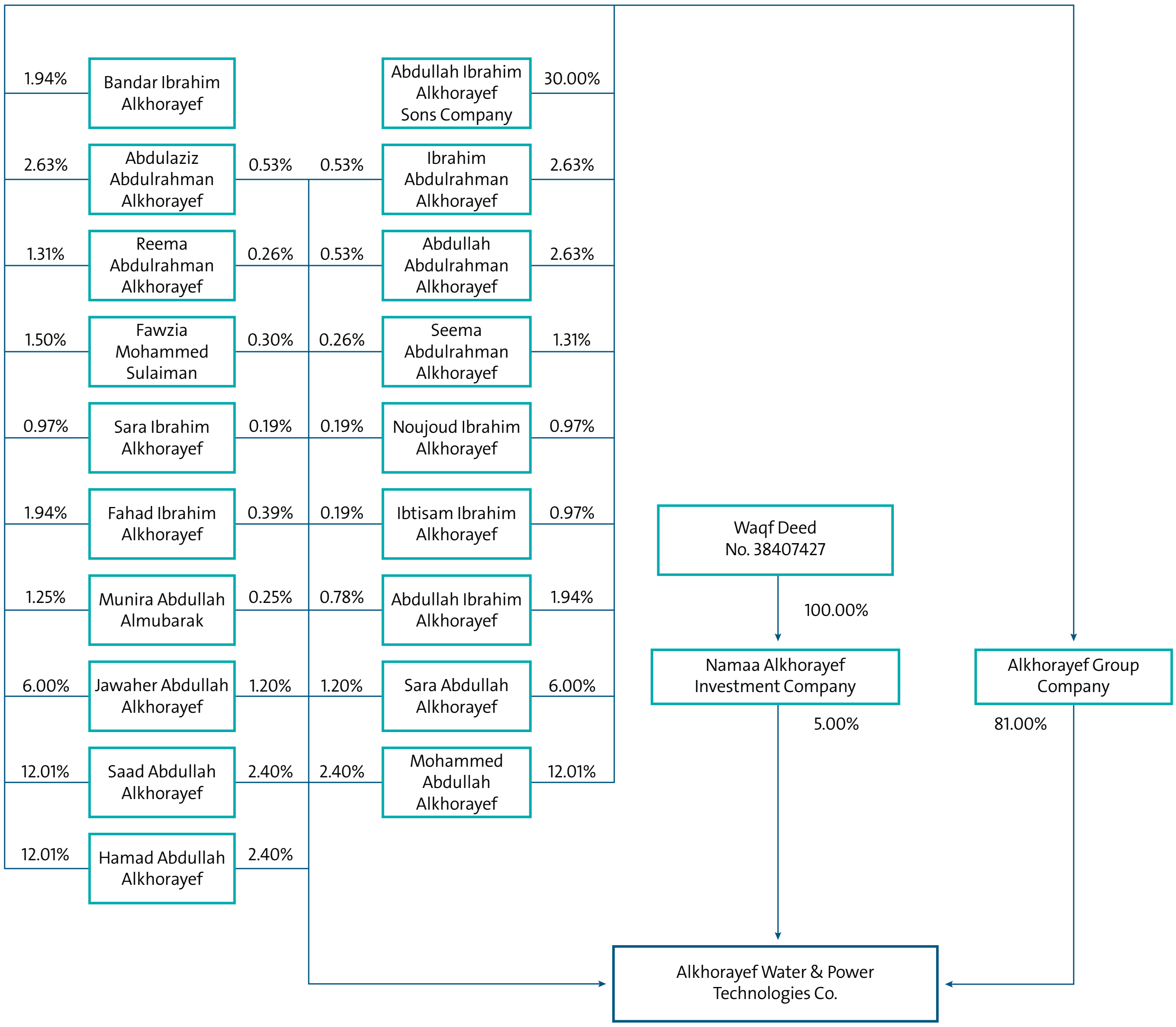
Table 4: Details of the Company's Branches

Name of Branch	Location
Company Head Office	Nafal District, Riyadh
Riyadh Branch (1)	Nafal District, Riyadh
Riyadh Branch (2)	Nafal District, Riyadh
Dammam Branch	Prince Mohammed bin Saoud District, Riyadh

Source: The Company

The following chart sets out the current ownership structure of the Company.

Exhibit 1: Shareholding Structure of the Company



The following table sets out the direct ownership structure of the Company before and after the Offering:

Table 5: Direct Ownership Structure of the Company Pre and Post-Offering

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%)(1)	Value of Shares (SAR)	Number of Shares	Ownership (%)(1)	Value of Shares (SAR)
Alkhorayef Group Company	20,250,000	81%	202,500,000	12,750,000	51.0%	127,500,000
Alkhorayef Development	1,250,000	5.0%	12,500,000	1,250,000	5.0%	12,500,000
Hamad Abdullah Ibrahim Alkhorayef	600,347	2.401%	6,003,470	600,347	2.401%	6,003,470
Saad Abdullah Ibrahim Alkhorayef	600,347	2.401%	6,003,470	600,347	2.401%	6,003,470
Mohammad Abdullah Ibrahim Alkhorayef	600,347	2.401%	6,003,470	600,347	2.401%	6,003,470
Jawaher Abdullah Ibrahim Alkhorayef	300,174	1.201%	3,001,740	300,174	1.201%	3,001,740
Sara Abdullah Ibrahim Alkhorayef	300,174	1.201%	3,001,740	300,174	1.201%	3,001,740
Muneira Abdullah Ibrahim Almubarak	62,286	0.249%	622,860	62,286	0.249%	622,860
Abdullah Ibrahim Abdullah Alkhorayef	193,766	0.776%	1,937,660	193,766	0.776%	1,937,660
Fahd Ibrahim Abdullah Alkhorayef	96,883	0.388%	968,830	96,883,	0.388%	968,830
Ibtisam Ibrahim Abdullah Alkhorayef	48,443	0.194%	484,430	48,443	0.194%	484,430
Sara Ibrahim Abdullah Alkhorayef	48,443	0.194%	484,430	48,443	0.194%	484,430
Nujud Ibrahim Abdullah Alkhorayef	48,443	0.194%	484,430	48,443	0.194%	484,430
Fouziya Mohammed Zaid Suleiman	75,043	0. 3%	750,430	75,043	0.3%	750,430
Abdullah Abdulrahman Abdullah Alkhorayef	131,326	0.525%	1,313,260	131,326	0.525%	1,313,260
Abdulaziz Abdulrahman Abdullah Alkhorayef	131,326	0.525%	1,313,260	131,326	0.525%	1,313,260
Ibrahim Abdulrahman Abdullah Alkhorayef	131,326	0.525%	1,313,260	131,326	0.525%	1,313,260
Rima Abdulrahman Abdullah Alkhorayef	65,663	0.263%	656,630	65,663	0.263%	656,630
Sima Abdulrahman Abdullah Alkhorayef	65,663	0.263%	656,630	65,663	0.263%	656,630
Public	-	-	-	7,500,000	30%	75,000,000
Total	**25,000,000**	**100%**	**250,000,000**	**25,000,000**	**100%**	**250,000,000**

Source: The Company

(1) The shareholding percentages are rounded.

Vision, Mission and Strategy

Vision

To spearhead the development of water, environment, and power solutions that contribute to society's prosperity and development.

Mission

To develop, provide, and manage water, environment, and power solution, focusing on sustainability, innovation, and excellence in exceeding client and partner expectations.

Strategy

The Company seeks to achieve its strategic objectives relying on its strengths and market opportunities consistent with its vision and mission. This is to be done through enhancing its leadership in the market in operation and maintenance services, particularly water wells, water treatment plants, networks (of distribution, wastewater, and storm water), sewage treatment plants and expansion of project services related to vital infrastructure and expansion of its business portfolio by entering BOT/BOOT market. This is also to be done through continuous expansion of wastewater treatment plants and treated sewage networks, in addition to development of integrated and innovative solutions that enhance the quality of water services, protect resources and enhance operational efficiency, while adopting digital technologies in order to maintain the Company's leadership in terms of cost and maintain its competitiveness in public tenders.

Strengths and Competitive Advantages of the Company

Alkhorayef Water & Power Technologies is a major player with over 30 years of experience in the water and wastewater sectors in the Kingdom. The Company has developed many factors and sustainable competitive advantages that allow it to pursue the available market opportunities consistent with its vision and mission, including the Company's strong market position through its spearheading position in main market sectors and its close, long-term relationships with major, leading clients in terms of costs. This reflects the operational excellence and the rigorous procurement procedures that distinguish the Company, as well as the specialized knowledge that enables it to take a strong, distinctive position in the market, facilitating its prior qualification for tenders and its sustainable growth. This is proven with the Company's strong track record and steady revenues in the face of economic fluctuations thanks to the Company's involvement in multiple divisions of the water and wastewater sector.

Market Overview

Data and information related to the water and wastewater segment in the Kingdom included in this section is derived from the report prepared by the Market Study Consultant. However, there is no reason to claim that this information is inaccurate or incorrect. Therefore, the Board, Shareholders and Advisors have not independently verified the accuracy of this data and information, and thus there is no guarantee that such information are accurate and complete.

Overview of the Economy in the Kingdom

The Kingdom is the leading economy in GCC. Its GDP is estimated to be SAR 2.9 trillion in 2019G, and it has 17.8% of global proven crude oil reserves, accounting for about one barrel out of every eight barrels of crude oil produced globally.

The Kingdom is ranked the fourth among the countries most at risk of water hazards in the world, and is classified under countries facing severe scarcity of renewable water sources. Despite water scarcity, it is one of the most water-consuming countries in the world, with an average consumption of about 716 cubic meters per capita per year.

Population growth and urbanization are increasing the need for water, wastewater services, and infrastructure in the Kingdom. In addition, the strong economic activity supported by government reforms and the private sector stimulus program resulted in an increase in the demand for water resources and services, as well as an increase in investments aimed at expanding the volume of water infrastructure, which was enabled by the rational government financial policy and continuous support to the sector.

Based on the government's strategy to support economic diversification and the development of public services sectors, the Saudi Vision 2030, the National Transformation Program and the National Water Strategy 2030G include clear directives to provide sustainable water sources. One of the objectives is to increase the reuse rate of treated wastewater and the coverage of water and public health services to the population. The private sector is a major player who achieves the water and wastewater objectives by making major investments in the sector. As part of the transformation process, budgets of most investments at present are still dependent on government spending allocation.

Macroeconomic Developments Report 2020G (As of 28 April)

On 11 March 2020G, the World Health Organization announced that Covid-19, which was first detected in the Chinese city of Wuhan in December 2019G, was classified as a pandemic. The rapid outbreak of the disease has led to the infection of large numbers of the world's population in a short period of time.

The economic consequences of the Covid-19 pandemic have been very severe. Therefore, as per the International Monetary Fund, real GDP of the global economy is expected to decline by 3.0% during the year 2020G, driven by the collapse of economic activity due to the pandemic. The supply and demand shock has negatively affected global oil markets.

The pandemic has affected the Kingdom's financial budget and required the provision of an aid package to limit the impact on the economy in general. Oil revenues for the first quarter of 2020G were SAR 128.8 billion, a decrease of 24% compared to the Q1 of 2019G. Overall revenue decreased by 22% on an annual basis in the first quarter. The Ministry of Finance reported a budget deficit of SAR 34.1 billion in the first quarter, compared to a surplus of SAR 27.8 billion in the same period last year. In March 2020G, the Kingdom prepared an aid package of SAR 120 billion, of which SAR 70 billion to the private sector and SAR 50 billion from SAMA to help commercial banks provide debt relief.

Overview of Water and Wastewater in the Kingdom

The water and wastewater sector in the Kingdom can be divided into three sectors: water, wastewater, and integrated water solutions. The following table shows the volume of the water and wastewater sector in the Kingdom by industry from 2015G to 2019G and the relative CAGR:

Table 6: Water and Wastewater Sector in the Kingdom from 2015G to 2019G and the Relative CAGR[1]

Industry	2015G	2016G	2017G	2018G	2019G	CAGR
Water	6,365	5,823	8,038	10,743	15,270	24.5%
Water supply and treatment (SAR million)	**2,504**	**1,892**	**2,837**	**3,700**	**6,382**	**26.3%**
Sea water desalination (SAR million)	1,754	1,288	2,255	3,135	5,838	35.1%
Deep water wells & water treatment (SAR million)	750	604	582	565	544	(7.7%)
Water networks (SAR million)	**3,861**	**3,931**	**5,201**	**7,043**	**8,888**	**23.2%**
Water transmission networks (SAR million)	584	585	1,439	4,008	5,411	74.5%
Water distribution networks (SAR million)	3,277	3,347	3,762	3,035	3,477	1.5%
Wastewater	2,921	3,003	3,075	3,011	4,397	10.8%
Wastewater treatment (SAR million)	**1,516**	**1,206**	**1,217**	**1,412**	**2,688**	**15.4%**
Sewage treatment plants (SAR million)	1,317	745	733	1,076	2,306	15.0%
Industrial wastewater treatment plants (SAR million)	199	461	483	336	383	17.8%
Wastewater networks (SAR million)	**1,405**	**1,797**	**1,859**	**1,599**	**1,709**	**5.0%**
Wastewater networks (SAR million)	1,293	1,673	1,723	1,451	1,527	4.3%
Treated wastewater networks (SAR million)	112	124	136	147	182	12.8%
Integrated water solutions	512	524	536	547	559	2.2%
Flood water networks (SAR million)	**381**	**389**	**397**	**406**	**414**	**2.1%**
Urban water management (SAR million)	131	134	138	142	145	2.7%
Total (SAR million)	9,798	9,350	11,649	14,301	20,226	19.9%

Source: Market Consultant Report

[1] Industry volume is an estimate of the total revenue of the engaged players during the reporting period.

With regard to desalination, there is a strong profile of planned projects that lead to strong momentum for this part of the sector, with a value of about SAR 5.8 billion in 2019G. The value of the deep wells and water treatment sector witnessed a decline to SAR 544 million in 2019G in light of the Kingdom's strategy to focus on renewable water resources. The value of the transportation networks sector increased by SAR 5.4 billion in 2019G due to the increase in the number of desalination plants and the need to provide desalinated water to cities. The water distribution networks sector was relatively stable and stood at SAR 3.5 billion in 2019G, driven by the government's objective to increase network coverage to 95%-100% by 2030G.

Wastewater treatment plants sector reached SAR 2.3 billion in 2019G, as the sector witnessed a growth of 15% annually driven by the strong profile of planned projects and the strong trend towards providing sanitation services to the entire population. In addition, industrial wastewater treatment plants sector amounted to SAR 383 million, which was mostly achieved by Saudi Aramco, SABIC, MODON, Marafiq and Maaden, the Saudi Paper Manufacturing Company and other industrial players. The wastewater networks sector reached SAR 1.5 billion in 2019G driven by the government's objective to increase network coverage and provide wastewater treatment services to the public. The treated wastewater networks amounted to SAR 182 million in 2019G, as the sector grew by 12.8% during the period driven by the government's objective to use the wasted resources more effectively.

The flood water networks sector amounted to SAR 414 million in 2019G, driven by the Kingdom's huge investments in infrastructure to prevent floods and wastewater problems. The urban water management sector also grew by 2.7% annually to SAR 145 million in 2019G.

SUMMARY OF FINANCIAL INFORMATION AND KEY PERFORMANCE INDICATOR

The financial information and KPIs set forth below should be read in conjunction with the Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G, and the reviewed interim financial statements for the six-month periods ended 30 June 2019G and 2020G, including in all cases, notes thereto included in Section 19 (**Financial Statements and Auditor's Report**).

KPIs

The following table shows the Company's KPIs for the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month periods ended 30 June 2019G and 2020G:

Table 7: Key Performance Indicators:

		Financial Year Ended 31 December			Six-Month Period Ended 30 June	
		2017G Audited	2018G Audited	2019G Audited	2019G Reviewed	2020G Reviewed
Gross profit margin	%	16.3%	21.3%	28.2%	29.9%	28.9%
Operating profit margin	%	9.4%	16.3%	22.3%	23.7%	23.7%
Net profit margin	%	8.8%	14.4%	21.7%	23.4%	23.0%
Return on equity	%	28.2%	41.5%	42.6%	26.3%	22.4%
Return on Assets	%	8.5%	13.0%	22.6%	10.4%	10.0%
Current assets/current liabilities	x	1.4	1.5	2.2	3.0	2.4
Liabilities / Equity	x	2.3	2.2	0.9	1.5	1.2

Source: Financial Statements.

Results of Operations – Income Statement

The following table presents the Company's income statement for the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month periods ended 30 June 2019G and 2020G:

Table 8: Results of Operations – Income Statement

SAR '000	Financial Year Ended 31 December			Six-Month Period Ended 30 June		Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	2019G Reviewed	2020G Reviewed	December 2018G	December 2019G	CAGR (2017G-2019G)
Revenue	249,636	356,265	423,228	184,805	250,767	42.7%	18.8%	30.2%
Cost of revenue	(208,994)	(280,334)	(304,074)	(129,465)	(178,172)	34.1%	8.5%	20.6%
Gross profit	**40,641**	**75,931**	**119,154**	**55,340**	**72,595**	**86.8%**	**56.9%**	**71.2%**
Selling and distribution expenses	(1,762)	(4,664)	(1,446)	(492)	(1,133)	164.7%	(69.0%)	(9.4%)
Administrative expenses	(15,460)	(13,292)	(23,539)	(11,067)	(12,125)	(14.0%)	77.1%	%23.4
Operating profits	**23,419**	**57,975**	**94,169**	**43,781**	**59,337**	**147.6%**	**62.4%**	**100.5%**
Finance charges	(2,657)	(5,530)	(6,375)	(2,977)	(1,902)	108.2%	15.3%	54.9%
Other revenues	-	-	4,440	2,421	188	-	-	-
Foreign exchange gain (losses), net	574	(1,347)	(64)	1	18	(334.6)	(95.2)	-
(Losses)/Gains on sale of property and equipment	750	51	(442)	37	24	(93.3%)	N/A	-
Net profit for the year	**22,087**	**51,148**	**91,727**	**43,263**	**57,666**	**131.6%**	**79.3%**	**103.8%**

SAR '000	Financial Year Ended 31 December			Six-Month Period Ended 30 June		Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	2019G Reviewed	2020G Reviewed	December 2018G	December 2019G	CAGR (2017G-2019G)
Losses (profits) from re-measurement of defined benefit liabilities	1,762	(6,141)	326	-	-	(448.5%)	(105.3%)	(57.0%)
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods	**1,762**	**(6,141)**	**326**	**-**	**-**	**(448.5%)**	**(105.3%)**	**(57.0%)**
Total comprehensive income for the year	**23,849**	**45,007**	**92,053**	**43,263**	**57,666**	**88.7%**	**104.5%**	**96.5%**

Source: Financial Statements

Statement of Financial Position

The following table presents the statement of financial position for the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month periods ended 30 June 2019G and 2020G:

Table 9: Statement of Financial Position

SAR '000	Financial Year Ended 31 December			Six-Month Period Ended 30 June	Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	2020G Reviewed	December 2018G	December 2019G	CAGR (2017G-2020G)
Assets							
Non-current assets							
Property and Equipment	36,300	49,156	62,680	65,971	35.4%	27.5%	27.0%
Right-of-use assets	-	-	4,169	4,009	-	-	-
Total non-current assets	**36,300**	**49,156**	**66,849**	**69,980**	**35.4%**	**27.5%**	**30.0%**
Current assets							
Inventories	7,609	9,989	26,955	23,596	31.3%	169.8	57.3%
Trade and other receivables	137,838	205,686	147,213	176,950	49.2%	(28.4%)	10.5%
Prepayments and other assets	14,312	16,300	35,139	51,388	13.9%	115.6%	66.7%
Contract assets	55,797	75,447	112,716	133,460	35.2%	49.4%	41.7%
Bank balances and cash on hand	8,606	36,950	17,059	16,216	329.4%	(53.8%)	28.8%
Dues from related parties	-	-	-	106,124	-	-	-
Total current assets	**224,161**	**344,373**	**339,082**	**507,734**	**53.6%**	**(1.5%)**	**38.7%**
Total assets	**260,461**	**393,528**	**405,931**	**577,714**	**51.1%**	**3.2%**	**37.5%**
Equity and liabilities							
Issued share capital	80,000	80,000	80,000	250,000	-	-	57.7%
Statutory reserve	4,778	9,893	19,065	-	107.1%	92.7%	(100.0%)
Retained earnings	(6,563)	34,253	116,808	7,666	(621.9%)	241.0%	-
Re-measurements of employee defined benefit liabilities	-	(925)	(599)	(599)	-	(35.2%)	-
Total equity	**78,215**	**123,221**	**215,274**	**257,067**	**57.5%**	**74.7%**	**61.0%**

SAR '000	Financial Year Ended 31 December			Six-Month Period Ended 30 June	Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	2020G Reviewed	December 2018G	December 2019G	CAGR (2017G-2020G)
Non-current liabilities							
Liabilities under capital lease contracts	770	-	-	-	(100.0%)	-	(100.0%)
Employee defined benefit liabilities	19,206	27,743	32,269	34,822	44.5%	16.3%	26.9%
Term loans	-	13,333	-	71,786	-	(100.0%)	-
Lease liabilities	-	-	3,902	3,817	-	-	-
Total non-current liabilities	**19,975**	**41,076**	**36,171**	**110,425**	**105.6%**	**(11.9%)**	**98.2%**
Current Liabilities							
Trade payables	55,830	48,871	58,442	45,945	(12.5%)	19.6%	(7.5%)
Term loans	-	26,667	-	59,286	-	(100.0%)	-
Liabilities under capital lease contracts	2,857	770	-	-	(73.1%)	(100.0%)	(100.0%)
Dues to related parties	62,035	117,039	55,729	-	(88.7%)	(52.4%)	(100.0%)
Accrued and other Liabilities	41,548	35,884	40,067	43,660	(13.6%)	11.7%	2.0%
Lease liabilities	-	-	246	327	-	-	-
Short-term borrowings	-	-	-	61.005	-	-	-
Total current liabilities	**162,271**	**229,231**	**154,485**	**210.222**	**41.3%**	**(32.6%)**	**10.9%**
Total Liabilities	**182,246**	**270,307**	**190,656**	**320,647**	**48.3%**	**(29.5%)**	**25.4%**
Total equity & liabilities	**260,461**	**393,528**	**405,931**	**577,714**	**51.1%**	**3.2%**	**37.5%**

Source: Financial Statements

Cash Flow Statement

The following table presents the cash flow statement for the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month periods ended 30 June 2019G and 2020G:

Table 10: Cash Flow Statement

SAR '000	Financial Year Ended 31 December			Six-Month Period Ended 30 June		Increase/(Decrease)			
	2017G Audited	2018G Audited	2019G Audited	2019G Reviewed	2020G Reviewed	December 2018G	December 2019G	June 2020G	CAGR (2017G-2019G)
Net cash flows from operating Activities	19,676	15,653	49,478	8,334	(181,198)	(20.4%)	216.1%	(2,274.1%)	58.6%
Net cash flows used in investing activities	(10,174)	(24,452)	(28,264)	(6,516)	(11,717)	140.3%	15.6%	79.8%	66.7%
Net cash flows from (used in) financing activities	(3,932)	37,143	(41,105)	(14,103)	192,072	(1044.6%)	(210.7%)	(1,461.9%)	223.3%
Net cash flows for the period	5,570	28,344	(19,891)	(12,285)	(843)	408.9%	(170.2%)	(93.1%)	-
Cash and cash equivalents at beginning of year	3,036	8,606	36,950	36,950	17,059	183.5%	329.4%	(53.8%)	248.9%
Cash and cash equivalents at the end of year	8,606	36,950	17,059	24,665	16,216	329.4%	(53.8%)	(34.3%)	40.8%

Source: Financial Statements

SUMMARY OF RISK FACTORS

Prior to making an investment decision with respect to the Offer Shares, prospective investors should carefully consider all the information contained in this Prospectus, particularly the risks stated below, which are described in detail in Section 2 (**Risk Factors**).

Risks Related to the Operations of the Company

- Risks Relating to Government Tenders
- Risks Related to Backlog
- Risks Related to Sustaining Growth
- Risks Related to Pricing Assumptions Used in the Company's Contracts
- Risks Related to Use of Percentage-of-Completion Accounting
- Risks Related to Contract Assets
- Risks Related to the Timing of New Projects and Reduction in Scope of Existing Projects
- Risks Related to Project Performance
- Risks Related to Concentration of Revenue
- Risks Relating to Reliance on Suppliers, Sub-contractors, and Equipment Manufacturers
- Risks Related to Increase in the Prices of Certain Raw Materials, Equipment and Energy
- Risks Relating to the Company's Inability to Implement the Future Growth Strategy
- Risks Relating to Reliance on Substantial Shareholder (Alkhorayef Group Company)
- Risks Related to Failure to Develop Current Services and Successfully Introduce New Services
- Risks Related to the Company's Reputation and the Quality of Services Provided
- Risks Relating to Occupational Health, Safety and Environmental Matters
- Risks Related to Liability for Warranty Claims
- Risks Related to Outbreak of Diseases
- Risks Related to Related Party Transactions and Agreements
- Risks Relating to Engagement of Board Directors or Senior Executives in Business Competing with the Company's Business
- Risks Related to Contracts with Third Parties
- Credit Risk Related to Collecting Receivables from the Company's Clients
- Risks Related to Accounts Receivable
- Risks Related to Financing
- Risks Relating to Working Capital Management
- Risks Related to Adverse Changes in Interest Rate
- Risks Related to Inability to Attract and Retain Qualified Employees
- Risks of Reliance on Executive Management and Key Personnel
- Risk Associated with Employee Misconduct or Errors
- Risks Relating to Leased Properties
- Risks Related to Reliance on Information Technology Infrastructure
- Risks Relating to Failure to Adequately Maintain the Confidentiality and Integrity of Client and Employee Data
- Risks Related to the Adequacy and Availability of Insurance Coverage
- Risks Related to Litigation
- Risk Relating to Licenses and Approvals
- Risks Related to Protection of Intellectual Property Rights
- Risks Related to Potential Zakat Liability
- Risks Related to Newly Implemented Corporate Governance Regulations
- Risks Relating to Failure by the Audit Committee and the Nomination and Remuneration Committee to Perform their Duties as Required

- Risks Relating to the Newly Formed Internal Audit Department
- Risks Related to Lack of Experience in Managing a Publicly Listed Company

Risks Related to the Market, Industry, and Regulatory Environment

- Risks Relating to Market Structure
- Risks Related to Weak Economic Conditions
- Risks Related to Political Instability and Security Concerns in the MENA Region
- Risks Related to Force Majeure and Natural Disasters
- Risks Related to High Level of Competition in the Water and Wastewater Industries
- Risks Related to Changes in Regulatory Environment
- Risks Related to VAT
- Risks Related to Zakat and Income Tax Calculation Mechanism Change
- Risks Related to the Increase in Government Fees Applicable to Non-Saudi Employees
- Risks Related to Non-Compliance with the Saudisation Requirements

Risks Related to the Offer Shares

- Risks Related to Effective Control Post–Offering by the Selling Shareholders
- Risks Related to Absence of a Prior Market for the Shares
- Risks Related to Selling a Large Number of Shares in the Market
- Risks Related to Issuance of New Shares
- Risks Related to Fluctuation in the Market Price of the Shares
- Risks Related to Distribution of Dividends and Restrictions Imposed on Distribution of Dividends by Financers

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TABLES

EXHIBITS

1. DEFINITIONS AND ABBREVIATIONS

Admission	Admission of the Shares to listing on the Exchange in accordance with the Listing Rules and, where the context requires, an application to the Exchange for listing of securities.
Advisors	Advisors of the Company in relation to the Offering, whose names appear on pages (vi) and (vii) of this Prospectus.
Audit Committee	The Audit Committee of the Company.
Auditor	Ernst & Young & Co. (Certified Public Accountants).
Authorized Person	A person authorized by the CMA to carry out activities related to securities.
Bidding Participation Application	The application submitted by the Participating Entities to the Financial Advisor for participation in the book-building process, to be submitted no later than the last day of the book-building process period. This term includes, when applicable, the appended applications when the price range is changed.
Board of Directors or Board	The Board of Directors of the Company.
Book-Building Instructions	The Instructions for Book-Building Process and Allocation Method in Initial Public Offerings, issued pursuant to the CMA Board's Resolution No. 2-94-2016, dated 15/10/1437H (corresponding to 20 July 2016G), as amended by the CMA Board's Resolution No. 3-102-2019, dated 18/01/1441H (corresponding to 17 September 2019G).
Bookrunner	Collectively, Saudi Fransi Capital and EFG Hermes KSA.
BOT/BOOT	A contractual model through which the administrative entity grants a concession to the contractor to build the infrastructure of a public facility, to own and operate, and then transfer it to the administrative entity after the end of the concession period.
Business Day	Any day (other than Fridays, Saturdays and official holidays) on which the Receiving Agents are open for business in the Kingdom.
Bylaws	The Bylaws of the Company, which are summarized in Section 12.13 (**Summary of Bylaws**).
Chairman	The Chairman of the Board of Directors.
Chief Executive Officer	The Chief Executive Officer of the Company.
Chief Financial Officer	The Chief Financial Officer of the Company.
CMA	The Capital Market Authority of the Kingdom.
CML	The Capital Market Law issued under Royal Decree M/30, dated 02/06/1424H (corresponding to 31 July 2003G), as amended.
Committees	The Audit Committee, and the Nomination and Remuneration Committee of the Company.
Companies Law	The Companies Law, issued under Royal Decree No. M/3, dated 28/01/1437H (corresponding to 10 November 2015G), as amended.
Company or Issuer	Alkhorayef Water & Power Technologies.
control	The term "**control**" means the ability to, directly or indirectly, influence the acts or decisions of another person, individually or collectively with a relative or affiliate, through any of the following: (a) holding 30% or more of the voting rights in the Company, or (b) the right to appoint 30% or more of the administrative staff; and the word "**control**ler" shall be construed accordingly.
Corporate Governance Regulations	The Corporate Governance Regulations, issued pursuant to the CMA Board's Resolution No. 8-16-2017, dated 16/05/1438H (corresponding to 13 February 2017G), and amended pursuant to the CMA Board's Resolution No. 3-57-2019, dated 15/09/1440H (corresponding to 20 May 2019G), as may be amended.
Cost Plus Contracts	Contracts under which payment is made to the service provider for its costs in addition to a premium in the form of a deductible amount or a percentage of the costs to be agreed upon in advance.
Current Shareholders	The Shareholders whose names and shareholding percentages are set out in Table 5 (**Direct Ownership Structure of the Company Pre- and Post-Offering**).
Directors	The members of the Company's Board of Directors appointed by the General Assembly and whose names appear in Section 5 (**Organizational Structure and Corporate Governance**).
Exchange or Tadawul	The Saudi Stock Exchange (Tadawul).
Executive Management	The Senior Executives of the Company.
Extraordinary General Assembly	An Extraordinary General Assembly of the Company's Shareholders convened in accordance with the Bylaws.
Financial Advisor	Saudi Fransi Capital.

Financial Due Diligence Advisor	KPMG Al Fozan & Partners.
Financial Institutions	Banks and financial services companies.
Financial Statements	The audited financial statements of the Company for the financial year ending on 31 December 2017G, with the accompanying notes, prepared in compliance with the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA), and audited by the Auditor. The Company's audited financial statements for the financial years ended 31 December 2018G and 2019G, and the accompanying notes thereto, prepared in accordance with the IFRS endorsed by SOCPA and other standards and pronouncements endorsed by SOCPA, and audited by the Auditor. The reviewed interim financial statements for the six-month period ended 30 June 2020G, and the accompanying notes thereto, prepared in accordance with IFRS endorsed by SOCPA and other standards and pronouncements endorsed by SOCPA.
financial year	The Company's financial year starting from 1 January to 31 December of each financial year.
Fixed Price Contracts	Contracts under which the service provider agrees to carry out work at a fixed price for the whole project.
G	Gregorian calendar.
GAZT	General Authority of Zakat and Tax in the Kingdom.
GCC	The Cooperation Council for the Arab States of the Gulf, consisting of: the Kingdom of Bahrain, State of Kuwait, Sultanate of Oman, State of Qatar, Kingdom of Saudi Arabia and United Arab Emirates.
GDP	Gross Domestic Product (the broadest quantitative measure of a nation's total economic activity, which represents the monetary value of all goods and services produced within a nation's geographical borders over a specified period of time).
GDP per Capita	GDP per capita is a measure of average income per person in a country (it divides the GDP by the population).
General Assembly	An Extraordinary General Assembly and/or an Ordinary General Assembly; "General Assembly" shall mean any general assembly of the Company.
GOSI	The General Organization of Social Insurance in the Kingdom.
Government	The Government of the Kingdom (and "**Governmental**" shall be interpreted accordingly).
Group / Alkhorayef Group Company	Alkhorayef Group Company, the Selling Shareholder and the Substantial Shareholder of the Company as it owns 81% of its capital before the Offering.
H	Hijri calendar.
hybrid contracts	A combination of two types of contracts, which are time and equipment contracts and unit price contracts, and such type of contracts is typically used for operation and maintenance services.
IFRS	The International Financial Reporting Standards issued by the International Accounting Standards Board, as endorsed in the Kingdom by SOCPA in addition to some requirements and disclosures added to some standards by SOCPA, and other standards and pronouncements. These standards and pronouncements include those standards and technical releases that are endorsed by SOCPA for matters not covered by IFRS, such as those related to Zakat.
Individual Investors	Individuals holding the Saudi Arabian nationality, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, as well as non-Saudi national and GCC natural persons having a bank account and having the right to open an investment account with the Receiving Agents.
Investment Funds Regulations	The Investment Funds Regulations issued pursuant to the CMA Board's Resolution No. 1-219-2006, dated 03/12/1427H (corresponding to 24 December 2006G), based on the Capital Market Law promulgated by Royal Decree No. M/30, dated 02/06/1424H, as amended by the CMA Board's Resolution No. 1-61-2016 on 16/08/1437H (corresponding to 23 May 2016G).
Investors	The Participating Entities and Individual Investors.
Kingdom	The Kingdom of Saudi Arabia.
Labour Law	The Saudi Arabian Labour Law issued under Royal Decree No. M/51, dated 23/08/1426H (corresponding to 27 September 2005G), as amended.
Lead Manager	Saudi Fransi Capital.
Legal Advisor	Zeyad Yousef Alsalloum and Yazeed Abdulrahman Altoaimi Company for Legal Services and Consultation.
Listing Rules	The Listing Rules approved by the CMA Board's Resolution No. 3-123-2017, dated 09/04/1439H (corresponding to 27 December 2017G) and its amendments.

Lock-up Period	A six-month period during which the Substantial Shareholders owning 5% or more of Company capital may not dispose of any of their Shares from the date on which trading of the Shares commences on the Exchange.
Main Market	The market in which the registered and offered shares are traded under Part IV of the Rules on the Offer of Securities and Continuing Obligations.
Market Consultant Report	The market study report prepared by the Market Study Consultant for the Company.
Market Study Consultant	A.T. Kearney Saudi Limited.
Ministry of Human Resources and Social Development	The Saudi Arabian Ministry of Human Resources and Social Development.
MoC	The Saudi Arabian Ministry of Commerce.
Net Offering Proceeds	The Offering Proceeds net of expenses related to the Offering.
Nitaqat Program	A program developed by the Ministry of Human Resources and Social Development (previously the Ministry of Labour) under the Minister of Human Resources and Social Development (previously the Minister of Labour) Resolution No. 4040 dated 10/12/1432H (corresponding to 10 September 2011G) based on the Council of Ministers' Resolution No. 50 dated 21/05/1415H (corresponding to 27 October 1994G) to provide incentives for establishments to employ Saudi citizens. This program evaluates the performance of any establishment based on specific ranges, which are platinum, green (which is further divided into three categories: low, medium and high green), yellow and red. Enterprises that are classified within the platinum and green bands are considered complying with the Saudisation requirements, which qualifies them to obtain some specific privileges, such as enabling them to obtain and renew work visas for foreign employees or enabling them to change the profession of foreign employees (except for professions restricted to Saudi citizens). Enterprises that are classified within yellow or red bands (depending on the extent of non-compliance with Saudisation requirements) are not compliant with the Saudisation requirements and are subject to some penalizing measures against them, such as limiting their ability to renew work visas for foreign employees or even preventing them from obtaining or renewing work visas for foreign employees.
Nominal Value	SAR 10 per share.
Nomination and Remuneration Committee	The Nomination and Remuneration Committee of the Company.
Offer Price	SAR 72 per Share.
Offer Shares	Seven million five hundred thousand (7,500,000) Shares, representing 30% of the Company's share capital.
Offering	Offering of seven million five hundred thousand (7,500,000) Shares representing 30% of the Company's share capital with a fully paid-up nominal value of ten (10) Saudi Riyals per Share through an initial public offering at an Offer Price of SAR 72 per Share.
Offering Period	A period starting from Tuesday, 04/07/1442H (corresponding to 16/02/2021G) and will remain open for a period of two (2) days, until and including the end of Offering on Wednesday, 05/07/1442H (corresponding to 17/02/2021G).
Offering Proceeds	The total value of the Shares subscribed for in the Offering.
Ordinary General Assembly	An Ordinary General Assembly of the Company's Shareholders convened in accordance with the Bylaws.
Participating Entities	Entities involved in the book-building process from amongst the Participating Parties.

Participating Parties	In accordance with the Book-Building Instructions, parties entitled to participate in the book-building process, as follows: 1- public and private funds that invest in securities listed on the Exchange, if permissible under the terms and conditions of such funds, in compliance with the provisions and restrictions set forth in the Investment Funds Regulations and the Book-Building Instructions; 2- persons authorized by the CMA to trade in securities as principals, in compliance with the provisions of the Prudential Rules upon submission of a Subscription Application; 3- clients of a person authorized by the CMA to conduct management activities in accordance with the provisions and restrictions set forth in the Book-Building Instructions; 4- legal persons allowed to open an investment account in the Kingdom and an account with the Depositary Center, including foreign legal persons who are allowed to invest on the Exchange, in accordance with the Controls on Investment by Listed Companies in Exchange-Listed Securities set forth in the CMA's Circular No. 6/05158, dated 11/08/1435H (corresponding to 9 June 2014G), issued pursuant to the CMA Board's Resolution No. 9-28-2014, dated 20/07/1435H (corresponding to 19 May 2014G); 5- Governmental entities, any supranational authority recognised by the CMA, the Exchange, or any other stock exchange recognised by the CMA or the Depositary Center; 6- Government-owned companies, whether investing directly or through a portfolio manager; and 7- GCC companies, and GCC funds if permissible under the terms and conditions of such funds.
Person	A natural or a legal person.
Programmable logic controller (PLC)	A digital computer used to automate computer processes and programming.
Prospectus	This document prepared by the Company in relation to the Offering.
Prudential Rules	The Prudential Rules issued pursuant to the CMA Board's Resolution No. 1-40-2012, dated 17/02/1434H (corresponding to 30 December 2012G), as amended.
Public	Persons other than the following: 1- affiliates of the Issuer; 2- Substantial Shareholders of the Issuer; 3- Directors and Senior Executives of the Issuer; 4- directors and senior executives of the Issuer's affiliates; 5- directors and senior executives of the Issuer's Substantial Shareholders; 6- any relatives of the persons referred to in (1, 2, 3, 4, or 5) above; 7- any company controlled by any person referred to in clause (1, 2, 3, 4, 5 or 6) above; or 8- Persons acting in concert, with a collective shareholding of 5% or more of the class of shares to be listed.
QFI or Qualified Foreign Investor	A qualified foreign investor who is qualified in accordance with the QFI Rules to invest in listed securities.
QFI Rules	The Rules for Qualified Foreign Financial Institutions Investment in Listed Securities issued pursuant to the CMA Board's Resolution No. 1-42-2015, dated 15/07/1436H (corresponding to 4 May 2015G) and amended pursuant to the CMA Board's Resolution No. 3-65-2019, dated 14/10/1440H (corresponding to 17 June 2019G).
Receiving Agents	The Receiving Agents whose names appear on page (viii) of this Prospectus.
Related Party	It includes, in this Prospectus, the term "Related Party" or "Related Parties" in accordance with Glossary of Defined Terms Used in the Regulations & Rules of the Capital Market Authority issued by the CMA Board's Resolution No. 4-11-2004 dated 20/08/1425H (corresponding to 4 October 2004G), as amended by the CMA Board's Resolution No. 2-75-2020 dated 22/12/1441H (corresponding to 12 August 2020G) as follows: 1- affiliates of the Issuer; 2- Substantial Shareholders of the Issuer; 3- Directors and Senior Executives of the Issuer; 4- directors and senior executives of an affiliate of the Issuer; 5- directors and senior executives of the Issuer's Substantial Shareholders; 6- any relatives of the persons described in paragraphs (1), (2), (3), (4), or (5) above; and 7- any company controlled by any person described in paragraphs (1), (2), (3), (4), (5) or (6).

Relatives	Husband, wife and minor children. For the purposes of the Corporate Governance Regulations: 1- fathers, mothers, grandfathers and grandmothers (and their ancestors); 2- children and grandchildren and their descendants; 3- siblings, maternal and paternal half-siblings; and 4- husbands and wives.
Reverse osmosis	An opposite process to the natural phenomenon called osmosis. In reverse osmosis, water moves from the highest concentrated solution towards the lowest through a semipermeable membrane using pressure. It is a method used to purify water by passing through a number of stages, by which the water is separated from other salts and minerals
Risk factors	A group of potential risks that should be understood and considered prior to making an investment decision in relation to the Offer Shares.
Rules on the offer of securities and continuing obligations	The Rules on the Offer of Securities and Continuing Obligations issued by the CMA Board's Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27 December 2017G) in accordance with the Capital Market Law promulgated by Royal Decree No. M/30 dated 02/06/1424H and amended by the CMA Board's Resolution No. 1-104-2019 dated 01/02/1441H (corresponding to 30 September 2019G).
SAMA	Saudi Central Bank (formerly Saudi Arabian Monetary Authority).
SAR	The Saudi Arabian Riyal, which is the lawful currency of the Kingdom.
Saudisation	A process of replacing a non-Saudi resident with a Saudi citizen in a specific job, provided that the citizen has the capabilities, qualifications and competencies required to perform such job.
Secretary	The Secretary of the Board of Directors.
Selling Shareholder	Alkhorayef Group Company, which will provide all of the 30% of the Shares to be sold in the Offering.
Senior Executives	The members of the Company's Executive Management whose names appear in Table 5.5 (**Details of Senior Executives**).
Shareholder	Any holder of Shares in the Company.
Shares	Twenty-five million (25,000,000) ordinary Shares of the Company, with a fully paid nominal value of ten Saudi riyals (SAR 10) per share.
SIBOR	Saudi Interbank Offered Rate.
SOCPA	The Saudi Organization for Certified Public Accountants.
Subscribers	The Participating Parties and Individual Investors.
Subscription Application Form	The subscription application form to be used by Participating Entities and Individual Investors (as the case may be) to subscribe for the Offer Shares.
Substantial Shareholder	A person who owns five percent (5%) or more of the Company's share capital.
Supervisory Control and Data Acquisition (SCADA)	Industrial control computer systems used to monitor and control electronic processes.
SWAPs	Acquisition by non-Saudi individuals residing outside the Kingdom and institutions registered outside the Kingdom of the economic benefits of shares by entering into SWAP agreements with persons authorized by the CMA to purchase, own and trade in shares listed on the Exchange for the benefit of foreign investors, except for foreign corporate investors in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities, and foreign strategic investors in accordance with the Instructions for the Foreign Strategic Investors' Ownership in Listed Companies. Under SWAP agreements, the authorized persons will be registered as legal owners of these shares.
time and equipment contracts	Contracts under which payment is made to the service provider in return for providing labour and equipment at the agreed hourly rate in addition to other expenses, after calculating the Company's costs and including them in the hourly rate.
Underwriter	Collectively, Saudi Fransi Capital and EFG Hermes KSA.
Underwriting Agreement	The Underwriting Agreement entered into between the Company, the Selling Shareholder and the Underwriter in connection with the Offering.
unit price contracts	Contracts under which the service provider agrees to carry out work on specific units of work at a specified price for each work unit to be executed, after calculating the costs of the service provider and including them in the unit price.
value chain	It refers to the chain of activities that contribute to the value of a product more than its cost, usually starting from research, development and engineering to manufacturing and then to the final consumer.
Vision 2030	It is a strategic framework to reduce the Kingdom's dependence on oil and petrochemical industry, to diversify its economy, and to develop the public services sector.

2. RISK FACTORS

An investor considering investing in the Offer Shares should carefully consider the risk factors set out below and the other information contained in this Prospectus, in light of his investment objectives and conditions prior to making an investment decision with respect to the Offer Shares. The risks and uncertainties described below are those that the Company currently believes could affect the Company and any investment in the Offer Shares. However, the risks listed below do not necessarily comprise all those affecting the Company or associated with an investment in the Offer Shares. There may be additional risks and uncertainties that the Company is currently not aware of, or that the Company currently believes are immaterial. The occurrence of any such risks and uncertainties may materially and adversely affect the Company's business, financial position, results of operations and prospects. As a result, the price of the Shares may decline, the Company's ability to pay dividends to investors could be impaired and investors may lose all or part of their investment.

The Company's Directors confirm that, to the best of their knowledge and belief, there are no other material risks as of the date of this Prospectus besides those mentioned in this Section that may affect investors' decisions to invest in the Offer Shares. All prospective investors considering investing in the Offer Shares should assess the risks related to them, the Offering in general, and the economic and regulatory environment in which the Company operates.

An investment in the Offer Shares is only suitable for investors who are able to evaluate the risks and the benefits of such investment and who have sufficient resources to bear any loss resulting from such investment. Prospective investors who have doubts about which actions to take should refer to a financial adviser licenced by the CMA for advice about investing in the Offer Shares.

The risks described below are not presented in any assumed order of priority that can reflect their expected impact on the Company. The Company may also face other risks that are unknown or that the Company considers immaterial at the present time and that have the same effect or consequences as set out in this Prospectus. Accordingly, the risks described in this Section or in any other section of this Prospectus may not: (i) cover all risks affecting the Company, its operations, business, assets or the markets in which it operates and/or (ii) include all the risks that investment in the Offer Shares may involve.

2.1 Risks Related to the Operations of the Company

2.1.1 Risks Relating to Government Tenders

The Company's total revenues generated from contracts awarded through Government tenders with key Government agencies, such as MEWA, NWC, Ministry of National Guard, the High Commission for the Development of Riyadh, and RCJY, represented 93.0%, 93.2%, 92.7% and 95.6% of its annual revenue in the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, respectively. Revenues generated by the two largest clients of the Company, namely the MEWA and NWC represented 86.8%, 92.4%, 83.5% and 88.9% of the Company's total revenues during the same periods. Water, wastewater and integrated water solution projects and services are typically awarded through several Government tenders. These tenders present a number of risks, including the following:

- the Company may bid on projects using inaccurate pricing assumptions, resulting in the actual cost of labour and materials varying from the costs it originally assumed;
- the Company may incur substantial costs and spend a significant amount of managerial time and effort preparing bids and proposals;
- the Company may incur the opportunity cost of not bidding on and winning other contracts that it may have pursued otherwise; and
- the Company's classification with the Ministry of Municipal and Rural Affairs may change, which may lead to the Company not obtaining further contracts.

Because some of the Company's contracts are typically for a fixed duration, if it is unable to win new contracts or renew its current contracts, it may be prevented from providing services under such contract for a number of years. If the Company is unable to consistently win new contract awards, it will have a material adverse effect on its business, financial position, results of operations and prospects.

2.1.2 Risks Related to Backlog

Backlog is difficult to determine accurately, and companies within the water and wastewater industries may define backlog differently. The backlog for the Company's operations was a total of SAR 483.1 million, SAR 657.6 million, SAR 839.4 million and SAR 850.6 million as of 31 December 2017G, 2018G and 2019G, and as of 30 June 2020G, respectively, which represents the estimated amount of revenue that the Company expects to realize from work to be performed on uncompleted contracts, including new contractual agreements on which work has not yet begun. The increase in the value of backlog was due to the new projects that the Company obtained in 2019G and 2020G and the new contracts that will be implemented, the value of which is estimated at a total amount of SAR 313.9 million. The terms of such contracts extend up to 2024G. Of the total backlog, 81.3% (equivalent to SAR 691.5 million) was attributable to contracts with MEWA and NWC. The Company determines the estimated amount of backlog by subtracting the amount of revenues previously recognised from the total value of contracts awarded to the Company, which is in most cases the remaining contractual value, as well as new contractual agreements awarded officially to the Company.

The Company may experience variances in the realisation of backlog revenue because of project delays or cancellations, or external and economic factors beyond its control. Reductions in backlog due to cancellation, termination or scope adjustment by a client or for other reasons could significantly reduce the revenue and profit that were to be received by the Company from some contracts in the backlog. They include the Project to Lower Groundwater Levels in Al-Narjis and Al-Arid Districts and the Project to Lower Groundwater Levels, Al-Arid, Tuwaiq 9, and Laban 2 Districts. The scope of work related to these projects was reduced by the project owner (the High Commission for the Development of Riyadh), which led to a decrease in revenues and profits from these two projects (for more details, see Section 2.1.7 (**Risks Related to the Timing of New Projects and Reduction in Scope of Existing Projects**)).

In the event of a project cancellation, termination or scope adjustment, the Company is typically compensated as determined under the contract in the backlog.

The Company backlog at any point in time may not accurately represent the revenue that it expects to realise during any period, and its backlog should not be viewed or relied upon as a stand-alone indicator. Consequently, the Company cannot provide assurance as to its clients' requirements or its estimates of backlog. Should the Company receive less revenue than expected in the light of its backlog, it will have a material adverse effect on the Company's business, financial position, results of operations and prospects. For further discussion on how the Company calculates backlog for its business, see Section 4.6.2 (**Clients**), paragraph (c) (**Contractual Relationships (Backlog)**).

2.1.3 Risks Related to Sustaining Growth

The Company has experienced a decrease in revenue of 5.7% in the financial year ended 31 December 2017G and a growth in revenue of 42.7%, 18.8%, and 35.7% in the financial years ended 31 December 2018G and 2019G, and the six-month period ended 30 June 2020G, respectively. The Company also achieved profit growth of 19.8%, 131.6%, 79.3% and 33.3%, in the financial year ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, respectively. Its ability to sustain growth at a comparable level will be affected by, among other factors, its ability to:

- attract new clients and successfully bid on new projects;
- price projects, estimate and control accurate costs;
- increase the number of projects performed for existing clients;hire and retain qualified personnel, such as field supervisors, project managers, engineers and safety personnel;
- secure specialised equipment and machinery;
- expand in new geographic areas; and
- adapt the range of services it offers to address clients' evolving needs.

Larger projects may also require substantial financial resources to meet the cash flow, bonding or letter of guarantee requirements imposed upon contractors by clients. In addition, if its clients are unable to obtain the required financial resources, it could reduce the number, timing or size of projects available to the Company. Many of the factors affecting its ability to achieve growth may be beyond its control, and it cannot be certain that its strategies will be successful, or that it will be able to generate cash flows and secure external financing sufficient to fund its operations and to sustain its growth. If the Company is unsuccessful in such efforts, it may not be able to achieve growth consistent with its historical growth, expand its operations or grow its business, which will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.4 Risks Related to Pricing Assumptions Used in the Company's Contracts

In the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, the Company generated approximately 26.5%, 32.2%, 29.4% and 21.3%, respectively, of its total revenues under unit price contracts that cover the services for its businesses in operation and maintenance or service projects, wastewater and integrated water solutions. The Fixed Price Contracts that cover only project services accounted for 4.6%, 0.2%, 0.3% and 0.2% of the Company's revenues for the same period respectively. Note that part of the contract revenue results from additional work performed by the Company based on a subsequent agreement with the project owner, and therefore it is not related to the original contract value and is not quantified (for more details about the nature of these contracts, see Section 4.6.2 (**Clients**), paragraph (c) (**Contractual Relationships (Backlog**)). The Company must use certain pricing assumptions when it bids for these types of contracts. As a result, the Company may not be successful in recouping additional costs from its client and these variations, along with other risks inherent in performing unit price contracts, may cause actual revenue and gross profits for a project to differ from those it originally estimated and could result in reduced profitability or losses on projects. For example, the actual profitability decreased from that estimated by the Company in five completed projects (including: (1) the Sewage Network Project in Tuwaiq District (1), (2) the Sewage Network Project in Tuwaiq District (3), (3) the sewage Sewage Network Project in Aziziyah District, and (4) the Riyadh Water Project (Third Group) and (5) Riyadh Water Resources Project (Second Group)) due to an increase in the cost for several reasons. These reasons include the difference in the quality of the underground soil from that specified in the study, failure to add the cost of a contract requirement during the project study phase or adjust the amount of the project works or work delays, which reduced the estimated profitability of these projects on average by 9.8% (refer to Section 6.5.8 (**Gross Profit by Contract Type**) for more details. In addition, the Company suffered a loss in a project for efficiency expansion and upgrading of the fourth and fifth sewage stations in Qassim Region as a result of its failure to accurately price the quantities of work for reasons related to the difference in the quality of the underground soil from that specified in the study. This led to an increase in the costs incurred and the Company suffering a loss from this project since it commenced in 2012G until its completion in 2019G, amounting to SAR 40.9 million. The Company has created a provision for contracts expected to suffer losses amounting to SAR 3.0 million, SAR 2.2 million, SAR 4.0 million and SAR 3.6 million as of 31 December 2017G, 2018G and 2019G, and as of 30 June 2020G (for more details on the provision for contracts expected to suffer losses, see Section 6.6.6.6 (**Accruals and Other Liabilities**). Below is a variety of factors that may cause the estimated revenue of a project to differ from the actual revenues:

- failure to properly estimate costs of engineering, material, equipment, labour or subcontractors;
- inefficient labour performance;
- unanticipated problems in its supply chain, which may require the Company to incur additional costs to remedy the problem;
- failure of its suppliers or subcontractors to execute the project;
- site conditions that differ from those assumed in the original bid, to the extent contract remedies are unavailable;
- unavailability and lower skill level of workers;
- changes in relevant laws and regulations, resulting in unexpected costs;
- delays due to factors beyond the Company's control, such as weather conditions, or caused by third parties or clients; or
- quality issues requiring rework.

The occurrence of any of the above factors will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.5 Risks Related to Use of Percentage-of-Completion Accounting

In the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, the Company recognised approximately 21.2%, 29.7%, 27.5% and 21.8%, respectively, of its total revenues using the percentage-of-completion method of accounting. Revenue from contracts with clients is recognised based on project completion percentage at the end of the year (the performance completed to date method) in relation to project services.

Operation and maintenance contracts provide for a monthly fee to be paid by the clients to the Company. Accordingly, the Company does not record the revenues received from such contracts according to the completed performance method to date, as the Company issues its invoices to the clients (in relation to the operation and maintenance contracts) on a monthly basis. The Company's revenues related to O&M contracts from additional services or works performed by the Company based on a subsequent agreement with the project owner accounted for 6.1%, 5.8%, 4.2% and 1.4% of the Company's total revenue in the financial years ended 31 December 2017G, 2018G, and 2019G, and the six-month period ended 30 June 2020G (for more details, see Section 6.2 (**Significant Accounting Policies**)).

In applying the percentage-of-completion method, the Company recognises a portion of its project revenues upon completion of each phase over time. While a project is in process, amounts billed to clients are classified as trade receivables, which amounted to a total of SAR 42.1 million, SAR 37.3 million, SAR 37.9 million and SAR 44.6 million, as in the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, respectively. Likewise, amounts recognised as revenue in excess of actual billings to date are recorded as contract assets, i.e. unbilled revenue. In the event that the Company fails to define the main stages of the project output and assess the value of each stage, this will lead to inaccurate revenues based on the method of measuring the project completion percentage, which would have a material adverse effect on the Company's business, profitability, financial position, results of operations and prospects.

2.1.6 Risks Related to Contract Assets

Adoption of the method of measuring the completion percentage for revenue recognition entails recognising contract asset balances related to project service contracts. Apart from the project services contracts, most of contract asset balances are related to O&M projects. For such projects, the process of obtaining the client's approval before issuing invoices and recognising accounts receivable requires a period of one to two months, which leads to recognising contract assets. Contract assets related to O&M projects accounted for a total of SAR 23.6 million, 50.0 million, 57.9 million and 100.1 million as of 31 December 2017G, 2018G and 2019G and as of 30 June 2020G, respectively, representing 42.3%, 66.3%, 51.4% and 75.0% of total contract assets for the same periods. As of 30 June 2020G, 75.7% of O&M contract assets related to contracts concluded with MEWA (and the largest of those projects with MEWA in terms of contract assets were the Potable Water O&M Projects in Riyadh Province, Water Projects Operation and Maintenance Project for Jazan Province Villages and Cities (Northern Sector), and Water and Wastewater Operations and Maintenance Project in Dammam (4), which represented 10%, 10% and 7.8%, respectively, of the O&M contract assets). However, 20.2% of the O&M contract assets is related to contracts concluded with NWC (the largest of which in terms of contract assets were the Project for Operation and Maintenance of Sewage Networks and Ground Lift Stations in Jeddah, Project for Operation and Maintenance of Potable Water Treated Water Networks, and Environmental Services Network in Taif, representing 11.4% and 4.9%, respectively, of the O&M contract assets. As of 30 June 2020G, O&M contract assets that exceeded 90 days amounted to SAR 8.4 million (representing 8.4% of the O&M contract assets), of which about SAR 6.6 million (representing 6.6% of the O&M contract assets) related to Water and Wastewater Operations and Maintenance Project in Dammam.

Assets of project services contracts whose revenues are recognised according to the method of contract completion amounted to a total of SAR 32.1 million, 25.4 million, 54.8 million and 31.0 million, in the financial years ended 31 December 2017G, 2018G and 2019G, and the six month period ended 30 June 2020G, respectively, representing 57.7%, 33.7%, 48.6% and 23.2% of total contract assets for the same periods. Note that 62% of the assets of project services contracts as of 30 June 2020G related to two contracts, one of which is concluded with MEWA for the purpose of Project to Replace Existing Regression Lines with New Expulsion Lines and Develop Some Existing Pumping Stations, Dammam. It accounted for 40% of the assets of project services contracts for the same period, with contract assets being SAR 12.5 million. The other contract is concluded with Saudi Arabian Bechtel Company, Almabani General Contractors and Consolidated Contractors Company for the project of implementing the water system for the Riyadh Metro Line 1. It accounted for 22% of the assets of the project services contract for the same period, with contract assets amounting to SAR 6.8 million. As of 30 June 2020G, the balances of project services contracts that exceeded 90 days amounted to SAR 9.4 million (representing 30.4% of the total balances of project services contracts). They related to the two said projects, of which SAR 4.3 million (representing 13.9% of the total balances of project services contracts) related to the Project to Replace Existing Regression Lines in Dammam, and SAR 5.1 million (representing 16.5% of the total balances of project services contracts) related to the project of implementing the water system for the Riyadh Metro Line 1. Note that balances of contract assets of the Company's two key clients, namely MEWA and NWC, were 66.1% and 19.1%, respectively, of the Company's total balances of contract assets with its clients as of 30 June 2020G. Accordingly, in the event that contract assets are not invoiced as a result of a client not accepting the executed works for any reason, the Company may have to adjust its revenues accordingly. In this case, gross profit may be affected due to the gap resulting from the adoption of the contract completion stage method for revenue recognition and the method of cost until project completion (on an "as and when incurred basis") to recognise costs. The impact on profits of any period can be significant if this is applied for a number of projects, especially large projects. Consequently, the occurrence of any of these factors will have a material adverse effect on the Company's business, profitability, financial position, results of operations and prospects (for more details, see Section 6.6.3.3 (**Contract Assets**) and Section 6.10.3.6 (**Contract Assets**)).

2.1.7 Risks Related to the Timing of New Projects and Reduction in Scope of Existing Projects

A substantial portion of the Company's revenues is derived from project-based work. It is generally very difficult to predict the timing and geographic distribution of the projects that the Company will be awarded. The selection of projects, timing of projects, or failure to obtain projects, delays in awards of projects or the re-bidding of projects due to budget overruns, cancellations of projects or delays in completion of projects could result in the under-utilisation of the Company's assets and workforce, including its fleet of construction and maintenance equipment, which could lower the Company's overall profitability and reduce its cash flows. Even if the Company is awarded projects, it faces additional risks that could affect whether, or when, work will begin. This can present difficulty in matching workforce size and equipment location with contract needs. In some cases, the Company may be required to bear the cost of a ready workforce and equipment that is larger than necessary, which could impact its cash flow, expenses and profitability. If an expected projects award or the related work release is delayed or not received, the Company could incur substantial costs without receipt of any corresponding revenues. Moreover, projects for which its services are contracted may require significant expenditures by the Company prior to receipt of relevant payments from the client. Finally, the winding down or completion of work on significant projects that were active in previous periods will reduce the Company's revenue and earnings if such significant projects have not been replaced in the next period.

The Company could also experience a decrease in its revenue, net income and liquidity if projects are reduced in scope and if it is unable to replace reduced works, as well as completed projects by engaging in other businesses and projects. The High Commission for the Development of Riyadh reduced the scope of work by cancelling 90% of the main work for the project of ground water reduction in Narjis and A'rd, with a value of SAR 46.2 million, representing a reduction and loss margin of 71.4% and 37.1% of the total value of the project respectively, as well as cancelling 18.6% of the scope of work for the project to reduce the level of ground water in the districts of ground water reduction in A'rd and Twaiq (9) and Laban (2), reducing the scope of work by SAR 9.3 million, representing a decrease and loss margin of 25.4% and 5.2% of the total value of the project respectively, as of 30 June 2020G. In the event that the scope of work for a larger number of projects substantially decreases, this will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.8 Risks Related to Project Performance

Many of the Company's projects involve challenging engineering, procurement and construction phases that may occur over several years. The Company may encounter difficulties that impact its ability to complete such projects in accordance with the original delivery schedule. These difficulties may be the result of delays in designs, engineering information or materials provided by the client or a third party, delays or difficulties in equipment and material delivery, schedule changes, delays from its client's failure to timely obtain permits or rights-of-way or meet other regulatory requirements, weather-related delays, delays caused by difficult worksite environments, delays caused by inefficiencies and not achieving expected labour performance, and other factors, many of which are beyond the Company's control. In addition, for some projects, the Company's contracts with suppliers and subcontractors to assist the Company with the completion of contracts. Any delay or failure by suppliers or by subcontractors in the completion of their portion of the project may result in delays in the overall progress of the project or may cause the Company to incur additional costs, or both. The Company may be unable to recover the costs it incurs that are caused by such delays. Failure to meet delivery schedules or performance requirements agreed upon could also result in additional costs, including liquidated damages, and such amounts could negatively impact the expected project profit. For example, delay fines were imposed on the Company in the project for expanding and raising the efficiencies of the fourth and fifth sewage plants in Qassim, amounting to SAR 11.2 million during 2017G, 2018G and 2019G, which is the project implementation period. The Company has created a provision for fines amounting to SAR 6.0 million, SAR 3.2 million and SAR 1.0 million as of 31 December 2017G, 2018G and 2019G, respectively, and no provision for fines was created as of 30 June 2020G. The above factors could lead to the cancellation of the project. The Company may be unable to replace such projects with similar projects or at all. Such delays or cancellations may also impact its reputation or relationships with clients, adversely affecting its ability to secure new contracts, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects. For further details, see Section 6.5.4 (**Cost of Revenues**).

Moreover, the Company's clients may change or postpone implementation of the project or some of its elements after its commencement. The design, engineering information, equipment or materials that are to be provided by the client or other parties may be deficient or delivered later than required by the project schedule, resulting in additional direct or indirect costs. It should be noted that certain items of the project to design, implement and operate the sewage treatment plant in Al-Kharj Industrial City, to be implemented and completed in 2018G, has been postponed until 2021G in coordination between the Company and the project owner (MODON) for technical reasons related to the abundance of wastewater in the project site, which led to the deferment of the targeted revenues from business quantities estimated at SAR 4.8 million as of 30 June 2020G. The Company made a provision for contracts expected to suffer losses amounting to SAR 3.0 million, SAR 2.2 million, SAR 4.0 million and SAR 3.6 million as of 31 December 2017G, 2018G and 2019G, and as of 30 June 2020G. The Company may be unable to obtain, through negotiation, arbitration, litigation or otherwise, adequate amounts to compensate it for the additional work or expenses incurred due to client-requested change orders or failure by the client to timely deliver items, such as engineering drawings or materials. Litigation or arbitration of claims for compensation may be lengthy and costly, and it is often difficult to predict when and for how much the claims will be resolved. The Company may also be required to invest significant working capital to fund cost overruns while the resolution of change orders or claims is pending. The occurrence of any of the above factors will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.9 Risks Related to Concentration of Revenue

The total revenues generated by the top two clients of the Company, namely MEWA and NWC, represent 86.8%, 92.5%, 83.5% and 89.5% of the Company's total revenues in the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, respectively. MEWA accounted for 62.0%, 57.1%, 72.1% and 74.0% respectively during these periods. The average term of most of the Company's contracts with its key clients ranges from three to five years, and they are renewed through government tenders. There is no guarantee that the sales volume provided to the two main clients of the Company will be stable and sustainable in light of the contractual relationships with these two clients, which may change at any time. A potential loss of, or a reduction in business with, any of the two main clients will have a material adverse effect on the Company's business, financial position, results of operations and prospects. For more information on the Company's main clients, see Section 4.6.2 (**Clients**).

2.1.10 Risks Relating to Reliance on Suppliers, Sub-contractors, and Equipment Manufacturers

The Company depends on suppliers to obtain the necessary materials such as permanent materials for project service clients, consumables, diesel and supplies needed for operation, maintenance, implementation and repair services and fixed assets such as cars, bulldozers, large excavators, large cranes and trucks. The Company depends on subcontractors to implement parts of its work. It deals with suppliers through purchase orders and sub-contractors based on contracts with terms determined according to the nature of the work to be performed. The Company also relies on equipment manufacturing companies to provide the Company with the equipment necessary to carry out its operations and specialized manufacturing equipment, such as lathes and bending and cutting machines. The Company's payments to the top ten subcontractors amounted to 48.2%, 60.7%, 49.6% and 44.9% of the Company's total direct and indirect purchases as in the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G. Although the Company is not dependent on any single supplier, subcontractor or equipment manufacturer, any substantial limitation on the availability of required suppliers, subcontractors or equipment manufacturers could negatively impact its operations. The risk of a lack of available suppliers, subcontractors or equipment manufacturers may be heightened as a result of market and economic conditions, or as a result of disruptions in the supply chain. To the extent the Company would be unable to engage subcontractors or acquire equipment or materials, it could experience losses in the performance of its operations. Additionally, if its subcontractors fail to perform their contractual obligations as a result of financial or other difficulties, or if its subcontractors fail to meet the expected completion dates or quality standards, the Company may be required to incur additional costs or provide additional services in order to compensate such shortfall and it may suffer damage to its reputation, any of which would have a material adverse effect on the Company's business, financial position, results of operations and prospects. For further details on subcontractors and suppliers, see Section 4.6.5 (**Suppliers**) and Section 4.6.5.3 (**Independent Subcontractors**).

2.1.11 Risks Related to Increase in the Prices of Certain Raw Materials, Equipment and Energy

The Company's purchases from the top ten suppliers amounted to31.0%, 31.6%, 31.4% and 43.2% of the Company's total direct and indirect purchases in the financial years ended 31 December 2017G, 2018G and 2019G, and in the six-month period ended 30 June 2020G, noting the Company deals with such suppliers according to purchase orders. The Company is exposed to market risks related to increasing prices of some raw materials with special standards and specifications imposed by project owners such as chemicals, cement and steel, which are used as components of supplies or materials utilised in its operations, as well as of certain equipment, such as on-road and off-road heavy equipment. The Company is also exposed to increases in energy prices, particularly as they relate to the prices of gasoline and diesel needed for its fleet vehicles. There can be no assurance that such price increases, if they were to occur, would be recoverable. Additionally, some of its unit price contracts may not allow the Company to adjust its prices and, as a result, increases in raw material, equipment or fuel costs could reduce its profitability or become loss making with respect to such projects, which may result in material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.12 Risks Relating to the Company's Inability to Implement the Future Growth Strategy

The Company regularly evaluates expansion plans, such as bidding for and winning new projects. Expansion involves risks, including but not limited to the Company's ability to obtain additional financing contracts and its effect on the Company's financial position, and the Company's ability to implement several projects at the same time. It also involves risks related to the Company's ability to efficiently manage the expansion process, respond to the industry change and development in the sectors in which it operates effectively on a cost-effective and timely basis, and maintain a classification that enables it to obtain the targeted projects, maintain the Company's relationship with the key clients, and attract managers and key employees for the Company and training them to implement new projects, while implementing the Company's current projects efficiently. If the Company fails to take advantage of growth opportunities through expansion and implementation of the future growth strategy, or if it is unable to manage the expansion process as required, this will have a material adverse effect on its business, financial position, results of operations and prospects.

2.1.13 Risks Relating to Reliance on Substantial Shareholder (Alkhorayef Group Company)

The Company relies on the Substantial Shareholder (Alkhorayef Group Company) in providing several services, such as financing and internal auditing. The Company (as borrower) has entered into an intercompany funding agreement with Alkhorayef Group Company (as lender) on 21/03/1437H (corresponding to 1 January 2016G) pursuant to which Alkhorayef Group Company made available a loan to the Company with a profit margin in accordance with the Saudi banks prevailing rates. The value of financing transactions between Alkhorayef Group Company and the Company reached an amount of SAR 149.3 million, SAR 158.3 million and SAR 233.4, in the financial years ended 31 December 2018G and 2019G, and in the six-month period ended 30 June 2020G, respectively, while the balance of financing transactions reached 117.0 million, 55.7 million and zero at the end of the same periods, respectively. All amounts related to the agreement were paid, and the agreement between the two parties was terminated on 25 October 2020G.

The Company also relies on Alkhorayef Group Company in providing information technology services to the Company for a monthly fee to be agreed upon annually in accordance with the services provided, according to the shared services agreement concluded for this purpose between the Company and Alkhorayef Group Company. There are risks related to the leakage of information about the Company as a result of its reliance on another party to provide information technology service. It should be noted that among the services that Alkhorayef Group Company provided to the Company under such agreement was the internal audit and the Company's reliance on the financial and accounting policies of Alkhorayef Group Company. However, such agreement was amended on 06/05/1441H (corresponding to 1 January 2020G), whereby services provided by the service provider (Alkhorayef Group Company) were limited to information technology services. The Company developed an independent accounting policy manual in preparation for the Offering (for more details, see Section 12.9.1 (**Shared Services Agreement Between the Company (as Client) and Alkhorayef Group Company (as Service Provider**))). The Company decided at the beginning of 2020G, in light of the planned initial public offering of its shares, to carry out these services in-house. It introduced the position of Chief Financial Officer at the beginning of 2020G and appointed the first Chief Financial Officer for the Company on 12 April 2020G, who resigned on 11 October 2020G. The Company appointed a new Chief Financial Officer who started his work on 8 November 2020G. The Company appointed a director for the Internal Audit Department on 2 December 2020G. It should be noted that PricewaterhouseCoopers Chartered Accountants is currently appointed as an external party to carry out the functions of the Internal Audit Department for a period of two years and three months from 14 November 2020G, the date of the agreement. Due to the Company's reliance in the past on Alkhorayef Group Company in providing internal audit services and due to the recent formation of this department in the Company, the Company may face risks resulting therefrom, including the adverse effect on its ability to perform the tasks entrusted thereto, which in turn will affect the administrative and financial performance of the Company, which would have a material adverse effect on its business, financial position, results of operations and prospects.

If the Company fails to obtain the necessary funding from Alkhorayef Group Company for any reason, or if Alkhorayef Group Company does not continue to provide information technology services to the Company, this will have a material adverse effect on its business, financial position, results of operations and prospects.

2.1.14 Risks Related to Failure to Develop Current Services and Successfully Introduce New Services

The Company's ability to anticipate changes in technology and industry standards and to successfully develop and introduce new services on a timely basis is crucial to the Company's ability to grow and remain competitive. New services development often requires long-term forecasting of market trends, development and implementation of new designs and programs and a substantial capital commitment. The Company must quickly adapt to rapidly changing market conditions and client requirements. Any failure by the Company to anticipate or respond in a cost-effective and timely manner to technological developments, changes in industry standards or client requirements, or any significant delays in new services development or introduction or any failure of new services to be accepted by its clients, could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.15 Risks Related to the Company's Reputation and the Quality of Services Provided

Since its establishment, the Company sought to build a good reputation associated with its trademark, and seeks to preserve its reputation and trademark in the future by enhancing the quality of services it provides to its clients. Its reputation depends on several factors, including implementation and completion of projects according to agreed technical and time requirements and making use of its previous and cumulative experiences to implement such projects at the highest possible quality. Accordingly, the Company's failure to provide or maintain the quality of services provided to its clients will have a material adverse effect on its brand and reputation.

In addition, the Company's inability to provide high-quality services may expose it to negative publicity that may harm its reputation, which may lead to the Company being unable to obtain new projects, or in some cases may expose it to lawsuits. The Company's reputation may be affected if it is not able to maintain the quality of services provided to its clients, which would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.16 Risks Relating to Occupational Health, Safety and Environmental Matters

The Company's operations are subject to extensive laws and regulations relating to the maintenance of safe conditions in the workplace and protection of the environment. The Company's business is subject to numerous safety risks, given that water and wastewater industries involve a high degree of operational risks, including electrocutions, fires, explosions, mechanical failures, weather-related incidents, transportation accidents and damage to equipment. These hazards can cause injury or death of any of the Company's employees, damage to, destruction of, or disruption to, property and equipment and other consequential damages and could lead to suspension of operations, large monetary claims and, in extreme cases, criminal liability. There was only one case of death among the Company's employees since 2017G and the Company has not been subjected to any penalties as a result. The Company was relieved of liability upon the investigation of the incident by the project owner (National Water Company). No employee of the Company suffered a total disability during same period. The Company may suffer additional injuries and fatalities in the future. Monetary claims for damages to persons, including claims for bodily injuries or loss of life, could result in substantial costs and liabilities. Moreover, the Company's clients also frequently review the safety records of outside contractors during the bidding process. If its safety record were to substantially deteriorate, it could become ineligible to bid for certain work, and its clients could cancel their contracts and not award the Company future business. Any of the foregoing will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.17 Risks Related to Liability for Warranty Claims

Under its contracts with clients, the Company provides a warranty for the services it provides, guaranteeing the work performed against defects in workmanship and material. If a warranty claim occurs, it could require the Company to re-perform the services or to repair or replace the warranted item, at a cost to the Company. It could also result in other damages if it is not able to adequately satisfy its warranty obligations. In addition, the Company may be required under contractual arrangements with its clients to warrant any defects or failures in materials it provides that it purchases from third parties. While the Company generally requires suppliers to provide it warranties that are consistent with those it provides to its clients, if any of these suppliers default on their warranty obligations to the Company, it may incur costs to repair or replace the defective materials for which it is not reimbursed. Costs incurred as a result of warranty claims could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.18 Risks Related to Outbreak of Diseases

An outbreak of a communicable disease or similar public health threat, or fear of such event, could have a material adverse effect on the Company's business, financial position, results of operations and growth prospects.

In December 2019G, a novel strain of coronavirus disease (COVID-19) was identified in Wuhan, Hubei Province, China. It has since spread globally to the great majority of countries, resulting in several countries, including the Kingdom, imposing measures to limit the spread of the coronavirus, which included temporary travel restrictions, curfews and mandatory quarantine periods for people traveling from affected regions. This led to restrictions on the travel by the Company's employees, resulting in closures of the sites in project service industry where the Company provides its services. Moreover, the Company's supply chain has also been severely disrupted due to COVID-19-based temporary closure of suppliers. It should be noted that the collection of dues from Company's clients was affected during March and April 2020G due to the full curfew. There is no guarantee that this will not happen in the future, especially in case of further spread of the virus and the re-imposition of strict restrictions such as the full curfew. In addition, the value of the work to be implemented has been negatively affected by the pandemic, due to the decrease in the Company's success ratio in obtaining projects from 21.7% in 2019G to 19% in the six-month period ended 30 June 2020G. Noting that the success ratio for the years 2017G and 2018G amounted to 16% and 16.7%, respectively. In addition, the number of Company's employees who were infected and recovered from Coronavirus reached 40 employees as of the date of this Prospectus. The extent to which the coronavirus will impact the Company's business will depend on future developments and new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact. In the event that the spread of coronavirus increases and restrictions imposed to limit its spread continue, or new more stringent restrictions are applied to contain it, it will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.19 Risks Related to Related Party Transactions and Agreements

In its ordinary course of business, the Company enters into agreements with certain Related Parties, including companies fully or partly owned by Directors and their relatives (see Section 12.9 (**Related Party Contracts and Transactions**), Section 6.6.6.5 (**Related Party Transactions**)), and Section 6.10.3.16 (**Transactions with Related Parties**)). As of 30 June 2020G, there were Related Party transactions in the amount of SAR 270.8 million, of which SAR 233.5 million was in the form of financing transactions from Alkhorayef Group Company, a Substantial Shareholder, representing approximately 86% of the total transactions as of the same date and SAR 3.5 million in form of supply of materials, leasing of land and provision of services and solutions, and SAR 0.1 million in form of material and work supply transactions by the Company for the benefit of Related Parties as of the same date. All the Company's transactions and agreements, where applicable, with the Related Parties are concluded on an arm's length basis with the agreement of both parties and the General Assembly approved all such transactions and agreements, where applicable, currently in place at its meeting held on 16/10/1441H (corresponding to 8 June 2020G).

The total amounts payable to Related Parties by the Company were SAR 62.0 million, SAR 117.0 million, SAR 55.7 million, and SAR zero during the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, respectively, comprising 34.0%, 43.3%, 29.2%, and zero, respectively, of the Company's total liabilities in the same periods. The total amounts due from Related Parties were zero as of 31 December 2017G, 2018G and 2019G, and SAR 106.1 million as of 30 June 2020G (due to the Company collecting revenues of SAR 203 million mainly from government agencies, which led to the transformation of the overlapping account of the financing agreement between the Company and Alkhorayef Group Company into an account receivable in favour of the Company), respectively, representing zero and 18.4% respectively of the total assets during the same period. The total value of revenues from transactions with Related Parties amounted to SAR zero, SAR 0.8 million, SAR 0.2 million, and SAR 0.1 million during the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, respectively, comprising zero, 0.2%, 0.04%, and 0.006%, respectively, of total revenues of the Company in the same periods (for further details, see Section 6.6.6.5 (**Related Party Transactions**) and Section 6.10.3.16 (**Transactions with Related Parties**)).

In the event that the Company fails to conclude or renew contracts and transactions with Related Parties under terms favorable to the Company or at all, or fails to obtain the approval of the General Assembly, this will have an adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.20 Risks Relating to Engagement of Board Directors or Senior Executives in Business Competing with the Company's Business

Some of the Company's Directors or Senior Executives may compete with the Company, either through their membership in boards of directors or through ownership in business that fall within the framework of the Company's business and which are similar to or competitive with the Company's business, whether directly or indirectly. In the event of a conflict of interest between the business of the Company and the business of the Directors or Senior Executives, this will have a material adverse effect on the Company's business, results of operations, financial position and prospects.

Some Directors and Senior Executives can access the internal information of the Company, and may use that information for their own interests or in contradiction with the Company's interests and objectives. If the Directors and Senior Executives who have interests conflicting with the Company have a negative influence on the Company's decisions, or if they use the information available to them about the Company in a way that harms its interests, it would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.21 Risks Related to Contracts with Third Parties

The Company entered into many service contracts and agreements with suppliers, clients, contractors and other parties, and some of these contracts and agreements will expire within a year or less from the date of this Prospectus. Other agreements will expire during the next few years, as the terms of the agreements range between one and four years (see Section 12 (**Legal Information**)). There is no guarantee that these contracts will be renewed. In the event that they are renewed, there is no guarantee that they will be renewed under terms that are similar to their current terms. If the Company fails to renew any of those contracts on terms that are not favourable for the Company, or at all, this will have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.22 Credit Risk Related to Collecting Receivables from the Company's Clients

The Company may face difficulties in its ability to effectively collect accounts receivable. As of 31 December 2017G, 2018G and 2019G, and 30 June 2020G, the Company's accounts receivable past their due date by 90 days but less than one year were 23.1%, 19.0%, 14.3% and 26.3%, respectively, of its accounts receivable, corresponding to SAR 31.8 million, SAR 38.5 million, SAR 20.5

million, and SAR 45.3 million, respectively. The Company's accounts receivable that were over one year past their due date were 1.1%, 6.7%, 9.0% and 11.5% of its accounts receivable as of 31 December 2017G, 2018G and 2019G, and 30 June 2020G, respectively. As of 30 June 2020G, dues from MEWA and NWC represented 64.4% and 24.3%, respectively, of dues owed to the Company whose maturity date exceeded 90 days. Amounts due from MEWA and NWC represented 87.8% and zero, respectively, of the Company's accounts receivable with maturity date exceeding 361 days. Therefore, the total receivables from MEWA and NWC were 61.0% and 16.0%, respectively, of the Company's accounts receivable as of 30 June 2020G. Some contracts stipulate that the client has the right to withhold 10% of the entire value of the project for a period up to one year from the project's end date (withheld receivables). Withheld receivables amounted to a total of SAR 8.6 million as of 30 June 2020G, which constitutes 5% of total receivables for the same period. The Company applies IFRS "expected credit loss" framework and best practices for provisions for doubtful debts, which amounted to SAR 2.6 million, SAR 4.5 million, SAR 4.5 million, and SAR 4.5 million as of 31 December 2017G, 2018G and 2019G, and 30 June 2020G, respectively, (see Section 6.6.3.2 (Trade and Other Receivables)) but there is no guarantee that such provisions are sufficient. If any of the Company's debtors experience difficulties in their businesses and financial position, they may fail to pay their debts to the Company when due, become insolvent or declare bankruptcy. The significant decrease in the oil price in the first quarter of 2020G could in particular impact payments from MEWA and NWC, the Company's largest two clients. Substantial delay in payment of will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.23 Risks Related to Accounts Receivable

The repayment period granted to the Company by its suppliers ranges between 15 to 60 days. The commercial liabilities of the Company, which have been more than 180 days past due, amounted to a total of SAR 5.1 million and SAR 6.7 million as of 31 December 2019G and 30 June 2020G, respectively, representing 8.7% and 14.6% of the total accounts payable for the same periods. These liabilities are attributable to the amounts related to purchases from suppliers, as well as receivables invoiced by the subcontractors, and that the Company holds until making sure that the subcontractors completed their work according to the agreed terms and specifications, through the project owner acceptance of the work and the Company receipt of its dues for the related work from the owner, then the Company delivers to the subcontractors the payments due thereto. In addition, unbilled payables to subcontractors for completing work according to periodic completion reports provided to the Company amounted to SAR 22.9 million as of 30 June 2020G. Accounts payable for the amounts related to the joint venture with FCC Aqualia amounted to SAR 2.3 million as of the same date. If the Company fails to pay these amounts for any reason, it may be exposed to lawsuits by creditors, which will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.24 Risks Related to Financing

The Company relies on obtaining financing facilities from commercial banks to fund its projects and operations, as well as through Alkhorayef Group Company (a Substantial Shareholder of the Company) whenever greater loans are needed. The value of financing transactions between the Alkhorayef Group Company and the Company was SAR 149.3 million, SAR 158.3 million, and SAR 233.4, for the two financial years ended 31 December 2018G and 2019G, and the six-month period ended 30 June 2020G. It had total bank indebtedness of SAR 40 million, representing 10.2% of its total assets, as of 31 December 2018G and no indebtedness as of 31 December 2017G and 2019G, respectively. The Company entered into three new financing agreements with the Arab National Bank (ANB), The National Commercial Bank (NCB) and Samba Financial Group during the current year 2020G, for various purposes mostly relating to support of the Company's day-to-day operations and working capital, with a total indebtedness of SAR 192.1 million (of which SAR 131.1 million are long-term loans and SAR 61 million are short-term loans) as of 30 June 2020G, representing 33.3% of its total assets. It should be noted that the financing agreement concluded with Samba Financial Group expired on 30 November 2020G, and the original term of the two financing agreements concluded with Arab National Bank and The National Commercial Bank expired on 31 December 2020G. On 23 December 2020G, the Company received from Arab National Bank an official letter indicating the renewal of the relevant agreement until 30 June 2021G. On 12 December 2020G and 22 December 2020G, the Company also received from the Samba Financial Group and The National Commercial Bank, respectively, official letters stating that their respective agreements would be valid until they would be formally renewed. The financing agreement concluded with Alkhorayef Group Company was terminated on 08/01/1442H (corresponding to 25 October 2020G). The financing agreements include several covenants made by the Company, such as obtaining the approval of the lender before incurring any additional debt or mortgaging any of the Company's assets, and an undertaking to assign the Company's project revenues. A breach of any such covenants could trigger acceleration of the Company's indebtedness and may result in the acceleration of any other debt that the Company may incur in the future. In the event of any breach under the Company's financing agreements, the lenders could elect to terminate lending commitments and declare all outstanding loans, together with accrued and unpaid commissions and any fees and other obligations, to be due and payable. In the event the lenders accelerate the repayment of the indebtedness due to them, the Company may not have sufficient assets to repay such indebtedness, which could force the Company into bankruptcy or liquidation. In addition, the lenders could exercise their rights to liquidate guarantees provided in connection with the Company's financing facilities (for more information on such essential guarantees, warranties and conditions of the Company's Financing Agreements, see Section 12.6 (**Financing Agreements**)). The occurrence of any of the above will have a material adverse effect on Company's business, financial position, results of operations and prospects.

Moreover, the Company's indebtedness, combined with its other existing and any future financial obligations and contractual commitments, could have other important negative consequences, such as:

- allocating a substantial portion of the Company's cash flow from operations to payments on its indebtedness, thereby reducing funds available for working capital, capital expenditures, acquisitions, selling and marketing efforts, dividends and other purposes. As of 30 June 2020G, the Company had letters of guarantee and letters of credit commitments of SAR 259.2 million SAR 13.2 million, relating to tender and performance guarantees for new contracts. For more information, see Section 6.8 (**Contingencies**);
- increasing the Company's vulnerability to adverse economic and industry conditions, which could place it at a competitive disadvantage compared to its competitors that have proportionately less indebtedness;
- increasing the Company's cost of borrowing and causing it to incur substantial fees from time to time in connection with debt amendments or refinancing as the Company's external financing arrangements are greatly affected by interest rates, which are deemed highly sensitive to a number of factors that are beyond the control of the Company, including government, monetary and tax policies as well as domestic and international economic and political circumstances;
- limiting the Company's flexibility in planning for changes in its business and the water and wastewater industries; and
- limiting the Company's ability to sustain its operations or achieve its planned rate of growth, including limiting its ability to execute projects in new geographic areas in the Kingdom to support the growth of its business.

The occurrence of any of the above factors will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.25 Risks Relating to Working Capital Management

The Company may face difficulties in covering its working capital needs or managing it properly in future, especially after the financing agreement with Alkhorayef Group Company was terminated. Alkhorayef Group Company provided and supported the working capital of the Company in the past. The working capital assets of the Company are concentrated in accounts receivable and contract assets, which accounted for 89.9%, 91.4%, 80.7% and 62.8% of the total working capital assets as of 31 December 2017G, 2018G and 2018G, and as of 30 June 2020G. It should be noted that collecting receivables may entail lengthy procedures for collection from the Company's clients. While the Company has existing financing agreements with several banks to cover working capital needs, there can be no assurance that the Company will properly manage its cash flow and preserve the availability of funding from financing agreements currently available to it or that it will be able to renew such financing agreements in future. This may affect the Company's ability to meet the needs of its working capital in future, especially since the financing agreement with Alkhorayef Group Company was terminated, through which Alkhorayef Group Company provided and supported the working capital of the Company in the past. This would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.26 Risks Related to Adverse Changes in Interest Rate

In its expansion strategy, the Company relies on obtaining financing facilities from commercial banks. Therefore, the Company's external financing arrangements are largely affected by interest rates, which are deemed highly sensitive to a number of factors that are beyond the control of the Company, including government, monetary and tax policies as well as domestic and international economic and political circumstances. As the Company has not concluded any hedge agreements to reduce its higher interest rate exposure risks, an increase in interest rates and related financing costs may lead to reducing the Company's profitability and cash flow, which will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.27 Risks Related to Inability to Attract and Retain Qualified Employees

The Company's business is labour intensive. The Company's ability to maintain its productivity and its operating results may be limited by its ability to employ, train and retain skilled personnel necessary to meet its requirements. The Company may not be able to maintain an adequate skilled labour force necessary to operate efficiently and to support its growth strategy. The Company has from time-to-time experienced shortages of certain types of qualified personnel, such as field supervisors, technicians or heavy equipment operators. In addition, its projects are sometimes located in remote areas which can make recruitment and deployment of its employees challenging. During periods with large volumes of work, employees are frequently recruited across geographic regions to satisfy demand. The supply of experienced field supervisors, project managers, engineers and other skilled workers may not be sufficient to meet current or expected demand, especially if any travel restrictions are put in place, such as due to outbreaks of contagious and diseases and others. The commencement of new, large-scale infrastructure projects or increased demand for infrastructure improvements, as well as the shrinking experienced workforce, may reduce the pool of skilled workers available to the Company. Labour shortages could impair its ability to maintain its business or grow its revenues. If it is unable to hire employees with the requisite skills, the Company may also be forced to incur significant training expenses and postpone some of its projects, resulting in a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.28 Risks of Reliance on Executive Management and Key Personnel

The Company's success depends upon the continued service and performance of its Executive Management and other key personnel on whom the Company depends due to their extensive experience in the water and wastewater industries and contribution to its operations. In particular, the Company relies on certain key individuals who have valuable experience in the water and wastewater industries and who have made substantial contributions to the development of its operations. Competition for Executive Management members and key employees in the water and wastewater industries is intense and the Company may not be able to retain its personnel or attract new qualified personnel with the skills and technical knowledge that the Company requires. This may negatively affect the Company's ability to manage its business effectively and efficiently.

It is worth noting the Internal Audit Department of the Company is a recently formed department. The director of the Internal Audit Department was appointed on 2 December 2020G, and PricewaterhouseCoopers Chartered Accountants is currently appointed as an external party to carry out the functions of the Internal Audit Department for a period of two years and three months from 14 November 2020G, the date of the agreement. In addition, the position of Chief Financial Officer has been recently introduced at the beginning of 2020G. The Company's first Chief Financial Officer was appointed on 12 April 2020G and resigned on 11 October 2020G. The Company appointed a new Chief Financial Officer who started his work on 8 November 2020G. Accordingly, the Company may need to invest significant financial and human resources to attract and retain new employees and it may not realise returns on these investments. The loss of the services of members of the Company's senior management or key employees could prevent or delay the implementation and completion of its strategic objectives, and could divert management's attention to seek certain qualified replacements, which would adversely affect its ability to manage its business effectively.

2.1.29 Risk Associated with Employee Misconduct or Errors

Employee misconduct or errors could result in violation of law by the Company, which would lead to sanctions being imposed on the Company by the competent authorities. They could also result in health and safety violations that could lead to contractual breaches and payment of indemnities for damages. Such monetary consequences would vary based on the misconduct and errors and could also damage the Company's reputation. Such misconduct and errors may be due to non-respect of applicable laws or internal controls and procedures, including failure to document transactions properly in accordance with the Company's standardised documentation and processes (or to take appropriate legal advice in relation to non-standard documentation, as required by the Company's internal policies) or to obtain proper internal authorisation or permission. If employees commit any of these misconduct or errors, it will materially and adversely affect the Company's business, financial position, results of operations and prospects.

2.1.30 Risks Relating to Leased Properties

As of 30 June 2020G, the Company had 88 leased properties, including 71 residential properties for the purpose of housing project employees, nine commercial properties and eight mixed-use properties. Initial terms of leases usually range from six months to three years, and some agreements provide for their automatic renewal. The Company may not succeed in negotiating the renewal of any of those leases, which might result in renewal on terms that are not satisfactory from a commercial point of view or termination thereof and loss of the facilities it built at its own expense on those leased lands (for more details on leases, see Section 12.8.2 (**Leases**)). In addition, some lease agreements contractually permit either party to terminate the relevant agreement by prior notice to the other party, with the notice period ranging from one month to one year at least. However, the Company generally cannot terminate the other lease agreements before the end of the initial lease term. Therefore, if the Company decides to vacate one of its leased properties, it will be obligated to fulfil its contractual obligations, which may include paying the rental value for the remaining term of the agreement, in addition to other capital costs. The occurrence of any of the above factors would have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.1.31 Risks Related to Reliance on Information Technology Infrastructure

The Company's operations and the management of its business, including the finance and human resources components, depend on secure and reliable performance of its information systems. The Company is outsourcing the management of its information technology services to Alkhorayef Group Company, a Substantial Shareholder in the Company (for more details, see Section 12.9.1 (**Shared Services Agreement Between the Company (as Client) and Alkhorayef Group Company (as Service Provider**)).

The Company's information technology systems may be negatively impacted by computer viruses, natural disasters, hacker attacks, hardware or software malfunctions, electrical current fluctuation, cyberterrorism, and other similar factors, whether at the level of the Company or Alkhorayef Group Company. Additionally, a breach of the cyber security measures of the Company or Alkhorayef Group Company could result in the loss, destruction or theft of confidential or proprietary data, which could cause the Company to bear liability or incur material losses to clients, suppliers or parties dealing with the Company.

Cyber-attacks and other cyber incidents are occurring more frequently and are constantly evolving in nature and sophistication. The failure of the Company or Alkhorayef Group Company to maintain appropriate cyber security measures and keep abreast of new and evolving threats may make its information technology systems vulnerable. Similar risks exist with respect to third parties who may possess the Company's confidential data, such as information technology support providers of the Company or of Alkhorayef Group Company, as well as professional advisors and Financial Institutions with whom the Company deals. Moreover, there can be no guarantee that the confidentiality arrangements that the Company will require Alkhorayef Group Company to implement post the Offering (to ensure that the management of Alkhorayef Group Company does not have access to any material information of the Company that is not otherwise publicly available) will be effective or sufficient to prevent leakage of such material non-public information to Alkhorayef Group Company. This would have a material adverse effect on the Company's business, financial position and internal operations.

The vulnerability of the information technology system of the Company and Alkhorayef Group Company, any failure of such system or the failure of the Company or Alkhorayef Group Company to detect or respond to information system incidents in a timely manner or any of the previous damages will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.32 Risks Relating to Failure to Adequately Maintain the Confidentiality and Integrity of Client and Employee Data

The Company collects, transfers and processes client and employee data in the normal course of its business through information systems, and such information kept by the Company, or other parties that the Company contracts with to obtain their services, includes data on clients and employees, ID numbers, dates of birth and other private data. Some of this data is private and may be a target to some external parties, such as criminals, whether individuals or organized groups, "electronic hackers", disgruntled employees, whether current or former, and others. The failure of the Company to maintain the confidentiality and integrity of client and employee data will lead to a change in the behaviour of current or potential clients in a way that affects the Company's ability to retain its current clients and attract new clients, which will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

Adherence to variable privacy and security laws may also lead to an increase in costs due to the necessary changes in laws and because of the imposition of new restrictions or controls on the Company's business models and the development of new administrative processes. In addition, these laws, conditions and regulations may impose further restrictions on the Company's process of collecting identity data in one or more of the Company's databases, as well as disclosing and using them. Failure to comply with the privacy laws or general requirements of the sector or any security breach that includes embezzlement, loss or disclosure of personal, sensitive or confidential data without authorization may result in the Company incurring fines, penalties and lawsuits, and the occurrence of any of the above would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.33 Risks Related to the Adequacy and Availability of Insurance Coverage

The Company maintains a variety of insurance policies to cover its operations, plant and equipment, including to cover general liability, automobile liability, workers' compensation, its employee group health program, and other types of coverages. The insurance coverage may not be sufficient in all cases or may not cover all the risks that the Company would be exposed to. Uninsured losses may occur, or their amount may exceed the insurance coverage. In addition, the Company's insurance policies include exceptions or limitations to coverage under which certain types of loss, damage and liability are not covered by the insurance, such as losses resulting from deliberate errors of the Company or one of its employees. In these cases, it could incur losses that could have an adverse effect on its business and results of operations. In addition, the Company's inability to renew its existing levels of coverage on commercially acceptable terms, or at all, or in case of lack or the unavailability of adequate insurance for the various areas at its business will have a material adverse effect on the Company's business, financial position, results of operations and prospects. For further details on insurance policies, see Section 12.7 (**Insurance Policies**).

2.1.34 Risks Related to Litigation

The Company may become involved in lawsuits and regulatory actions related to its business operations with multiple parties, including suppliers, clients, employees, or regulatory authorities. The Company may also be the claimant in such lawsuits or litigations. Any unfavourable outcome in such litigation and regulatory proceedings would have a material adverse effect on the Company's business, financial position, results of operations and prospects. In addition, regardless of the outcome of any litigation or regulatory proceedings, these proceedings could result in substantial costs and may require that the Company devote substantial resources to defend against these claims, which would have a material adverse effect on the Company's business, financial position, and results of operations and prospects. For more details on the Company's litigation, see Section 12.12 (**Litigation**).

2.1.35 Risk Relating to Licenses and Approvals

In order to carry out and expand its business, the Company needs to maintain or obtain a variety of licences, certificates, permits and approvals from regulatory, legal, administrative, tax, and other authorities and agencies, in the Kingdom, in particular such as classification certificates and work permits. Obtaining these licenses, certificates, permits and approvals is usually lengthy and these licenses, certificates, permits and approvals can be suspended or terminated if the licensee fails to comply with certain requirements. As of 30 June 2020G, the Company is missing two licenses (from the General Directorate of Civil Defence) out of the six licences required to operate its facilities in the Kingdom (see also Section 12.4 (**Government Consents, Licenses and Certificates**)). The Company may be subject to penalties and fines if it continues to operate without obtaining the above licenses. Furthermore, when renewing or modifying the scope of a license, certificate or permit, the relevant authority may not renew or modify such license, certificate or permit and may impose conditions that will adversely affect the Company's performance if it does renew or modify such license, certificate or permit. If the Company is unable to maintain, obtain or renew the relevant licenses, permits and approvals, its ability to achieve its strategic objectives would be impaired, it may be forced to close down its facilities that do not have licenses or pay financial penalties of up to SAR 10,000 in each case, which would have a material adverse effect on the Company's business, financial position, results of operations or prospects.

2.1.36 Risks Related to Protection of Intellectual Property Rights

As of the date of this Prospectus, the trademark of the Company on which it depends to conduct its related business is registered in the name of Alkhorayef Group Company, which allowed the Company to use the trademark. The Company submitted an application to the Saudi Authority for Intellectual Property on 23/11/1441H (corresponding to 14 July 2020G) to register the trademark in the name of the Company, and the application was rejected on 08/12/1441H (corresponding to 29 July 2020G). The Company resubmitted an application on 24/01/1442H (corresponding to 12 September 2020G). On 25/03/1442H (corresponding to 11 November 2020G), the trademark of the Company was published electronically by the Saudi Authority for Intellectual Property. The final certificate of the trademark will be issued sixty days after the date of publication (for more details, see Section 12.11.1 (**Trademarks**)). If the Company fails to register its trademark or protect its intellectual property rights for any reason, or if any third party misuses the Company's intellectual property or damages its reputation, the value or reputation of the Company's trademark may be harmed. This could result in lower demand for its products, which could have a material adverse effect on its business, results of operations, financial position and prospects.

2.1.37 Risks Related to Potential Zakat Liability

Zakat is calculated and paid for by Abdullah Ibrahim Alkhorayef Sons Company on a consolidated basis, including its actual subsidiaries, comprising the Company indirectly through Alkhorayef Group Company, in accordance with the financial regulations applicable in the Kingdom (for further information on the ownership structure of Abdullah Ibrahim Alkhorayef Sons Company, see Section 4.3.2.1 (**Alkhorayef Group Company**)). The provision is shown in the consolidated financial statements of Abdullah Ibrahim Alkhorayef Sons Company. Zakat provisions amounted to SAR 23.5 million, SAR 26.2 million and SAR 25.2 million for the financial years ended 31 December 2017G, 2018G and 2019G, respectively. The Company's share of this provision is charged to the statement of profit or loss of Abdullah Ibrahim Alkhorayef Sons Company. The Company's share of Zakat charged was zero during the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G. It should be noted that the Company has previously incorrectly computed some Zakat information and some associated data that were provided to Abdullah Ibrahim Alkhorayef Sons Company. For example, the Company consolidated the customs duty expenses with the value of purchases in its Zakat data for 2017G instead of recording customs duties as separate expenses. The Company also did not include accounts payable with maturity date exceeding 354 days in its Zakat data for 2017G and 2018G, which amounted to a total of SAR 11.8 million and SAR 4.8 million, respectively. In addition, the Company has also erred in the mechanism of calculating the inventory movement for the purpose of submitting its Zakat data for 2017G and failed to disclose the costs of social insurance contributions for its Saudi and non-Saudi employees, for 2017G and 2018G. In addition, the Company failed to detail the direct costs in its Zakat data for 2017G and recognize the liabilities of the Related Parties in its Zakat data for 2017G and 2018G. Moreover, the Company did not detail the fines imposed on the Company whether or not they were contractual (such as fines that the owner of a project may impose) or legal (such as tax fines and traffic fines). The Company did not include these fines in the amended Zakat income for 2017G and 2018G. The total of these fines was SAR 1.1 million and 4.4 million, respectively, and accordingly the Company did not detail such fines in its Zakat data for such periods. The Company has submitted its Zakat returns through Abdullah Ibrahim Alkhorayef Sons Company, paid Zakat dues within stipulated times, and received certificates from the General Authority of Zakat and Income Tax (the "**GAZT**") for all the financial years up to 2019G. Moreover, Abdullah Ibrahim Alkhorayef Sons Company received final Zakat assessments for all the financial years up to 2008G. As of the date of this Prospectus, the GAZT neither asked for any additional requests or amendments to the Zakat liability assessment of Abdullah Ibrahim Alkhorayef Sons Company for the financial years 2008G to 2019G. Thus, the final amount of potential Zakat liability of Abdullah Ibrahim Alkhorayef Sons Company for the financial years 2008G to 2019G remains uncertain. It should be noted that if Zakat, which must be paid in the event that the Company pays Zakat separately from Abdullah Ibrahim Alkhorayef Sons Company, is calculated, then the Zakat expenses in the financial year 2019G would reach 4.8 million Saudi riyals and SAR 5.0 million in the six-month period ended 30 June 2020G.

The Zakat Regulations are silent on whether a subsidiary of a Zakat consolidated group is liable for any Zakat liability that is not paid by the parent company of the Zakat consolidated group. Accordingly, in the event that Abdullah Ibrahim Alkhorayef Sons Company did not pay a Zakat liability related to the period in which the Company was a member of the Zakat consolidated group, it is uncertain whether the GAZT will seek payment from the Company. In the event that the GAZT imposes Zakat assessments on the Company and requires the payment of additional Zakat amount for 2008G to 2019G, it will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

The Selling Shareholder will bear any additional claims that may arise from the GAZT for the past years prior to the date when the Company is listed on the Exchange. An undertaking was made by the Selling Shareholder accordingly (see Section 11 (**Declarations**) of this Prospectus).

2.1.38 Risks Related to Newly Implemented Corporate Governance Regulations

The Board of Directors has adopted an internal corporate governance manual, effective from 11/08/1441H (corresponding to 7 June 2020G). Such manual includes, among others, rules and procedures related to corporate governance derived from the Corporate Governance Regulations issued by the CMA. The Company's success in proper implementation of corporate governance rules and procedures will depend on the extent of comprehension and understanding of these rules and proper execution of such rules and procedures by the Board of Directors, its Committees and Senior Executives, especially with regards to training related to the Board and its Committees, independence requirements, rules related to conflict of interests and Related Party Transactions. Failure to comply with the governance rules, particularly the mandatory provisions of the Corporate Governance Regulations issued by the CMA, would subject the Company to regulatory penalties, which would have a material adverse effect on the Company's operations, financial position, results of operations and prospects.

2.1.39 Risks Relating to Failure by the Audit Committee and the Nomination and Remuneration Committee to Perform their Duties as Required

On 8 June 2020G, the Audit Committee, and the Nomination and Remuneration Committee were formed and their charters were adopted in accordance with the internal corporate governance manual of the Company (for further details, see Section 5.3 (**Board of Directors Committees**)). Any failure by members of these Committees to perform their duties and adopt a work approach that ensures protection of the interests of the Company and its Shareholders may affect the Company's compliance with the corporate governance rules and continuous disclosure requirements issued by the CMA, and the Board of Directors' ability to monitor the Company's business through these Committees, which would have a material adverse effect on Company's business, financial position, results of operations and prospects.

The recent formation of these Committees and recent application of the Company's internal governance manual, mean that any failure on the part of these Committee members and independent members to perform their duties, and to follow methods that ensure protection of the interests of the Company and its Shareholders, may affect corporate governance and the effectiveness of the Board of Directors' supervision of the Company's business through these Committees. Accordingly, the Company may not be in compliance with the requirements for continued disclosure after being listed on the one hand, and may be subject to operational, administrative and financial risks on the other hand. Accordingly, this would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.40 Risks Relating to the Newly Formed Internal Audit Department

The internal audit and review services were among the services provided by Alkhorayef Group Company to the Company under the shared services agreement concluded between the Company and Alkhorayef Group Company. The Company decided at the beginning of 2020G, in light of the planned initial public offering of its shares, to carry out these services in-house. As a result, it has appointed a Chief Financial Officer, who started working at the Company on 8 November 2020G, and the Company appointed a director for the Internal Audit Department on 2 December 2020G. PricewaterhouseCoopers Chartered Accountants have been appointed as an external party to carry out the functions of internal audit for two years and three months from the conclusion date of the agreement 14 November 2020G. Due to the Company's reliance in the past on Alkhorayef Group Company in providing internal audit services and due to the recent formation of this department within the Company, the Company may face risks resulting therefrom, including the adverse effect on its ability to perform the tasks entrusted thereto, which include monitoring all financial, accounting and other operations, and ensuring their compliance with the various policies, procedures and laws. This in turn will affect the administrative and financial performance of the Company, which would have a material adverse effect on its business, financial position, results of operations and prospects.

2.1.41 Risks Related to Lack of Experience in Managing a Publicly Listed Company

The Senior Executives of the Company have limited or no experience in managing a publicly listed company and complying with the laws and regulations pertaining to such companies. In particular, the Senior Executives will have to receive internal or external training in the management of a joint stock company in addition to the Company's compliance with the relevant laws, regulations and disclosure requirements, which may decrease the time they dedicate to the management of the Company. Failure to comply in a timely manner with the applicable regulations and disclosure requirements will expose the Company to regulatory sanctions and fines. The imposition of fines on the Company could have a material adverse effect on the Company's business, financial position, results of operations or prospects.

2.2 Risks Related to the Market, Industry, and Regulatory Environment

2.2.1 Risks Relating to Market Structure

Over 90% of the water and wastewater infrastructure in which the Company is currently involved (deep water wells and treatment plants, water distribution networks, wastewater networks and treatment plants) is managed by the Ministry of Environment, Water and Agriculture (MEWA) and National Water Company (NWC). MEWA and NWC are also the Company's top two clients accounting in aggregate for approximately 86.8%, 92.4%, 83.5%, and 88.9% of its total revenues in the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, respectively, including 62.0%, 57.1%, 72.1% and 69.7% generated by MEWA alone in the same periods. Most of the Company's contracts with its top two clients are of three to five years on average, to be renewed by competitive bidding process. Contractual relationships with the Company's top two clients do not guarantee sales volumes or longevity and the Company's relationship with such clients could change at any time. A loss of, or a reduction in business with, any of its top two clients will have a material adverse effect on the Company's business, financial position, results of operations and prospects. For more information on the Company's top clients, see Section 4.6.2 (**Clients**).

2.2.2 Risks Related to Weak Economic Conditions

From 2017G to 2019G, 31.4% of the Kingdom's GDP and 65.6% of the Government revenues were generated by the oil sector. Therefore, the Saudi economy is highly dependent on the international oil prices. Depressed oil prices for a prolonged period can result in an economic downturn, which will deteriorate the fiscal position of the Government. MEWA and NWC, the Company's largest two clients, highly depend on the fiscal condition of the Government to finance their operations and investments. Unfavourable economic conditions could cause the Company's O&M services clients to exert pressure to reduce contract prices, as well as impact their ability or willingness to pay for past rendered services. Similarly, unfavourable economic conditions could adversely affect the ability or willingness of the Company's project services clients to execute capital expenditures in the future. Those situations can result in a reduction in the Company's clients' spending for its services and may also impact the ability of its clients to pay amounts owed to the Company, which will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.3 Risks Related to Political Instability and Security Concerns in the MENA Region

The Company's assets, operations, and client base are situated in the Kingdom. The wider MENA Region is subject to a number of geopolitical and security risks that may impact the GCC countries, including the Kingdom.

Moreover, as the political, economic and social environments in the MENA region remain subject to continuing changes, investment in the MENA region is a high risk. Any unexpected changes in the political, social, or economic conditions in the MENA region may have a material adverse effect on the markets in which the Company operates, its ability to retain and attract clients in such regions and investments that the Company has made or may make in the future, which in turn will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.4 Risks Related to Force Majeure and Natural Disasters

Weather in the Kingdom, particularly the regions where the Company operates, such as excessive cold or heat, floods, storms, or other natural disasters or calamities could result in service interruptions. Moreover, climate change could increase the severity of adverse weather events. Extreme weather, regardless of its cause, could affect the Company's business by:

- affecting the condition or operability of the Company's facilities;
- limiting or preventing the Company from delivering water or wastewater services to its clients; or
- requiring the Company to make substantial capital expenditures to repair any damage.

Any of these factors will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.5 Risks Related to High Level of Competition in the Water and Wastewater Industries

The water and wastewater industries are fragmented and the Company competes with other companies, ranging from small, local independent firms servicing local markets to large international players servicing regional, national and international markets. An organization that has adequate financial resources, requisite long track record experience in same scope, classification, and access to technical expertise may become one of the Company's competitors in those markets. Competition in the water and wastewater industries depends on a number of factors, including price, services offering, quality, geographic presence, innovation and client service. Some of the Company's competitors, especially large international players, may have lower labour and overhead cost structures and, therefore, may be able to provide their services at lower prices than the Company. In addition, some of its competitors may have greater financial, technological and human resources. The Company cannot be certain that its competitors will not develop the expertise and resources to provide services that are superior in both price and quality to its services. Similarly, it cannot be certain that it will be able to maintain or enhance its competitive position within the markets it serves or to maintain its client base at current levels. If the Company fails to address these competitive challenges, it will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.6 Risks Related to Changes in Regulatory Environment

The water and wastewater industries are subject to numerous laws and regulations in the Kingdom, which may materially affect or restrict the Company's business and operations or may increase its associated costs of, or difficulty complying with, environmental, health, safety and water quality accountability laws and regulations to which its operations are subject. The Company may be subject to fines or penalties in case of failure to comply with these laws or regulations or to fulfil licensing requirements, which may change from time to time, resulting in the Company incurring higher costs or suffering reputational harm, which would reduce the Company's competitive position and demand for its services.

The Company's operations are also subject to regulations administered by the Presidency of Meteorology and Environment, which, among other things, pertain to the impact of materials on the environment and the handling and disposition of waste. Failure to comply with these regulations can have unfavourable consequences, including penalties and reputational harm. Future discovery of contamination of property underlying or in the vicinity of the Company's facilities could cause it to incur additional expenses, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

Moreover, legal requirements change and are subject to interpretation and clarification. This may require the Company to incur significant expenditure, modify its business practices to comply with existing or future laws and regulations, or restrict the Company's ability to conduct business, which will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.7 Risks Related to VAT

The Kingdom issued the Value Added Tax (VAT) Law which became effective on 1 January 2018G. This law imposes a value added tax of 5% on a number of products and services, as specified in the law. The Ministry of Finance has recently announced that the VAT rate will be further increased to 15% effective from 1 July 2020G. Due to the relatively recent application of the VAT Law and the announced increase in the VAT rate, it cannot be excluded that no violations or errors are committed regarding its implementation by the Company's management or employees, which may increase the operational costs and expenses of the Company or expose the Company to fines or penalties or lead to damage to the Company's reputation. For example, all of the Company's invoices did not comply with the provisions of the GAZT, as some of these invoices did not include the supplier's address as is stipulated in the VAT Law. Therefore, the Company may be subject to fines of up to SAR 50,000 per case as a result of such errors. The Company also requested exemption for some invoices related to supplies of materials for government projects, as they are contracts concluded with a government entity. If the GAZT decides not to exempt these invoices from the VAT, the Company may have to pay fines to the GAZT. In addition, the Company has contracts and transactions that were concluded before 31 May 2017G, which were wrongly considered not subject to the VAT for the entire duration of such contracts. In addition, some of the Company's VAT registrations included some differences compared to the requirements of the VAT Law. In some disclosures, required information was provided without the necessary details, such as lack of relevant discount notices when applicable and financial costs for the financial years ended 31 December 2018G and 2019G, which amounted to SAR 4.8 million and SAR 7.2 million, respectively, which are not subject to the VAT per se, though must be disclosed. The Company has also made amendments to its tax returns, which included differences between the balance of the expected returns and the final returns. These differences are due to miscalculation or non-disclosure. Any such non-disclosure or miscalculation of costs and taxes may require resubmission of the VAT registrations in the required manner in addition to fines of up to 50% of the undisclosed amounts and a delay penalty of 5% of the amounts on a monthly basis. In addition, the Company is jointly liable before the GAZT for any tax violations by Abdullah Ibrahim Alkhorayef Sons Company and its subsidiaries. Being a subsidiary of Abdullah Ibrahim Alkhorayef Sons Company, the Company submits its tax returns on a consolidated basis. Therefore, any of these cases may expose the Company to fines of up to SAR 50,000, which will have an adverse effect on the Company's business and financial position (for more information about the Selling Shareholder's undertaking to pay any claims arising from the GAZT for the years preceding the Company's listing on the Exchange, see Declaration (u) in Section 11 (**Declarations**)). In addition, any increase in prices as a result of an increase in the VAT and any possible increase in the future may result in a decline in the demand for its services and products, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.8 Risks Related to Zakat and Income Tax Calculation Mechanism Change

The GAZT issued Circular No. 6768/16/1438 on 05/03/1438H (corresponding to 4 December 2016G) requiring Saudi companies listed on the Exchange to calculate income and Zakat on the basis of the nationality of shareholders and actual ownership of Saudi and GCC citizens and other nationals as reflected in the "Tadawulaty" at the end of the year. Prior to issuance this Circular, companies listed on the Exchange were generally subject to payment of Zakat or tax on the basis of the ownership of their founders in accordance with their articles of association. The effect of listed shares in determining the base of Zakat was not taken into account. This Circular was to be applied in the financial year ended 31 December 2016G and subsequent years. However, the GAZT issued its Letter No. 12097/16/1438H on 19/04/1438H (corresponding to 17 January 2017G), postponing the application of the Circular for the financial year ended 31 December 2017G and following years. Until the GAZT issues guidelines regarding the mechanics and the procedures for implementing this Circular, its implementation in practice, including final requirements to be met, remains under consideration, in particular the rules subjecting all non-GCC residents who are shareholders in Saudi listed companies to income tax and applying withholding tax to dividend distributions to non-resident shareholders, regardless of their nationality. The Company has yet to assess the financial impact of this Circular and take adequate steps to ensure compliance therewith. In the event that the financial impact of this Circular, upon its application, is significant, or if the Company incurs additional costs to take the necessary steps to ensure compliance therewith, this will adversely affect its business, the results of operations, financial position and prospects.

2.2.9 Risks Related to the Increase in Government Fees Applicable to Non-Saudi Employees

The Government has approved a number of resolutions intended to implement comprehensive reforms in the Saudi Arabian labour market, with additional fees being imposed on each non-Saudi employee employed by Saudi institutions and enterprises as of 1 January 2018G, and on the increased fees for residence permit issuance and renewal fees of non-Saudi employee families which came into force as of 1 July 2017G, noting that they will increase gradually from SAR 4,800 to up to SAR 9,600 annually for each employee during the current year 2020G. As a result of those announced increases, such government fees paid by the Company for its non-Saudi employees in general will increase. The fees were SAR 5.3 million, SAR 15.6 million and SAR 14.5 million for the financial years ended 31 December 2018G and 2019G, and the six-month period ended 30 June 2020G, respectively. In addition, such increase in residence permit issuance and renewal fees may increase the cost of living. This could result in a non-Saudi employee seeking an employment opportunity in other countries with a lower cost of living. In such case, it will be difficult for the Company to retain its non-Saudi employees and the Company may be forced to incur additional government fees related to issuance and renewal of residence permits for non-Saudi employees and their family members. This will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.10 Risks Related to Non-Compliance with the Saudisation Requirements

Compliance with Saudisation requirements is a Saudi regulatory requirement necessitating that all companies active in the Kingdom, including the Company, employ and maintain a certain ratio of Saudi personnel among their staff. The percentage of Saudi workers varies on the basis of the Company's activities. His Excellency Minister of Human Resources and Social Development on 4 Muharram 1442H (corresponding to 23 August 2020G) issued a ministerial decision to Saudise engineering professions at establishments at a percentage of 20% with a minimum wage for Saudi engineers of SAR 7,000. As of the date of this Prospectus, the percentage of Saudisation of engineering professions at the Company is 18%, and the average wage for Saudi engineers is SAR 6,600. The Company is committed to Saudisation requirements for other professions, as the percentage of Saudisation in the Company is 16.8%, which classifies it within the platinum range in the Nitaqat Program.

In case of non-compliance with the applicable Saudisation requirements, particularly those related to engineering professions, the Company would face sanctions or penalties by governmental authorities, such as suspension of work visa requests and of transfers of sponsorship for non–Saudi employees, exclusion from government tenders and government loans, and the Company may not be able to continue to recruit or maintain the employment of the required percentage of Saudisation. In addition, the Company may not be able to recruit the required number of Saudi nationals or foreign workers without incurring additional costs. In particular, the Company relies on several qualified non-Saudi employees with relevant industry experience running the operations of the Company, including the skilled labourers, technicians and field supervisors. Any changes in local regulations which adversely impact expatriates may cause an out flux of these expatriate workers from the Kingdom and may result in a possible disruption in the Company's operations. Moreover, the Company is sensitive to the costs of salaries and related benefits. Salaries and wages amounted to SAR 93.7 million, SAR 125.2 million, SAR 164.7 million, and SAR 108.3 million (representing 40.9%, 41.0%, 49%7 and 56.1% of the total costs) in the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, respectively, and are expected to reach SAR 208.4 million for the financial year ended 31 December 2020G. There may be a significant increase in costs of salaries and wages in the event that the Company hires larger number of Saudi employees. The occurrence of any of the above would have a material adverse effect on the Company's business, financial position, results of operations and prospects. For further details, see Section 5.8.2 (**Saudization**).

2.3 Risks Related to the Offer Shares

2.3.1 Risks Related to Effective Control Post–Offering by the Selling Shareholders

Following the Offering, the Current Shareholders will (directly and indirectly) own 70% of the Company's Shares. As a result, the Current Shareholders will have the ability to influence actions that require Shareholders' approval, including decisions related to mergers and acquisitions, sale of assets, election of Directors, capital increase or decrease, dividend distributions and material transactions. As a result, the interests of the Current Shareholders may conflict with the interests of the Subscribers, who may be prevented from taking certain decisions or actions that may protect the interests of minority Shareholders in the Company. This may also result in postponement, delay, or prevention of any change in the control or distribution of proceeds and may reduce the demand for the Shares, which would have a negative impact on their value. The Current Shareholders may also use their powers in a manner that will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.3.2 Risks Related to Absence of a Prior Market for the Shares

The Company's Shares were not previously offered or traded in a public stock market. There is currently no public market for the Company's Shares, and there is no guarantee that an active and liquid market for the Shares will develop or be sustained after the Offering. If an active and liquid market is not developed or maintained, the trading price of the Shares will be adversely affected, or this may lead to the loss of all or part of the Subscribers' investment in the Company, which would have a material adverse effect on the Subscribers' expected returns.

2.3.3 Risks Related to Selling a Large Number of Shares in the Market

Sales of a substantial number of the Shares in the market following the completion of the Offering, or the perception that these sales will occur, could adversely affect the market price of the Shares. Upon the successful completion of the Offering, the Selling Shareholder, Alkhorayef Group Company, will own 51% of the Company's shares after the Offering. The Substantial Shareholders of the Company, Alkhorayef Group Company and Alkhorayef Nama Company, will be subject to the Lockup Period of six months following the Offering during which they may not dispose of any Shares of their own. The sale of a substantial number of Shares by any of them following the expiration of the Lockup Period, or the perception that such sales could occur, will have an adverse effect on the market price of the Shares.

2.3.4 Risks Related to Issuance of New Shares

The Company currently does not intend to issue additional Shares following the Offering. If the Company decides to raise additional capital by issuing new Shares, the newly issued Shares will adversely affect the share price in the market and will dilute the shareholder ownership percentage in the Company, if they do not subscribe to such newly issued Shares.

2.3.5 Risks Related to Fluctuation in the Market Price of the Shares

The Offer Price has been determined based upon several factors, including the past performance of the Company, the prospects for the Company's businesses, the industries in which it operates, the markets in which it competes and an assessment of the Company's management, operations and financial results. The Subscribers may not be able to sell the Offer Shares at the Offer Price or at higher price or may not be able to sell them at all. The Company's share price may be highly volatile and may not be stable due to possible occurrence of several factors, including:

- the timing and volume of work under the Company's contracts;
- the spending patterns of clients and the Government in particular;
- compliance with the safety standards and maintaining the Company's reputation;
- cost overruns on unit price contracts, amount of subcontractor and material costs in its projects or increases in contract costs that the Company is unable to pass through to its clients;
- failure to fully utilise equipment;
- regulatory or client-caused delays on projects;
- disputes with clients relating to payment terms under its contracts and change orders, and its ability to successfully negotiate and obtain payment or reimbursement under its contracts and change orders;
- availability of qualified labour for specific projects or resignation or retirement of key personnel;
- negative variations in the Company's operating performance and improvement of the performance of its competitors;
- actual or anticipated fluctuations in its operating results;
- publication of negative research reports by securities analysts about the Company, its competitors or the water and wastewater industries;
- press reports, whether or not factual, about the Company or the water and wastewater industries in the Kingdom;
- the public's negative reaction to its press releases and its other public announcements;
- important and strategic decisions by the Company or its competitors, and changes in business strategy, in case these decisions and changes cause adverse impacts;
- changes in the regulatory environment affecting the Company or the water and wastewater industries;
- changes in adopted accounting rules and policies;
- significant terrorist acts, acts of war or civil unrest;
- natural disasters, an outbreak of a contagious disease and other calamities;
- changes to the policy of pegging the exchange rate between the SAR and the U.S. Dollar; and
- changes in general market or economic conditions.

The realisation of any of these risks or other factors could cause the market price of the Shares to decline significantly.

The stock market in general experiences from time to time extreme price and increased fluctuations. Regular and/or continuous market fluctuations could result in extreme volatility in the price of the Shares, which could cause a decline in the value of the Shares, with price volatility being worse if the trading volume of the Shares is low, which will have an adverse effect on the Subscribers' investments in the Company's shares or result in the loss of all or part of their investment in the Company.

2.3.6 Risks Related to Distribution of Dividends and Restrictions Imposed on Distribution of Dividends by Financers

Future distribution of dividends depends on, amongst other things, several factors, including future earnings, financial condition, cash flows, working capital requirements, capital expenditures and distributable reserves of the Company. Moreover, the Company may not be able to distribute dividends to the Shareholders, and the Board of Directors may not recommend or the Shareholders may not approve the distribution of dividends. In addition, dividend distribution may be subject to dividend-related restrictions set out in credit facilities and financing agreements entered into with the Financial Institutions in the future. The Company may incur expenses or liabilities that would reduce the cash available for the distribution of dividends. If the Company does not pay dividends to the Shareholders, they will not receive any return on investment in the Shares unless they sell the Shares at a price higher than the price at the time of purchase, which would have a material adverse on expected returns for the Investors. For further details regarding the dividends policy of the Company, see Section 7 (**Dividend Distribution Policy**).

3. MARKET OVERVIEW

The information in this Section 3 (**Market Overview**) is derived from the report prepared by the Market Study Consultant (A.T. Kearney Saudi Limited) exclusively for the Company and dated 05/09/1441H (corresponding to 28 April 2020G). The Market Study Consultant is part of Kearney, a global management consulting group founded in 1926G. As of today, Kearney operates in more than 40 countries across the world and employs more than 3,600 people of multiple nationalities. The group works with more than three-quarters of the Fortune Global 500, as well as with the most influential governmental and non-profit organizations. For more information about the Market Study Consultant, please visit its website (www.Kearney.com).

Neither the Market Study Consultant, nor any of its shareholders, partners, affiliates, subsidiaries, sister companies, members of its Board of Directors, managers, or any of their relatives, own any Shares or interest of any kind in the Company. The Market Study Consultant has given, and has not withdrawn as of the date of this Prospectus, its written consent to use its name, logo, statements, market information and data provided by it to the Company in the format and wording set out in this Prospectus.

Industry and market data is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any survey of market size. External sources have been used for some of the information about the competitors, who have not been contacted to verify the accuracy or the completeness of the information included herein.

The members of the Board of Directors believe that third-party information and data included in this Prospectus, including information and data derived from the report submitted by Market Study Consultant, are reliable. However, neither the Company nor the members of the Board of Directors, the Current Shareholders nor the Advisors have independently checked or verified the accuracy or completeness of such information and data, and none of them shall assume any responsibility for the accuracy or completeness of such information and data.

3.1 Saudi Arabian Macroeconomic Overview

The Kingdom is the leading economy in GCC with an estimated GDP of SAR 2.9 trillion as of 2019G. The main driver of the Saudi economy is the exploration, refining and export of petroleum products. The Kingdom holds 17.8% of the world proven crude oil reserves and accounts for approximately one in every eight barrels of crude oil produced globally. The national ambition formalised in the Vision 2030G is to diversify away from oil. The Kingdom is the largest country in the GCC in size, covering an area of 2.1 million square kilometres. The Kingdom is divided in 13 administrative regions. The Kingdom is also a cultural and religious centre of the Muslim world, receiving 7.4 million pilgrims in 2019G.

Water is a strategic resource in any country to support economic growth, social wellbeing and food security. It is therefore part of United Nations' 2030G Agenda for Sustainable Development, a commitment to eradicate poverty and achieve sustainable development by 2030G world-wide, as one of the 17 Sustainable Development Goals (SDGs). Goal six – Clean Water and Sanitisation – aims to achieve universal and equitable access to safe and affordable drinking water and adequate and equitable sanitation and hygiene for all by 2030G.

The Kingdom ranks fourth among the most water stressed countries in the world and is characterised by extreme scarcity of renewable water sources. According to the Market Consultant Report, in 2017G the Kingdom had a ratio of 9 between Country's freshwater demand per capita and the supply per capita of the renewable freshwater. which is about 90 times higher than the global average ratio of 0.1. Hence, water takes an even more prominent role as a national strategic priority for short- and long-term economic growth and social stability, given the absolute scarcity.

Four factors have driven the development of the water and wastewater sector in the Kingdom:

- **National transformation initiatives**: Vision 2030, National Transformation Program (NTP) and National Water Strategy 2030G, set ambitious targets for the sector.
- **Economic factors**: Economic activity drives the demand for water resources and services across the Kingdom.
- **Fiscal factors**: Government's fiscal position enables subsidies and investments to the sector.
- **Demographic and social factors**: Population growth and distribution determines the needs for water and wastewater supply.

The following table shows freshwater supply, freshwater demand and demand to supply ratio for most water stressed countries and selected G7 countries in 2016G-2017G based on the latest available information published by the United Nations organization:

Table 3.1: Freshwater Supply, Freshwater Demand and Demand to Supply Ratio for Most Water Stressed Countries and Selected G7 Countries

Countries	Freshwater Supply[1] (m^3 / capita)	Freshwater Demand[2] (m^3 / capita)	Demand to Supply (D/S) Ratio
Egypt	10	660	x66
Bahrain	3	103	x34
UAE	16	273	x17
Kingdom of Saudi Arabia	73	644	x9
Qatar	21	95	x5
Jordan	70	93	x1
Germany	1,303	298	x0.2
USA	8,685	1,369	x0.2
France	3,078	407	x0.1
G7 Countries[3]	14,217	586	x0.04
World average	5,670	540	x0.1

Source: Market Consultant Report, 2016G-2017G data depending on availability (analysis based on United Nations, Food and Agriculture Organization of United Nations AQUASTATS database)

(1) Freshwater supply represents total internal freshwater.

(2) Demand is the total freshwater withdrawal (sum of surface and groundwater withdrawal).

(3) G7 freshwater supply average is greatly influenced by Canada (Total internal renewable water resources per capita of 77,818).

3.1.1 National Transformation Initiatives

As part of the Government's strategy to support economic diversification and develop public service sectors, Vision 2030, National Transformation Program and National Water Strategy 2030G provide a clear direction to achieve a sustainable supply of water. Among the main targets are the increase of reuse rate of treated wastewater, water services coverage and sanitation services coverage to population. The private sector is a key actor to realise the water and wastewater targets by driving substantial investments. As part of the transition, currently most of the investments are still budgetary dependent on the Government's spend allocation.

The Vision 2030 was launched in 2016G consisting of long-term goals and expectations built upon the Kingdom's unique strengths and capabilities. It has three main themes with implications for the water sector:

- **Vibrant society**: Includes high quality water services and the development of water infrastructure.
- **Thriving economy**: Includes private sector participation in building and operating waste and wastewater infrastructures, supporting employment and job creation.
- **Ambitious nation**: Includes protecting vital resources such as water.

Vision 2030 is supported by the National Transformation Program. Eight themes are the pillars of the NTP with four themes of particular interest for the water and wastewater sector:

- **Ensure Sustainability of Vital Resources Theme**: This is the most relevant theme for the water sector. Achieving integrated management of renewable and non-renewable water resources for sustainable use is a strategic objective. This includes the planning for the effective use of water resource and maximising the use of treated water.
- **Improve Living Standards and Safety Theme**: Aims at improving the quality of services provided in Saudi cities, including water utilities, as well as to reduce all types of pollution, including water pollution.
- **Develop the Tourism and National Heritage Sectors Theme**: Aims at marketing the Kingdom as a tourist destination regionally and globally. Reliable and cost-efficient water supply is a critical component of several tourism infrastructure and attractions.
- **Contribute to Enabling the Private Sector Theme and Labour Market Accessibility and Attractiveness Theme**: These are enablers of the water sector.

The NTP has five main targets to achieve by 2020G:

- **Reuse rate of treated wastewater**: 35% (calculated as volume of treated wastewater reused in economic activities as a share of the total volume of treated wastewater).
- **Water services coverage**: 92% (calculated as resident population supplied with water as a share of total resident population).
- **Sanitation services coverage to population**: 63% (resident population served by the wastewater services as a share of total resident population).
- **Water supply continuity rate**: 19 hours (calculated as average number of hours of water supply without interruptions during a day).
- **Renewable water consumption in Agriculture**: 35% (calculated as volume of consumed renewable water as a share of total water consumption in the agricultural sector).

In 2017G, the Ministry of Environment, Water and Agriculture (MEWA) developed Saudi National Water Strategy 2030G (SNWS), a unified reference strategic framework for the water and wastewater sector that encompasses objectives, levers and enablers. High priority targets of the strategy by 2030G are:

- **Reuse rate of treated wastewater**: 70%
- **Water services coverage**: 95%
- **Sanitation services coverage to population**: >75%

The following table shows NTP 2020G and SNWS 2030G targets and their actual values as of 2019G:

Table 3.2: NTP 2020G and SNWS 2030G Targets and Their Actual Values as of 2019G

Target	2019G Values of the Targets	NTP 2020G Target	SNWS 2030G Target
Reuse rate of treated wastewater	18.2%	35%	70%
Water services coverage	81.5%	92%	95%
Sanitation services coverage to population	54.9%	63%	>75%
Water supply continuity rate	-	19h	-
Renewable water consumption in Agriculture	-	35%	-

Source: National Transformation Program Delivery Plan 2018G-2020G (p. 46); MEWA's Saudi National Water Strategy 2030G report. p. 66; NWC Capital Project Portfolio presentation shared in Saudi H2O conference in November 2019G

3.1.2 Economic indicators

The following table shows the Kingdom's economic indicators from 2015G to 2019G and relative CAGR:

Table 3.3: Economic Indicators from 2015G to 2019G and Relative CAGR

	2015G	2016G	2017G	2018G	2019G	CAGR
Oil (Brent) Average of Monthly Price ($ / barrel)	52.3	43.6	54.1	71.3	64.4	-
Oil Nominal GDP[(1)] (SAR Billion)	660	595	735	986	926	8.9%
Non-oil Nominal GDP[(1)] (SAR Billion)	1,768	1,797	1,824	1,944	2,026	3.5%
Total GDP[(1)] (SAR Billion)	**2,428**	**2,392**	**2,559**	**2,930**	**2,952**	**4.9%**
Non-oil Private Sector Nominal GDP[(1)] (SAR Billion)	1,214	1,228	1,248	1,301	1,354	2.8%
Real GDP[(2,3)] (SAR Billion)	2,545	2,588	2,569	2,631	2,640	0.9%
Interest rate (repo rate)	2.00%	2.00%	2.00%	3.00%	2.25%	
Inflation rate	2.2%	2.1%	(0.8%)	2.5%	(1.2%)	

Source: US Energy Information Administration, Spot Prices for Crude Oil and Petroleum Products, Average of monthly Europe Brent Spot Price FOB ($ per Barrel) per year; General Authority for Statistics Saudi Arabia, Gross Domestic Product 2019G Annual Report, Table No 02 and Table No 10; Saudi Arabian Monetary Authority, Monetary and Development Report Q4 2015G Page #6, Q4 2016G Page #4, Q4 2017G Page #4, Q4 2018G Page #4 and Q4 2019G Page #4; Saudi Arabian Monetary Authority, 55th Annual report 2019G Table 2.1, 54th Annual report 2018G Table 2.2, 53rd Annual report 2017G Table 2.2, Inflation report Q4 2019G, Page # 4 Chart 1, Average annual inflation rate of quarters 2019G; Market Consultant Report

[(1)] GDP values do not include import duties.

[(2)] 2019G estimate based on General Authority for Statistics preliminary data.

[(3)] Based on 2010G constant prices.

The global oil price recovered since its lowest point in 2016G, to reach $ 64.4 per barrel on average in 2019G. Oil prices rebounded until 2018G primarily due to an agreement between Organization of the Petroleum Exporting Countries (OPEC) and Russia in December 2016G to manage global supply.

The total nominal GDP grew at a CAGR of 4.9% since 2015G to achieve SAR 2,952 billion in 2019G. The oil sector nominal GDP grew on average CAGR of 8.9% since 2015G in correlation with global oil prices. The non-oil sector nominal GDP grew on average CAGR of 3.5% since 2015G, demonstrating a consistent upward trend by growing every year during this period. This growth was driven by three segments: government services (5.0%), finance, insurance, real estate and business services (4.9%) and transport, storage and communication (4.1%).

The non-oil private sector nominal GDP grew at a CAGR of 2.8% since 2015G, achieving 4.2% and 4.1% growth in 2018G and 2019G, respectively. Its growth can be attributed to the Government's efforts to improve the business climate, develop local content and enhance the competitiveness of the economy. In addition, private sector growth was supported by a SAR 72 billion Private Sector Stimulus (PSS) program, initiative introduced by the Government in 2017G aiming to combine well-targeted fiscal spending with a streamlining of business regulations to boost private sector growth.

The real GDP CAGR was 0.9%, despite oil price shocks. Growth originated mainly from three sectors: wholesale and retail trade, restaurants and hotels (6.3%), finance, insurance and business services (8.0%), transport, storage and communication (5.6%).

The interest rate (repo rate) set by SAMA remained stable ranging from 2.0% to 3.0% in the period of 2015G-2019G following the dynamics of the Federal Funds Rate set by United States Federal Reserve System. The Kingdom follows the United States Federal Reserve System policy since its currency is pegged to the US dollar. The repo rate adjustments seek to preserve stable domestic monetary and financial conditions in view of evolving global market developments.

The inflation rate oscillated between negative and positive rates in the last years. The Kingdom saw first deflation in a decade in 2017G, due to falling oil prices and subsequent decrease in the Government's revenues. The prices however rose in 2018G reaching 2.5% inflation. According to the Ministry of Finance Budget Statement 2019G, inflation rates in 2018G were largely influenced by various supply and demand factors and a series of economic and fiscal reforms and compensational initiatives, most importantly energy prices reforms, VAT application, the Citizen's Account Program launch (a cash transfer to the needy citizens), the reinstatement of allowances and the provision of cost of living allowance for 2018G. As the effects of these factors stabilised, deflation returned in 2019G leading to a 1.2% fall in prices.

3.1.3 Fiscal indicators

The following table shows the Kingdom's fiscal indicators from 2015G to 2019G and relative CAGR:

Table 3.4: The Kingdom's Fiscal Indicators from 2015G to 2019G and Relative CAGR

Government Revenue	2015G	2016G	2017G	2018G	2019G(1)	CAGR
Oil Revenue (SAR Billion)	446	334	436	611	602	7.8%
Non-oil Revenue (SAR Billion)	166	186	256	295	315	17.4%
Non-oil Tax Revenue(2) (SAR Billion)	84	84	87	169	203	24.7%
Non-oil Other Revenue(3) (SAR Billion)	82	102	169	125	112	8.1%
Total (SAR Billion)	**612**	**520**	**692**	**906**	**917**	**10.6%**
Government Expenditures						
CAPEX (SAR Billion)	210	134	208	188	172	(4.9%)
Employee compensation (SAR Billion)	450	439	420	484	504	2.9%
Other OPEX (SAR Billion)	341	246	302	407	372	2.2%
Total (SAR Billion)	**1,001**	**831**	**930**	**1,079**	**1,048**	**1.2%**
Budget deficit and debt						
Deficit (SAR Billion)	(388)	(311)	(238)	(174)	(131)	(23.8%)
Deficit to GDP	(15.9%)	(12.9%)	(9.2%)	(5.9%)	(4.7%)	
Debt (SAR Billion)	142	317	443	560	678	47.8%

Government Revenue	2015G	2016G	2017G	2018G	2019G[1]	CAGR
Debt to GDP	5.8%	13.1%	17.2%	19.1%	22.8%	
Reserves						
Total Reserves Assets (SAR Billion)	**2,312**	**2,009**	**1,862**	**1,862**	**1,873**	**(5.1%)**

Source: Ministry of Finance Budget Statement 2019G, Fiscal Developments (page 16) and Oil and Non-oil Revenues (page 19); Ministry of Finance Budget Statement 2018G, Fiscal Developments (page 26); Jadwa Investment, Saudi Arabia's Preliminary Fiscal Budget, page 2; Ministry of Finance Press Release: Recent Economic Developments and Highlights of Fiscal Years 1436/1437 (2015G) and 1437/1438 (2016G), pages 3 and 5; IMF, Country Report Saudi Arabia, 2019G Article IV Consultation – Press Release and Staff Report; Table 2. Saudi Arabia: Budgetary Central Government Operations, 2016G–24G; SAMA Monthly Statistical Bulletin – March 2020G (p. 19), Market Consultant Report.

(1) 2019G estimate based on preliminary data except the oil revenue, deficit and debt values.

(2) Taxes include taxes on Income, profits and capital gains, taxes on goods and services (incl. VAT), taxes on international trade and transactions, and other taxes.

(3) Other revenues include non-oil revenues.

The Government's revenues increased at a CAGR of 10.6% since 2015G to reach SAR 917 billion in 2019G, driven by consistent growth in non-oil revenues.

Oil revenues declined by 25.1% in 2016G versus 2015G, in line with global oil price, recovering in the subsequent two years. However, drop in the oil prices and production cuts in 2019G resulted in a 1.5% decline in oil revenues compared to 2018G.

Non-oil revenues grew at a CAGR of 17.4% since 2015G, increasing their share in the total Government's revenues from 27.1% in 2015G to 34.4% in 2019G. Non-oil tax revenues were the biggest contributor, growing on average at a CAGR of 24.7% from 2015G to 2019G driven by the VAT introduction in 2018G.

The Government's expenditures increased on average at a CAGR of 1.2% since 2015G. The growth was driven mainly by the increase in employee compensation and other operational expenses despite reductions in CAPEX expenditures. The employee compensation grew at a CAGR of 2.9% over a period of 2015G-2019G and was driven mainly by annual salary increases and higher employee pension fund contributions. The CAPEX declined at a CAGR of 4.9% in the same period and was due to redirection of the Government's spending to developmental needs, efficiency improvements and the private sector's participation in financing of capital projects. According to the Ministry of Finance Budget Statement 2020G, in 2019G Education (SAR 202 billion), Military (SAR 198 billion), and Health and Social Development (SAR 174 billion) represented 54.8% of the total expenditures.

The economic resources and public programs expenditure category, which includes water related expenditure, had an increased budget allocation from SAR 48 billion in 2017G to SAR 131 billion in 2019G, representing a CAGR of 65.2% over the two-year period. The growth of this budget allocation was driven mainly by mega projects and initiatives related to Vision Realization Programs. According to the Budget Statement 2019G reported by Ministry of Finance, the sector's budget also encompasses new projects and increases in allocations for existing projects. Further, the budget covers projects that provides drinking water and develop water resources, sanitation services, dam construction, well drilling, water leak detection and rectification, water and sewage networks replacement, water consumption rationalization, efficiency and performance enhancement for desalination plants, infrastructure development for industrial cities in addition to the expansion of existing ones.

As a result of the Government's policy to preserve fiscal stability and sustainability, the budget deficit was gradually reduced from SAR 388 billion in 2015G to SAR 131 billion in 2019G. The Government deficit to GDP reduced from 15.9% in 2015G to 4.7% in 2019G, bringing it slightly above the world average deficit to GDP of 5.2% as estimated in Market Consultant Report, based on Central Intelligence Agency data for Countries with budget deficit to GDP ratio.

Total reserve assets declined at a CAGR of 5.1% from SAR 2.3 trillion in 2015G to SAR 1.9 trillion in 2019G, as the Government deficit was partly covered by withdrawal from the reserves. According to Budget Statement 2019G, the Ministry of Finance has adopted a diversified financing policy to finance the budget deficit, based on debt issuances and withdrawals from Government deposits and reserves.

The public debt climbed from SAR 142 billion in 2015G, or 5.8% of GDP, to SAR 678 billion in 2019G, or 22.8% of GDP, in order to finance fiscal deficits. Despite the increase, the Kingdom has a strong credit rating of A- with a stable outlook from Standard & Poor's Global Ratings, as well as recently affirmed A rating from Fitch Ratings in April 2020G and is among the 20 lowest debt to GDP countries of the world according to the International Monetary Fund.

3.1.4 Demographic and social indicators

The following table shows the Kingdom's demographic and social indicators from 2015G to 2019G and relative CAGR:

Table 3.5: The Kingdom's Population, Unemployment and Labour Participation from 2015G to 2019G and Relative CAGR

	2015G	2016G	2017G	2018G	2019G	CAGR
Total Kingdom's population (Million)	**31.0**	**31.8**	**32.6**	**33.4**	**34.2**	**2.5%**
Urban (Million)	25.8	26.5	27.3	28.0	28.8	2.8%
Rural (Million)	5.2	5.3	5.3	5.4	5.5	1.1%
Saudi (Million)	20.8	20.1	20.4	20.8	21.3	0.6%
Non-Saudi (Million)	10.2	11.7	12.2	12.6	12.9	6.0%
Overall unemployment rate	5.6%	5.7%	5.8%	6.0%	5.7%	-
Saudi unemployment rate	11.6%	12.3%	12.8%	12.7%	12.0%	-
Overall labour force participation rate	54.0%	56.5%	55.6%	55.9%	58.8%	-
Saudi labour force participation rate	40.2%	42.2%	41.9%	42.0%	46.7%	-
Non-Saudi labour force participation rate	-	-	74.2%	74.0%	75.2%	

Source: World Bank data indicator website, Rural and Urban population as percentage of total population; General Authority for Statistics, Statistical yearbook 2015G-2016G Chapter 2: Population statistics, Statistical yearbook 2017G-2018G, Chapter 1: Population & Demographic; General Authority for Statistics, Labour force indicator 1999G-2016G (page 4), Labour market Q4 2019G (page 3) Unemployment rates 2017G-2019G, Market Consultant Report

The Kingdom's population grew at a CAGR of 2.5% since 2015G, with the urban population increasing at a CAGR of 2.8%, compared to a CAGR of 1.1% for rural population.

In 2019G, 84.2% of people lived in urban regions, while 15.8% resided in rural areas. Over the years the proportion has remained fairly constant with a slight rise in urban proportion. Higher urbanisation is expected to drive up water demand in urban areas.

The Saudi population increased at a CAGR of 0.6%, compared to a CAGR of 6.0% for non-Saudi population. The non-Saudi population grew with the influx of expatriates attracted by the Kingdom's vibrant economy and business development. Decrease of reported Saudi population in 2016G compared to 2015G is associated with the change in calculation methodology. The 2015G indicator was based on Detailed Results of General Population and Housing Census dated 2010G, while the 2016G indicator was based on results of Demographic Survey conducted in 2016G.

The Saudi population is young with 65.7% of the male population and 73.9% of the female population younger than 39 years old.

The Kingdom is divided into 13 administrative regions. In 2018G, over 50% of Saudi population resided in two regions – Makkah and Riyadh.

After four years of increasing trend of unemployment from 5.6% in 2015G to 6.0% in 2018G, the unemployment rate declined to 5.7% in 2019G. The fall in unemployment is attributed to projects and initiatives implemented by the Government as part of its economic diversification plans under the Vision 2030 that aims to create more jobs for citizens by developing non-oil industries. The Saudi unemployment rate saw a slight decline from 12.7% in 2018G to 12.0% in 2019G. The decreases in the unemployment rate are attributed to the increase in the number of employees in the survey conducted in last quarter of 2019G.

The overall labour force participation rate has increased from 54.0% in 2015G to 58.8% in 2019G, driven both by Saudi and non-Saudi participation rate, respectively 46.7% and in 75.2% in 2019G. The reason for the high rate of participation in the labour force for Saudis can be attributed to the increase in the rate of Saudi females' participation in the labour force, which reached 26.0 percent in 2019G, according to the General Authority for Statistics. The decreases in the unemployment rate are also due to the increase in the number of employees in the survey conducted in last quarter of 2019G.

3.1.5 Macroeconomic update for the period of January 1 to April 28, 2020G

A pneumonia of unknown cause detected in Wuhan, China, was first reported to the World Health Organization (WHO) Country Office in China on 31 December 2019G. On 11 February 2020G, WHO announced a name for the new coronavirus disease: COVID-19. On 11 March 2020G, WHO made the assessment that COVID-19 can be characterized as a pandemic. The rapid spread of the disease infected a large share of the global population in a short period. As per World Health Organization COVID-19 Situation Report 99, 2,954,222 COVID-19 cases and 202,597 associated deaths were confirmed worldwide until 28 April, 2020G and the Kingdom had 18,811 confirmed cases and 144 deaths during the same period.

The economic consequences of the COVID-19 pandemic were severe as countries implemented restrictions on air transport, local mobility, industrial production, among others.

The slowdown in the economic activity impacted the demand for oil which, according to OPEC Monthly Oil Market Report April 2020G, was reduced by 6.75 million barrels a day in the first quarter 2020G representing a 6.8% reduction compared to 2019G level. As announced on 6 March 2020G by OPEC members and non-OPEC producers, the 2016G Declaration of Cooperation to curb production between OPEC members and non-OPEC producers, including Russia, was suspended. On 9 April 2020G, OPEC and Russia reached a new agreement to cut 9.7 million barrels per day from May 2020G. The average monthly Europe Brent Spot Price FOB reached $ 32.0 per barrel as of 31 March 2020G and $ 14.2 per barrel in average weekly price as of 24 April 2020G as reported by US Energy Information Administration.

In 2019G, 64.1% of the Government's revenue was generated by the oil related revenues, according to the Ministry of Finance Budget Performance Report for Q1 of 2020G. Oil revenues for the Q1 2020G amounted to 128.8 billion SAR with a decrease of 24% compared to the first quarter of 2019G.

According to the Quarterly Budget Performance Report for Q1 of 2020G, the Ministry of Finance reported a first-quarter budget deficit of SAR 34.1 billion, compared to a surplus of SAR 27.8 billion in the same period last year. Revenues in the first quarter were down by 22% year-on-year.

As announced on 20 March 2020G by Minister of Finance, Acting Minister of Economy and Planning, Mr. Mohammed bin Abdullah Al-Jadaan, the Kingdom has prepared a SAR 120 billion support package, including SAR 70 billion for the private sector and SAR 50 billion from SAMA to assist commercial banks to provide debt relief.

3.2 Water and Wastewater market in the Kingdom

3.2.1 Market overview

3.2.1.1 Regulatory entities and market offtaker

Four government entities play complementary roles in defining and enforcing regulations, standards and policies to the Saudi water and wastewater sector:

- The Ministry of Environment, Water and Agriculture (MEWA) is responsible for formulating and implementing standards and policies and for regulating water and wastewater resources.
- The Electricity & Cogeneration Regulatory Authority (ECRA) regulates the electricity and water desalination industry in the Kingdom in addition to water and wastewater treatment services (except for water wells).
- The General Authority of Meteorology and Environmental Protection (GAMEP) is responsible for the implementation and enforcement of environmental regulations, including establishing wastewater quality standards for discharge from both public and private wastewater treatment plants (WWTPs).
- The Saudi Arabian Standards, Metrology and Quality Organisation (SASO) is the national standardisation body that oversees activities relating to standards and measurements, including establishing drinking water quality standards.
- Saudi Water Partnership Company (SWPC) is the principal off taker of water and wastewater projects. It is owned 100% by the Ministry of Finance and is responsible for tendering of water related projects.

3.2.1.2 Value chain overview

The water and wastewater value chain can be described along water and wastewater segments.

(a) Water Segment

(i) Water Supply and Treatment

Water is primarily supplied in the Kingdom by three sources:

- **Seawater desalination** is the major water source for urban use and, according to Saudi National Water Strategy 2030G, it supplies around 60% of urban segment (2016G). Seawater desalination plants collect seawater to process it into potable water for human usage. They are located on the East Coast and on the Red Sea Coast of the Kingdom. Two technologies are employed in seawater desalination. Thermal desalination technology uses heat energy to separate freshwater from high salinity water. Reverse osmosis membrane separation technology uses a membrane barrier and pumping energy to separate salts from high salinity water. This is currently the preferred technology of new projects in the Kingdom with reverse osmosis technology making up 93.3% of the total capital expenditure in desalination in 2019G, according to the Market Consultant Report.

- **Groundwater** is the main source of water supply in the Kingdom and, according to National Water Strategy 2030G, it covered approximately 90% of the total consumption in 2016G. Much of groundwater can be found in great depths and requires deep water wells to extract it from aquifers. As a matter of fact, wells used for public water supplies are usually 30 meters to over 400 meters deep. Groundwater coming directly from the aquifers is mainly used for agriculture and industrial purposes. Water treatment plants are designed to treat groundwater to reduce salinity and achieve potable water quality, which is used for urban consumption.
- **Surface water** is the water collected on the surface of the ground and it is very limited in the Kingdom due to the arid conditions. According to SWPC Seven-Year Planning Statement, in 2016G 3% of the urban water supply was fulfilled by surface water.

(ii) Water Networks

Water that meets the required quality specifications after treatment is delivered to end users via water networks, which can be divided into two categories:

- **Transmission network** that consists of large diameter pipelines and pump systems to move large volume of water from desalination and treatment plants closer to consumption centres.
- **Distribution network** that consists of smaller-diameter pipelines, tied into storage facilities or directly to transmission networks, to deliver water to end-users. Water distribution systems are comprised of pumps, pipelines, storage tanks, and other accessories. Firewater networks are part of water distribution systems and critical to ensure the safety of the population and industrial facilities. They usually consist of firewater storage tanks, piping distribution systems, fire hydrants and fire pumps.

(b) Wastewater Segment

(i) Wastewater Networks

Wastewater is any water that has been used and contaminated by human or industrial use. It typically contains a mixture of inorganic and organic materials. It can be divided into domestic wastewater, also known as sewage, and industrial wastewater. **A wastewater collection** system is a network of pipes, pumping stations and lifting stations that convey the wastewater from its point of origin to a point of treatment or disposal.

Stormwater network system drains rainwater and prevents flooding and environmental damage in the cities across the Kingdom. The stormwater drainage system comprises a network of pipelines, catch basins and storm water ponds. As the cities continue to grow and as more building and parking lots are constructed, the storm water run-off increases, requiring additional investment to cater to the needs of growing cities.

Treated sewage effluent networks transport treated wastewater from the wastewater treatment plants to the end-users, typically for industrial, agricultural and landscaping uses.

(ii) Wastewater Treatment

Wastewater treatment plants are an essential aspect of sanitation, environmental protection and water conservation. Wastewater treatment comprises sewage treatment plants for municipal use and industrial wastewater treatment plants. Wastewater treatment works by employing several physical, chemical, and biological treatment barriers to separate pollutants from the water. Treated water has two destinations:

- **Discharge**: The wastewater is disinfected and returned to the sea as a means of water reclamation.
- **Reuse**: In line with Saudi National Water Strategy 2030G, the Kingdom is striving to increase water reuse and is utilising the treated sewage effluent in many agriculture and urban applications, such as crop and landscape irrigation and groundwater recharge. Treated industrial wastewater can be used for industrial applications.

3.2.1.3 Typical contractual models across the value chain

The water and wastewater value chain segments are enabled by BOT/BOOT/Concessions, Project Services and O&M Services contracts.

(a) BOT/BOOT/Concessions

In a typical contractual agreement of Build-Operate-Transfer (BOT) or Build-Own-Operate-Transfer (BOOT) type, the developer builds and operates, and owns as applicable, the asset for a determined period and is responsible for its long-term operations. Asset development includes a set of activities related to analysis, planning, design, financing and construction of new assets required to meet growing demand or replace aging assets. Developers can decide to perform the related operations and maintenance activities by themselves or outsource to O&M services providers. Concessions are contractual arrangements between the asset owner and the concession holder, also known as concessionaire, regulating the rights to operate the asset for a stated period of time and under specified conditions.

(b) Project Services

The project services (the **"Project Services"**) encompass the design, engineering, procurement, construction, testing, commissioning, upgrade and rehabilitation of water and wastewater assets. These activities can be performed in house or outsourced to third/party services providers. Project Service contracts are typically issued by public developers, such as NWC, as "Design and Build" or "EPC" (Engineering, Procurement, Construction) contract and the contractual model takes the form of a lump sum fee based on bill of quantity.

(c) O&M Services

The O&M services (the "**O&M Services**") include all the activities related to operating, repairing, restoring and maintaining functional the water and wastewater infrastructure. More in detail, these activities encompass functional checks, servicing, repairing or replacing of necessary parts and ancillary technical services intended to retain or restore a functional unit. O&M Services can be defined "preventive", in the case of a periodical inspections and replacements, or "corrective", following the break down or malfunction of the equipment. O&M activities can be performed in house or outsourced to third-party services providers.

O&M contracts are typically issued separately from the Project Services contract and are usually for a period of three to five years. Contracts can be based on a lump sum fee per facility (i.e. for every treatment plant that is managed by the service provider, a fixed fee is payable, every month), or based on manpower contracts (i.e. hourly rate charged per person working on the projects), or based on material supply (i.e. for each unit of material supplied by the service provider, a specific unit charge is applied).

3.2.1.4 Main participants in the water and wastewater value chain

There are many different participants in the water market. The following government and semi-government entities operate in the water market:

- **Saudi Water Conversion Corporation (SWCC)** is owned by the Government. SWCC is responsible for seawater desalination and transportation to supply various regions in the Kingdom. According to the Market Consultant Report, in 2019G SWCC was responsible for approximately 65% of the total production of desalinated water in the Kingdom.
- **The National Water Company (NWC)** is fully owned by the Public Investment Fund (PIF). NWC is the owner and operator of the distribution network for water and wastewater and wastewater treatment plants. It is also involved in underground water withdraw and treatment.
- **The Saudi Irrigation Organisation (SIO)** is a government institution linked to MEWA, providing irrigation services and distributing treated sewage effluent to the agriculture sector across the Kingdom.
- **Marafiq** is an entity owned by four major shareholders - the Royal Commission for Jubail and Yanbu, SABIC, Saudi Arabian Oil Company (Saudi Aramco), and the Public Investment Fund (PIF). Marafiq is responsible for water and wastewater services in Jubail and Yanbu.
- **The Saudi Authority for Industrial Cities and Technology Zones (MODON)** is a government organisation created by the Government in 2001G and is responsible for the regulation and promotion of Industrial Estates and Technology Zones in the Kingdom. MODON is responsible for water and wastewater infrastructure in its industrial cities.

Private players are also active in the water supply and treatment market as independent water producers, and in wastewater treatment as owners and operators of independent wastewater treatment plants. The private sector also participates by providing Project Services and O&M Services.

- **Independent Water (and Power) Producers (IW(P)P)** are involved in seawater desalination under a BOT or BOOT contracting model. An example is Jubail IWPP Plant – a joint venture by various investors, including Marafiq, Saudi Electricity Company (SEC) and ACWA Power, among others.
- **Independent Wastewater Treatment Plants (IWWTP)** provide wastewater treatment under a BOT or BOOT contracting model. An example is Dammam West wastewater treatment plant developed by a Metito-led consortium.
- **Project Service providers** are local and international companies involved in engineering, procurement and construction of new facilities and networks as well as upgrade or expansion of existing facilities and networks. Example of players are Doosan Heavy Industries and Construction and the Company.
- **O&M Service providers** are local and international companies engaged in the operations and maintenance of existing facilities and networks. Example of players are the Company and First National Operation and Maintenance Co. Ltd (NOMAC).

3.2.1.5 Operations funding

The operations of the water and wastewater sector in the Kingdom are funded through two main sources:

- **End-user tariff**: This is a price assigned to water supply and wastewater collection to end users. Tariffs are differentiated based on end-user segment, such as residential or industrial, and water and wastewater consumption levels. The tariff is collected by MEWA, through its water directorates, NWC and Marafiq. There is no methodology to set and review the water and wastewater tariff in the Kingdom. The tariff is determined by the Government based on its fiscal position. As part of an effort by the Ministry of Finance to adjust subsidised prices for water, petrol, and electricity, new tariffs were applied in accordance with the decision of the Council of Ministers dated 17/03/1437H corresponding to December 28, 2015G. In 2016G, the new tariffs became effective, with an average increase of four times compared to 2015G's tariffs. However, the tariff is estimated to cover less than 35% of the actual cost of the water supplied to households, as stated by the Minister of Environment, Water and Agriculture in the interview on 17 May 2016G to Saudi Gazette. The water and wastewater tariff in 2019G was ranging from SAR 0.15 / m^3 for quantities of less than 15 m^3 / month to SAR 9.00 / m^3 for the quantities above 60 m^3 / month.
- **Government subsidies**: Subsidies are provided by the Government through the Ministry of Finance to cover operating costs of the water and wastewater systems that are not covered by the end-user tariff. The main recipients of subsidies are SWPC and SWCC as they provide desalinated water free of charge to NWC for distribution to end-users. As the offtaker of the independent players' production, SWPC pays IW(P)Ps and WWPs for the water and wastewater provided.

3.2.1.6 Private sector participation

Private sector participation in the water and wastewater sector has been increasing, driven by the National Water Strategy 2030G that articulated a path to increase the participation across the entire value chain in three main programs. Pursuant to Royal Court Order Number 210500/1438, a Supervisory Committee has been established to govern private sector participation in the water sector.

- **Desalination Sector Institutional Reform program**: This program entails the restructuring and transformation to enable the program's objective of private sector participation into SWCC assets. In 2019G, the Council of Ministers approved the blueprint for the SWCC privatisation. As part of this blueprint, a state-owned water transmission and technology company will be established and operated on a commercial basis. SWPC has been tasked to tender new desalination projects to the private sector. In April 2020G, SWPC has a portfolio of nine projects in operations or under construction/ tender. Eleven additional future IWP projects are in the pipeline.
- **Production and Wastewater Treatment Privatisation program**: This program focuses on the bundling of water production and wastewater treatment assets for privatisation purposes, under SWPC's supervision. SWPC is also responsible for tendering new wastewater projects to reach the National Water Strategy 2030G's goals of sanitation services coverage. While its initial focus has been on wastewater treatment, the privatisation process is eventually expected to cover other areas, such as strategic water reservoir projects. As shown in Figure 30 of SWPC Seven-Year Planning Statement, SWPC has a wastewater project portfolio under construction and under tender of 3.2 million m^3 per day and plans to tender 2.7 million m^3 per day of additional capacity by 2030G.
- **Distribution Restructuring and Privatisation program**: This program aims at transforming the structure of the distribution sector, by streamlining distribution utilities and preparing them for privatisation in two phases. Phase 1 contemplates the implementation of management, operations & maintenance contracts in each of the six regional clusters for a duration of five to seven years. Bids for the first of the management, operations & maintenance contracts, covering the North-West region, were submitted at the end of January 2020G. Phase 2 is expected to follow with the

implementation of concession contracts or similar long-term models in each cluster. However, the exact time plan has not been publicly announced yet as of the date of this Prospectus.

3.2.1.7 Water consumption

The Kingdom is one of the highest water consuming countries in the world, with total per capita consumption of approximately 716 m^3 per year, despite low renewable water supply resources. The Kingdom has hence identified "sustainability of water resources" as a key challenge in its National Transformation Program, to address high water consumption.

The following table shows the total annual water consumption for selected G7 and GCC Countries in 2017G and G7 and World average annual water consumption:

Table 3.6: Selected G7 and GCC Countries Total Annual Water Consumption in 2017G and G7 and World average[(1)]

	m^3 / capita / year
USA	1,370
Kingdom of Saudi Arabia	716
UAE	541
France	478
Oman	434
Kuwait	395
Germany	294
Bahrain	294
G7 Countries	638
World average	530

Source: MEWA, GCC water statistics annual bulletin 2017G, Euro Statistics 2017G, US Geological Survey, OECD Population statistics 2017G, FAO AquaStat Database

(1) The statistics for 2017G was utilized due to data availability constraints, except for USA where 2015G data was available. Total water consumption per capita is calculated as the ratio between the total water consumed in the Country and the population.

The total water consumption in the Kingdom declined by CAGR of 0.7% from 68.0 million m^3 per day in 2015G to reach an estimated of 66.3 million m^3 per day in 2019G. A descending trend from 2015G to 2017G was followed by an increase in water consumption of 11% in 2018G in comparison to 2017G.

Three segments drive water consumption:

- **Agriculture**: 83.9% and 80.6% of total water consumption between 2015G and 2019G, respectively;
- **Urban**: 12.2% and 13.6% of total water consumption between 2015G and 2019G, respectively; and
- **Industrial**: 3.9% and 5.8% of total water consumption between 2015G and 2019G, respectively.

The following table shows the water consumption by sector from 2015G to 2019G and relative CAGR:

Table 3.7: Water Consumption by Sector from 2015G to 2019G and Relative CAGR

	2015G	2016G	2017G	2018G	2019G[(1)]	CAGR
Industrial (Million m^3 / day)	2.7	2.8	2.7	3.8	3.9	9.6%
Urban (Million m^3 / day)	8.3	8.6	8.6	9.3	9.0	2.0%
Agriculture (Million m^3 / day)	57.1	54.2	52.6	58.1	53.4	(1.7%)
Total (Million m^3 / day)	**68.1**	**65.6**	**63.9**	**71.2**	**66.3**	**(0.7%)**

Source: MEWA, Statistical report 2017G (page 82 and 83), Statistical report 2018G (p. 56 -57)

(1) Market Consultant Report; urban consumption has been estimated based on consumption per capita and population dynamics; industrial water consumption has been estimated based on growth dynamics of key water demanding industries; agriculture consumption has been estimates based crop production dynamics and Government plans to phase out cereal and fodder.

(a) Agriculture Sector

Water consumption in the agriculture sector decreased at a CAGR of 1.7% since 2015G with a sharp increase of 11.4% in 2018G, after two years of decline. The consumption decline from 2015G to 2017G is attributed to the Government effort to curb water consumption in agriculture. For instance, a three-year green fodder phase-out plan was announced in December 2015G to terminate the cultivation of high-water consuming feeds, such as Alfalfa, by 2019G leading to subsequent fall in water consumption. Similarly, state purchasing and support programs for domestic wheat production were discontinued and resulted in very limited wheat production of 10,000 tonnes per year in an effort to stop the depletion of local water reserves. According to the Food and Agriculture Organization of the United Nations, in 2018G the Government policy reintroduced support for wheat production to provide fodder producers an alternative field crop, leading to a rise in consumption of water. According to the Market Consultant Report, 90.4% of the agriculture land is located in three regions: Al-Jouf region represented 65.2% of the total agriculture area and Al-Qaseem and Riyadh represented respectively 13.1% and 12.1% of total agriculture land in 2018G.

As part of the initiatives set by the NTP to reduce the consumption of non-renewable water, MEWA and SIO are expected to continue focusing on reducing water consumption in agriculture, including proper management of food safety, improvement of crop composition and development of infrastructure to ensure irrigation efficiency.

According to National Water Strategy 2030G, in 2016G approximately 99% of agriculture water consumption was fulfilled by groundwater and the remaining quantity by surface water and treated sewage effluent for non-human use.

(b) Urban Sector

The urban segment includes water used for residential, commercial, governmental, municipal landscaping and industrial (connected to urban network) purposes. According to MEWA, residential use made up approximately 85% of total urban consumption in 2018G. The urban consumption increased at a CAGR of 2.0% to reach an estimated 9.0 million m^3 in 2019G. The urban water consumption was driven by the growth of urban population and the expansion of water network coverage. Both factors contributed to increased consumption in the last five years. According to the National Water Strategy 2030G, the water network coverage is targeted to increase to 95% of the Saudi population by 2030G, which is expected to be a driver of urban water consumption increase. In the timeframe 2015G-2019G, the per capita urban water consumption was stable, ranging from 264 litres per capita per day to 278 litres per capita per day. According to the Market Consultant Report, the Eastern, Riyadh, Qaseem and Medinah are the regions with the highest urban per capita water consumption in the Kingdom with over 300 litres per inhabitant per day in 2018G, which is driven by a higher water network coverage ratio.

The rationalisation of water consumption is part of the Kingdom's Vision 2030 and NTP. Qatrah program was launched in 2019G aiming to reduce the Kingdom's water consumption by 24% by the year 2022G, which is critical for the long-term economic prosperity of the country. The ambitious 2030G target is to reduce water consumption per capita to 150 litres per day from estimated 264 litres per day in 2019G. The program promotes the importance of water conservation, proposes methods for rationalising industrial and residential consumption and educates individuals on the importance of modifying their water usage.

According to National Water Strategy 2030G, in 2016G approximately 60% of urban water consumption was fulfilled by desalination, 38% by groundwater and the remaining quantity by surface water and treated sewage effluent for non-human use.

(c) Industrial Sector

The industrial water consumption witnessed a steep increase at a CAGR of 9.6% since 2015G to reach 3.9 million m^3 per day in 2019G. Flat industrial water consumption between 2015G and 2017G was reverted in 2018G, driven by three industries – crude petroleum and natural gas extraction, chemicals and chemical products production, and basic metals production – which accounted for 56.5% of the industrial water consumption. These three industries are primarily located in the Eastern and Makkah regions.

During 2018G, oil output was increased twice with an all-time high pumping record set in November that year, supporting the significant increase in water consumption.

According to National Water Strategy 2030G, in 2016G approximately 50% of industrial water consumption was fulfilled by groundwater, 30% by desalination and the remaining 20% by treated sewage effluent for non-human use.

3.2.2 Water segment

The water segment market comprises of water supply and treatment and water networks. The market grew at a CAGR of 24.5% from 2015G to 2019G, reaching SAR 15.3 billion in 2019G in combined revenues of the players participating. Water supply and treatment represented 41.8% of the total 2019G market, whereas the water networks represented 58.2%. In 2016G, the water supply and treatment market slowed down as an effect of the low oil prices in 2015G, which contributed to the delay of desalination Project Services.

The following table shows the water supply and network market by segment from 2015G to 2019G and relative CAGR:

Table 3.8: Water Supply and Network Market from 2015G to 2019G and Relative CAGR(1)

	2015G	2016G	2017G	2018G	2019G	CAGR
Water Supply and Treatment (SAR Million)	**2,504**	**1,892**	**2,837**	**3,700**	**6,382**	**26.3%**
Seawater Desalination (SAR Million)	1,754	1,288	2,255	3,135	5,838	35.1%
Deep Water Wells & Water treatment (SAR Million)	750	604	582	565	544	(7.7%)
Water networks (SAR Million)	**3,861**	**3,931**	**5,201**	**7,043**	**8,888**	**23.2%**
Water transmission networks (SAR Million)	584	585	1,439	4,008	5,411	74.5%
Water distribution networks (SAR Million)	3,277	3,347	3,762	3,035	3,477	1.5%
Total (SAR Million)	**6,365**	**5,823**	**8,038**	**10,743**	**15,270**	**24.5%**

Source: Market Consultant Report

(1) The market size represents an estimate of the total revenues of the players participating within the reported period.

3.2.2.1 Water Supply and Treatment

Water supply and treatment consist of seawater desalination plants and deep water wells and water treatment plants. Part of the water produced by the plants addresses the urban demand in the Kingdom. Urban water demand increased to 13.1 million m^3 per day in 2018G, driven by growth of urban population and expansion of water network coverage, whereas water supply increased to 11.5 million m^3 per day in 2019G, driven by the expansion of desalination capacity.

According to SWPC Seven-Year Planning Statement, urban water supply shortages will be filled via new desalination plants, as part of the National Water Strategy.

The following table shows the balance between water supply and urban demand from 2015G to 2019G and relative CAGR:

Table 3.9: Balance Water Supply and Urban Demand from 2015G to 2019G and Relative CAGR

	2015G	2016G	2017G	2018G	2019G	CAGR
Urban water demand(1) (Million m^3 / day)	12.0	12.4	12.5	13.5	13.1	2.1%
Water supply(2) (Million m^3 / day)	9.3	10.1	10.6	10.8	11.5	5.3%
Shortage (Million m^3 / day)	**(2.7)**	**(2.3)**	**(1.9)**	**(2.7)**	**(1.6)**	**-**

Source: Market Consultant Report

(1) The demand of urban water includes peak consumption and network losses.

(2) Water supply includes desalination and treated ground and surface water.

(a) Seawater Desalination market

According to the Market Consultant Report, desalination capacity increased from 6.7 to 8.8 million m^3 per day from 2015G to 2019G. According to the Market Consultant Report, approximately 65% of desalination plants was managed by SWCC in 2019G, whereas the remaining capacity is attributed to SWPC, Jubail Water and Power Company (JWAP) and other players, such as MODON. The total water desalination market reached SAR 5.8 billion in 2019G, driven by a CAGR of 35.1% since 2015G. Projects Services represent 90.7% of the total in 2019G, O&M 4.2% and BOT 5.1%.

The following table shows the Desalination market from 2015G to 2019G and relative CAGR:

Table 3.10: Total Water Desalination Market 2015G to 2019G and Relative CAGR[1]

	2015G	2016G	2017G	2018G	2019G	CAGR
Project Services (SAR Million)	1,351	829	1,784	2,649	5,294	40.7%
O&M Services (SAR Million)	189	210	221	227	245	6.8%
BOT[2] (SAR Million)	214	249	249	259	299	8.7%
Total (SAR Million)	**1,754**	**1,288**	**2,255**	**3,135**	**5,838**	**35.1%**

Source: Market Consultant Report

[1] The market size represents an estimate of the total revenues of the players participating within the reported period.

[2] BOT market is based on tariff, considering the components related to developer's costs of SG&A, financing & margin. Energy costs are excluded from the market size.

(i) Project Services market for Seawater Desalination

The desalination Project Services market grew at a CAGR of 40.7% reaching SAR 5.3 billion in 2019G. Growth was driven by expansion of the capacities in desalination plants. Over the course of 2015G to 2019G period, more than 30 projects have been either completed or still under construction as of the end of the period. Contracts are issued by public developers, such as SWCC, generally as "Design and Build" and the contractual model takes the form of a lump sum fee based on bill of quantity and bill of materials as appropriate in the individual contracts. BOT projects for construction of desalination plants are usually developed in a JV between the developer and the Project Services provider. Capital expenditure is generally split into a number of elements, with equipment, construction works and pipes making up the biggest portion.

(ii) O&M Services market for Seawater Desalination

Desalination O&M Services market (considering only addressable O&M market) reached SAR 245 million in 2019G, growing at a CAGR of 6.8%. O&M service market corresponds to capacities managed by independent water producers, including Marafiq, Shuaibah Water & Electricity Company (SWEC), SWPC and others. SWCC manages in-house O&M activities for its desalination plants (approximately 65% of the total capacity) and those activities are not considered as part of the addressable market. According to Market Consultant Report, O&M services contracts usually represent 10% to 15% of the levelized cost of water and includes cost of labour and spares parts. Typically, O&M contracts for private plants have the same duration as BOT contracts (20 to 30 years) and drive requirement for the long-term partnerships. This is due to the nature of the BOT contract – it includes the operation of the plant for the duration of the BOT contract. In cases where a BOT developer has established a specialized O&M subsidiary, the O&M contract is awarded directly to the subsidiary as a part of consortium agreement and is not accessible for competitive bidding for non-captive providers.

(iii) BOT market for Seawater Desalination

Desalination BOT market reached SAR 299 million in 2019G, growing at a CAGR of 8.7% since 2015G. After years of preference for using engineering, procurement and construction (EPC) contracts for new projects, the Government mandated the use of BOT type privately financed contracts in order to reduce the reliance on public capital investment as part of the national financial reorganisation that began in 2016G. Approximately 20% of the capacity installed in 2019G has been developed using Public Private Partnership (PPP) models and was contracted on a BOT basis. In the 2015G - 2019G period, the average tariff (or levelized water cost - LWC) for BOT contracts was estimated at SAR 2.44 per m^3 according to the Market Consultant Report. Bid tariffs have been reducing dramatically over the past two years, leading to concerns about the sustainability of this trend. The latest tender in the Kingdom achieved a tariff at an all-time low (levelized water cost of SAR 1.55 per m^3). Relative lower cost of financing and electricity contribute to the competitive tariffs in the Kingdom in comparison with other countries. BOT contracts typically take the form of a long-term agreement (about 25 years) between a developer and SWPC, the offtaker.

(b) Deep Water Wells and Water Treatment market

Water treatment plants are managed NWC, municipalities, Jubail Water and Power Company (JWAP), and other players, such as MODON. According to the Market Consultant Report, water treatment plants' capacity reached 2.4 million m^3 per day in 2019G, growing at a CAGR of 1.2% in the 2015G - 2019G period. Total deep water wells and water treatment market declined to SAR 544 million in 2019G, driven by decrease in Project Services spending due to change in the Government's policy towards renewable water resources.

The following table shows the deep water wells and water treatment plants market from 2015G to 2019G and relative CAGR:

Table 3.11: Deep Water Wells and Water Treatment Plant Market from 2015G to 2019G and Relative CAGR[(1)]

	2015G	2016G	2017G	2018G	2019G	CAGR
Project Services (SAR Million)	383	230	203	183	159	(19.7%)
O&M Services (SAR Million)	367	374	380	382	385	1.2%
Total (SAR Million)	**750**	**604**	**582**	**565**	**544**	**(7.7%)**

Source: Market Consultant Report

[(1)] The market size represents an estimate of the total revenues of the players participating within the reported period.

(i) Project Services market for Deep Water Wells and Water Treatment

Project Services market reached SAR 159 million in 2019G and was mainly driven by the rehabilitation and upgrade of the existing infrastructure. Investments in new capacity slowed given the increasing focus of the National Strategy on renewable water resources. The contractual model takes the form of a lump sum fee based on a bill of quantity and bill of materials as appropriate in the individual contracts. Contracts are issued by public developers, such as NWC, generally as "Design and Build". Capital expenditure is generally split into a number of elements with equipment, construction works and pipes making up the biggest portion.

(ii) O&M Services market for Deep Water Wells and Water Treatment

O&M Services market grew at a CAGR of 1.2%, reaching SAR 385 million in 2019G. Increased capacity of deep water wells and water treatment plants from 2015G to 2019G drove the growth in O&M services. O&M contracts in this segment are typically a combination of different types of agreements, including a lump sum fee per facility that is managed, a charge per hour for manpower hours worked on the projects, and a charge per unit of material supplied or service delivered. Typically, service providers are penalized for, among other aspects, not adhering to safety standards and not delivering the project on time.

3.2.2.2 Water network market

(a) Water transmission network market

Water transmission lines connect desalination plants to cities and are mainly managed by SWCC. Along with pipelines, transmission networks infrastructure includes tunnels, pumping stations and strategic reservoirs. According to the Market Consultant Report, transmission network increased by 2.1% CAGR from 2015G to 2019G reaching 7,800 km in 2019G to accommodate the increasing number of desalination plants.

The following table shows the Water transmission network market from 2015G to 2019G and relative CAGR:

Table 3.12: Total Water Transmission Network Market from 2015G to 2019G and Relative CAGR[(1)]

	2015G	2016G	2017G	2018G	2019G	CAGR
Project Services (SAR Million)	579	580	1,435	4,003	5,406	74.8%
O&M Services[(2)] (SAR Million)	4.5	4.6	4.8	4.8	4.8	2.1%
Total (SAR Million)	**584**	**585**	**1,439**	**4,008**	**5,411**	**74.5%**

Source: Market Consultant Report

[(1)] The market size represents an estimate of the total revenues of the players participating within the reported period.

[(2)] Considering only addressable O&M market (i.e. O&M services managed in-house by SWCC are not included).

(i) Project Services market for Water transmission network

The Project Services market in transmission network reached SAR 5.4 billion in 2019G from SAR 579 million in 2015G. Project Services market grew as a consequence of the increased number of desalination plants and the need to deliver desalinated water to the cities. Project Services activity was severely impacted by oil price shock in 2014G, but the recovery of prices enabled the industry to ramp up its expansion activities. The transmission contracts are typically based on a linear meter-of-network-executed approach and payments are released based on progress submissions. The payments are usually made based on the bill of quantity and bill of materials specified in the contract. Based on the Market Consultant Report, for large projects exceeding around SAR 3 billion, pipes are sourced directly by SWCC and typically represent 30% - 40% of the construction cost.

(ii) O&M Services market for Water transmission network

The O&M services market in water transmission network reached SAR 4.8 million in 2019G, growing at a CAGR of 2.1% in the period of 2015G-2019G. The growth in O&M is attributed to network growth to ensure supply continuity. The relatively small size of this market segment is explained by the fact that over 95% of the transmission network is maintained by SWCC internal teams, and therefore not accessible by external O&M players.

(b) Water distribution network market

Water distribution networks grew at a CAGR of 2.1% since 2015G, reaching 123,500 kilometres in 2019G. Along with pipelines, the distribution network's infrastructure includes pumping stations and firewater networks. Approximately 98% of distribution networks is managed by NWC on behalf of MEWA and 2% of the network is managed by JWAP for the cities of Jubail and Yanbu, and by other industrial players (e.g. MODON).

Total market for distribution networks reached SAR 3.5 billion in 2019G, growing at a CAGR of 1.5% since 2015G.

The following table shows the water distribution network market from 2015G to 2019G and relative CAGR:

Table 3.13: Total Water Distribution Network Market from 2015G to 2019G and Relative CAGR[1]

	2015G	2016G	2017G	2018G	2019G	CAGR
Project Services (SAR Million)	2,672	2,729	3,129	2,391	2,819	1.3%
O&M Services (SAR Million)	605	618	633	644	657	2.1%
Total (SAR Million)	**3,277**	**3,347**	**3,762**	**3,035**	**3,477**	**1.5%**

Source: Market Consultant Report

[1] The market size represents an estimate of the total revenues of the players participating within the reported period.

(i) Project Services market for Water distribution network

According to the Market Consultant Report, the Project Services market reached SAR 2.8 billion in 2019G driven by construction of approximately 12,000 km of distribution networks built in 2015G to 2019G period. Project Services market grew in line with the National Water Strategy targets to increase water coverage and is a function of the extension of pipelines installed per year. These contracts are typically based on a linear meter-of-network-executed approach, meaning the length of the network is a key input to the billing for the project.

(ii) O&M Services market for Water distribution network

O&M Services market in water distribution network reached SAR 657 million in 2019G, growing at a CAGR of 2.1% in the period of 2015G-2019G. NWC outsources most of O&M services to external providers, however in some regions O&M services are managed in-house. O&M contracts typically include repair and maintenance work, leak detection, and water meters monitoring and are usually for a period of three to five years. These contracts are typically a combination of different types of agreements, including a lump sum fee per facility that is managed, a charge per hour for manpower hours worked on the projects and a charge per unit of material supplied or service delivered. Service providers are penalized for, among other aspects, not adhering to safety standards and not delivering the project on time.

3.2.3 Wastewater segment

The wastewater segment market includes wastewater treatment plants (sewage treatment plants, industrial wastewater treatment plants) and wastewater networks (wastewater networks and treated sewage effluent networks). The total wastewater collection and treatment market reached SAR 4.4 billion in 2019G, with a CAGR of 10.8% since 2015G. In 2019G, wastewater treatment market represented 61.1% of the total, and wastewater networks 38.9%.

The following table shows the wastewater segment market from 2015G to 2019G and relative CAGR:

Table 3.14: Wastewater Segment Market from 2015G to 2019G and Relative CAGR(1)

	2015G	2016G	2017G	2018G	2019G	CAGR
Wastewater treatment (SAR Million)	**1,516**	**1,206**	**1,217**	**1,412**	**2,688**	**15.4%**
Sewage treatment plants (SAR Million)	1,317	745	733	1,076	2,306	15.0%
Industrial wastewater plants (SAR Million)	199	461	483	336	383	17.8%
Wastewater networks (SAR Million)	**1,405**	**1,797**	**1,859**	**1,599**	**1,709**	**5.0%**
Wastewater networks (SAR Million)	1,293	1,673	1,723	1,451	1,527	4.3%
Treated sewage effluent networks (SAR Million)	112	124	136	147	182	12.8%
Total (SAR Million)	**2,921**	**3,003**	**3,075**	**3,011**	**4,397**	**10.8%**

Source: Market Consultant Report

(1) The market size represents an estimate of the total revenues of the players participating within the reported period.

3.2.3.1 Wastewater treatment market

(a) Sewage treatment plants market

The sewage treatment capacity grew at a CAGR of 4.5% since 2015G, reaching 5.6 million m^3 per day in 2019G, according to SWPC Seven-Year Statement. Based on the Market Consultant Report, approximately 97% of the sewage treatment plants is managed by the NWC and MEWA, whereas the remaining capacity of sewage treatment plant is managed by Marafiq. The total sewage treatment market reached SAR 2.3 billion in 2019G, growing at 15.0% CAGR. In 2019G, 83.0% of the market was represented by Projects Services and 17.0% by O&M services.

The following table shows the sewage treatment plant market from 2015G to 2019G and relative CAGR:

Table 3.15: Sewage Treatment Plant Market from 2015G to 2019G and Relative CAGR(1)

	2015G	2016G	2017G	2018G	2019G	CAGR
Project Services (SAR Million)	988	401	374	701	1,913	18.0%
O&M Services (SAR Million)	329	344	359	375	392	4.5%
Total (SAR Million)	**1,317**	**745**	**733**	**1,076**	**2,306**	**15.0%**

Source: Market Consultant Report

(1) The market size represents an estimate of the total revenues of the players participating within the reported period. Project Services market

(i) Project Services market for Sewage treatment plants

Project Services market for sewage treatment reached SAR 1.9 billion in 2019G, after dropping in 2016G and 2017G due to oil prices decrease. Project Services activity was greatly influenced by the National Transformation Program to reduce environmental impact of sewage water and increase sanitation coverage, requiring sewage treatment plants availability across the Kingdom. In 2019G, a steep increase in Project Services was registered because of the kick-off of the sewage treatment plants Jeddah Airport Independent Sewage Treatment Plant (project value of SAR 1.2 billion), West Dammam Independent Sewage Treatment Plant (project value of SAR 975 million) and North Taif Independent Sewage Treatment Plant (project value of SAR 600 million), to name a few. The bidding process typically involves either a bill of quantity and bill of material approach where the client provides the detailed design or a lump sum approach that allows the contractor to develop the detailed design. Payments for the projects are usually released based on progress made relative to the bill of quantity and penalties are imposed for any delays suffered.

(ii) O&M Services market for Sewage treatment plants

The O&M services market for sewage treatment grew at a CAGR of 4.5% since 2015G, reaching SAR 392 million in 2019G. The O&M market was driven by expansion of sewage treatment capacities, as they would require additional O&M to function. These contracts are typically a combination of different types of agreements, including a lump sum fee per facility that is managed, a charge per hour for manpower hours worked on the projects and a charge per unit of material supplied or service delivered. Typically, service providers are penalized for, among other aspects, not adhering to safety standards.

(iii) BOT/BOOT market for Sewage treatment plants

Sewage treatment plants were not procured through BOT contractual model in the 2015G - 2019G period. In 2019G, SWPC started to issue tenders for independent sewage treatment plant, managed via BOT/BOOT contracts. According to the Market Consultant Report, in 2019G three sewage treatment plant projects were awarded by SWPC under a BOOT model, including the Jeddah Airport Independent Sewage Treatment Plant to a Marafiq-led consortium, and the West Dammam Independent Sewage Treatment Plant to a Metito-led consortium.

(b) Industrial wastewater treatment plants market

According to the Market Consultant Report, industrial wastewater treatment capacity increased at a CAGR of 6.4% to reach 1.1 million m^3 per day in 2019G, due to increased industrial activity. Most of the treatment plants are owned by Saudi Aramco, MODON, Saudi Arabian Mining Company (Ma'aden) and Marafiq. The rise in capacity is attributed towards initiative of NTP to "Monitoring Sewage from the Source" and "Reduce all Types of Pollution". Enforcement of more stringent environmental compliance has led to the establishment of new private industrial treatment plants. Total market of services for industrial Wastewater Treatment Plant reached SAR 383 million in 2019G, with 61.4% represented by Projects Services and 38.4% by O&M services.

The following table shows the Industrial wastewater treatment plant market from 2015G to 2019G and relative CAGR:

Table 3.16: Total Industrial Wastewater Treatment Market from 2015G to 2019G and Relative CAGR(1)

	2015G	2016G	2017G	2018G	2019G	CAGR
Project Services (SAR Million)	84	335	346	194	235	29.3%
O&M Services (SAR Million)	115	126	137	142	147	6.4%
Total (SAR Million)	**199**	**461**	**483**	**336**	**383**	**17.8%**

Source: Market Consultant Report

(1) The market size represents an estimate of the total revenues of the players participating within the reported period.

Project Services market grew due to expansion of the capacities in Industrial WWTP as more industrial players aim for environmental compliance rules. Project Services market in Industrial WWTP reached SAR 235 million in 2019G. The peaks in 2016G and 2017G are due to the award and start construction of two large wastewater plants (industrial wastewater treatment plant of Ras Al-Khair and Jazan refinery).

O&M services market reached SAR 147 million in 2019G, growing at a CAGR of 6.4% since 2015G. The O&M services are driven by the existing facilities owned by major industrial player such as Saudi Aramco, MODON and Ma'aden.

3.2.3.2 Wastewater network market

(a) Wastewater network market

The wastewater network length grew at a CAGR of 3.3%, driven by national objective to increase wastewater coverage. Along with pipelines, the wastewater network infrastructure includes pumps and lifting stations. The total wastewater network market reached SAR 1.5 billion in 2019G, driven by 4.3% CAGR since 2015G.

The following table shows the wastewater network market from 2015G to 2019G and relative CAGR:

Table 3.17: Total Wastewater Network Market from 2015G to 2019G and Relative CAGR(1)

	2015G	2016G	2017G	2018G	2019G	CAGR
Project Services (SAR Million)	1,010	1,380	1,419	1,139	1,206	4.5%
O&M Services (SAR Million)	283	293	304	312	321	3.3%
Total (SAR Million)	**1,293**	**1,673**	**1,723**	**1,451**	**1,527**	**4.3%**

Source: Market Consultant Report

(1) The market size represents an estimate of the total revenues of the players participating within the reported period.

(i) Project Services market for Wastewater network

The Project Services market in wastewater network reached SAR 1.2 billion in 2019G, driven by a CAGR of 4.5%, in line with the National Water Strategy targets to increase wastewater coverage. The growth in project services market is correlated to the new network installed per year (according to the Market Consultant Report approximately 1,500 kms were built in 2017G and 1,200 kms in 2018G). Project Services contracts involve new network lines or upgrades to existing lines and are typically a lump sum based on bill of quantity and bill of materials as appropriate in the individual contracts. Pricing of new wastewater networks depends on a variety of technical factors, such as installed pipe, valves and fittings, trenching and excavation, embedment, dewatering, boring, pavement removal and replacement, and traffic control.

(ii) O&M Services market for Wastewater network

O&M Services market in wastewater networks reached SAR 321 million in 2019G, growing at 3.3% CAGR since 2015G in line with infrastructure growth. These contracts are typically a combination of different types of agreements, including a lump sum fee per facility that is managed, a charge per hour for manpower hours worked on the projects and a charge per unit of material supplied or service delivered. Typically, service providers are penalized for, among other aspects, not adhering to safety standards.

(iii) Concessions market for Wastewater network

The wastewater network market is generally comprised of Project Services and O&M segments, with minor concession contracts. Due to the lack of availability and transparency of information about the concessions market for wastewater network, there is very limited visibility and insight into the competitive dynamics and landscape in this segment. However, some examples of concessions agreements, specifically with regards to management of industrial cities, have been identified:

- Industrial Cities Development and Operating Co. Ltd. (ICDOC) concession agreements for management of Dammam, Jeddah and Al Ahsa industrial cities; and
- International water distribution and Co. Ltd (Tawzea) managing distribution of desalinated water, networks, sewage treatment and industrial in Qassim and Riyadh Industrial cities.

These concession agreements are often bundled together with other water management services and hence design, construction and rehabilitation of wastewater networks is included as part of the broader scope of the management of wastewater facilities.

(b) Treated sewage effluent networks market

The treated sewage effluent initiative introduced by NWC aims to effectively utilise the wasted resources for non-human uses, such as agriculture, landscape irrigation and industrial use. The initiative creates an environmentally friendly and financially sustainable long-term market for treated sewage effluent. According to the Market Consultant Report, the treated sewage effluent network grew at a CAGR of 13.5% since 2015G reaching approximately 1,900 km in 2019G as the result of the Kingdom's focus on increasing the treated sewage effluent reuse across all sectors. The total treated sewage effluent market reached SAR 182 million in 2019G, growing at a CAGR of 12.8% during the period.

The following table shows the treated sewage effluent network market from 2015G to 2019G and relative CAGR:

Table 3.18: Total Treated Sewage Effluent Network Market from 2015G to 2019G and Relative CAGR[(1)]

	2015G	2016G	2017G	2018G	2019G	CAGR
Project Services (SAR Million)	106	117	129	139	172	12.8%
O&M (SAR Million)	6	7	8	9	10	13.5%
Total (SAR Million)	**112**	**124**	**136**	**147**	**182**	**12.8%**

Source: Market Consultant Report

[(1)] The market size represents an estimate of the total revenues of the players participating within the reported period.

Project Services market in treated sewage effluent network reached SAR 172 million in 2019G, driven by the NTP objective to increase water reuse to 70% by 2030G compared to 18.2% reported by NWC in 2018G. As an example, the National Water Company is implementing a project for transferring treated sewage effluent to Waad Al Shamal city in the Northern Boarders Region for afforestation, mining and industrial purposes. The project is implemented under a governmental partnership with aim to establish a comprehensive infrastructure to support the exploitation of mineral resources in the Northern Boarders region.

O&M services market for treated sewage effluent network reached SAR 10 million in 2019G and it is managed by NWC. The growth of O&M services market at a CAGR of 13.5% is in line with the network infrastructure built in the period.

3.2.4 Integrated water solutions segment

The integrated water solutions market includes Stormwater Network, City Management, and Support and Asset Management Services.

3.2.4.1 Stormwater networks market

Stormwater network market grew by 2.1% CAGR since 2015G to reach SAR 414 million in 2019G. 64.0% of the market corresponded to Project Services and 36.0% to O&M services. The Kingdom made significant investments in planning, engineering and construction of sewerage infrastructures in order to prevent severe flooding and large-scale damage. Stormwater networks are regulated and owned by municipalities.

The following table shows the stormwater network market from 2015G to 2019G and relative CAGR:

Table 3.19: Total Stormwater Network Market from 2015G to 2019G and Relative CAGR(1)

	2015G	2016G	2017G	2018G	2019G	CAGR
Project Services (SAR Million)	264	264	264	265	265	0.1%
O&M Services (SAR Million)	118	125	133	141	149	6.0%
Total (SAR Million)	**381**	**389**	**397**	**406**	**414**	**2.1%**

Source: Market Consultant Report

(1) The market size represents an estimate of the total revenues of the players participating within the reported period.

(a) Project Services market

Project Services market for Stormwater networks was stable in the 2015G - 2019G period, growing at a CAGR of 0.1%, from SAR 264 million in 2015G to SAR 265 million in 2019G.

(b) O&M Services market

O&M market reached SAR 149 Million in 2019G, growing at 6.0% CAGR since 2015G.

3.2.4.2 City Management market

City management is a specialist area which involves full-scale management and solution implementation for water systems on an integrated city and regional level. It also includes comprehensive strategic planning, capital investment, strategic operations and maintenance of supply chain of water, pressure management, metering and customer service, among others.

City management market is characterized by bundling services in the same contract for both water distribution networks and wastewater networks. This market represents approximately 10% to 15% of the overall O&M services market for water distribution network and wastewater network. City management market grew at a CAGR of 2.7% since 2015G and reached SAR 145 million in 2019G, driven by National target of private sector participation. City management O&M contracts are usually for a period of three to five years. Contracts can be any combination of manpower agreements consisting of an hourly rate per person and/or a price list for spare parts and consumables to be required in the work.

The following table shows the city management market from 2015G to 2019G and relative CAGR:

Table 3.20: Total City Management Market from 2015G to 2019G and Relative CAGR(1)

	2015G	2016G	2017G	2018G	2019G	CAGR
City Management (SAR Million)	131	134	138	142	145	2.7%

Source: Market Consultant Report

(1) The market size represents an estimate of the total revenues of the players participating within the reported period.

3.2.4.3 Support and Asset Management Services market

The market comprises a full spectrum of water and wastewater solutions, such as fabrication workshops, laboratories, leak detection and asset management.

(a) Fabrication Workshops

Fabrication Workshop demand is generated by the various water and wastewater players and this market is not regulated as of 30 June 2020G. Fabrication contracts are typically priced either as manpower contracts (i.e. charged per hour per person working on the contract) or a lump sum paid for all materials to be supplied and repairs to be done.

(b) Laboratories

Laboratories are set up for the testing of water and wastewater to ensure that the required quality standards are maintained. The laboratories are supplied with professional manpower qualified to conduct the testing and analysis of water and provide the correct insights to the client.

(c) Leak Detection

Leak detection services are demanded from NWC, which launched a free leakage detection initiative for more than 10,000 houses in Riyadh. NWC has a technical team that set appointments with customers to inspect pipe for potential leakages.

(d) Asset Management

Asset management is a specialized service aimed at achieving the least total cost and least risk of owning and operating water assets. Contracts are priced based on the duration of the contract and the scope of the work to be done.

3.3 Overview of the Water and Wastewater competitive landscape in the Kingdom

3.3.1 Introduction

The water and wastewater market in the Kingdom is fragmented with more than 150 local and international companies competing for various segments of the market without a single player present in all segments. The companies vary widely in the services offering and capabilities and can be broadly categorised into three archetypes:

- **Integrated development and services companies**: These companies are active across asset development (BOT, BOOT) or concession, Project Services and O&M Services.
- **Services companies**: These companies provide both Project and O&M Services to asset owners or concessionaires. They typically start as a Project Services provider and evolve to add O&M services to the portfolio.
- **Project Services or O&M Services companies**: These are typically large global or regional Project Services companies or small local companies involved in parts of the network maintenance and construction.

The following table shows market size, Company's market share in 2019G and number of players per segment in 2019G. A player is defined as a company that has been active in a market segment, have recorded revenues or been awarded a contract in the particular segment in 2017G to 2019G. This is not a reflection of the player's market share.

Table 3.21: Market Size, Company's Market Share and Number of Players Per Segment in 2019G

	Market Size SAR Million (2019G)(1)	Company's Market Share (2019G)(2)	Number of Players(3)
WATER SEGMENT			
Water Supply and Treatment			
Desalination Project Services	5,294	-	More than 15
Desalination O&M	245	-	More than 10
Desalination BOT/BOOT	299	-	More than 25
Deep water wells & treatment plans Project Services	159	-	More than 80
Deep water wells & treatment plans O&M	385	36.1%	More than 80

	Market Size SAR Million (2019G)[1]	Company's Market Share (2019G)[2]	Number of Players[3]
Water Networks			
Transmission network Project Services	5,406	-	Approx. 5
Transmission network O&M	5	-	-[5]
Distribution network Project Services	2,819	0.6%	More than 60
Distribution network O&M	657	8.4%	More than 80
WASTEWATER SEGMENT			
Wastewater Treatment[4]			
Wastewater treatment plants Project Services	2,148	0.1%	More than 80
Wastewater treatment plants O&M	540	9.6%	More than 50
Wastewater Networks			
Wastewater network Project Services	1,206	5.8%	More than 60
Wastewater network O&M	321	0.9%	More than 80
Treated Sewage Effluent network Project Services	172	-	-[6]
Treated Sewage Effluent network O&M	10	48.1%	-[7]
INTEGRATED WATER SOLUTIONS SEGMENT			
Stormwater network Project Services	265	10.5%	More than 15
Stormwater network O&M	149	4.7%	More than 15
City Management	145	21.1%	More than 20
Support and asset services	-	-	More than 15

Source: Market Consultant Report

(1) The market size represents an estimate of the total revenues of the players participating within the reported period.

(2) Company's market share is calculated as the ratio between 2019G Company Revenues and total market size.

(3) A player is defined as a company that has been active in a market segment, have recorded revenues or been awarded a contract in the particular segment in 2017G to 2019G.

(4) Including sewage treatment plants and industrial wastewater treatment plant.

(5) No credible information available due to limited visibility on this market segment.

(6) No credible information available due to limited visibility on this market segment.

(7) No credible information available due to limited visibility on this market segment.

The Company is present in most of the market segments, with a focus in O&M Services, where it has 36.1% market share in deep water wells and treatment plants O&M, 8.4% in distribution networks O&M, 9.6% wastewater treatment plants O&M, 48.1% in treated sewage effluent network O&M and 21.1% in city management.

3.3.2 Water segment players

3.3.2.1 Water supply and treatment players

(a) Seawater Desalination Plants players

The desalination plant market is very competitive and attracts a combination of large, diversified local and global players in the Project Services and BOT space, and local and global specialised players in the O&M field.

(i) Project Services players in Seawater Desalination Plants

The Project Services market for desalination plants has more than 15 players in the market. With the privatisation of the Kingdom's water program, there is an increase in water projects that attract large global players with specialist experience in desalination plants.

Desalination plants are becoming more technologically complex due to increasing requirements to handle high levels of total dissolved solids, which means that players need to have sufficient knowledge and experience to compete. It is also critical for contractors to be able to deliver the plant on time and within budget as well as having a strong established track record in the field of desalination plant construction. Market entry for new players is challenging unless they can demonstrate a strong portfolio of projects developed in other regions. Players need to comply with local content targets, as it was required in recent tenders, (e.g. 40% during design and construction phase) to avoid significant penalties.

In the first half of 2020G, the Company was awarded by the Saudi Electricity Company with project of providing rental mobile stations to purify sea water for the purpose of using it in the generating stations of Shuaiba, Rabigh, and South Jeddah in the Western Sector.

Significant players in this market are Acciona, SETE Energy Saudia for Industrial Projects Ltd, Doosan Heavy Industries & Construction, SIDEM, SEPCO III Electric power Construction Ltd.

(ii) O&M Services players in Seawater Desalination Plants

There are more than ten players in the desalination O&M market, including local, specialised players, like NOMAC, and global players like Doosan Heavy Industries & Constructing and Veolia.

The longer-term nature of these contracts requires a successful track record of consistent performance in O&M services for desalination plants. Players need to comply with local content requirements (according to SWPC tender requirements, 50% during the first five years of O&M and 70% thereafter) to be eligible for the tenders and avoid significant damages.

The Company is not present in the O&M services market for desalination plants. Significant players in this market are: NOMAC, Doosan Heavy Industries & Construction, Veolia, Marafiq Saur (MaSa) and SETE Energy Saudia for Industrial Projects Ltd.

(iii) BOT players in Seawater Desalination Plants

The BOT market for water desalination plants has more than 25 players. These players are a combination of large local players with a history of experience in the development of desalination plants and experienced international firms. Increasing competition in the Kingdom has been driving tariffs down to the lowest level globally. BOT projects are often awarded to consortiums of companies with complementing capabilities across technology, engineering, finance and O&M and include local and global players. Developers with specialised O&M services subsidiaries can collect incremental revenues from each project. Successful players are able to secure competitive funding, build a deep understanding of technology direction to anticipate future cost reductions, develop a track record of desalination plants development, and meet local content requirements (according to SWPC tender requirements, 40% during the design and construction phase, 50% during the first five years of O&M and 70% thereafter).

The Company is not present in the BOT market for desalination plants. Significant players in this market are the following: ACWA Power, Marubeni, Saudi Brothers Commercial Company, ENGIE and MOWAH (CJSC).

(b) Deep Water Wells and Treatment Plants players

The deep water wells and treatment plants market is more localised and includes specialised players, especially in the O&M space.

(i) Project Services players in Deep Water Wells and Treatment Plants

The Project Services market for deep water wells and treatment plants is localised with more than 80 players participating in the market. Local competitors consist of some smaller, specialised companies that do mostly construction of water infrastructure, and other larger companies with a diverse offering across water segments. Different technologies, including reverse osmosis, are used in the construction of treatment plants and companies that have expertise in these technologies have a competitive advantage. Public contracts are awarded based on a competitive bidding process. An established track record with municipal authorities and NWC business units is important for critical projects.

The Company was not awarded Project Services contracts for this segment in the period of 2017G to 30 June 2020G. Significant players in this market are the following: Al Rawaf Trading and Contracting Company, Saudi Tumpane, WETICO, Saudi Services for Electro Mechanic Works (SSEM) and Civil Works Company (CWC).

(ii) O&M Services players in Deep Water Wells and Treatment Plants

The deep water wells and treatment plants O&M Services market consists of local players that are a combination of larger, diversified companies with operations across numerous segments and smaller, more specialised companies that focus on few segments and service offerings. There are more than 80 players in this market. Significant players in this market typically could either have a presence across the Kingdom or focus on specific regions. Regional players are typically focused on the Eastern region or in the Central region only. O&M services are typically provided by companies that provide both Project Services and O&M Services, often with a bigger footprint in the Project Services market and a strong track record of delivery in the construction projects.

O&M service providers need to have the required technical knowledge, including about the latest technologies employed in the treatment plants to ensure that they are run efficiently. There are also water quality standards set by the Saudi Arabian Standards Organisation (SASO) that need to be complied with and players with experience in this area have a competitive advantage over others. A proven O&M services track record in treatment plants is critical due to the long-term nature of the contracts and the fact that the contracts are issued by public entities like MEWA that value a level of trust between them and the service provider. Having a good relationship with the client is also important since these contracts are often renewed if performance targets are met and the client can recommend the service provider for the extension.

The Company is a significant player in the O&M services market with a 36.1% market share in 2019G. Other significant players are the following: Civil Works Company (CWC), Abdullah Ibrahim Al Sayegh & Sons Co., Alkawther and International Aramoon Co. Ltd.

3.3.2.2 Water networks players

(a) Water transmission networks players

The transmission network is a combination of large global and local players with specialized transmission networks experience.

(i) Project Services players in Water transmission networks

About five players are present in this market, which include multinational global players and local companies that have the required technology, machinery and experience in this field and have a track record of successful delivery.

The Company is not present in the water transmission networks Project Services space. Significant players in this market are: Al Rashid Trading & Contracting Company (RTCC), Limak Holding, Mapa Insaat, Mutlaq Al-Ghowari Contracting Company and Saudi Services for Electro Mechanic Works (SSEM).

(ii) O&M Services players in Water transmission networks

Most of the transmission networks (approximately 95%) is operated and maintained by SWCC internal teams. Due to the lack of availability and transparency of information about the O&M Services market for transmission networks, there is very limited visibility and insight into the competitive dynamics and landscape in this segment. Company is not participating in this sector.

(b) Water distribution networks players

The distribution network is concentrated in local players with extensive experience in the distribution Project Services and O&M space.

(i) Project Services players in Water distribution networks

The Project Services market for water distribution networks is fragmented with more than 60 companies competing in this space, most of them with a small share of the market. These players are a combination of local players having a strong presence in the Project Services market with additional O&M services, and players that are primarily O&M service providers with experience in Project Services.

Construction of water distribution networks requires local knowledge and experience especially regarding local infrastructure, ground conditions, depth of tranches and obtaining licenses and permits for construction.

The Company is active in the Project Services market with a 0.6% market share in 2019G. Other significant players in this market are Civil Works Company (CWC), Mohammed Al-Swailem Company for Trade and Contracting, Abdullah Ibrahim Al Sayegh & Sons Co. and Mutlaq Al-Ghowari Contracting Company.

(ii) O&M Services players in Water distribution networks

The O&M market for water distribution networks is fragmented with more than 80 players present in the market. These players are local firms that either have experience in both Project Services and O&M or that are part of the same group as contracting companies and specifically focus on O&M services.

Knowledge of the weak points in the network and the specific preventative maintenance required generates an advantage for incumbent players. The incumbent provider that has experience working with the client has a competitive advantage due to detailed knowledge of the scope of services to be provided, operational requirements and associated costs.

Required capabilities to operate in this segment include expertise in preventative and corrective maintenance, track record in managing and improving aged infrastructure, and operational excellence to reducing leaks and lowering costs. Meeting contractual key performance indicators, such response times for repairs, avoids penalties and improves the chances of existing contracts extension or renewal. Demonstrated track record of achieving these key performance indicators can also be a competitive advantage for new contracts.

The Company is a significant player in the O&M services market with an 8.4% market share in 2019G. Its market share was relatively stable during the last three years. Other significant players in this market are the following: Civil Works Company (CWC), Abdullah Ibrahim Al Sayegh & Sons Co, Alruwaita Company for Operation and Maintenance Ltd and Al Rawaf Trading and Contracting Company.

3.3.3 Wastewater segment players

3.3.3.1 Wastewater treatment players

Wastewater treatment includes sewage treatment plants and industrial wastewater treatment plants. This market attracts large global players in the Project Services market for treatment plants and local, more specialised competitors in the O&M segment.

(a) Project Services players in Wastewater treatment

The Project Services market for wastewater treatment plants has more than 80 local and global players competing in the market, each with a small market share. The local players are companies with extensive experience in construction of water and wastewater treatment plants, while global players are either specialised water and wastewater treatment firms or general construction firms.

The Company had a small presence in the Project Services market with a 0.1% market share in 2019G (combining sewage and industrial wastewater). Significant players in this market are Saudi Services for Electro Mechanic Works (SSEM), VA Tech WABAG, Orascom Construction, Bin Jarallah Holding and Aziz Company.

(b) O&M Services players in Wastewater treatment

The O&M market for wastewater treatment plants is occupied by more than 50 players. The companies are either larger, diversified players with a portfolio of solutions covering multiple segments of the value chain, or specialised companies that focus on Project Services and O&M for selected segments.

Players need to comply with environmental targets related to low levels of odour, noise and chemical usage of independent sewage treatment plants, and local content targets (i.e. 50% during the first five years of O&M and 70% thereafter). Due to the longer-term nature of these contracts and the strategic importance thereof, a successful track record in relevant O&M experience for wastewater treatment plants is a key factor in the tender process.

The Company is a significant player in the O&M market with a 9.6% market share in 2019G (combining Sewage and Industrial wastewater). The Company increased its market share from 5.4% in 2017G to 9.6% in 2019G. Other significant players in this market are Abdullah Ibrahim Al Sayegh & Sons Co., Civil Works Company (CWC), Al-Mashariq Trading & Contracting Co. and MOWAH (CJSC).

3.3.3.2 Wastewater networks players

(a) Wastewater networks players

The wastewater collection market comprises specialised large local players in the network space with some smaller players in the O&M segment.

(i) Project Services players in Wastewater networks

The Project Services market for wastewater networks has more than 60 players competing for market share. These players are local companies and include a combination of specialised firms with specific experience in tunnelling and construction of pipelines and more diversified companies that offer a variety of services, most of them in water and wastewater.

Required capabilities to operate in the wastewater networks Project Services market include understanding of local infrastructure, specialized procurement, track record of construction of wastewater networks locally, relationship with the NWC and MEWA, and ability to obtain timely licenses and permits for the construction.

The Company is a significant player in the Project Services market with a 5.8% market share in 2019G. The Company increased its market share from 2.6% in 2017G to 5.8% in 2019G. Other significant players in this market are: Thrustboring Construction Company, Al Yamama Company and Environment Systems for Contracting.

(ii) O&M Services players in Wastewater networks

The O&M market for wastewater networks has more than 80 players present in this market. These players are local firms that either have experience in both Project Services and O&M or that are part of the same group as a contracting company and specifically focus on O&M services.

Knowledge of the weak points in the network and the specific preventative maintenance required generates an advantage for players.

Required capabilities to operate in this segment include expertise in preventative and corrective maintenance, track record in managing and improving aged infrastructure, and operational excellence to reducing leaks and lowering costs. Demonstrated track record of achieving these key performance indicators can also be a competitive advantage for new contracts.

The Company has a presence in the O&M market with a 0.9% market share in 2019G. Significant players in this market are: Civil Works Company (CWC), Abdullah Ibrahim Al Sayegh & Sons Co., Al Yamama Company, Al Rawaf Trading and Contracting Company.

(iii) Concession players in Wastewater networks

Due to the lack of availability and transparency of information about the concession market for treated wastewater networks, there is very limited visibility and insight into the competitive dynamics and landscape in this segment.

(b) Treated Sewage Effluent networks players

Due to the lack of availability and transparency of information about the Project Services and O&M segments for treated sewage effluent networks, there is very limited visibility and insight into the competitive dynamics and landscape in this segment.

The Company is a significant player in the O&M market for Treated Sewage Effluent with a 48.1% market share in 2019G, which increased from 13.9% in 2017G. The Company does not conduct any activities in the Project Services market for Treated Sewage Effluent.

3.3.4 Integrated water solutions segment players

The integrated water solutions market includes stormwater network, city management, and support and asset services.

3.3.4.1 Stormwater networks players

This market is specialised and comprises local companies with a strong track record in both Project Services and O&M services.

(a) Project Services players

More than 15 players compete in the Project Services market for stormwater networks. Stormwater networks require different equipment, processes and technologies compared to other segments. Therefore, significant players in water distribution networks and wastewater networks do not necessarily have the required knowledge to compete in the stormwater market. Few local companies have specific relevant expertise and track record in this space. Global players have the required expertise and relationships with the Kingdom authorities to provide these services.

The Company is a significant player in the Project Services market with a 10.5% market share in 2019G. The Company increased its market share from none in 2017G to 10.5% in 2019G. Other significant players in this market are: China Jiu Engineering Company, Al Rawaf Trading and Contracting Company, Mutlaq Al-Ghowari Contracting Company and Al Jazira Contracting Company.

(b) O&M Services players

Over 15 local players compete in the Stormwater networks O&M services. These companies are either larger, diverse players that provide O&M services in a variety of segments or smaller players that have stormwater O&M services as one of their focus areas. This is a specialist area and global players are not present in this segment since they are not familiar with the local infrastructure and associated challenges.

O&M contracts are also typically longer-term requiring a trusted relationship between the service provider and the client and strong track record.

The Company is a significant player in the O&M services market with a 4.7% market share in 2019G. Its market shared declined from 5.3% in 2017G to 4.7% in 2019G. Other significant players in this market are Eammar Infrastructure Contracting Company Ltd., Abdullah Al Mousa Contracting Est., Al Hadhb Trading and Contracting Company and Civil Works Company (CWC).

3.3.4.2 City Management players

The city management market is comprised of more than 20 players that are local and have extensive experience in this field. This is a highly specialised field that requires the necessary knowledge in wider areas such as customer services and strategic planning. This is a large barrier for specialised companies that do not have the breadth of experience or qualified resources in these areas and global companies lack the relevant local knowledge to be able to compete. The specialised nature of these contracts also requires strong relationships in the industry since the long-term duration of the contracts requires a certain level of trust between the provider and the client. Achieving cost efficiency across all lines of services is important and local players are better able to achieve this.

The Company is a significant player in the city management market with 21.1% market share in 2019G. Other significant players in this market are Civil Works Company (CWC), Al-Mashariq Trading & Contracting Co., MOWAH (CJSC) and Nesma Water and Energy.

3.3.4.3 Support and Asset Services players

Support and asset management services involve different service offerings in the field of city water management, including fabrication workshops, laboratories, leak detection and asset management. The market is relatively concentrated with more than 15 players competing. The significant players are a combination of local and global players, each specialising in a different area, depending on the sub-segment.

The Company is present in all the segments of support and asset services market.

Due to lack of visibility on this sector, market size and shares for each sub-activity could not be indicated.

(a) Fabrication workshops players

Fabrication involves the manufacturing of custom parts for equipment that are difficult to find. It requires specific parts, equipment and expertise to manufacture these parts which is a barrier to players that do not have these resources and equipment. There is no visibility of the players in this sub-segment that are similar to the Company.

(b) Laboratories players

Specialist equipment is required to enable the testing of water and reporting that needs to be done. The specialist nature and requirement for trained professionals attracts global players to this sub-segment in addition to the local player.

The Company is present in this sub-segment. Another significant player in the market is Metito.

(c) Leak detection players

Leak detection involves the utilisation of advanced technologies to detect leaks with the aim of preserving assets in the long term and requires specialist equipment and personnel. The market is occupied by local players since knowledge of local infrastructure and assets is advantageous to be competitive in this area.

The Company is present in this sub-segment. Other significant players are: International Aramoon Co. Ltd. And International Water Distribution Co. Ltd (TAWZEA).

(d) Asset management players

Asset management is a specialised service aimed at achieving the least cost and least risk of owning and operating assets that requires skilled and trained professionals. It attracts global players with specific experience in this area and players with a strong track record in these services are sought after. The Company is present in this sub-segment. Other significant players are Atkins Global and Suez Water Technologies.

4. BUSINESS DESCRIPTION

4.1 Overview

Alkhorayef Water & Power Technologies is a Saudi closed joint stock company registered under Commercial Registration No. 1010085982, dated 22/02/1412H (corresponding to 2 September 1991G) and formed pursuant to the Ministerial Resolution No.359, dated 09/10/1441H (corresponding to 1 June 2020G), with a capital of SAR 250,000,000 divided into 25,000,000 ordinary Shares with a fully paid nominal value of SAR 10 per share. The Company's head office and registered office are located in Riyadh, Al Nafal District, King Abdulaziz Road, Exit 5, P.O. Box 62637, Riyadh 11595, Kingdom of Saudi Arabia.

According to the Company's main and branch Commercial Registrations, its main activities include installation and maintenance of water pipelines between and within the cities, construction of new networks, construction and repair of main water distribution stations, repair and maintenance of irrigation canals, water storage towers and wells, construction and repair of sewage projects and networks and pumps, in addition to the construction of dams. The Company's activities, according to the commercial register of the Company's branches, also include repair and maintenance of pipelines and water purifiers, the water collection and purification, the disposal of wastewater, the operation of wastewater treatment networks and facilities, installation, maintenance and repair of oil and gas and irrigation pipelines, drilling of water wells and extension of irrigation pipes, and management of construction projects, retail sale of electrical equipment and supplies, sale of measurement and control devices, navigation equipment and devices, sale of water pumping equipment, retail sale of water purification equipment and supplies, and retail sale of electrical generators. In addition, the activities listed in the commercial register of the Company's branches also include water distribution and transfer, construction and repair of roads, streets, sidewalks and road supplies, construction of electric power stations and converters, construction of port berths and marine constructions, cleaning of waterways, groundwater withdrawal and site drying, installation and repair of solar energy networks, and energy efficiency project management activities.

The Company is one of the largest subsidiaries of Alkhorayef Group Company which has been in business for over 60 years. The Company is one of the major players in the water sector in the Kingdom with over 30-year expertise in operation and maintenance, engineering, procurement, construction, start-up and commissioning of large-scale challenging projects serving the local needs and gaining over the years credibility with multitude of major governmental and private sector clients. The Company's core activities consist of the following key business segments (for further details, see Section 4.6 (**Overview of the Company's Business**)):

- water segment;
- wastewater segment; and
- integrated water solutions.

As of 30 June 2020G, the Company had a total of 4,215 employees across the Kingdom (for further details, see Section 5.8 (**Employees**)).

The Company generated revenue of SAR 250.8 million in the six-month period ended 30 June 2020G, compared to SAR 423.2 million in the financial year ended 31 December 2019G, and SAR 356.3 million in the financial year ended 31 December 2018G. The net income for six-month period ended 30 June 2020G was SAR 57.7 million, compared to SAR 91.7 million for the financial year ended 31 December 2019G and SAR 51.1 million for the financial year ended 31 December 2018G. As of 30 June 2020G, the Company's total equity was SAR 257.1 million, compared to SAR 215.3 million as of 31 December 2019G and SAR 123.2 million as of 31 December 2018G, with total assets of SAR 577.7 million as of 30 June 2020G, compared to 405.9 million as of 31 December 2019G and SAR 393.5 million as of 31 December 2018G.

4.2 Corporate History and Evolution of Capital

The business predecessor of the Company was originally a business unit established in 1985G within Abdullah Ibrahim Alkhorayef Sons Company, a Saudi closed joint stock company registered in Riyadh under Commercial Registration No. 1010000878 dated 09/02/1434H (corresponding to 22 December 2012G) (see Section 4.3.2.1 (**Alkhorayef Group Company**) for further details), until it was incorporated as a limited liability company on 2 September 1991G.

The Company was established as a separate legal entity and started operations on 2 September 1991G, under the name of "Alkhorayef Operation and Maintenance Limited Liability Company" under Commercial Registration No. 1010085982 dated 22/02/1412H (corresponding to 2 September 1991G) with a capital of SAR 5,000,000 divided into 5,000 shares with a nominal value of SAR 1,000 per share. The shares of the Company upon incorporation were distributed as follows:

Table 4.1: The Shareholders of the Company as of 22/02/1412H (Corresponding to 2 September 1991G)

Shareholder	Number of Shares	Ownership Percentage[1]
Abdullah Ibrahim Alkhorayef Sons Company	4,900[2]	98%
Alkhorayef Agricultural Projects Company	100	2%
Total	**5,000**	**100%**

Source: The Company

[1] The ownership percentages are rounded.

[2] 4,836 of these shares were in-kind shares that were contributed by Abdullah Ibrahim Alkhorayef Sons Company upon the incorporation of the Company.

On 20/02/1414H (corresponding to 8 August 1993G), the Company was converted from a limited liability company to a limited partnership, and the capital of the Company was increased from SAR 5,000,000 divided into 5,000 shares with a nominal value of SAR 1,000 per share to SAR 7,000,000 divided into 7,000 shares with a nominal value of SAR 1,000 per share, through a cash share issuance against cash contributions. In addition, the name of the Company was changed to "Abdulrahman Abdullah Alkhorayef and Partners Operation and Maintenance Limited Partnership". The ownership of the Company after conversion and the capital increase was as follows:

Table 4.2: The Shareholders of the Company as of 20/02/1414H (Corresponding to 8 August 1993G)

Shareholder	Number of Shares	Ownership Percentage[1]
Abdullah Ibrahim Alkhorayef Sons Company	4,900	70.00%
Abdulrahman Abdullah Alkhorayef	2,000	28.57%
Alkhorayef Agricultural Projects Company	100	1.43%
Total	**7,000**	**100%**

Source: The Company

[1] The ownership percentages are rounded.

Pursuant to a shareholders' resolution dated 01/05/1414H (corresponding to 16 October 1993G), the Company's capital was increased to SAR 7,200,000 divided into 7,200 shares with a nominal value of SAR 1,000 per share, up from SAR 7,000,000 divided into 7,000 shares with a nominal value of SAR 1,000 per share, through issuing new cash shares paid by the shareholders in proportion to their ownership percentages. In addition, Abdulrahman Abdullah Alkhorayef transferred 14.4% of the Company's capital (50% of his shares in the Company) to Hamad Abdullah Alkhorayef, Saad Abdullah Alkhorayef, Mohammed Abdullah Alkhorayef, Jawaher Abdullah Alkhorayef, Sarah Abdullah Alkhorayef, Haya Abdullah Almubarak, Bandar Ibrahim Alkhorayef, Abdullah Ibrahim Alkhorayef, Fahad Ibrahim Alkhorayef, Ibtisam Ibrahim Alkhorayef, Sarah Ibrahim Alkhorayef, Njood Ibrahim Alkhorayef and Munerah Abdullah Almubarak, whereas Abdullah Ibrahim Alkhorayef Sons Company and Alkhorayef Agricultural Projects Company transferred their shares in their entirety to the above new shareholders. The ownership of the Company after the capital increase and transfer of shares was as follows:

Table 4.3: The Shareholders of the Company as of 01/05/1414H (Corresponding to 16 October 1993G)

Shareholder	Number of Shares[2]	Ownership Percentage[1]
Abdulrahman Abdullah Alkhorayef	1,025	14.24%
Hamad Abdullah Alkhorayef	1,025	14.24%
Saad Abdullah Alkhorayef	1,025	14.24%
Mohammed Abdullah Alkhorayef	1,025	14.24%
Jawaher Abdullah Alkhorayef	513	7.12%
Sarah Abdullah Alkhorayef	513	7.12%
Haya Abdullah Almubarak	1,050	14.58%
Munerah Abdullah Almubarak	128	1.78%
Bandar Ibrahim Alkhorayef	199	2.77%
Abdullah Ibrahim Alkhorayef	199	2.77%
Fahad Ibrahim Alkhorayef	199	2.77%
Ibtisam Ibrahim Alkhorayef	100	1.38%

Shareholder	Number of Shares[2]	Ownership Percentage[1]
Sarah Ibrahim Alkhorayef	100	1.38%
Njood Ibrahim Alkhorayef	100	1.38%
Total	7,200	100%

Source: The Company

[1] The ownership percentages are rounded.

[2] The numbers of shares are rounded.

Pursuant to a shareholders' resolution dated 26/11/1414H (corresponding to 7 May 1994G), the name of the Company was changed to "Alkhorayef Operation and Maintenance Company Property of Abdulrahman Abdullah Alkhorayef and Partners LP".

On 08/04/1421H (corresponding to 10 July 2000G), and due to the demise of one of the partners, namely Haya Abdullah Almubarak, her share ownership in the Company had passed to her six heirs, namely: Abdulrahman Abdullah Alkhorayef, Hamad Abdullah Alkhorayef, Saad Abdullah Alkhorayef, Mohammed Abdullah Alkhorayef, Jawaher Abdullah Alkhorayef and Sarah Abdullah Alkhorayef all of whom are shareholders in the Company, and have agreed collectively to retain the shares in the capital of the Company. The ownership of the Company after the transfer of shares was as follows:

Table 4.4: The Shareholders of the Company as of 08/04/1421H (Corresponding to 10 July 2000G)

Shareholders	Number of Shares[2]	Ownership Percentage[1]
Abdulrahman Abdullah Alkhorayef	1,235	17.15%
Hamad Abdullah Alkhorayef	1,235	17.15%
Saad Abdullah Alkhorayef	1,235	17.15%
Mohammed Abdullah Alkhorayef	1,235	17.15%
Jawaher Abdullah Alkhorayef	618	8.58%
Sarah Abdullah Alkhorayef	618	8.58%
Munerah Abdullah Almubarak	128	1.78%
Bandar Ibrahim Alkhorayef	199	2.77%
Abdullah Ibrahim Alkhorayef	199	2.77%
Fahad Ibrahim Alkhorayef	199	2.77%
Ibtisam Ibrahim Alkhorayef	100	1.38%
Sarah Ibrahim Alkhorayef	100	1.38%
Njood Ibrahim Alkhorayef	100	1.38%
Total	7,200	100%

Source: The Company

[1] The ownership percentages are rounded.

[2] The numbers of shares are rounded.

Pursuant to a shareholders' resolution dated 14/09/1427H (corresponding to 7 October 2006G), the shareholders transferred 6,480 shares to Alkhorayef Group Company and 720 shares to Alkhorayef Industries Company. In the same resolution, the Company was converted from a limited partnership to a limited liability company and the name of the Company was changed to "Alkhorayef Operation and Maintenance". The ownership of the Company after the conversion and transfer of shares was as follows:

Table 4.5: The Shareholders of the Company as of 14/09/1427H (Corresponding to 7 October 2006G)

Shareholder	Number of Shares	Ownership Percentage
Alkhorayef Group Company	6,480	90.00%
Alkhorayef Industries Company	720	10.00%
Total	7,200	100.00%

Source: The Company

Pursuant to a shareholders' resolution dated 05/05/1428H (corresponding to 22 May 2007G), the Company's capital was increased from SAR 7,200,000 divided into 7,200 shares with a nominal value of SAR 1,000 per share to SAR 40,000,000 divided into 40,000 shares with a nominal value of SAR 1,000 per share, through issuing new cash shares paid by the shareholders in proportion to their ownership percentage. The ownership of the Company after the capital increase was as follows:

Table 4.6: The Shareholders of the Company as of 05/05/1428H (Corresponding to 22 May 2007G)

Shareholder	Number of Shares	Ownership Percentage
Alkhorayef Group Company	36,000	90.00%
Alkhorayef Industries Company	4,000	10.00%
Total	**40,000**	**100.00%**

Source: The Company

Pursuant to a shareholders' resolution dated 05/02/1430H (corresponding to 31 January 2009G), the name of the Company was changed to "Alkhorayef Water & Power Technologies".

On 10/11/1432H (corresponding to 8 October 2011G), Alkhorayef Industries Company exited the Company by transferring all of its 4,000 shares, including 3,600 shares to Alkhorayef Group Company and 400 shares to Alkhorayef International Company. The ownership of the Company after the transfer of shares was as follows:

Table 4.7: The Shareholders of the Company as of 10/11/1432H (Corresponding to 8 October 2011G)

Shareholder	Number of Shares	Ownership Percentage
Alkhorayef Group Company	39,600	99.00%
Alkhorayef International Company	400	1.00%
Total	**40,000**	**100.00%**

Source: The Company

Pursuant to a shareholders' resolution dated 07/06/1435H (corresponding to 7 April 2014G), the Company's capital was increased from SAR 40,000,000 divided into 40,000 shares with a nominal value of SAR 1,000 per share to SAR 80,000,000 divided into 80,000 shares with a nominal value of SAR 1,000 per share, through issuing new cash shares paid by the shareholders in proportion to their ownership percentage. The ownership of the Company after the capital increase was as follows:

Table 4.8: The Shareholders of the Company as of 07/06/1435H (Corresponding to 7 April 2014G)

Shareholder	Number of Shares	Ownership Percentage
Alkhorayef Group Company	79,200	99.00%
Alkhorayef International Company	800	1.00%
Total	**80,000**	**100.00%**

Source: The Company

Pursuant to a shareholders' resolution dated 24/01/1436H (corresponding to 17 November 2014G), Alkhorayef Group Company transferred all of its 79,200 shares to Abdullah Ibrahim Alkhorayef Sons Limited Partnership, whereas Alkhorayef International Company transferred all of its 800 shares to Alkhorayef Investment Company. The ownership of the Company after the transfer of shares was as follows:

Table 4.9: The Shareholders of the Company as of 24/01/1436H (Corresponding to 17 November 2014G)

Shareholder	Number of Shares	Ownership Percentage
Abdullah Ibrahim Alkhorayef Sons Limited Partnership	79,200	99.00%
Alkhorayef Investment Company	800	1.00%
Total	**80,000**	**100.00%**

Source: The Company

Pursuant to a shareholders' resolution dated 09/05/1438H (corresponding to 6 February 2017G), the Company was converted from a limited liability company into a one-person limited liability company without change in the capital owned by Abdullah Ibrahim Alkhorayef Sons (previously Abdullah Ibrahim Alkhorayef Sons Limited Partnership), after Alkhorayef Investment Company transferred all of its 800 shares to the Abdullah Ibrahim Alkhorayef Sons. The ownership of the Company after the transfer of shares was as follows:

Table 4.10: The Shareholders of the Company as of 09/05/1438H (Corresponding to 6 February 2017G)

Shareholder	Number of Shares	Ownership Percentage
Abdullah Ibrahim Alkhorayef Sons	80,000	100.00%
Total	**80,000**	**100.00%**

Source: The Company

On 07/05/1439H (corresponding to 24 January 2018G), Abdullah Ibrahim Alkhorayef Sons transferred all of its 80,000 shares to Alkhorayef Group Company. The ownership of the Company after the transfer of shares was as follows:

Table 4.11: The Shareholders of the Company as of 07/05/1439H (Corresponding to 24 January 2018G)

Shareholder	Number of Shares	Ownership Percentage
Alkhorayef Group Company	80,000	100.00%
Total	**80,000**	**100.00%**

Source: The Company

On 17/10/1441H (corresponding to 9 June 2020G), the Company was converted from a one-person limited liability company to a closed joint stock company under the name of "Alkhorayef Water & Power Technologies" pursuant to Ministerial Resolution No. 359 dated 09/10/1441H (corresponding to 1 June 2020G) and the Company's Commercial Registration, which reflects the legal form of the Company after its conversion into a closed joint stock company on 17/10/1441H (corresponding to 9 June 2020G). The single shareholder issued a decision to convert the Company from a one-person limited liability company to a closed joint stock company on 05/05/1441H (corresponding to 1 January 2020G). At the same time, the Company's capital was increased from SAR 80,000,000 divided into 80,000 shares with a nominal value of SAR 1,000 per share to SAR 250,000,000 divided into 25,000,000 Shares with a nominal value of SAR 10 per share through a share issuance against capitalization of retained earnings in the amount of SAR 116.80 million, the capitalization of the amount of SAR 19.07 million from the Company's statutory reserves and the capitalization of the amount of SAR 34.13 million from the amount due from Related Parties. In addition, on 05/05/1441H (1 January 2020G), Alkhorayef Group Company also transferred 19% of its shares in the Company to Alkhorayef Nama Company, Hamad Abdullah Alkhorayef, Saad Abdullah Alkhorayef, Mohammed Abdullah Alkhorayef, Jawaher Abdullah Alkhorayef, Sarah Abdullah Alkhorayef, Munerah Abdullah Almubarak, Abdullah Ibrahim Alkhorayef, Fahad Ibrahim Alkhorayef, Ibtisam Ibrahim Alkhorayef, Sarah Ibrahim Alkhorayef, Njood Ibrahim Alkhorayef, Fawziah Mohammed Sulieman, Abdullah Abdulrahman Alkhorayef, Abdulaziz Abdulrahman Alkhorayef, Ibrahim Abdulrahman Alkhorayef, Reema Abdulrahman Alkhorayef, and Seema Abdulrahman Alkhorayef. The ownership of the Company after the conversion and capital increase was as follows:

Table 4.12: The Shareholders of the Company as of 05/05/1441H (Corresponding to 1 January 2020G)

Shareholder	Number of Shares	Ownership Percentage(1)
Alkhorayef Group Company	20,250,000	81.00%
Alkhorayef Nama Company	1,250,000	5.00%
Hamad Abdullah Alkhorayef	600,347	2.40%
Saad Abdullah Alkhorayef	600,347	2.40%
Mohammed Abdullah Alkhorayef	600,347	2.40%
Jawaher Abdullah Alkhorayef	300,174	1.20%
Sarah Abdullah Alkhorayef	300,174	1.20%
Munerah Abdullah Almubarak	62,286	0.25%
Abdullah Ibrahim Alkhorayef	193,766	0.78%

Shareholder	Number of Shares	Ownership Percentage[1]
Fahad Ibrahim Alkhorayef	96,883	0.39%
Ibtisam Ibrahim Alkhorayef	48,443	0.19%
Sarah Ibrahim Alkhorayef	48,443	0.19%
Njood Ibrahim Alkhorayef	48,443	0.19%
Fawziah Mohammed Sulieman	75,043	0.30%
Abdullah Abdulrahman Alkhorayef	131,326	0.53%
Abdulaziz Abdulrahman Alkhorayef	131,326	0.53%
Ibrahim Abdulrahman Alkhorayef	131,326	0.53%
Reema Abdulrahman Alkhorayef	65,663	0.26%
Seema Abdulrahman Alkhorayef	65,663	0.26%
Total	**25,000,000**	**100%**

Source: The Company

[1] The ownership percentages are rounded.

The key historical changes and events are summarized as follows:

Table 4.13: The Key Historical Changes and Events

Date	Change
1985G	A water and wastewater business unit is established within Abdullah Ibrahim Alkhorayef Sons Company.
1991G	"Alkhorayef Operation and Maintenance Limited Liability Company" was established, and the business unit specialized in the water and wastewater sector within the Abdullah Ibrahim Alkhorayef Sons Company was transferred thereto.
1993G	The Company was converted into a limited partnership, and the capital of the Company was increased from SAR 5,000,000 to SAR 7,000,000 through issuing new shares against cash contributions. Their value was paid by the partners according to their share of capital.
1993G	The capital of the Company was increased from SAR 7,000,000 to SAR 7,200,000 through issuing new shares against cash contributions. Their value was paid by the partners according to their share of capital.
1994G	The name of the Company was changed to "Alkhorayef Maintenance and Operations for Owner Abdulrahman Abdallah Alkhorayef & Partners LP"
2006G	The Company was converted into a limited liability company and its name was changed to "Alkhorayef Operation and Maintenance".
2007G	The capital of the Company was increased from SAR 7,200,000 to SAR 40,000,000 through issuing new shares against cash contributions. Their value was paid by the partners according to their share of capital.
2009G	The name of the Company was changed to "Alkhorayef Water & Power Technologies".
2014G	Company business and structure transformation and development, including hiring new Executive Management and creating a Project Management Office; the capital of the Company was increased from SAR 40,000,000 to SAR 80,000,000 through issuing new shares against cash contributions. Their value was paid by the partners according to their share of capital.
2015G	Awarded the first project on a joint venture basis with FCC Aqualia, a global industry leader.
2018G	Number of employees exceeded the 2,500 benchmark; ISO 14001, ISO 9001 and OHSAS certificates obtained.
2019G	Obtained Classification Grade 1 in water and wastewater from MOMRA, allowing the Company to participate in all sizes and profiles of projects with governmental entities in the water sector; qualified for participation in NWC's Group 1 and Group 2 project clusters in partnership with Veolia Middle East (Group 1 means projects in large-level regions and Group 2 means projects in medium-level regions, in accordance with the City Management Program, which classifies the Kingdom's regions into several groups) within the City Management Program with Veolia Middle East.
2020G	The Company was converted into a closed Saudi joint stock company, and the Company's capital inceased from SAR 80,000,000 to SAR 250,000,000 through issuing new shares in exchange for capitalization of retained earnings, statutory reserves, and amounts due from Related Parties; the number of the Company's employees exceeded 4,000 employees.
2020G	Prequalified and participated in BOT projects with Saudi Water Partnership Company (SWPC); the Company engaged in the field of desalination of sea water through having a sea water purification mobile plant lease project awarded by the Saudi Electricity Company for the purpose of using the sea water in the generators of Shuaiba, Rabigh, and South Jeddah in the western sector, during the six-month period ended June 2020G.

Source: The Company

4.3 Current Shareholding Structure

4.3.1 Overview

The current capital of the Company is SAR 250,000,000 divided into 25,000,000 ordinary Shares with a fully paid nominal value of SAR 10 per share.

The following table sets out the direct ownership and capital structure of the Company before and after the Offering:

Table 4.14: Direct Ownership Structure of the Company Pre-and Post-Offering

Shareholder	Shareholding (Pre-IPO)			Shareholding (Post-IPO)		
	Number of Shares	Ownership (%)[1]	Nominal Value (SAR)	Number of Shares	Ownership (%)[1]	Overall Nominal Value (SAR)
Alkhorayef Group Company	20,250,000	81.00%	202,500,000	12,750,000	51.00%	127,500,000
Alkhorayef Nama Company	1,250,000	5.00%	12,500,000	1,250,000	5.00%	12,500,000
Hamad Abdullah Alkhorayef	600,347	2.40%	6,003,470	600,347	2.40%	6,003,470
Saad Abdullah Alkhorayef	600,347	2.40%	6,003,470	600,347	2.40%	6,003,470
Mohammed Abdullah Alkhorayef	600,347	2.40%	6,003,470	600,347	2.40%	6,003,470
Jawaher Abdullah Alkhorayef	300,174	1.20%	3,001,740	300,174	1.20%	3,001,740
Sarah Abdullah Alkhorayef	300,174	1.20%	3,001,740	300,174	1.20%	3,001,740
Munerah Abdullah Almubarak	62,286	0.25%	622,860	62,286	0.25%	622,860
Abdullah Ibrahim Alkhorayef	193,766	0.78%	1,937,660	193,766	0.78%	1,937,660
Fahad Ibrahim Alkhorayef	96,883	0.39%	968,830	96,883	0.39%	968,830
Ibtisam Ibrahim Alkhorayef	48,443	0.19%	484,430	48,443	0.19%	484,430
Sarah Ibrahim Alkhorayef	48,443	0.19%	484,430	48,443	0.19%	484,430
Njood Ibrahim Alkhorayef	48,443	0.19%	484,430	48,443	0.19%	484,430
Fawziah Mohammed Sulieman	75,043	0.30%	750,430	75,043	0.30%	750,430
Abdullah Abdulrahman Alkhorayef	131,326	0.53%	1,313,260	131,326	0.53%	1,313,260
Abdulaziz Abdulrahman Alkhorayef	131,326	0.53%	1,313,260	131,326	0.53%	1,313,260
Ibrahim Abdulrahman Alkhorayef	131,326	0.53%	1,313,260	131,326	0.53%	1,313,260
Reema Abdulrahman Alkhorayef	65,663	0.26%	656,630	65,663	0.26%	656,630
Seema Abdulrahman Alkhorayef	65,663	0.26%	656,630	65,663	0.26%	656,630
Public	-	-	-	7,500,000	30.00%	75,000,000
Total	**25,000,000**	**100%**	**250,000,000**	**25,000,000**	**100%**	**250,000,000**

Source: The Company

[1] The ownership percentages are rounded.

The following table shows the Company's indirect ownership structure and capital before and after the Offering:

Table 4.15: Indirect Ownership Structure of the Company Pre-and Post-Offering:

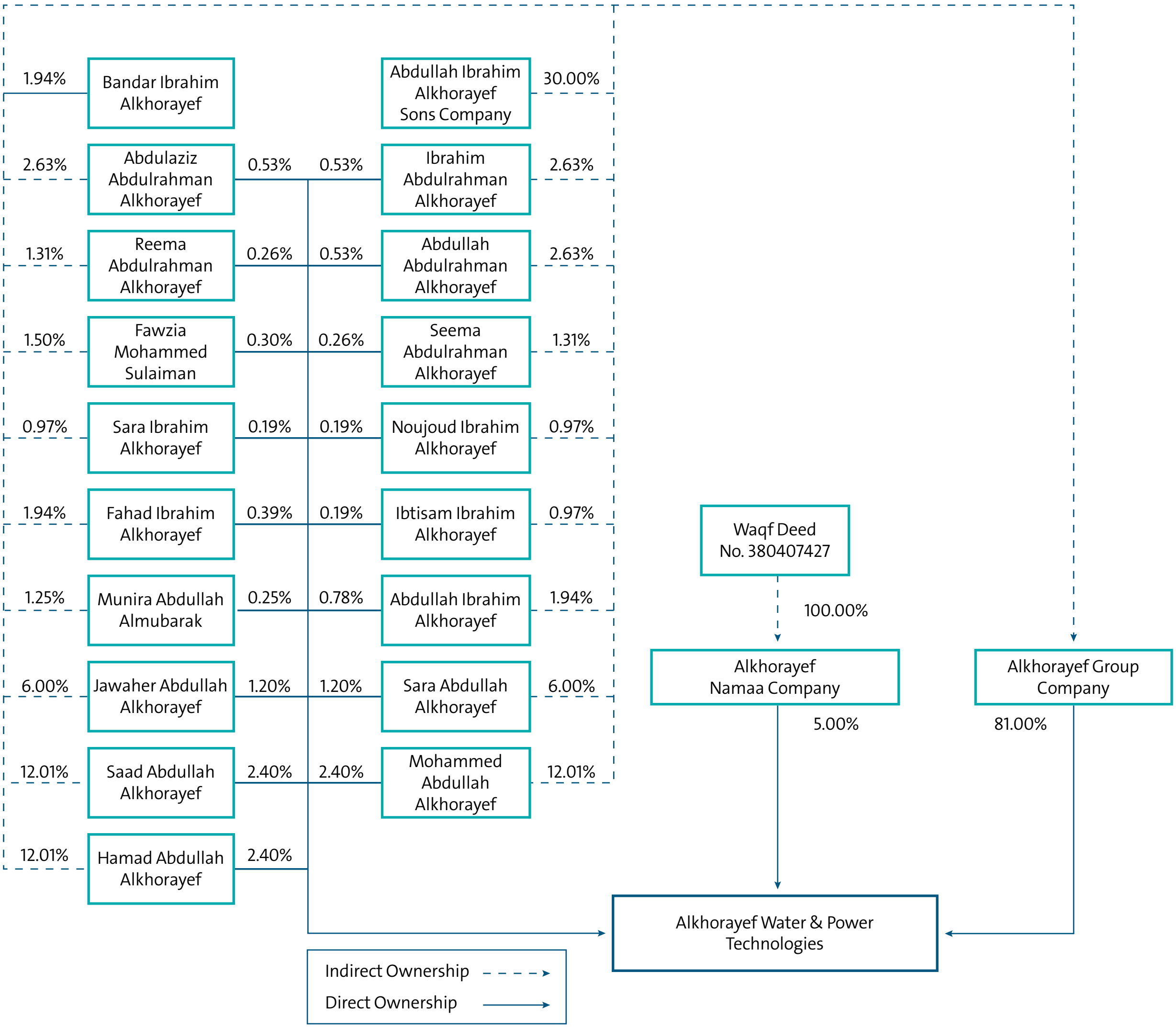
Shareholder	Pre Offering			Post Offering		
	Number of Shares	Ownership Percentage(1)	Nominal Value (SAR)	No. of Shares	Ownership Percentage(1)	Nominal Value (SAR)
Hamad Abdullah Alkhorayef	3,473,438	13.89%	34,734,375	2,186,979	8.75%	21,869,792
Saad Abdullah Alkhorayef	3,473,438	13.89%	34,734,375	2,186,979	8.75%	21,869,792
Mohammed Abdullah Alkhorayef	3,473,438	13.89%	34,734,375	2,186,979	8.75%	21,869,792
Jawaher Abdullah Alkhorayef	1,736,719	6.95%	17,367,188	1,093,490	4.37%	10,934,896
Sarah Abdullah Alkhorayef	1,736,719	6.95%	17,367,188	1,093,490	4.37%	10,934,896
Munerah Abdullah Almubarak	360,349	1.44%	3,603,490	226,886	0.91%	2,268,864
Bandar Ibrahim Alkhorayef	560,541	2.24%	5,605,407	352,933	1.41%	3,529,330
Abdullah Ibrahim Alkhorayef	560,541	2.24%	5,605,407	352,933	1.41%	3,529,330
Fahad Ibrahim Alkhorayef	560,541	2.24%	5,605,407	352,933	1.41%	3,529,330
Ibtisam Ibrahim Alkhorayef	280,280	1.12%	2,802,805	176,473	0.71%	1,764,729
Sarah Ibrahim Alkhorayef	280,280	1.12%	2,802,805	176,473	0.71%	1,764,729
Njood Ibrahim Alkhorayef	280,280	1.12%	2,802,805	176,473	0.71%	1,764,729
Fawziah Mohammed Sulieman	434,177	1.74%	4,341,772	273,371	1.09%	2,733,708
Abdullah Abdulrahman Alkhorayef	759,815	3.04%	7,598,151	478,402	1.91%	4,784,021
Abdulaziz Abdulrahman Alkhorayef	759,815	3.04%	7,598,151	478,402	1.91%	4,784,021
Ibrahim Abdulrahman Alkhorayef	759,815	3.04%	7,598,151	478,402	1.91%	4,784,021
Reema Abdulrahman Alkhorayef	379,908	1.52%	3,799,075	239,201	0.96%	2,392,010
Seema Abdulrahman Alkhorayef	379,908	1.52%	3,799,075	239,201	0.96%	2,392,010
Total	**20,250,000**	**81%**	**202,500,000**	**12,750,000**	**51.00%**	**127,500,000**

Source: The Company

(1) The ownership percentages are rounded.

The following chart shows the Company's ownership structure as of the date of this Prospectus:

Exhibit 4.1: The Company's Ownership Structure as of the Date of this Prospectus



Source: The Company

The following table sets out the details of Shareholders directly holding 5% or more of the ordinary Shares in the Company as of the date of this Prospectus:

Table 4.16: Details of Shareholders Directly Holding 5% or More of the Ordinary Shares in the Company as of the Date of this Prospectus

Shareholder	Shareholding (Pre-IPO)			Shareholding (Post-IPO)		
	Number of Shares	Ownership (%)	Overall Nominal Value (SAR)	Number of Shares	Ownership (%)	Overall Nominal Value (SAR)
Alkhorayef Group Company	20,250,000	81.00%	202,500,000	12,750,000	51.00%	127,500,000
Alkhorayef Nama Company	1,250,000	5.00%	12,500,000	1,250,000	5.00%	12,500,000
Total	**21,500,000**	**86.00%**	**215,000,000**	**14,000,000**	**56.00%**	**140,000,000**

Source: The Company

The following table sets out the details of Shareholders who are physical persons and who indirectly hold 5% or more of the ordinary Shares in the Company as of the date of this Prospectus:

Table 4.17: Details of Shareholders Who are Physical Persons and Who Indirectly Hold 5% or More of the Ordinary Shares in the Company as of the Date of this Prospectus

Shareholders	Pre-Offering			Post-Offer		
	No. of Shares[(2)]	Indirect Ownership (%)[(1)]	Overall Nominal Value (SAR)	No. of Shares[(2)]	Indirect Ownership (%)[(1)]	Nominal Value (SAR)
Hamad Abdullah Alkhorayef[(3)]	3,473,438	13.89%	34,734,375	2,186,979	8.75%	21,869,792
Saad Abdullah Alkhorayef[(4)]	3,473,438	13.89%	34,734,375	2,186,979	8.75%	21,869,792
Mohammed Abdullah Alkhorayef[(5)]	3,473,438	13.89%	34,734,375	2,186,979	8.75%	21,869,792
Jawaher Abdullah Alkhorayef[(6)]	1,736,719	6.95%	17,367,188	1,093,490	4.37%	10,934,896
Sarah Abdullah Alkhorayef[(7)]	1,736,719	6.95%	17,367,188	1,093,490	4.37%	10,934,896
Total	**13,893,752**	**55.57%**	**138,787,500**	**8,747,917**	**34.99%**	**87,479,168**

Source: The Company

(1) The ownership percentages are rounded.

(2) The numbers of shares are rounded.

(3) Hamad Abdullah Alkhorayef indirectly owns 13.89% of the Company's share capital before the Offering as a result of: (i) ownership of 17.15% in Abdullah Ibrahim Alkhorayef Sons Company, which owns 30% of the shares of Alkhorayef Group Company, which in turn owns 81% of the Company's Shares; and (ii) ownership of 12.01% in Alkhorayef Group Company, which owns 81% of the Company's Shares.

(4) Saad Abdullah Alkhorayef indirectly owns 13.89% of the Company's share capital before the Offering as a result of: (i) ownership of 17.15% in Abdullah Ibrahim Alkhorayef Sons Company, which owns 30% of the shares of Alkhorayef Group Company, which in turn owns 81% of the Company's Shares; and (ii) ownership of 12.01% in Alkhorayef Group Company, which owns 81% of the Company's Shares.

(5) Muhammad Abdullah Alkhorayef indirectly owns 13.89% of the Company's share capital before the Offering as a result of: (i) ownership of 17.15% in Abdullah Ibrahim Alkhorayef Sons Company, which owns 30% of the shares of Alkhorayef Group Company, which in turn owns 81% of the Company's Shares; and (ii) ownership of 12.01% in Alkhorayef Group Company, which owns 81% of the Company's Shares.

(6) Jawaher Abdullah Alkhorayef indirectly owns 6.95% of the Company's share capital before the Offering as a result of: (i) ownership of 8.58% in Abdullah Ibrahim Alkhorayef Sons Company, which owns 30% of the shares of Alkhorayef Group Company, which in turn owns 81% of the Company's Shares; and (ii) ownership of 6.00% in Alkhorayef Group Company, which owns 81% of the Company's Shares.

(7) Sarah Abdullah Alkhorayef indirectly owns 6.95% of the Company's share capital before the Offering as a result of: (i) ownership of 8.58% in Abdullah Ibrahim Alkhorayef Sons Company, which owns 30% of the shares of Alkhorayef Group Company, which in turn owns 81% of the Company's Shares; and (ii) ownership of 6.00% in Alkhorayef Group Company, which owns 81% of the Company's Shares.

4.3.2 Overview of Substantial Current Shareholders

This Section 4.3.2 (**Overview of Substantial Current Shareholders**) sets out the details of substantial Shareholders currently directly holding 5% or more of the ordinary Shares as of the date of this Prospectus.

4.3.2.1 Alkhorayef Group Company

Established in 1992G, Alkhorayef Group Company is the largest Shareholder in the Company directly holding 81% of the ordinary Shares as of the date of this Prospectus. It is a Saudi closed joint stock company registered under Commercial Registration No. 1010090542 dated 26/06/1412H (corresponding to 2 January 1992G) and formed pursuant to the Ministerial Resolution No. 1/Q dated 06/01/1430H (corresponding to 3 January 2009G), approving the Company's conversion from a limited liability company (established in 1991G) to a Saudi joint stock company. Its head office and registered office is located at Al Kharj Road, P.O. Box 305, Riyadh 11411, Kingdom of Saudi Arabia. Its current capital is SAR 750,000,000, divided into 75,000,000 ordinary shares with a fully paid nominal value of SAR 10 per share.

Alkhorayef Group Company serves as a holding company for its subsidiaries whose core activities consist of four principal business segments: (i) machinery and equipment; (ii) lubricants; (iii) oil and gas; (iv) and water and power.

The following table sets out the ownership structure of Alkhorayef Group Company as of the date of this Prospectus:

Table 4.18: Ownership Structure of Alkhorayef Group Company as of the Date of this Prospectus

Shareholders	No. of Shares	Overall Nominal Value (SAR)	Shareholding (%)[1]
Abdullah Ibrahim Alkhorayef Sons Company	22,500,008	225,000,080	30.00%
Hamad Abdullah Alkhorayef	9,005,208	90,052,080	12.01%
Saad Abdullah Alkhorayef	9,005,208	90,052,080	12.01%
Mohammed Abdullah Alkhorayef	9,005,208	90,052,080	12.01%
Jawaher Abdullah Alkhorayef	4,502,604	45,026,040	6.00%
Sarah Abdullah Alkhorayef	4,502,604	45,026,040	6.00%
Munerah Abdullah Almubarak	934,245	9,342,450	1.25%
Bandar Ibrahim Alkhorayef	1,453,269	14,532,690	1.94%
Abdullah Ibrahim Alkhorayef	1,453,269	14,532,690	1.94%
Fahad Ibrahim Alkhorayef	1,453,269	14,532,690	1.94%
Ibtisam Ibrahim Alkhorayef	726,634	7,266,340	0.97%
Sarah Ibrahim Alkhorayef	726,634	7,266,340	0.97%
Njood Ibrahim Alkhorayef	726,634	7,266,340	0.97%
Fawziah Mohammed Sulieman	1,125,652	11,256,520	1.50%
Abdullah Abdulrahman Alkhorayef	1,969,888	19,698,880	2.63%
Abdulaziz Abdulrahman Alkhorayef	1,969,888	19,698,880	2.63%
Ibrahim Abdulrahman Alkhorayef	1,969,888	19,698,880	2.63%
Reema Abdulrahman Alkhorayef	984,945	9,849,450	1.31%
Seema Abdulrahman Alkhorayef	984,945	9,849,450	1.31%
Total	**75,000,000**	**750,000,000**	**100%**

Source: The Company

[1] The shareholding percentages are rounded.

Abdullah Ibrahim Alkhorayef Sons Company, the largest shareholder and the only corporate shareholder in Alkhorayef Group Company, is a Saudi closed joint stock company registered under Commercial Registration No. 1010000878 dated 09/02/1434H (corresponding to 22 December 2012G), with a capital of SAR 10,000,000 divided into 1,000,000 shares with a nominal value of SAR 10 per share and formed pursuant to the Ministerial Resolution No. 616/Q dated 19/11/1436H (corresponding to 3 September 2015G). Its registered office is located in Makkah Road, P.O. Box 305, Riyadh 11411, Kingdom of Saudi Arabia. Its business activities as per its commercial registration include: (i) construction of residential and non-residential buildings; (ii) construction and repair of motorways, streets and ways; (iii) construction and repair of bridges, tunnels and railways; (iv) construction and repair of railways; and (v) management and leasing of residential and non residential real estate. The following table summarises the ownership structure of Abdullah Ibrahim Alkhorayef Sons Company as of the date of this Prospectus:

Table 4.19: The Ownership Structure of Abdullah Ibrahim Alkhorayef Sons Company as of the Date of this Prospectus

Shareholder	No. of Shares	Overall Nominal Value (SAR)	Ownership Percentage[1]
Hamad Abdullah Alkhorayef	171,530	1,715,300	17.15%
Saad Abdullah Alkhorayef	171,527	1,715,270	17.15%
Mohammed Abdullah Alkhorayef	171,527	1,715,270	17.15%
Jawaher Abdullah Alkhorayef	85,763	857,630	8.58%
Sarah Abdullah Alkhorayef	85,763	857,630	8.58%

Shareholder	No. of Shares	Overall Nominal Value (SAR)	Ownership Percentage[1]
Munerah Abdullah Almubarak	17,795	177,950	1.78%
Bandar Ibrahim Alkhorayef	27,681	276,810	2.77%
Abdullah Ibrahim Alkhorayef	27,681	276,810	2.77%
Fahad Ibrahim Alkhorayef	27,681	276,810	2.77%
Ibtisam Ibrahim Alkhorayef	13,841	138,410	1.38%
Sarah Ibrahim Alkhorayef	13,841	138,410	1.38%
Njood Ibrahim Alkhorayef	13,841	138,410	1.38%
Fawziah Mohammed Sulieman	21,441	214,410	2.14%
Abdullah Abdulrahman Alkhorayef	37,522	375,220	3.75%
Abdulaziz Abdulrahman Alkhorayef	37,522	375,220	3.75%
Ibrahim Abdulrahman Alkhorayef	37,522	375,220	3.75%
Reema Abdulrahman Alkhorayef	18,761	187,610	1.88%
Seema Abdulrahman Alkhorayef	18,761	187,610	1.88%
Total	**1,000,000**	**10,000,000**	**100%**

Source: The Company

[1] The shareholding percentages are rounded.

4.3.2.2 Alkhorayef Nama Company

Alkhorayef Nama Company is a one-person limited liability company registered under Commercial Registration No. 1010484943 dated 13/10/1437H (corresponding to 18 July 2016G), with a capital of SAR 100,000 divided into 10,000 shares with a nominal value of SAR 10 per share. It is owned under the Waqf Deed No. 38407427 dated 29/11/1438H (corresponding to 21 August 2017G). Its head office is located in Riyadh. Its purposes and activities in general are to support charitable institutions and societies in the Kingdom, contribute to the educational, social and medical service of society, establish and support educational, social, training, professional and technical institutions, centres and programmes through the profits owed to the Waqf Deed, specifically through activities included in the commercial register: (i) management of subsidiary companies or participation in the management of other companies in which it has a shareholding and providing the necessary support to them; (ii) management and leasing of owned or leased real estate; (iii) real estate management activities in return for commission; (iv) and care and maintenance of still and running water. The following table shows the ownership structure of Alkhorayef Nama Company as of the date of this Prospectus:

Table 4.20: The Ownership Structure of Alkhorayef Nama Company as of the Date of this Prospectus

Shareholder	No. of Shares	Ownership Percentage
Waqf Deed No. 38407427	10,000	100%
Total	**10,000**	**100%**

Source: The Company

4.4 Vision, Mission and Strategy

4.4.1 Vision

Lead the development of water, environmental and energy solutions for the well-being of society.

4.4.2 Mission

The Company aims to develop, deliver and manage water, environmental and energy solutions, focusing on sustainability, innovation and excellence to exceed expectations of its stakeholders.

4.4.3 Strategy

The Company has set key strategic objectives based on its strengths and the opportunities in the market that are aligned to its Vision and Mission. Its strategy to achieve them is as follows:

4.4.3.1 Strengthen Leadership Position in O&M Services

The Company aims to strengthen its leading market position in O&M Services, specifically in water wells and water treatment plants, networks (distribution, wastewater and stormwater) and wastewater treatment plants.

The Company will leverage its existing client relationships and reputation for high quality service, as well as recommendations by its clients as the preferred supplier of O&M Services, to pursue extensions of existing contracts and to add new contracts to its portfolio. The Company aims to expand its portfolio of private sector clients by developing water treatment and supply service agreements with companies like Saudi Arabian Mining Company (Ma'aden) and others.

Combining its cost leadership, competitive pricing, specialized knowledge, and highly trained workforce, the Company aims to effectively compete and win contracts against other O&M Service providers in the market. The O&M Services contracts will provide a stable source of revenue for the Company and will support sustainability of its financial position across economic cycles. This supports the Company's entry into the qualification phase of the long-term O&M projects launched by the National Water Company.

4.4.3.2 Expand in Project Services for Critical Infrastructure

The Company aims to leverage its expertise, track record of projects, strong client relationships, and established network of partners to expand its portfolio of contracts in the growing segments of Project Services for networks (distribution, wastewater, transmission and stormwater) and other infrastructure.

The Company will continue to focus its operations on the Saudi Arabian market and seeks to benefit from future Project Services opportunities as a result of the Kingdom's strategy to increase water and wastewater coverage. It intends to leverage its existing client relationships with NWC and MEWA to grow the work portfolio in Project Services and it intends to participate in bidding for projects with new clients, such as Saline Water Conversion Company (SWCC).

4.4.3.3 Enter the BOT Market in Wastewater Treatment and Treated Sewage Effluent Networks

The Company intends to expand its business portfolio by entering the expanding BOT market in wastewater treatment plants and treated sewage effluent networks, leveraging its existing capabilities in Project Services and O&M Services and supported by extensive localization requirements.

It plans to activate its network of international strategic partners and combine this with effective project planning and financial management capabilities to secure contracts in the BOT market for the development of wastewater treatment plants. The Company aims to participate in bidding, as a consortium member with FCC Aqualia, a global leader in water sector, and secure long-term contracts for independent sewage treatment plants offered by Saudi Water Partnership Company.

Entering the BOT market should enable the Company to generate a secure pipeline of Project Services work and future revenue streams in the O&M Services business. This will support a diversified and stable long-term revenue stream while international strategic partnerships create potential future opportunities in BOT in other regions.

4.4.3.4 Grow Integrated and Innovative Solutions that Enhance Water Services Quality and Protect Resources

The Company plans to continue growing its presence in city water management and integrated water solutions in the Kingdom by leveraging its relationships with local clients, its specialist workforce, established asset services capabilities, cross-functional processes and its network of international partners.

It aims to increase the number of city water management contracts enabled by its exclusive partnership with Veolia. The Company will focus on cities in the Kingdom where there is a need for specialized city water management services in line with its capabilities. It will also continue to expand its portfolio of innovative services and integrated water solutions that are aimed to improve operational efficiency of the water infrastructure. For instance, it plans to start the manufacturing of integrated packaged reverse osmosis skids and water filter cartridge units.

Expanding its presence in the city water management and integrated water solutions segments should improve the diversification and stability of revenue and enable the Company to form new relationships in the industry that could lead to future contracts in management of water in cities and adjacent areas.

4.4.3.5 Enhance Operational Efficiency with the Adoption of Digital Technologies

The Company is relentlessly focusing on improving its performance to maintain its cost leadership position and remain competitive in public tenders. Economies of scale expected from business growth will contribute to solidify its operational capabilities.

It continuously employs automation and digitization of internal processes, advanced project management techniques, digital solutions and rigorous procurement processes. For example, the Company has implemented an enterprise level business intelligence platform on Microsoft Power Platform to achieve higher operational efficiencies and to allow effective real-time decision making process.

The Company invests in training and development of its staff and shares best practice knowledge internally to enable staff to contribute to efficiency. It also makes use of robust performance management processes and tools to further improve its operational performance.

The Company will continue to develop and implement strong safety programs with stringent standards to preserve the health and safety of its employees and maintain safety and health in general.

4.5 Competitive Advantages

The Company has developed sustainable competitive advantages that allow it to pursue those opportunities in the market that are in line with its Vision and Mission.

The competitive advantages of the Company are as follows:

4.5.1 Strong Market Position

4.5.1.1 Market Leadership Position in Core Segments

The Company has a strong market presence in several market segments in the Kingdom that are its core segments, including water treatment plants, sewage treatment and city water management, but it is also present in other markets. In particular:

- the Company has a market share of 36.1% in water wells O&M Services, which represented 33.0% of its 2019G revenue, the biggest contributor to revenue;
- it also has a 9.6% market share in the O&M Services market for sewage treatment plants, which represented 12.0% of its 2019G revenue; and
- it has a 21.1% market share in city water management services, which represented 7.3% of its 2019G revenue.

4.5.1.2 Strong and Long-Standing Relationships with Major Clients

The Company has strong and long-standing relationships with major clients (i.e., MEWA and NWC). This facilitates business development, tender participation and contracts extension. The Company has several relationships that have been active for around 30 years, including for example with MEWA and NWC. Projects currently on-going with MEWA and NWC are Hail

Alshamel Water Treatment plant, which is considered the biggest of its kind in the GCC area, and AlBadaei Water Treatment Plant 3 in Qassim region. The Company is typically able to renew the contracts with MEWA and NWC, such as the O&M Services contracts for Riyadh Private Wells and Riyadh Water Networks Group 2 and Riyadh Water Networks Group 3, where the Company operates and maintains water networks covering over two-third of Riyadh province (excluding Riyad city). The Company was able to re-gain O&M Services contracts for Riyadh Water Wells, where it operates and maintains over 190 deep water wells along with brackish water reverse osmosis plants and networks, covering the suburbs of the Riyadh Province.

In Dammam, the Company has been managing for over 17 years the full spectrum of water and wastewater infrastructure, serving over 1.2 million residents. The infrastructure operated and maintained by the Company includes deep water wells, brackish water reverse osmosis, water networks, wastewater networks, meter installation, water and wastewater service connections, wastewater treatment plant, treated sewage effluent network, pumping and lifting stations, customer service and billing.

The Company has also been engaged by clients to provide assistance and advice on challenging infrastructure and equipment where others have faced significant challenges, for example in connection with the Alkharj Road Sewage Treatment plant, where the Company was called on to set up operation process and train existing operators and in Boukhariyah Sewage Treatment Plant, where the Company took over the operations and maintenance replacing the main operator. This further demonstrates the strong reliance of the Company's clients to solve and assist in their most critical projects. This also reaffirms the strong relationship that the Company has with its clients.

4.5.1.3 Leadership in Cost Rationalization

The Company's operational excellence and strong procurement processes result in cost rationalization leadership and operational agility. Its operating margin over the past three years has improved from 9.4% in the financial year ended 31 December 2017G to 23.7% in the six-month period ended 30 June 2020G. It has also been able to complete construction faster than contractually agreed in connection with all the contracts that it started during the past three years. The Company's cost rationalization and study leadership is also evidenced by being one of the lowest three bidders in 158 out of 309 projects that the Company participated in.

The Company's tendering process involves high calibre technical and commercial staff with deep subject matter expertise and know-how that enables competitive bid formulation with efficient execution plan while taking into account lessons learned and historical cost data recorded from previous projects. The Company's procurement process employs a detailed enterprise level procurement plan interfacing with operation requirements to minimize inventory and leverage economy of scale in terms of purchases. The Company's cost rationalization leadership position, own equipment fleet and implementation of cutting-edge technology assist it in its aim to maintain healthy gross margins. Moreover, the agile and dynamic procurement process and established network of suppliers, subcontractors and service providers enable the support in mobilizing material, equipment and workforce onsite when the need arises, eliminating idle time and increasing productivity.

The Company's performance management tools also contribute to cost leadership. In order to effectively track and manage costs, the Company deploys real time dashboards for project performance tracking, monitoring of procurement activities, resource management and cost and revenue forecasting.

4.5.2 Specialised Knowledge

Specialised knowledge in the O&M Services and Project Services enable strong positioning of the Company in the market and facilitate tender pre-qualification. The Company has demonstrated its knowledge in many large specialized projects in the past three years. This includes for example the Haddha and Arana Sewage treatment plants, serving Makkha region with over half a million cubic meter per day capacity and dealing with the extreme pilgrimage seasonal increase in water demand, exceeding 40% of plants optimum capacity. Moreover, the Company demonstrated its expertise in the Riyadh Metro projects Lines 1, 4, 5, and 6 which are part of King AbdulAziz Project for Riyadh Mass Transportation, where it executed large scale infrastructure, while dealing with multitude of stakeholders, upkeeping live utilities and complying with stringent deadlines.

The Company has also worked on challenging O&M Services projects, such as the Riyadh Wells project, which encompasses a large number of deep water wells, covering substantial geographical areas of the Riyadh Province. When the Company took over the project from the prior contractor, less than 20% of wells were operational and the Company was able to put the full project back in service in record time of less than two months. In addition, the Company is often engaged in situations where the incumbent service provider fails to meet the requirements and the contract is transferred to the Company. As an example, for AlAredh and Tuwaig groundwater control projects, the Royal Commission for Riyadh City (RCRC) entrusted the Company to take over from defaulting contractor and complete the project in record time.

4.5.3 Sustainable Growth

4.5.3.1 Established Track Record Allowing Growth in Attractive Markets with Reliable Growth Trends

The Company has been able to consistently grow its projects and revenues at a faster rate from 2017G to mid-2020G than the overall market. The growth has been particularly strong in its core segments, such as O&M Services for water wells and water treatment plants and Project Services in wastewater networks.

In the period 2015G - 2019G, the Project Services market for wastewater networks grew by a CAGR of 4.5%, the Project Services market for distribution network grew by 1.4%, the O&M Services market in water wells and water treatment plant grew by 1.2% and O&M Services market in wastewater treatment plant grew by 4.5%, while in the same period the Company was able to grow faster than the market in core segments, such as 37.2% CAGR in wastewater networks Project Services, 46.6% in distribution network Project Services, 67.7% in water wells and water treatment plant O&M Services and 34.7% in wastewater treatment plant O&M Services. Moreover, there is strong Government sponsorship for the development of the water and wastewater sector in the Kingdom with focus on increasing the private sector participation across the entire value chain.

4.5.3.2 Stable and Resilient Revenues to Economic Volatility

Given the vital nature of water and wastewater services, the corresponding O&M Services market is characterized by steady revenue streams and resilience to volatility in the oil sector and economic cycles. Between 2015G and 2019G, the total O&M Services market continued to grow at 3.4% CAGR while Brent oil crude price fluctuated between $ 43.6 per barrel and $ 71.3 per barrel, with year-on-year changes between a decrease by 17% and an increase by 32%, and reached $ 64.4 per barrel in 2019G. In the 2017G - 2019G period, the Company's revenues in O&M Services grew by 23.4% year-on-year, whereas Brent oil crude price increased by 32% from $ 54.1 per barrel in 2017G to $ 71.3 per barrel in 2018G and decreased in the following year by 10% from $ 71.3 per barrel in 2018G to $ 64.4 per barrel in 2019G.

4.5.3.3 Comprehensive Services Offering Allowing the Company to Play and Pivot Across Market Segments

Through establishing presence in multiple segments of the water and wastewater sector, the Company is able to generate diversified revenue streams. The Company's water, wastewater and integrated water solutions business segments contributed 47.6%, 34.9%, and 17.5%, respectively, to the Company's total revenues from 2017G to mid-2020G (for further details see Section 6.5.1 (**Revenues Analysis by Sector and Division**).

Furthermore, the Company's comprehensive services offering enables it to be a strong player in the integrated water solutions segment, allowing for further diversification of its revenue streams. These services provide the Company with a unique set of solutions that are leveraged internally, as well as with clients to make the Company a desirable turnkey water and wastewater solution provider.

Examples of these services include leak detection, asset management and laboratories (for further details see Section 4.6.1.3 (**Integrated Water Solutions Segment**), paragraph (c) (**Support and Asset Services**). The Company also has a number of experienced members with substantial international experience enabling it to implement international best practices, new solutions and leverage new technologies in the near future.

4.5.3.4 Ability to Scale Fast Leveraging Robust Processes and Trained Workforce

The Company has strong and scalable processes in place that lead to improvements in sales, performance and procurement. The Company has been able to scale up fast in the past and can leverage this capability in the future.

Some of its capabilities include its procurement process that enables it to source materials and equipment quickly, leveraging its supply partners, for example supplier for chemicals, consumables, spare parts, pumps and specialized equipment for water and wastewater industry. It also has an established network of subcontractors that it can mobilise quickly if needed, for example subcontractors experienced in civil works, earth works and electromechanical installations.

The Company has a training program in place that equips staff with the necessary skills and knowledge, including for example training in accordance with the occupational, safety, health administration (OSHA) and safety standards, as well as site vocational training for technicians along with a training program for fresh graduate engineers.

4.6 Overview of the Company's Business

The Company is one of the largest subsidiaries of Alkhorayef Group Company. The Company is a major player with over 30-year expertise in Saudi water and wastewater sectors with over 4,215 multi-disciplined workforce (as of 30 June 2020G) and a large fleet of fully owned specialized heavy equipment. Its expertise comprises of full-scale and integrated capabilities in operation and maintenance, engineering, procurement, construction, start-up and commissioning of high profile and large-scale challenging projects serving the local needs, and gaining credibility over the years with multitude of major governmental and private clients.

The following table sets out the details of the Company's existing and completed projects as of 30 June 2020G:

Table 4.21: The Company's Existing and Completed Projects as of 30 June 2020G

Project Title	Project Owner	Brief Description	Term and Renewal Mechanism	Value
Maintenance and operation projects				
Existing projects in the Western Region (as of 30 June 2020G)				
Maintenance of water networks in western AlMadina Al-Munwarah	MEWA	The Company entered into an operation and maintenance agreement for the maintenance of the water networks located in western AlMadina Al-Munwarah, and providing of materials, equipment and labour workers.	The term of the project is 36 months effective from 02/01/1441H (corresponding to 1 September 2019G).	SAR 43,273,235
Maintenance of water networks in eastern AlMadina Al-Munwarah	MEWA	The Company entered into a maintenance and operation agreement for the maintenance of the water networks located in eastern AlMadina Al-Munwarah, and providing of materials, equipment and labour workers.	The term of the project is 36 months, effective from 02/01/1441H (corresponding to 1 September 2019G).	SAR 39,090,860
Operation and maintenance of the sewage treatment plant in AlMadina Al-Munwarah – (second phase)	MEWA	The Company entered into a maintenance and operation agreement for a sewage treatment facility in AlMadina Al-Munwarah (the second phase), and providing of materials, equipment and labour workers.	The term of the project is 24 months, effective from 28/11/1440H (corresponding to 31 July 2019G).	SAR 25,185,000
Operation and maintenance of wells purification stations in the AlMadina Al-Munwarah Region	MEWA	The Company entered into an operation and maintenance agreement in relation to the purification of water wells located in the AlMadina Al-Munwarah Region, and providing materials, equipment and labour workers.	The term of the project is 36 months, effective from 25/05/1439H (corresponding to 11 February 2018G).	SAR 23,712,350
Operation and maintenance of sewage networks and ground lifting stations in Jeddah	NWC	The Company entered into an operation and maintenance agreement in relation to the sewage networks in Jeddah and the ground lift stations, and providing materials, equipment and labour workers.	The term of the project is 36 months, effective from 06/05/1441H (corresponding to 1 January 2020G).	SAR 96,699,015
Operation and maintenance of sanitation networks in the Yanbu Governorate and its environs	MEWA	The Company entered into an operation and maintenance agreement for sewage networks in the Yanbu Governorate, and providing materials, equipment and labour workers.	The term of the project is 36 months, effective from 02/01/1441H (corresponding to 1 September 2019G).	SAR 39,999,729

Project Title	Project Owner	Brief Description	Term and Renewal Mechanism	Value
Operation and maintenance of drinking water for villages in the Tabuk Region	MEWA	The Company entered into an operation and maintenance agreement in relation to the provision of drinking water to the villages in the Tabuk Region, and providing materials, equipment and labour workers.	The term of the project is 36 months, effective from 17/10/1439H (corresponding to 1 July 2018G).	SAR 52,283,300
Securing, preparing, managing and operating operation and maintenance services for the sewage treatment plant at King Saud Bin Abdulaziz University for Health Sciences (KSAU-HS) in Jeddah, affiliated with the Ministry of National Guard Health Affairs (MNG-HA).	Ministry of National Guard	The Company entered into an operation and maintenance agreement in relation to a sewage treatment facility at King Saud University for Health Sciences in Jeddah, and providing management and operation services for the sewage treatment plant.	The term of the project is 60 months, effective from 04/06/1438H (corresponding to 1 April 2017G).	SAR 10,185,000
Operation and maintenance of potable water, treated water and environmental service network in Taif	NWC	The Company entered into an operations and maintenance agreement for potable water networks, treated water and the environmental services network in Taif, and providing materials, equipment and labour workers, and maintenance of the built and temporary units at the request of the owner, in accordance with the provisions of the contract.	The term of the project is 36 months from the date of delivery of the project on 12/08/1441H (corresponding to 5 April 2020G).	SAR 83,736,651
Existing projects in the Eastern Province (as of 30 June 2020G)				
Operation and maintenance program for water and wastewater in Dammam	MEWA	The Company entered into an operation and maintenance agreement for water and wastewater system in Dammam, and providing materials, equipment and labour workers.	The term of the project is 36 months, effective from 19/10/1440H (corresponding to 22 June 2019G).	SAR 78,999,999
Maintenance of mobile diesel pumps for sewage stations in various cities of the Eastern Province	MEWA	The Company entered into an operation and maintenance agreement for mobile diesel pumps for sewage stations in the cities of the Eastern Province, and providing materials, equipment and labour workers.	The term of the project is 36 months, effective from 28/04/1439H (corresponding to 15 January 2018G).	SAR 18,467,300
Development, operation and maintenance program of the double and triple treatment plants in Dammam and Khobar	MEWA	The Company entered into an operation and maintenance agreement for the double and triple treatment plants in the cities of Dammam and Khobar, and providing materials, equipment and labour markets.	The term of the project is 36 months, effective from 14/03/1440H (corresponding to 22 November 2018G).	SAR 16,414,094
Operation and maintenance for the fire extinguishing system at the pipe campus	RCJY	The Company entered into an operation and maintenance agreement for the fire extinguishing system at pipe campus in Jubail, and providing materials, equipment and labour workers.	The term of the project is 60 months, effective from 05/08/1438H (corresponding to 1 May 2017G).	SAR 20,000,000
Operation and maintenance of odour removal units in Dammam and Khobar	MEWA	The Company entered into a maintenance and operation agreement pertaining to the odour removal units located in Dammam and Al Khobar.	The term of the project is 36 months, effective from 06/03/1440H (corresponding to 14 November 2018G).	SAR 9,748,100

Project Title	Project Owner	Brief Description	Term and Renewal Mechanism	Value
Household water connection contractor and its necessary extensions in Dammam	MEWA	The Company entered into an agreement under which it undertakes to apply the household water connections and the necessary water line extensions within the city of Dammam.	The term of the project is 36 months, effective from 25/05/1439H (corresponding to 10 February 2018G).	SAR 17,388,850
Existing projects in the Central Region (as of 30 June 2020G)				
Operation and maintenance of drinking water projects in the governorates and centres of the second group (Al-Dalam, Al-Haytham, Al-Hariq, Hotat Bani Tamim, Al-Aflaj, Al-Sulayyil and Wadi Al-Dawasir)	MEWA	The Company entered into a maintenance and operation agreement in relation to several project that are concerned with the drinking water of several provinces within Riyadh, and providing materials, equipment and labour workers.	The term of the project is 36 months, effective from 17/05/1440H (corresponding to 23 January 2019G).	SAR 37,000,000
Operation and maintenance of drinking water projects in the Riyadh Region	MEWA	The Company entered into a maintenance and operation agreement of the Riyadh Region's drinking water projects, and providing materials, equipment and labour workers.	The term of the project is 36 months, effective from 06/07/1439H (corresponding to 24 March 2018G).	SAR 85,842,000
Operation and maintenance of the Third Water Purification Plant and its supplies in Al Badayea	MEWA	The Company entered into a maintenance and operation agreement in relation to a water purification plant, the maintenance and operation shall also encompass all the water purification plant's essentials, and providing materials, equipment and labour workers.	The term of the project is 60 months, effective from 11/09/1439H (corresponding to 27 May 2018G).	SAR 61,099,998
Implementation and performance of ground water level lowering in the An Narjis and Al Aarid neighbourhoods (2)	High Commission for the Development of Riyadh	The Company entered into an agreement to establish a network for a ground water reduction of the following Riyadh neighbourhoods: An Narjis and Al Aarid (2), and providing materials, equipment and labour workers.	The term of the project is 36 months, effective from 10/01/1440H (corresponding to 20 September 2018G).	SAR 68,039,276
Implementation of Phase II of the major sewage network in Riyadh	NWC	The Company entered into an agreement to implement Phase II of the major sewage network in Riyadh, and provide materials, equipment and labour workers.	The term of the project is 24 months, effective from 21/07/1440H (corresponding to 28 March 2019G).	SAR 46,999,200
Operation and maintenance of drinking water projects in the governorates and centres of the second group	MEWA	The Company entered into a maintenance and operation agreement in relation to several project that are concerned with the drinking water of several provinces within Riyadh, and providing materials, equipment and labour workers.	The term of the project is 36 months effective as of 05/12/1438H (corresponding to 27 August 2017G). The agreement shall continue to be effective as directed by the Project Owner with the Company being notified thereof until the project is delivered.	SAR 23,940,623
Drainage of flood water of Riyadh Metro Line 6	High Commission for the Development of Riyadh	The Company has been subcontracted by a branch of Aqualia Intech, for the execution of a storm water drainage system for the Riyadh Metro Line 6.	The term of the project is 11 months effective as of 07/09/1441H (corresponding to 30 April 2019G). The term of the agreement has been extended for an additional 15 months.	SAR 22,213,785

Project Title	Project Owner	Brief Description	Term and Renewal Mechanism	Value
Drainage of storm water, wastewater, drinking water and irrigation water for the Riyadh Metro	High Commission for the Development of Riyadh	The Company has been subcontracted by Saudi Arabian Bechtel Company, Almabani General Contractors and Consolidated Contractors Company to change the route of the sewage networks for flood water, sewage, drinking water and irrigation water in the Riyadh Metro Project, Line 1.	The term of the project is 12 months, effective from 21/06/1441H (corresponding to 15 February 2020G).	SAR 25,281,624
Maintenance and operation in the Riyadh Region and its suburbs	FCC Aquila and Alkhorayef Water & Power Technologies	The Company has been subcontracted by FCC Aqualia to perform the maintenance and operation of all parts of the project concerned relating to the conveyance and transportation of wastewater and treatment water to the Riyadh Region and all and its suburbs and provide materials, equipment and labour workers.	The term of the project is 36 months, effective from 09/01/1439H (corresponding to 29 September 2017G).	SAR 14,444,900
Operation and maintenance of water and wastewater networks and the fourth treatment plant in the Al Bukayriyah Governorate	MEWA	The Company entered into a maintenance and operation agreement for water and wastewater networks and a treatment plant in the Al Bukayriyah Governorate, and providing materials, equipment and labour workers.	The term of the project is 30 months, effective from 19/11/1439H (corresponding to 1 August 2018G).	SAR 16,016,670
Design, execution and operation of a sewage treatment plant in Al Kharj Industrial City	Saudi Authority for Industrial Cities and Technology Zones (MODON)	The Company entered into an agreement to design, supply and construct an industrial water treatment plant located in Al Kharj Industrial City. The agreement includes the operation and maintenance of the plant at the start-up phase, and providing materials, equipment and labour workers.	The term of the project is 101 months, effective from 13/02/1435H (corresponding to 16 December 2013G).	SAR 73,250,100
Provide teams to deal with emergency reports regarding leaks of the Riyadh water network	NWC	The Company entered into an agreement with NWC, where the Company shall insure maintenance and operation of Riyadh's water network in the case of an emergency leakage occurs.	The term of the project is 36 months, effective from 25/10/1439H (corresponding to 9 July 2018G).	SAR 7,221,525
Insurance, preparation, management, and operation and maintenance services for the sewage treatment plant at King Saud Bin Abdulaziz University for Health Sciences (KSAU-HS) in Riyadh affiliated to the Ministry of National Guard Health Affairs (MNG-HA)	Ministry of National Guard	The Company entered into an operation and maintenance agreement in relation to a sewage treatment facility at King Saud University for Health Sciences in Riyadh, and providing management and operation services for the sewage treatment plant.	The term of the project is 60 months, effective from 04/07/1438H (corresponding to 1 April 2017G).	SAR 14,825,000
Operation and maintenance of sewage treatment plants and networks at the Az Zulfi Governorate and Az Zulfi Housing Treatment Plant	MEWA	The Company entered into a maintenance and operation agreement for water and wastewater treatment systems in Az Zulfi, and providing materials, equipment and labour workers.	The term of the project is 60 months, effective from 18/12/1440H (corresponding to 19 August 2019G).	SAR 15,554,700

Project Title	Project Owner	Brief Description	Term and Renewal Mechanism	Value
Operation and maintenance of Wadi Al Dawaser Water Project	MEWA	The Company entered into a maintenance and operation agreement pertaining to Wadi Al Dawasir's water project.	The term of the project is 60 months, effective from 13/04/1440H (corresponding to 20 December 2018G).	SAR 13,918,000
Operation and maintenance of the drinking water network in the Al-Kharj Governorate	MEWA	The Company entered into an operation and maintenance agreement for the drinking water network in the Al-Kharj Governorate for the neighbourhoods south of King Saud Road and the neighbourhoods of Al-Khaldiya, Al-Khuzama, Al-Nada, Al-Azizia, Mushrif, Al-Rawabi and Al-Huda.	The term of the project is 36 months from the date of delivery of the project on 06/07/1441H (corresponding to 1 March 2020G).	SAR 10,880,520
Operation and maintenance of a purification plant in Al-Muzahmiya and Dhurma	MEWA	The Company entered into an operation and maintenance agreement of a purification plant in Al-Muzahmiya and Dhurma.	The term of the project is 60 months from the date of delivery of the project on 05/12/1441H (corresponding to 26 July 2020G).	SAR 18,703,680
Completed projects in the Central Region (as of 30 June 2020G)				
A project of two networks of floods and groundwater drainage in Central Riyadh within Al Shumaisi Municipality	Riyadh Municipality	The Company entered into a contract with Riyadh Municipality for the purpose of executing a project of two networks of floods and groundwater drainage in Central Riyadh within Al Shumaisi Municipality.	The term of the project is 36 months and shall expire on 26/08/1441H (corresponding to 19 April 2020G).	SAR 9,192,500
Maintenance and operation of two networks of floods and groundwater drainage, west of Riyadh, within the Al-Uraija Sub-Municipality	Riyadh Municipality	The Company entered into a contract with Riyadh Municipality for maintenance and operation of two networks of floods and groundwater drainage west of Riyadh within the Al-Uraija Sub-Municipality.	The term of the project is 36 months and shall expire on 26/08/1441H (corresponding to 19 April 2020G).	SAR 7,796,500
Operation and maintenance of private wells in Riyadh	MEWA	The Company entered into a contract with the Ministry of Environment, Water and Agriculture for the purpose of operating and maintaining private wells in Riyadh.	The term of the project is 38 months and shall expire on 12/06/1441H (corresponding to 6 February 2020G).	SAR 18,090,000
Provide manpower needed to evaluate the assets of SWCC	SWCC	The Company has been subcontracted by Atkins Global for the purpose of providing the manpower needed to evaluate the assets of SWCC.	The term of the project was 9 months and it expired on 04/07/1441H (corresponding to 28 February 2020G).	SAR 5,500,000
Existing projects in the Northern Province (as of 30 June 2020G)				
Operation and maintenance of the comprehensive water project in Ha'il	MEWA	The Company entered into an operation and maintenance agreement for the comprehensive water project in Ha'il to supply the villages and the city of Ha'il with treated and pure drinking water and providing materials, equipment and labour workers.	The term of the project is 69 months, effective from 10/03/1436H (corresponding to 1 January 2015G) to 28/02/1442H (corresponding to 1 October 2020G).	SAR 71,444,945
Operation and maintenance of the Ha'il water purification plant in Alhumaimah	MEWA	The Company entered into a maintenance and operation agreement for the water purification plant in Ha'il, and providing materials, equipment and labour workers.	The term of the project is 36 months, effective from 02/05/1439H (corresponding to 19 February 2018G).	SAR 36,947,350

Project Title	Project Owner	Brief Description	Term and Renewal Mechanism	Value
Operation and maintenance in the Northern Province	MWASPC	The Company entered into an operation and maintenance agreement for a sanitary waste treatment plant at Ras Al Khair and Umm Wa'al industrial city in the Northern province, and provide equipment, chemicals, personnel, supervision, services and all other matters.	The term of the project is 46 months, effective from 16/06/1438H (corresponding to 15 March 2017G) to 02/06/1442G (corresponding to 15 January 2021G).	SAR 4,191,558
Operation and maintenance of the Ha'il network	MEWA	The Company entered into a maintenance and operation agreement in relation to the Ha'il water system and networks, and provide materials, equipment and labour workers.	The term of the project is 36 months, effective from 15/05/1439H (corresponding to 1 February 2018G).	SAR 21,167,000
Operation and maintenance of mini water purification plants in Ha'il	MEWA	The Company entered into a maintenance and operation agreement in relation to a miniature water purification plant located in the Ha'il Region.	The term of the project is 36 months, effective from 29/01/1439H (corresponding to 19 October 2017G).	SAR 11,998,350
Operation and maintenance of Ha'il Central Water Laboratory	MEWA	The Company entered into a maintenance and operation agreement for Hail's Central Water Laboratory.	The term of the project is 39 months, effective from 01/12/1438H (corresponding to 23 August 2017G).	SAR 9,853,384
Existing projects in the southern Province (as of 30 June 2020G)				
Operation and maintenance in the Jazan Region.	MEWA	The Company entered into a maintenance and operation agreement for the Jazan Region's water related projects, and providing of materials, equipment and labour workers.	The term of the project is 36 months, effective from 10/10/1439H (corresponding to 24 June 2018G).	SAR 60,919,407
Operation and maintenance of water projects for villages and cities of the Jazan Region (Northern Segment)	MEWA	The Company entered into a maintenance and operation agreement for a number of water related projects within the Jazan Region (northern segment), and providing of materials, equipment and labour workers.	The term of the project is 36 months, effective from 18/11/1440H (corresponding to 21 July 2019G).	SAR 81,865,680
Operation and maintenance of the water purification plant in Jazan (El Materi)	MEWA	The Company entered into a maintenance and operation agreement for the water purification plant in Jazan, and provide materials, equipment and labour workers.	The term of the project is 36 months, effective from 07/08/1440H (corresponding to 13 April 2019G).	SAR 25,680,467
Projects related to project services				
Existing projects in the Western Region (as of 30 June 2020G)				
Renting a mobile seawater purification plant to be used in Shuaiba, Rabigh and South Jeddah power plants in the Western Region	SEC	The Company entered into an agreement to lease a mobile seawater purification plant to be used in Shuaiba, Rabigh and South Jeddah power plants in the Western Region, and includes the supply of a mobile seawater purification plant in containers with all of its accessories.	The term of the project is 3 years, effective from 22/10/1441H (corresponding to 14 June 2020G).	SAR 73,313,100
Existing projects in the Eastern Province (as of 30 June 2020G)				
A project for replacing the existing gravity pipelines, applying new sewerage rising mains, and developing some existing pumping stations in Dammam	MEWA	The Company entered into an agreement to replace existing gravity pipelines, apply new pipelines and develop some pumping stations related to wastewater in Dammam, and provide materials, equipment and labour workers.	The term of the project is 36 months, effective from 11/05/1440H (corresponding to 17 January 2019G).	SAR 69,999,907

Project Title	Project Owner	Brief Description	Term and Renewal Mechanism	Value
Existing projects in the Central Region (as of 30 June 2020G)				
Implementation and performance of ground water level lowering in Al Arid, Tuwaiq (9) and Laban (2)	High Commission for the Development of Riyadh	Azmeel Contracting has entered into an agreement to execute networks to reduce the level of groundwater to be located in the following areas: Laban, Tuwaiq and Al Aarid in the city of Riyadh. However, such contract has since been novated to the Company and therefore, the Company has replaced Azmeel Contracting as (contractor). The Company's role includes provision of materials, equipment and labour workers.	The term of the project is 36 months, effective from 10/09/1440H (corresponding to 15 May 2019G).	SAR 36,629,438
Execution of sanitation networks in a part of King Abdullah neighbourhood in Riyadh	NWC	The Company entered into an agreement to execute sewage networks in King Abdullah neighbourhood in Riyadh, and providing materials, equipment and labour workers.	The term of the project is 18 months, effective from 27/06/1440H (corresponding to 4 March 2019G). The project was partially suspended temporarily on 25/05/1441H (corresponding to 20 January 2020G). The term of the project shall be extended due to the delay of the site determination procedures.	SAR 26,624,360
Public works for designing, supplying and executing a branch from the existing line of treated wastewater at Makkah Road	Qiddiya Investment Company	The Company entered into a public works agreement for designing, supplying and executing a branch from the existing line of treated wastewater at Makkah Road, in addition to a branch of the treated wastewater network at Darmaa Road.	The term of the project is 300 calendar days, effective from 03/11/1441H (corresponding to 24 June 2020G) to complete the works, in addition to 365 calendar days, effective from the delivery of the project for the purpose of completing maintenance work.	SAR 25,435,252
Implementation and performance of ground water level lowering in the An Narjis and Al Aarid neighbourhoods (2)	High Commission for the Development of Riyadh	The Company entered into an agreement to establish a network for a ground water reduction of the following Riyadh neighbourhoods: An Narjis and Al Aarid (2), and providing materials, equipment and labour workers.	The term of the project is 36 months, effective from 10/01/1440H (corresponding to 20 September 2018G).	SAR 68,039,276
Implementation of Phase II of the major sewage network in Riyadh	NWC	The Company entered into an agreement to implement Phase II of the Main Sewage Network in Riyadh and provide materials, equipment and workers.	The term of the project is 24 months, effective from 21/07/1440H (corresponding to 28 March 2019G).	SAR 46,999,200
Drainage of flood water of Riyadh Metro Line 6	High Commission for the Development of Riyadh	The Company has been subcontracted by a branch of Aqualia Intech, for the execution of a storm water drainage system for the Riyadh Metro Line 6.	The term of the project is 11 months effective as of 07/09/1441H (corresponding to 30 April 2019G). The term of the agreement has been extended for an additional 15 months.	SAR 22,213,785
Drainage of storm water, wastewater, drinking water and irrigation water for the Riyadh Metro	High Commission for the Development of Riyadh	The Company has been subcontracted by Saudi Arabian Bechtel Company, Almabani General Contractors and Consolidated Contractors Company to change the route of the sewage networks for flood water, sewage, drinking water and irrigation water in the Riyadh Metro Project, Line 1.	The term of the project is 12 months, effective from 21/06/1441H (corresponding to 15 February 2020G).	SAR 25,281,624

Project Title	Project Owner	Brief Description	Term and Renewal Mechanism	Value
Design, execution and operation of a sewage treatment plant in Al Kharj Industrial City	Saudi Authority for Industrial Cities and Technology Zones (MODON)	The Company entered into an agreement to design, supply and construct an industrial water treatment plant located in Al Kharj Industrial City. The agreement includes the operation and maintenance of the plant at the start-up phase, and providing materials, equipment and workers.	The term of the project is 101 months, effective from 13/02/1435H (corresponding to 16 December 2013G).	SAR 73,250,100
Completed projects in the Central Region (as of 30 June 2020G)				
Implement the water system for the Riyadh Metro Line 1	High Commission for the Development of Riyadh	The Company entered into a contract with the Riyadh Development Authority (RDA) to execute the water system for the Riyadh Metro Line 1.	The term of the project is 26 months and shall expire on 09/11/1441H (corresponding to 30 June 2020G).	SAR 25,281,624
Joint arrangements				
Existing projects in the Central Region (as of 30 June 2020G)				
Operation and maintenance of the project of treated water transport to beneficiaries in the Riyadh Region and its suburbs	NWC	The Company entered into a maintenance and operation agreement alongside FCC Aquila to undertake the operation and maintenance of the transportation of the recycled and treated water to the Riyadh Region and its suburbs, and providing of materials, equipment and labour workers.	The term of the project is 36 months, effective from 09/01/1439H (corresponding to 29 September 2017G).	SAR 16,994,000

Source: The Company

4.6.1 Business Segments

The Company's business consists of the following three business segments:

- water segment;
- wastewater segment; and
- integrated water solutions segment.

The Company possesses deep subject matter expertise in connection with the above business segments, including:

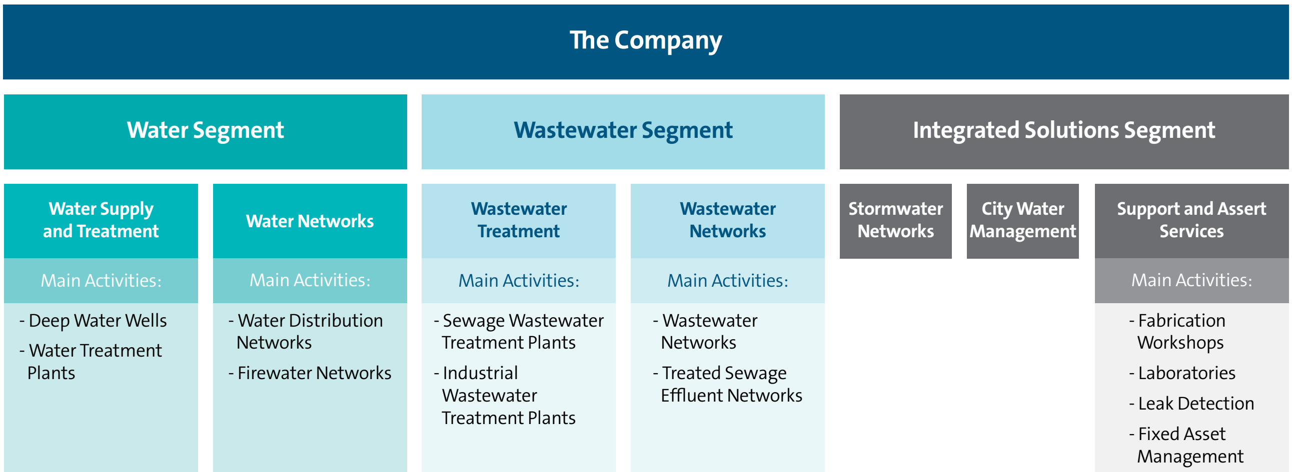
- civil works, such as earthworks, shoring and dewatering solutions, structures, tanks, reservoirs and others;
- mechanical works, such as pumping systems, clarifiers, aerators, flow meters, valves and others;
- processes, including biological treatment, chlorination, reverse osmosis, chemical dozing, sludge treatment and others; and
- automation systems, such as Supervisory Control and Data Acquisition (SCADA) systems comprising programmable logic controller (a digital computer used to automate computer processes and programming) for automation purposes, and others.

Moreover, as there is a strong interdependency of water and energy, the Company is heavily involved in the design, construction, operation and maintenance of fully integrated energy systems that are vital for providing power to collect, transport and treat water and wastewater and produce sludge. Such energy systems include substations, back-up power, electrical panels, implementation of energy efficiency solutions and many other components. The Company does not report the energy systems as a separate business segment and includes them in the above business segments as relevant.

In the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, the revenue from the water segment represented 46.3%, 45.1%, 51.0%, and 46.6%, respectively, of the Company's total revenue for the same period, the revenue from the wastewater segment represented 30.9%, 41.5%, 31.1% and 35.9%, respectively, of the Company's total revenue for the same period, and the revenue from the integrated water solutions segment represented 22.8%, 13.4%, 18.0% and 17.5%, respectively, of the Company's total revenue for the same period. For further details, see Section 6.5.1 (**Revenues Analysis by Sector and Division**).

The following chart shows the Company's business segments as of the date of this Prospectus:

Exhibit 4.2: The Company's Business Segments as of the Date of this Prospectus



Source: The Company

4.6.1.1 Water Segment

The Company designs, constructs, operates, maintains and manages across the Kingdom all types of water projects, such as water treatment plants, water networks, and related pumping and lifting stations.

(a) Water Supply and Treatment

In the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, the revenue from water supply and treatment activities represented 19.8%, 27.6%, 32.9% and 29.8%, respectively, of the Company's total revenue. The Company's water supply and treatment activities consist of building, operating and maintaining deep water wells and treatment plants.

(i) Deep Water Wells

The Company provides Project Services for deep water wells, which encompass probing, assessment of aquifer properties, full design, well drilling, casing and full component supply, installation and commissioning.

As of 30 June 2020G, the Company drilled, operated and maintained over 924 wells throughout the Kingdom, with over 1,100,000 m^3/day of aggregate potable water supply, including deep water wells in Central Region (in Riyadh Province), North and West Region (Hail, Tabuk, Makkah, and Madinah), Eastern Region (Dammam), South Region (Jazan) and Qassim Region.

(ii) Water Treatment Plants

The Company provides the Project Services for water treatment plants, including engineering, procurement and construction of large capacity and centralized brackish water reverse osmosis plants, serving water needs on regional and city level, with the most recent project being the construction of two reverse osmosis desalination plants for Royal Saudi Air Defence in Jeddah. As of 30 June 2020G, the Company rehabilitated more than 100 water treatment plants for operation and maintenance and entered into 10 contracts that include the operation and maintenance of more than 150 water treatment and purification plants. The Company is currently establishing three plants to purify sea water for the purpose of leasing them to the Saudi Electricity Company.

The Company has rehabilitated and currently provides O&M Services for brackish water treatment plants across the Kingdom, including the Central Region (in Riyadh province), North and West region (Hail, Tabuk, Makkah, and Madinah), Eastern region (Dammam), South Region (Jazan) and Qassim Region. The Company has overall responsibility of operating and maintaining one of the largest brackish water treatment plants in the Kingdom that is located in the Hail Region, with a capacity of 160,000 m^3/day. Other major projects for brackish water treatments plants include Afifi Dawadmi Shamel Water treatment plant with a total capacity of 50,000 m^3/day, Buraidah Water treatment plant with capacity of 172,000 m^3/day, Onaizah water treatment plant with capacity of 49,500 m^3/day, Almuthnab water treatment plant with capacity of 16,500 m^3/day, and Zulfi water treatment plant with capacity of 14,000 m^3/day. Sea water purification mobile plant lease project has been awarded to the Company by the Saudi Electricity Company for the purpose of using the sea water in the generators of Shuaiba, Rabigh, and South Jeddah in the western sector, during the six-month period ended June 2020G.

(b) Water Networks

In the financial years ended 31 December 2017G, 2018G and 2019G, and 30 June 2020G, the revenue from the water networks activities represented 26.5%, 17.5%, 18.1% and 16.8%, respectively, of the Company's total revenue. The Company's water networks activities consist of building, operating and maintaining water distribution networks and firewater networks.

(i) Water Distribution Networks

The Company provides Project Services for water distribution networks, encompassing the engineering, procurement, execution, commissioning, upgrading and rehabilitating of such networks. It also provides O&M Services for such networks.

Water distribution networks' projects include large scale pumping stations, underground tunnelling, auxiliary systems, potable water connections, and full metering and billing systems. As of 30 June 2020G, the Company operated and managed over 6,600 km of water networks and related pumping stations across the Kingdom, serving over 15 million inhabitants. Such projects include:

- Hail Water Network project, which involves operating and maintaining of over 2,500 km of drinking water networks and serving 17 cities and towns in the Hail Region;
- Riyadh Metro Project, which involves design, procurement, installation, rehabilitation and relocation of over 70 km of critical utility and infrastructure in Riyadh;
- Riyadh Area Drinking Water Network Group 2 and Riyadh Area Drinking Water Network Group 3, which involve operating and maintaining over 18 km of drinking water networks, including pumping stations, providing water to the vast majority of the Riyadh Province suburbs;
- Madinah Al Munawara Villages Water Network, Madinah East and West Water Network Project, which involve operating and maintaining of over 100 km of drinking water network and its pumping stations, and providing water to over 800,000 of Madinah inhabitants; and
- Aljouf Water Networks Project, which involves operating and maintaining of over 300 km of water network and providing water to over 500,000 inhabitants in Aljouf.

(ii) Firewater Networks

The Company provides Project Services for firewater networks, which include engineering, procurement, execution, and commissioning. It also provides O&M Services for firewater networks, including operating and maintaining full firewater systems, including main and auxiliary fire networks, fire pumps, fire hydrants, integrated building fire protection systems, and fire alarm systems.

The Company currently performs the operation and maintenance of fire hydrants and networks in the industrial city of Jubail for Royal Commission for Jubail and Yanbu (RCJY), the only existing project in this segment.

4.6.1.2 Wastewater Segment

The Company designs, constructs, operates, maintains and manages across the Kingdom all types of wastewater projects, such as sewage and industrial wastewater treatment plants, wastewater networks, and related pumping and lifting stations.

(a) Wastewater Treatment

In the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, the revenue from wastewater treatment activities represented 14.6%, 11.3%, 12.7% and 16.3%, respectively, of the Company's total revenue. The Company's wastewater treatment activities consist of building, operating and maintaining sewage wastewater treatment plants and industrial wastewater treatment plants.

(i) Sewage Wastewater Treatment Plants

The Company provides Project Services for sewage wastewater treatment plants, which include design, construction, upgrade and rehabilitation of sewage wastewater treatment plants. It also provides O&M Services, including operations and maintenance of advanced large-scale plants, serving a critical role in municipalities objectives while complying with environmental regulations.

As of 30 June 2020G, the Company constructed over 400,000 m^3/day combined capacity of sewage wastewater treatment plants, and operated and maintained plants with a combined capacity exceeding 1,600,000 m^3/day throughout the Kingdom, including in Riyadh, Qassim, Dammam, Makkah and Madinah. Such projects include:

- O&M Services for Dammam Sewage Treatment Plant with a peak capacity exceeding 470,000 m^3/day and serving over 1 million residents;
- Project Services for Albukaryah Sewage Treatment Plant with peak capacity of 56,000 m^3/day and Almuthnab Sewage Treatment Plant with a peak capacity of 16,000 m^3/day, both serving the Al-Qassim Region;
- O&M Services for Hadda and Arana Sewage Treatment Plants in Makkah area, each plant with a peak capacity of 500,000 m^3/day; and
- O&M Services for Zulfi Sewage Treatment Plant in Al Qassim Region with a peak capacity of 12,000 m^3/day.

(ii) Industrial Wastewater Treatment Plants

The Company provides turnkey solutions in Project Services, encompassing the engineering, procurement, execution, commissioning, upgrading and rehabilitating of industrial wastewater treatment plants. It also provides O&M Services, operations and maintenance of advanced large-scale industrial wastewater treatment plants. The Company provides a wide range of optimal solutions extending from highly effective pre-treatment to complete nutrient-removal for industrial wastewater treatment plants.

Such projects include the Project Services and O&M Services for Alkharj Industrial Wastewater Treatment Plant for MODON with peak capacity of 16,000 m^3/day, the only existing project in this segment.

(b) Wastewater Networks

In the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, the revenue from wastewater networks activities represented 16.3%, 30.3%, 18.3% and 19.6%, respectively, of the Company's total revenue. The Company's wastewater networks activities consist of building, operating and maintaining wastewater networks and treated sewage effluent networks.

(i) Wastewater Networks

The Company provides Project Services for wastewater distribution networks, large scale lifting stations, underground tunnelling, auxiliary systems, and wastewater connections. The Services encompass engineering, procurement, execution, commissioning, upgrading and rehabilitating the networks. It also provides O&M Services, including operations and maintenance of wastewater networks.

As of 30 June 2020G, the Company provided the Project Services and O&M Services for over 3,000 km of wastewater networks throughout the Kingdom. Its wastewater networks projects include the following:

- Project Services for Sewage Network in Aziziyah, consisting of 5.75 km of pipelines, including 3.50 km of micro tunnelling, with all related heavy civil works;
- Project Services for Sewage Network in Laban, consisting of 33.45 km of pipelines, 1,150 house connections and 383 manholes, with all other related heavy civil works;
- Project Services for Sewage Network in Tawaiq, consisting of 28.41 km of pipelines, 1,650 house connections and 270 manholes, with all other related heavy civil works; and
- Project Services for Buraidah Sewage Network and Pump Stations, consisting of 130 km of pipelines, 16,000 house connections, 1.5 km of micro tunnelling, 2,992 manholes and three main pump stations with a peak capacity of 767 m^3/ per hour.

(ii) Treated Sewage Effluent Networks

The Company is also active in Project Services for treated sewage effluent networks, which include engineering, procurement, execution and commissioning of treated sewage effluent networks. It also provides O&M Services, including operations and maintenance of treated sewage effluent networks. As of 30 June 2020G, the Company established three treated wastewater networks. It is constructing and rehabilitating two additional networks and has entered into six other contracts that include operating and maintaining treated wastewater networks.

As of 30 June 2020G, the Company provided O&M Services for Riyadh Area treated sewage effluent networks, including 260 km of treated sewage effluent pipelines, storage tanks with total capacity over 140,000 m^3 and pumping stations with peak capacity of 280,000 m^3/day, providing treated sewage effluent to King Abdullah Financial District, Princes Noura University, King Saud University and Communication and Information Technology Centre. On the Project Services side, the Company executed a treated sewage effluent network for Qiddiya project implemented by Qiddiya Investment affiliated to PIF, involving engineering, procurement, and construction of 3 km of treated sewage effluent line.

4.6.1.3 Integrated Water Solutions Segment

Through the integrated water solutions segment, the Company provides stormwater network services, city water management services, and support and asset management services.

(a) Stormwater Network

In the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, the revenue from stormwater solutions represented 2.8%, 2.6%, 8.2% and 6.0%, respectively, of the Company's total revenue.

The Company provides Project Services encompassing the engineering, procurement, execution, commissioning, upgrading, rehabilitating of large scale lifting stations, underground tunnelling, combined sewage overflow systems, underground storm water detention system, auxiliary systems, grit removal systems, pumping solutions and emergency storm control systems. The Company also provides O&M Services for the above-mentioned networks. As of 30 June 2020G, the Company constructed and operated over 3,000 km of stormwater networks throughout the Kingdom. Its stormwater networks projects include, but not limited to:

- Project Services for Stormwater in Al Nargis and Al Arid in Riyadh, consisting of 47.8 km of pipelines, with all related heavy civil works;
- Project Services for Stormwater in Riyadh Metro Line 5 and 6 in Riyadh, consisting of 3.5 km of box culvert and 3 km of pipelines, with all related heavy civil works;
- O&M Services for Stormwater in Central Riyadh, consisting of 381 km of pipelines, 67 km of box culvert and over 5,000 manholes; and
- O&M Services for Stormwater in West Riyadh, consisting of 240 km of pipelines, 22 km of box culver and over 3,000 manholes.

(b) City Water Management

In the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, the revenue from the city water management activities represented 18.0%, 8.8%, 7.2% and 10.2% respectively, of the Company's total revenue.

The Company provides turnkey solutions encompassing the full-scale strategic planning, capital investment, strategic operations and maintenance of supply chain of water starting from water wells, brackish water reverse osmosis treatment plants, sea water desalination plants, water and wastewater distributions, networks and pressure management, support service networks, metering, client service, billing, wastewater treatment and the treated sewage effluent reuse. To the extent a specific project does not include a turnkey solution, as described above, it would be included in one of the other segments included in this Section 4.6.1 (**Business Segments**).

The Company successfully executed various city water management projects across the Kingdom, including for example the Dammam Water and Wastewater Management Project, a project managed by the Company for the past 20 years (its scope includes full scale management of Dammam City Water and Wastewater Systems for over 1 million residents).

As of 30 June 2020G, the Company provided city water management services for the Dammam Water and Wastewater Management Project including, but not limited to:

- wastewater plants with treatment capacity of 450,000 m^3/day with fully functional water, sludge and wastewater test labs;
- 40 sewage lifting stations and seven main pump stations;
- over 2,500 km of sewage networks and over 10 km of main effluent transmission lines;
- over 3,000 km of potable water networks conveying 500,000 m^3/day;
- 140 wells and 36 reverse osmosis plants;
- 11 locations including desalinated water distribution bays and 155 km of desalination transmission lines; and
- quality assurance program for all of the above (including sample collection and solution implementation ranging from treatment plants, networks to end users for the purpose of ensuring the quality of services and solutions).

(c) Support and Asset Services

In the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, the revenue from the support and asset services activities represented 1.9%, 1.9% 2.5% and 1.4%, respectively, of the Company's total revenue.

Support and asset services complement the core business activities of the Company and provide it with a competitive advantage by being able to offer a full spectrum of water and wastewater solutions to its clients. The Company can thus meet the varied demands from its clients and the water management services also provide it with cross-selling opportunities. The Company's main support and asset services include fabrication workshops, laboratories, leak detection and asset services.

(i) Fabrication Workshops

As of 30 June 2020G, the Company operated three fully furnished and advanced fabrication workshops supporting the internal and external custom requirements of various intricate parts with ability to fabricate heavy custom mechanicals sections as well. The fabrication workshops enable the Company to maintain continuity of works and to achieve cost savings by securing hard to find parts and providing custom fit solutions based on various site conditions. The workshops also serve as a source of revenue generation as the Company fulfils the requirements of other clients.

(ii) Laboratories

As of 30 June 2020G, the Company operated over 15 fully equipped and advanced water and wastewater laboratories, leveraging on professional and high calibre staff to perform full spectrum tests, drinking water tests include total dissolved salts, conductivity, PH, nitrates and others. Wastewater laboratory test include, chemical oxygen demand, biological oxygen demand, total suspended solid, dissolved oxygen, total phosphorus and others. The laboratories fully integrate with the Company's water and wastewater activities and serve as a critical tool to maintain quality and full adherence to the relevant health and safety requirements. The Company is for example operating the Hail Central Laboratory and the Madinah Central Laboratory, testing water and wastewater parameters across both regions.

(iii) Leak Detection

The Company provides turnkey solutions encompassing water lines leak detection utilizing multitude of advanced technologies utilised and operated by the Company's professional experts in the field. It also offers a vast variety of proactive and corrective techniques for preventing, locating and repairing leaks. It thus serves a critical role in the Kingdom in minimizing water leakage, maintaining continuity of service, and preserving assets above and below ground. As of 30 June 2020G, the Company completed a project for execution of leak detection system of water networks in the north of Riyadh. It is also detecting leaks in a number of projects to operate and maintain their water networks, detecting and rehabilitating networks and providing water supplies within the properties of the National Water Company clients after being licensed to do so by the National Water Company.

(iv) Fixed Asset Services

The Company provides turnkey solutions encompassing fixed asset services for water utilities aiming to achieve the least cost and least risk of owning and operating fixed assets over their life cycle while meeting service standards for clients. This includes the development and implementation of a suite of processes that cover asset acquisition, operation, maintenance and overhaul to serve all the Company's segments. In addition, this includes setting service levels, computing life-cycle asset costs, maintaining an asset register, monitoring asset condition and performance, and carrying out risk analysis of possible asset failure. The Company detects, counts, and evaluates the assets of clients upon receipt of any operation and maintenance contract. It also develops the necessary plans for periodic and preventive maintenance. As of 30 June 2020G, the Company successfully completed the inventory and valuation of SWCC's assets.

4.6.2 Clients

(a) Description of Clients

Given that over 90% of the water and wastewater infrastructure in which the Company is currently involved (deep water wells and treatment plants, water distribution networks, wastewater networks and treatment plants) is managed by MEWA, which supervises and develops water and agricultural affairs in the Kingdom, and NWC, as a wholly state-owned company providing water and sanitation services, MEWA and NWC are the Company's top two clients accounting in aggregate for approximately 86.0%, 92.2%, 83.5% 89.5% of its total revenues in the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, respectively. In addition, the Company's clients include private utilities, including for example Ma'aden Wa'ad Al Shamal Phosphate Company, municipal utilities, including for example Royal Commission of

Jubail and Royal Commission for Riyadh City, and other contractors, including for example FCC Aqualia, S.A., FAST Consortium (including Samsung C&T, Alstom, Strukton, Freyssinet Saudi Arabia, Atkins, Typsa and Setec) and BACS Consortium (Saudi Arabian Bechtel Company, Siemens Aktiengesellschaft, Almabani General Contractors and Consolidated Contractors Company WLL) and desalination plants for Royal Saudi Air Defence Forces of the Ministry of Defence. See also Section 2.2.1 (**Risks Related to the Market Structure**).

The Company has established strong relationships with its clients, in particular MEWA and NWC, providing it with a strong competitive advantage. See Section 4.5.1.2 (**Strong and Long-Standing Relationship with Major Client's**).

(b) Contract Awards by Clients

The vast majority of the contracts awarded by clients is through competitive bidding based on prequalification requirements, such as past experience, financial capability, and Saudi classification thresholds, which are pre-requisites for each bidder to participate. The bids can either be via public announcements or direct invitation. See also Section 2.1.1 (**Risks Relating to Government Tenders**) and Section 2.1.7 (**Risks Related to the Timing of New Projects and Reduction in Scope of Existing Projects**). The following table shows the classification classes of contractors and projects that the Company can apply for:

Table 4.22: Classification Classes of Contractors and Projects that the Company Can Apply for

Awarding Entity	Classification Field	Classification Class (out of Five Levels)	Purpose of Classification
Ministry of Municipal and Rural Affairs - MOMRA's Agency for Contractor Classification	Water and sanitation works	Level One	Enable the Company to engage in Government water and wastewater projects of all sizes (without limitation of the project value), as per the regulatory requirements
	Construction works	Fourth degree	Enable the Company to engage in Government construction projects, subject to the limit of SAR 21 million for each project as per the statutory requirements
	Road works	Fourth degree	Enable the Company to engage in road work projects subject to the limit of SAR 42 million for each project, as per the statutory requirements
	Electrical	Fourth degree	Enable the Company to engage in Governmental electrical work projects subject to the limit of SAR 21 million for each project, according to the statutory requirements
	Mechanical works	Fourth degree	Enable the Company to engage in Governmental mechanical work projects subject to the limit of SAR 21 million for each project, as per the statutory requirements
	Industrial works	Fourth degree	Enable the Company to engage in Government industrial work projects subject to the limit of SAR 42 million for each project, as per the statutory requirements
	Maritime works	Fourth degree	Enable the Company to engage in Government maritime works projects subject to the limit of SAR 42 million for each project, as per the statutory requirements
	Electronic works	Fifth degree	Enable the Company to engage in Government electronic work projects subject to the limit of SAR 7 million for each project, as per the statutory requirements

Source: The Company

(c) Contractual Relationships (Backlog)

As discussed above, the Company enters into contracts principally on the basis of competitive bids. Although there is considerable variation in the terms of the contracts that the Company undertakes, its contracts fall within the following types:

- **Unit price Contracts**, pursuant to which the Company agrees to perform specific work units at a specific price for each work unit that is executed, after calculating the Company's costs and including them in the unit price. The unit price contracts accounted for 26.5%, 32.2%, 29.4% and 21.3% of the revenues, respectively, in the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G.

- **Fixed Price Contracts**, pursuant to which the Company agrees to do work at a fixed price for the entire project. Fixedprice contracts accounted for 4.6%, 0.2%, 0.3% and 0.2% of the Company's revenues for the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, respectively.
- **Cost Plus Contracts**, pursuant to which the Company is paid for its costs, in addition to a premium in the form of a specified amount or a percentage of the costs that is agreed upon in advance. Cost plus contracts accounted for 0.1%, 0.1%, 0% and 0% of the Company's revenues for the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, respectively.
- **Time and Equipment Contracts**, pursuant to which the Company is paid for providing labour workers and equipment at the agreed hourly rates and other expenses, with the Company's costs being calculated and included in the hourly rates. Time and equipment contracts accounted for 1.1%, 0.7%, 1.5% and 0.7% of the Company's revenues for the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, respectively.
- **Hybrid Contracts**, which are a combination of time-and-equipment contracts and unit price contracts (such hybrid contract is typically used for O&M Services where the Company, as the operator, is paid a monthly fee over the life of the contract for supplying skilled manpower and equipment to perform the O&M Services along with unit cost components to perform related auxiliary works when required). The hybrid contracts accounted for 67.7%, 66.9%, 68.8% and 77.8%, respectively, of the Company's revenues in the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G.

The contractual period of 80% of the Company's contracts is three to five years on average, while the contractual period of the remaining contracts ranges from 11 to 101 months. Most of the contracts are renewed by competitive bidding process. The Company's contracts with MEWA and NWC are typical governmental contracts with the private sector complying with the Government Tenders and Procurement Law and its implementing regulations.

It should be noted that a portion of the Company's revenue is derived from additional work performed by it based on subsequent agreements with the project owners. Therefore, it is not related to the value of the main contract and is not quantified. Such work includes, but is not limited to, supplying / replacing water networks to homes in the regions or districts where the Company operate its networks.

See Section 2.1.4 (**Risks Related to Pricing Assumptions used in the Company's Contracts**) and Section 2.1.8 (**Risks Related to Project Performance**).

A portion of the work that the Company performs requires performance and payment bonds at the time of concluding contracts. The Project Services contracts generally include payment provisions pursuant to which 5% to 10% is retained until the contract work has been completed and approved. As of 30 June 2020G, the Company issued performance and payment bonds of SAR 8.7 million for its Project Services and O&M Services. The ability to post performance and payment bonds provides the Company with a competitive advantage over smaller or less financially secure competitors.

See also and Section 12.5 (**Material Agreements**).

(d) Backlog

As of 30 June 2020G, the Company's backlog was approximately SAR 850.6 million, comprised of Project Services and O&M Services for various water treatment plants, deep water wells, water networks and pumping stations, fire water networks, wastewater treatment plants, industrial wastewater treatment plants, wastewater networks, treated sewage effluents, storm water solutions, water management services, city water management, and services related to integrated water solutions.

The Company determines the estimated amount of backlog by calculating the amount of revenue expected to be realized from work to be performed on uncompleted contracts, which is in most cases the remaining contractual value, as well as new contractual agreements awarded officially to the Company. See Section 2.1.2 (**Risks Related to Backlog**).

4.6.3 Insurance and Risk Management

The Company's business involves conditions that can be dangerous and the water and wastewater industries generally involve a high degree of operational risk. While the Company is committed to operating safely and prudently, its business is subject to numerous safety risks, including electrocutions, fires, explosions, mechanical failures, weather-related incidents, transportation accidents and damage to equipment. These hazards can cause personal injury or loss of life, severe damage to or destruction of property and equipment and other consequential damages and could lead to, among others, large monetary claims. See Section 2.1.16 (**Risks Relating to Occupational Health, Safety and Environmental Matters**).

As part of its overall risk management strategy and because some of its contracts impose on the Company specific insurance requirements, the Company maintains insurance policies with coverage customary for companies of its type and size in the Kingdom, including public liability, third party liability, workmen's compensation, business all risk, plant and property all-risk, automobile liability, group personal accident and health insurance policy but its insurance does not cover all possible claims. For further details on insurance policies, see Section 12.7 (**Insurance Policies**).

To further manage risks, the Company's employees are encouraged to complete a progressive training program to improve their technical skills and ensure that they understand and follow the applicable safety codes, the Company's safety practices and other internal policies. The Company strives to instil safe work habits in its employees, communicate its safety guidelines to them and consistently enforce those guidelines. The Company evaluates employees in part based upon their safety records and the safety records of the employees they supervise and it rewards its employees for working safely and minimizing injuries. The Company has established a company-wide safety program to share best practices and to monitor and improve compliance with safety procedures and regulations. Employee safety is a top priority across the entire organization.

4.6.4 Information Technology System

The Company fully outsources its information technology needs to Alkhorayef Group Company pursuant to the shared services agreement dated 1 January 2017G (see Section 12.9.1 (**Shared Services Agreement between the Company (as Client) and Alkhorayef Group Company (as Service Provider**)). Alkhorayef Group Company implemented in 2007G Oracle E-business, an "Enterprise Resources Planning" (ERP) software, to support its own, as well as its subsidiaries', operations and additional expansion plans. A series of upgrades have taken place since the latest version being released— R12—in 2012G. Oracle is a global ERP system designed by Oracle Corporation, an American company, and one of the largest companies specialising in software and database solutions. ERP systems are designed to cover the financial, human resource, supply chain, manufacturing and inventory management system. The Company has a dedicated IT team internally to manage and perform day to day all required IT functions and to communicate with Information Technology Department of Alkhorayef Group Company on subjects related to the technology outsourced.

Alkhorayef Group Company maintains in-house IT capabilities and relies less on external IT support service providers. Alkhorayef Group Company has a highly qualified team undertaking all necessary services related to information technology. The above shared services agreement with Alkhorayef Group Company, entered into on an arm's length basis, contains performance KPIs, such as implementation of customized reporting, continuity of service, level and speed of response to technical support requests, among others. It also contains Chinese walls requirements designed to prevent the employees of Alkhorayef Group Company from having access to any material information of the Company that is not otherwise publicly available, except for the employees providing services to the Company.

4.6.5 Suppliers

In the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, the Company's cost of purchases was SAR 69.5 million, SAR 108.6 million, SAR 124.7 million, and SAR 57.0 million, respectively, representing approximately 27.8%, 30.5%, 29.5% and 22.7%, respectively, of its total annual revenues for the same period, of which 73.4%, 69.6%, 68.8% and 59.8%, respectively, were related to permanent material supply for the Projects Services clients and consumables, diesel and supplies required for O&M Services and execution works and repairs, of which 16.6%, 22.8%, 22.6% and 20.3%, respectively, were related to the purchase of fixed assets, such as the Company's equipment and cars and 10.0%, 7.6%, 7.6% and 19.9%, respectively, of the purchases were related to insurance contracts, such as health insurance for employees, the Company's asset insurance, etc. Most of the Company's transactions with its suppliers are made through purchase orders that provide for the selling price, date of receipt, delivery location, shipping costs, and the warranty period, while annual contracts with insurers provide for the scope, exclusions and terms of coverage, including the limits of the insurer's liability for amounts of claim, compensations, and eligibility.

The Company's overall strategy is to purchase and procure from, and work with, suppliers that offer the best prices, services and quality and meet its requirements on competitive terms. It maintains a list of qualified alternative suppliers in all key areas of its business to reduce reliance on any particular supplier. The Company reviews its third-party supply arrangements on an annual basis for all categories.

The Company made purchases from over 655 suppliers, including 632 local suppliers and 23 foreign suppliers, during the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G. Purchases from local suppliers represented 97.5%, 98.3%, 99.0% and 98.9% of the total purchases in the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, respectively. Purchases from suppliers outside the Kingdom represented 2.5%, 1.7%, 1.0% and 1.1%, respectively, in the same periods, and purchases from the top ten suppliers accounted for 31.0%, 31.6%, 31.4% and 43.2%, respectively, of the total purchases in the same periods. No supplier accounted for more than 7% annually of the Company's needs for materials, vehicles and equipment. The following table shows the main suppliers of the Company and details of the materials and products supplied:

Table 4.23: The Company's Key Suppliers and the Details of the Materials and Products Supplied

Name of the Supplier	Details of Materials	Details of Contract	Percentage of Purchases			
			Financial Year Ended 31 December 2017G	Financial Year Ended 31 December 2018G	Financial Year Ended 31 December 2019G	Six-Month Period Ended 30 June 2020G
Al Yemni Motors Co.	Cars and vehicles	Customized purchase orders	2.9%	3.8%	6.6%	6.0%
AXA	Car and equipment insurance	Annual contracts	4.3%	3.1%	3.2%	6.8%
Technology and Quality Factory	Metal forming equipment and services and trucks	Customized purchase orders	-	1.5%	3.5%	7.5%
Tawuniya for Insurance	Individuals insurance	Annual contracts	-	-	4.4%	13.1%
SVCP	Clay pipes	Customized purchase orders	-	1.5%	3.5%	7.5%

Source: The Company

The main categories of products and services provided by third-party suppliers are as follows:

4.6.5.1 Leased Properties

Due to the Company's operations spread throughout the Kingdom, it leases housing properties for its project staff in the locality of the projects. In addition, it leases workshop facilities and office properties (including its headquarters) in various locations, as per its operational requirements. As of 30 June 2020G, residential properties for project employees in the related project areas amounted to 71 properties, while there were nine commercial properties used for the Company's administrative offices.There were eight mixed-use properties used for various purposes, including residential housing for employees, and commercial housing for the establishment of administrative offices, warehouses and yards. For more details, see Section 12.8.2 (**Leases**).

The Company believes that its existing leased properties are adequate for its operations and it does not believe that any single facility is material to its operations and, if necessary, it could readily obtain replacement facilities for its existing facilities.

4.6.5.2 Material

The Company procures material required for the execution and operations of its projects. The material purchased usually falls within the following two categories:

- fixtures - the main components of the projects, such as pipes, precast concrete structures, castings, steel structures, etc.; and
- consumables - goods that must be replaced regularly because they wear out or are used up, such as nails, glue, welding rods, oil, etc.

The Company is not relying on any one supplier for any materials and it is not presently experiencing, nor does it anticipate experiencing, any difficulties in procuring an adequate amount of materials.

4.6.5.3 Independent Subcontractors

Independent subcontractors are employed by the Company to implement auxiliary and specialized services following a clear division of responsibility matrix defining their scope and obligations. An example of independent contractor scope is supply and transportation of backfill material and aggregates, execution of backfill activities, excavation etc. Independent subcontractors typically provide their own employees, vehicles, tools and insurance coverage. The Company is not dependent on any single subcontractor and it is not presently experiencing, nor does it anticipate experiencing, any difficulties in procuring such services. Its contracts with its subcontractors hold them liable for their portion of the work or require indemnities and typically contain provisions limiting its obligation to pay the subcontractor if its client has not paid the Company. The Company, when deemed required, requests performance bonds from its subcontractors on projects for which it supplies performance bonds to its clients. There were 401 subcontractors, and the value of subcontractors' work was 7.5%, 9.5%, 6.6% and 6.7% of the cost of revenue in the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, respectively. The value of work of the top ten subcontractors accounted for 48.2%, 60.7%, 49.6% and 44.9%, respectively, of the total purchases for the same periods. The following table shows the details of the top five subcontractors for the Company by contract value for the six-month period ended 30 June 2020G:

Table 4.24: The Company's Top Five Subcontractors by Contract Value for the Six-Month Period Ended 30 June 2020G

Contractor Name	No. of Projects	Total Value of the Contract (SAR million)	Remaining Total Value of the Contract (SAR million)[1]
Contractor 1	1	23.3	4.6
Contractor 2	4	16.6	6.0
Contractor 3	7	15.3	2.9
Contractor 4	4	10.4	5.5
Contractor 5	6	5.7	1.8

Source: The Company

[1] The remaining amounts of the total contract value represent the value of the unfinished work, which were not due and payable as on the date of this Prospectus.

4.6.5.4 Equipment

The work performed by the Company requires a large fleet of diversified equipment. The Company operates a fleet of owned trucks and trailers, support vehicles and specialty construction equipment, such as bulldozers, large excavators, on-road and off-road cranes, vehicles and equipment moving rigs and others. The Company also relies on specialized fabrication equipment, turnery, bending and cutting machines. The Company's fleet comprised as of 30 June 2020G approximately 2,080 units, including approximately 1,000 pieces of specialty equipment. The Company believes that its fleet is well maintained and adequate for its present operations. Its fleet group is staffed by over 55 mechanics and equipment managers and it operates ten maintenance shops throughout the Kingdom to service its fleet (for more details about the Company's property and equipment, see Section 6.6.2.1 (**Property and Equipment**)). The Company's ability to service its own fleet allows it to reduce repair costs and the time equipment is out of use by eliminating the need to ship equipment for repair as well as dependence on third party maintenance providers. The Company's maintenance shops are also able to modify standard construction equipment to meet the specific needs of its specialty applications.

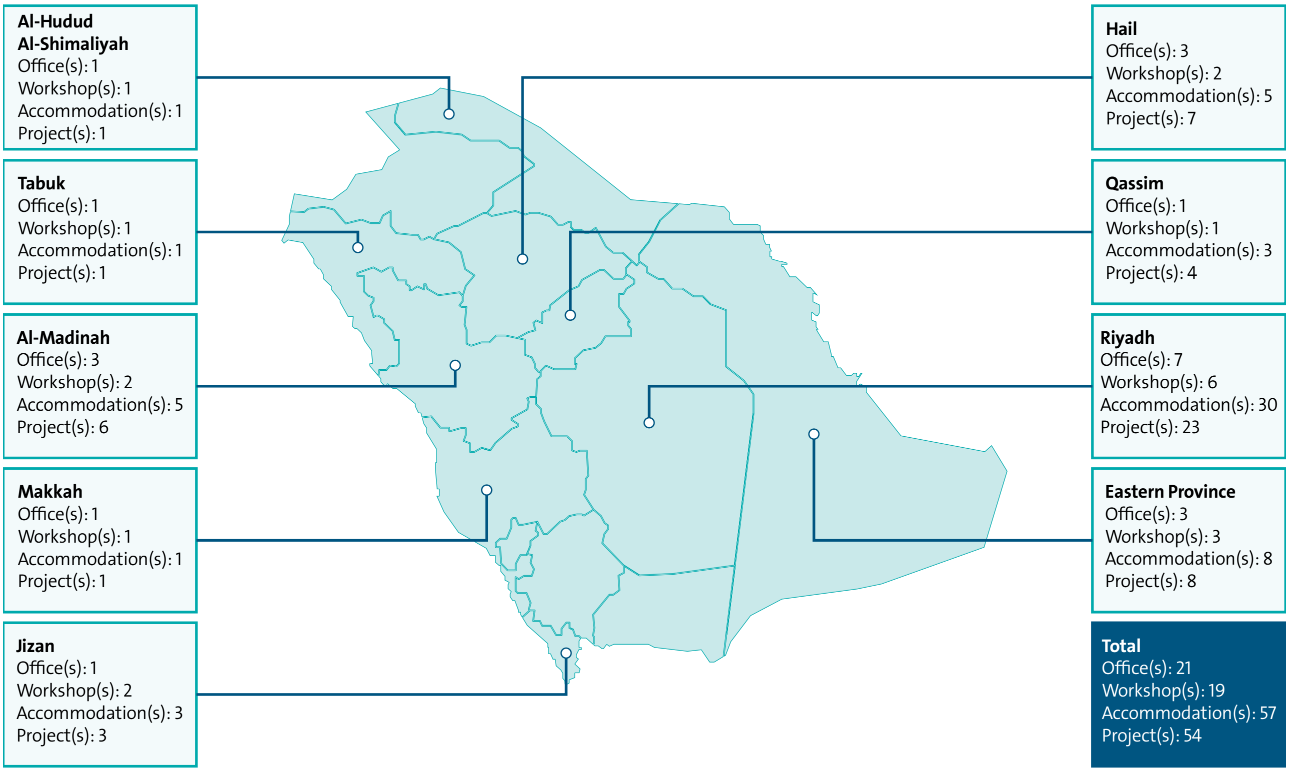
The Company's fleet of equipment is centrally managed and it is highly mobile, allowing the Company to shift resources from region-to-region quickly and to effectively respond to client needs or major events. The Company's centralized fleet management enables it to optimize and maintain its equipment to achieve the highest equipment utilization which helps to maintain a competitive position with respect to the Company's equipment costs.

The Company is not relying on any one supplier for any equipment and it is not presently experiencing, nor does it anticipate experiencing, any difficulties in procuring equipment.

4.6.6 Geographic Locations and Operations

The Company's head office is located in Riyadh. The following map illustrates the Company's geographic presence in the Kingdom as of 30 June 2020G:

Exhibit 4.3: The Company's Geographic Presence in the Kingdom as of 30 June 2020G



Source: The Company

4.6.7 Awards and Certifications

The Company received awards and certificates from several agencies, including the following:

No.	Awarding Entity	Type	Description of Licensed Activities/ Purpose	Issuance Date	Expiry Date
1	MOMRA - Deputy Ministry for Contractor Classification Affairs	Contractor Classification Certificate	As per Law requirements to enable the Company to participate in Government projects	24/12/1440H (corresponding to 26 August 2019G)	24/12/1444H (corresponding to 13 July 2023G)
2	Guardian Independent Certification Limited - Certified Member of the International Accreditation Forum (IAF MLA)	OHSAS 18001-2007 Certificate	Occupational Health and Safety Management	22/01/1440H (corresponding to 2 October 2018G)	29/07/1442H (corresponding to 13 March 2021G)
3	Guardian Independent Certification Limited - Certified Member of the International Accreditation Forum (IAF MLA)	ISO 14001-2015 Certificate from JAS-ANZ	Environmental Management	22/01/1440H (corresponding to 2 October 2018G)	24/02/1443H (corresponding to 1 October 2021G)
4	Guardian Independent Certification Limited - Certified Member of the International Accreditation Forum (IAF MLA)	ISO 9001-2015 Certificate from JAS-ANZ	Quality Management	22/01/1440H (corresponding to 2 October 2018G)	24/02/1443H (corresponding to 1 October 2021G)
5	Guardian Independent Certification Limited - Certified Member of the International Accreditation Forum (IAF MLA)	ISO 14001-2015 Certificate from UKAS	Environmental Management	11/04/1440H (corresponding to 18 December 2018G)	13/05/1443H (corresponding to 17 December 2021G)

No.	Awarding Entity	Type	Description of Licensed Activities/ Purpose	Issuance Date	Expiry Date
6	Guardian Independent Certification Limited - Certified Member of the International Accreditation Forum (IAF MLA)	ISO 9001-2015 Certificate from UKAS	Quality Management	11/04/1440H (corresponding to 18 December 2018G)	13/05/1443H (corresponding to 17 December 2021G)
7	SWPC	Prequalification with Saudi Water Partnership Company (SWPC)	Prequalification to participate in BOT projects	17/09/1441H (corresponding to 10 May 2020G)	N/A (qualification is valid for bidding and awarding each project)
8	MOMRA - Deputy Ministry for Contractor Classification Affairs	Classification Grade 1 in water and wastewater	Allows participation in all sizes and profiles of projects with governmental entities in the water sector	24/12/1440H (corresponding to 26 August 2019G)	24/12/1444H (corresponding to 13 July 2023G)
9	NWC	Prequalification with the National Water Company	Prequalification to participate in city water management projects	06/12/1440H (corresponding to 8 August 2019G)	N/A (qualification is valid for bidding and awarding each project)

Source: The Company

4.7 Future Plans and Initiatives

In line with its strategic objectives and mirroring the National Water Strategy for privatization, the Company, in partnership with global water leaders, such as FCC Aqualia, is pursuing a wide array of water and wastewater privatization projects, the outcome of which remains uncertain as of the date of this Prospectus. Such projects range from independent transmission lines, independent sewage networks, independent sewage treatment plants, to strategic reservoirs and others.

The Company also entered in an exclusive partnership with industry global leader Veolia Middle East, and successfully prequalified as a major contractor. This enables the Company to bid on all projects organized by NWC in the water and wastewater distribution sector in the Kingdom as part of implementing the National Water Strategy. The clusters are divided into Group 1, including North Cluster (Qassim, Hail, and Northern Borders), Northwest Cluster (Madinah and Tabuk), South Cluster (Assir, Al-Baha, Najran and Jazan), and Group 2, including Riyadh, Eastern and Makkah Clusters. These contracts are to be managed by prequalified consortiums via management, operation and maintenance contract (MOMC) for a period of five to seven years, to be followed by long term concession contracts.

The Company will keep pursuing its strategic objectives to strengthen its leadership position in Project Services for water networks by developing in-house capabilities in tunnelling works. The lack of supply of such function in the Saudi market and the constant high demand for such non-disruptive method of infrastructure construction has the potential to fuel the Company's growth in the Project Services space.

4.8 Overview of Company Departments

The Company has a number of administrative departments that support its various business activities. It should be noted that the Company does not have a legal department, but rather uses external legal advisors when it needs any legal services. Below is a brief description of the activities of the Company's departments as of the date of this Prospectus:

4.8.1 Health, Safety and Environmental Compliance Department

The Health, Safety and Environmental Compliance Department is responsible for providing health and safe working environment for the Company's employees, which is an absolute priority for the Company. The measures taken by this department are primarily intended for the safety of the Company's employees, contractors, visitors and general public in connection with the various activities performed by its personnel at the office premises and project sites.

The Company has developed strong environment, health, safety measures and quality assurance programs with stringent safety standards to preserve the health and safety of its employees and the public.

4.8.1.1 Environmental, Health and Safety Measures

The Company has undertaken several environmental, health and safety measures for the purpose of protecting and safeguarding its premises, assets, personnel and environment, as well as to ensure the continuity of its businesses.

All facilities and warehouses of the Company are equipped with security and safety equipment, including CCTV systems, fire alarms and other firefighting equipment, and they are also guarded by security personnel. In addition, the Company has adopted appropriate safety, security and environmental procedures and protocols, such as targeted safety training for personnel, workshops, toolbox meetings, pre-task planning and hazard assessment.

All employees, contractors and visitors are required to comply with the requirements as stipulated within the health and safety plan. The plan is reviewed and updated periodically to incorporate client and project specific requirements in the implementation of health and safety standards.

The Company implements continuous safety training, awareness and hands on targeted safety workshops, with work supervised by expert safety team on all projects. All activities are performed in compliance with the health and safety plan, risk hazard analysis and pre task planning.

4.8.1.2 Quality Assurance

The Company strictly adheres to quality assurance programs systematically in all aspects of its operations, including making sure that all products and services comply with specified requirements. The objective from the quality assurance system implemented by the Company is to maintain client confidence and the Company's credibility, while also continuously improving work processes and efficiency, and increasing its competitive edge. The ISO (International Organization for Standardization) certification that the Company maintains is a driving force behind its quality assurance practices and mapping the processes used to implement quality assurance.

Moreover, equipment and major tools undergo inspection and certification by third party quality assurance agencies such as TÜV. Manufactured equipment undergoes initially tests in factory and is not released until a factory acceptance test is conducted and passed. Works performed by the Company are continuously inspected as per client requirement and results are documented and, in many instances, verified by third party when applicable. The Company applies strict and systematic quality control systems and procedures with specified inspection test point for each activity.

The Company employs dedicated quality control team on its projects to maintain compliance and implement the quality assurance and quality control procedures.

4.8.2 Human Resources Department

The Human Resources Department is responsible for all aspects of the Company's human assets, including talent acquisition and recruitment, personnel training and development, as well as retention initiatives. These are run with the view of supporting the Company to meet its objectives. In addition, it is also responsible in administering the employee compensation and benefits programmes. In particular, the Human Resources Department performs the following:

(a) assists the Company in talent acquisition by matching the Company's requirement to the available candidates, i.e., finding, screening and recruiting highly qualified, well trained and experienced candidates;

(b) develops, reviews, scrutinise and maintains job descriptions, job classifications as well as jobs competencies to enhance employees' satisfaction and performance;

(c) develops, reviews and maintains human resource policies and procedures covering all human resources operations and activity areas of the Company, and ensures compliance with the laws of the Ministry of Human Resources and Social Development and the Labour Office;

(d) develops, reviews and administers salary scale and structure to ensure adaptability to the prevailing labour market as well as administering the compensation and employee benefits;

(e) assists managers and ensures the Company conducts its periodical assessments and appraisal of performance;

(f) strategizes and runs training and development programmes to cover the entire range of basic and enhanced skill sets needed by the employees of the Company;

(g) runs and maintains orientation programmes for new joiners to ensure smooth change management;

(h) ensures compliance with Saudization requirements and other relevant regulations and guidance;

(i) employs technology to enhance human resources management and communication via Oracle selfservice systems;

(j) is responsible for the public relations, security and safety, facilities management, accommodation and housing for labours, as well as the local purchasing support;

(k) ensures that the security and confidentiality of employee data and information are intact and maintained; and

(l) embarks on transformation activities in ensuring the human resources of the Company are in line with the latest human resource management development in the Kingdom and globally.

4.8.3 Project Management Office Department

The Project Management Office Department implements and consolidates the best practices and processes within the Company. It encompasses the core functions of budgeting, deviation measurement, enterprise level resource tracking and planning, document control functions, company risk and experience and maintain standardization of repetitive processes.

In particular, the Project Management Office Department performs the following:

(a) reports project status to upper management;

(b) monitors, controls and analyse costs and revenues;

(c) monitors and controls project performance;

(d) implements and operates a project information system;

(e) develops and maintains a project scoreboard;

(f) develops and implements a standard methodology;

(g) provides a set of project management tools;

(h) manages and coordinates the compilation of corporate annual budget and project budgets;

(i) participates in strategic initiatives;

(j) manages archives of project documentation;

(k) conducts post-project reviews;

(l) conducts project audits;

(m) implements and manages a database of lessons learned; and

(n) implements and manages risk register;

4.8.4 Finance Department

The Finance Department is responsible for providing the Company with accurate, timely and relevant financial and business information to support the decision-making process for the managers of the Company. It is also responsible for ensuring that proper internal controls are in place to safeguard the Company's assets and compliance with financial regulations and adopted policies and procedures. The Finance Department is a combination of centralised functions looking at the overall strategy, policy and procedures, as well as treasury management and localised book-keeping and accounting functions. In particular, the Finance Department performs the following:

(a) develops, implements and maintains financial policies, systems, processes, procedures and controls to ensure proper financial management and controls are in place so that all relevant procedural/legislative requirements are fulfilled;

(b) promotes a culture of innovation and continuous improvement through adapting to changes in international standards, changes in the business environment and adoption of leading practices within the Finance Department;

(c) undertakes daily auditing tasks and ensures that accurate and timely financial reports are produced periodically and in compliance with the relevant policies, procedures and regulations;

(d) prepares the Company's financial statements, the resulting key performance indicators (KPI) and periodic management report to the various committees within the Company;

(e) leads and oversees the financial flow cycle in the Company and across departments, and formulates strategies that result in positive financial impact for the Company and mitigates financial and operational risks;

(f) maintains the treasury function by ensuring proper cash management, availability of funds and liquidity;

(g) handles and manages the Company's relationship with the Financial Institutions in arranging for funding requirements and negotiating for the best term and conditions through economies of scale as a Company;

(h) uses internal and external auditors;

(i) manages the collection process from clients;

(j) prepares and files Zakat and tax return filings; and

(k) provides ad-hoc financial supports to all committees, subsidiaries and departments within the Company.

4.8.5 Information Technology Department

As per Section 4.6.4 (**Information Technology System**), the Company fully outsources its information technology needs to Alkhorayef Group Company pursuant to the shared services agreement dated 1 January 2017G. The responsibilities of the Information Technology Department of Alkhorayef Group Company include:

(a) to develop and maintain information technology policies and procedures;

(b) to procure the renewal of the software licenses that the Company uses;

(c) to maintain systems, servers, storage units and maintain the network of the Company;

(d) to assess the IT needs based on Company's strategy and objectives;

(e) to develop and maintain proper safety and security the Company's IT systems by managing role-based user access and restriction, disaster recovery plan as well as the security of the IT assets; and

(f) to train new ERP users.

The Company's Information Technology Department interfaces with Alkhorayef Group Company's Information Technology Department and handles all the information technology needs of all the departments of the Company.

4.8.6 Internal Audit Department

The Internal Audit Department is an independent and objective assurance and consulting activity designed to add value and improve the Company's operations. It helps the Company accomplish its objectives by bringing a systematic, disciplines-based approach to evaluate and improve the effectiveness of risk management, control and governance across all business segments of the Company.

The Company established an Internal Audit Department at the first meeting of the Audit Committee held on 18 June 2020G. The Committee approved the general mandate and approach for the Company's internal audit function, and a director was appointed for the Internal Audit Department on 2 December 2020G. It should be noted that PricewaterhouseCoopers Chartered Accountants is currently appointed as an external party to carry out the functions of the Internal Audit Department for a period of two years and three months from 14 November 2020G, the date of the agreement. In particular, the Internal Audit Department performs the following:

(a) evaluates and provides reasonable assurance that risk management, control and governance systems are functioning as intended and will enable the organisation's objectives and goals to be met;

(b) reports risk management issues and internal controls deficiencies identified directly to the Audit Committee and provides recommendations for improving the organisation's operations, in terms of both efficient and effective performance;

(c) evaluates information security and associated risk exposures;

(d) evaluates regulatory compliance programme with consultation from legal counsel;

(e) evaluates the organisation's readiness in case of business interruption;

(f) teams with other internal and external resources as appropriate; and

(g) provides support to the Company's anti-fraud department.

4.8.7 Engineering and Operations Department

The Engineering and Operations Department is divided along the following sub-departments:

Engineering Department

The Engineering Department is broadly responsible for the design, drawing, codes, specification of material required, quantity and quality of components procured from vendors.

The Engineering Department provides technical, engineering, surveying and hands on support on capital improvement projects ranging from concept development through engineering design, project management and construction inspections.

O&M Department

The Operations and Maintenance Department scope encompasses supplying equipment, tools, expert manpower to maintain and run the day-to-day activities necessary to operate the Company's assets, systems and equipment, to perform their intended function and maintain their optimal working conditions, as well as overseeing all on-site and off-site construction activities to monitor compliance with specifications and safety regulations.

Project Services Department

The Project Services Department is responsible to plan, execute, supervise, inspect and direct a construction project from start to finish, overseeing all on-site and off-site construction activities to monitor compliance with specifications and safety regulations.

4.8.8 Sales and Marketing Department

In general, the key responsibilities of the Sales and Marketing Department include the following:

(a) tendering on new projects;

(b) providing the periodic marketing plan for the Company and its pre-and post-event evaluation;

(c) evaluating the Company's competitive advantage via peer review as well as comparing results with the competitors in the marketplace;

(d) providing avenues for market penetration by focussing on the most effective ways for reaching new markets or developing positions in the current markets;

(e) planning and executing agreed advertising, promotion and event activities;

(f) meeting, discussing and capturing clients' needs and requirements;

(g) embarking on market research and market development, locally and globally;

(h) attracting new clients, new markets and/or new products;

(i) providing sales-and-marketing-related intelligence, including periodical reports on sales, inventory and promotional effectiveness to the management;

(j) strategizing the delivery and point-of-sale tactics in maximising sales; and

(k) ensuring clients' satisfaction and positive after-sales experience.

Marketing and promotions are undertaken via targeted periodic client visits and specialized exhibitions where contact is established with industry leaders and clients. Executive Management, including the Chief Executive Officer, follows up on leads and explores partnerships and potential opportunities.

4.8.9 Procurement Department

In general, the key responsibilities of the Procurement Department include the following:

(a) evaluating new suppliers and agreeing on the best terms and conditions for the Company;

(b) maintaining the relationship with current suppliers;

(c) developing and executing detailed purchasing requirements and the timing of the materials/stocks to be in line with production schedules and/or clients' deadlines;

(d) coordinating shipping and receiving processes;

(e) maintaining the stock level and the purchasing cycle processes and procedures; and

(f) ensuring uninterrupted supplies of raw materials and finished goods to the supply chain of the Company.

4.9 Corporate Social Responsibility

The Company makes full commitments to its clients, local communities where it operates, and partners to deliver long-term access to essential services. It develops customised solutions that suit each region in which it operates. It continuously innovates to uplift the society and bolster its well-being by providing water services and sanitation. It aims to operate sustainably while protecting the environment and it treats pollution that impacts health. It is used to intervene in emergency situations by providing its expertise in the maintenance of essential services.

The Company expects its employees to uphold its ethics principles in all their dealings, in all circumstances and whatever their role and level of responsibility. At every level of the Company, from Directors to employees, everybody has an absolute duty to never act in a way that could cast the slightest doubt on the Company's ethical integrity. This culture encourages the Company's employees to comply with ethical principles that are often above and beyond the requirements of applicable laws and regulations. The following four fundamental principles guide the Company's practices:

- acting in accordance with the applicable laws and regulations;
- establishing a culture of integrity;
- behaving fairly and honestly; and
- respecting others.

The ethics rules apply in practice to the three circles within which the Company operates:

- the circle of the Company consisting of its employees and its Shareholders;
- the circle of the market, within which the Company maintains relations with its clients, its suppliers and its competitors; and
- the circle of the environment everywhere in the world where it operates.

Because it is beneficial to all three circles (group, market and environment), all its stakeholders want more stringent ethical standards in conducting business as they promote a new path towards regulation in the economy.

The Company also launched the Masarat Program, which is an apprenticeship training program for Saudi nationals. It consists of a six-month "training on the job" for several engineering, technical, financial, and administrative positions. Thereafter, the trainees find employment within the department in which they have trained with a pre-determined salary and a five-year career track.

Finally, as discussed in greater detail in Section 4.3.2.2 (**Alkhorayef Nama Company**), 5% of the Shares in the Company have been also transferred by the Shareholders to Alkhorayef Nama Company, a one-person limited liability company whose all shares were placed as a waqf supporting charitable institutions and societies in the Kingdom, contributing to social, educational and medical development projects, including establishing and supporting educational, social, training, professional and technical institutions, centres, and programs, as well as research, and studies.

4.10 Business Continuity

There has been no suspension or interruption in Company's business during the twelve-month period preceding the date of this Prospectus, which would affect or have a significant impact on its financial position, and no material change in the nature of its business is contemplated.

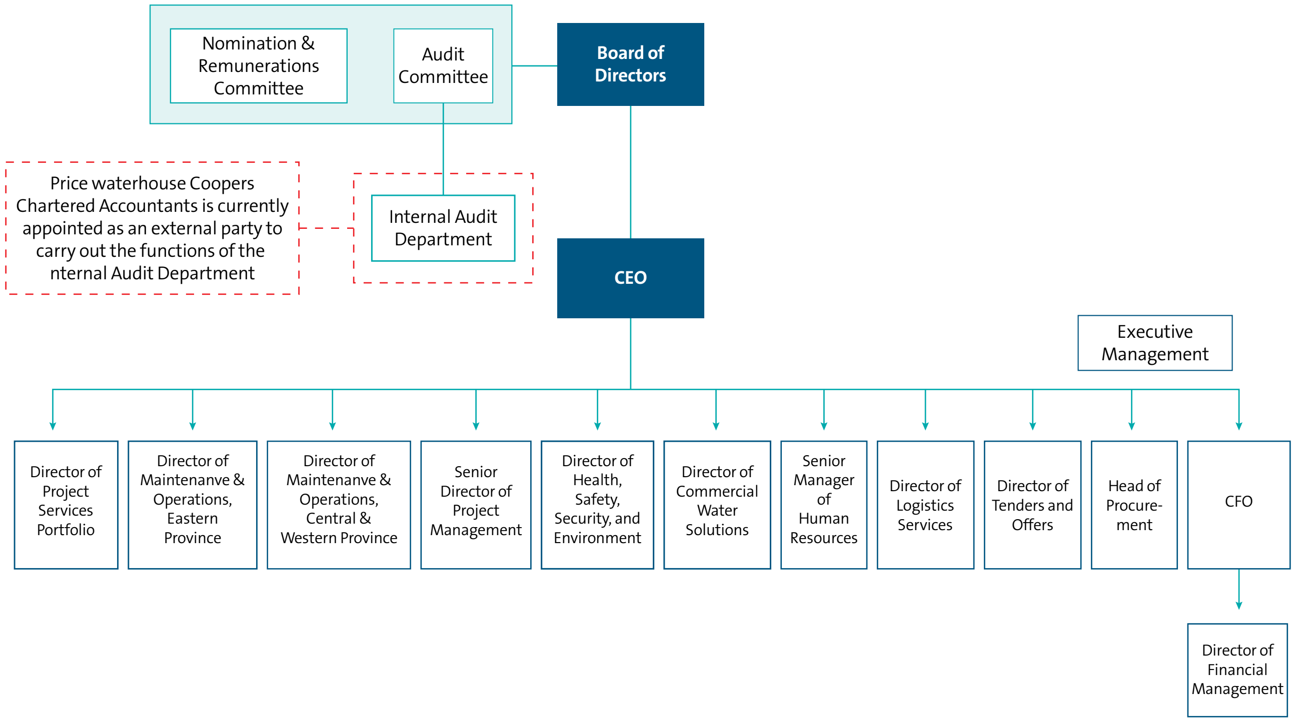
5. ORGANIZATIONAL STRUCTURE AND CORPORATE GOVERNANCE

5.1 Organizational Structure

The Shareholders of the Company delegate responsibility to the Board of Directors for the overall direction, supervision and control of the Company. The Board of Directors delegates responsibility for overall day-to-day management of the Company to the Executive Management of the Company and, in particular, the Chief Executive Officer.

The following chart sets out the organizational structure of the Company:

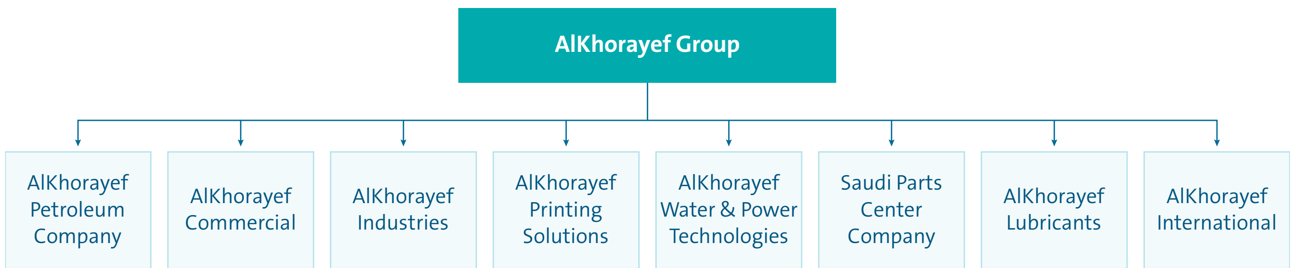
Exhibit 5.1: Organizational Structure of the Company



Source: The Company

The following chart shows the Company's position within the Group:

Exhibit 5.2: The Company's Position within the Group



The following table summarizes the direct ownership structure of the Company's Shares Pre- and Post-Offering:

Table 5.1: Direct Ownership Structure of the Company Pre- and Post-Offering

Shareholder	Shareholding (Pre-Offering)			Shareholding (Post-Offering)		
	No. of Shares	Ownership (%)[1]	Value of shares (SAR)	No. of Shares	Ownership (%)[1]	Value of shares (SAR)
Alkhorayef Group Company (CJS)	20,250,000	81.000%	202,500,000	12,750,000	51.000%	127,500,000
Alkhorayef Nama Company (LLC)	1,250,000	5.000%	12,500,000	1,250,000	5.000%	12,500,000
Saad Abdullah Ibrahim Alkhorayef	600,347	2.401%	6,003,470	600,347	2.401%	6,003,470
Hamad Abdullah Ibrahim Alkhorayef	600,347	2.401%	6,003,470	600,347	2.401%	6,003,470
Mohammed Abdullah Ibrahim Alkhorayef	600,347	2.401%	6,003,470	600,347	2.401%	6,003,470
Sara Abdullah Ibrahim Alkhorayef	300,174	1.201%	3,001,740	300,174	1.201%	3,001,740
Jawaher Abdullah Ibrahim Alkhorayef	300,174	1.201%	3,001,740	300,174	1.201%	3,001,740
Abdullah Ibrahim Abdullah Alkhorayef	193,766	0.776%	1,937,660	193,766	0.776%	1,937,660
Fahd Ibrahim Abdullah Alkhorayef	96,883	0.388%	968,830	96,883	0.388%	968,830
Muneira Abdullah Almubarak	62,286	0.249%	622,860	62,286	0.249%	622,860
Ibtisam Ibrahim Abdullah Alkhorayef	48,443	0.194%	484,430	48,443	0.194%	484,430
Sara Ibrahim Abdullah Alkhorayef	48,443	0.194%	484,430	48,443	0.194%	484,430
Nujud Ibrahim Abdullah Alkhorayef	48,443	0.194%	484,430	48,443	0.194%	484,430
Fouziya Mohammed Zaid Suleiman	75,043	0.3%	750,430	75,043	0.3%	750,430
Abdullah Abdulrahman Abdullah Alkhorayef	131,326	0.525%	1,313,260	131,326	0.525%	1,313,260
Abdulaziz Abdulrahman Abdullah Alkhorayef	131,326	0.525%	1,313,260	131,326	0.525%	1,313,260
Ibrahim Abdulrahman Abdullah Alkhorayef	131,326	0.525%	1,313,260	131,326	0.525%	1,313,260
Sima Abdulrahman Abdullah Alkhorayef	65,663	0.263%	656,630	65,663	0.263%	656,630
Rima Abdulaziz Abdulrahman Abdullah Alkhorayef	65,663	0.263%	656,630	65,663	0.263%	656,630
Public	-	-	-	7,500,000	30%	75,000,000
Total	**25,000,000**	**100%**	**250,000,000**	**25,000,000**	**100%**	**250,000,000**

Source: The Company

[1] The shareholding percentages are rounded.

5.2 Board of Directors and Secretary of the Board of Directors

5.2.1 Composition of the Board of Directors

The Board of Directors consists of six (6) Directors who are appointed by the General Assembly by means of cumulative vote. The Companies Law, the Corporate Governance Regulations, the Bylaws, and the internal governance regulations of the Company shall determine the duties and responsibilities of the Board of Directors. The term of the Directors' membership in the Board of Directors, including the Chairman, shall be for a maximum period of three years for each period. The Secretary of the Board is Nayef Mohammad Al Shami who was appointed as Secretary of the Board on 01/03/1442H (corresponding to 18 October 2020G). Nayef Muhammad Al Shami is the Company's Chief Financial Officer whose was appointed as Chief Financial Officer on 22/03/1442H (corresponding to 8 November 2020G).

The following table sets out the Directors who were appointed by virtue of the General Assembly Resolution dated 29/09/1441H (corresponding to 22 May 2020G):

Table 5.2: Company's Board of Directors

Name	Title	Nationality	Status	Ownership Percentage[(1)]				Date of Appointment[(3)]
				Direct		Indirect[(2)]		
				Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Mohammed Abdullah Ibrahim Alkhorayef	Chairman of the Board	Saudi	Non-executive	2.4%	2.4%	13.89%	8.75%	29/09/1441H (corresponding to 22 May 2020G)
Abdulaziz Abdulrahman Abdullah Alkhorayef	Vice Chairman of the Board	Saudi	Non-executive	0.53%	0.53%	3.04%	1.91%	29/09/1441H (corresponding to 22 May 2020G)
Fahd Mohammed Abdulaziz Alkhorayef	Director	Saudi	Non-executive	-	-	-	-	29/09/1441H (corresponding to 22 May 2020G)
Ammar Ahmad Amin Al-Zubaidi	Director	Jordanian	Non-executive	-	-	-	-	29/09/1441H (corresponding to 22 May 2020G)
Abdulrahman Saud Hamad Al-Oweiss	Director	Saudi	Independent	-	-	-	-	29/09/1441H (corresponding to 22 May 2020G)
Suleiman Mohammed Abdullah Al-Quhaydan	Director	Saudi	Independent	-	-	-	-	29/09/1441H (corresponding to 22 May 2020G)

Source: The Company

(1) The ownership percentages are rounded.

(2) Muhammad Abdullah Alkhorayef indirectly owns 13.89% of the Company Share Capital before the Offering, as a result of: (1) ownership of 17.15% in Abdullah Ibrahim Alkhorayef Sons Company, which owns 30% of the shares of Alkhorayef Group Company, which in turn owns 81% of the Company's shares; and (2) ownership of 12.01% in Alkhorayef Group Company, which owns 81% of the Company's shares. Abdulaziz Abdurrahman Alkhorayef indirectly owns 3.04% in the Company before the Offering, as a result of: (1) ownership of 3.75% in Abdullah Ibrahim Alkhorayef Sons Company, which owns 30% of the shares of Alkhorayef Group Company, which in turn owns 81% of the Company's shares; and (2) ownership of 2.63% in Alkhorayef Group Company, which owns 81% of the Company's shares.

(3) The dates listed in this table are the dates of appointment to current positions in the Board of Directors. Their respective biographies in Section 5.2.4 (**Biographies of the Directors and the Secretary**) set out the dates of their appointments, whether to the Board of Directors or to any other position.

5.2.2 Responsibilities of the Board of Directors

The Company is supervised by a Board of Directors consisting of professional and highly experienced persons. The Board of Directors is vested with full powers to manage the business of the Company and supervise its affairs. The Board of Directors delegates responsibility for overall day-to-day management of the Company to the Executive Management.

Some powers are delegated to the Board of Directors' committees, consisting of the Audit Committee, and the Nomination and Remuneration Committee (collectively, the "**Committees**"). In addition, the Board of Directors has the power to form any number of committees it considers necessary for effective governance, oversight and operations of the Company or to delegate some of its powers to one or more of the Directors or to third parties. However, despite any delegation, the ultimate responsibility for the Company rests with the Board of Directors.

The responsibilities of the Board of Directors, the Chairman and the Secretary can be summarized as follows:

5.2.2.1 Board of Directors

Without prejudice to the powers conferred on the General Assembly, the Board shall be vested with full powers to manage the Company and conduct its business inside and outside the Kingdom in order to achieve its objectives, including but not limited to:

- developing and reviewing the Company's comprehensive strategy, main business plans and risk management policy;
- determining the Company's optimal capital structure, strategies, and financial objectives and approving its annual budgets;
- supervising the Company's capital expenditures, acquisition/disposal of assets, and expansion inside and outside the Kingdom;
- developing a written policy regulating the relationship with stakeholders in order to protect them and preserve their rights.
- developing mechanisms for indemnifying the stakeholders in case of the violation of their rights granted under the law and their respective contracts;
- developing mechanisms for the settlement of complaints or disputes that might arise between the Company and the stakeholders;
- developing suitable mechanisms for maintaining good relationships with clients and suppliers and protecting the confidentiality of related information;
- establishing a code of conduct for the Company's executives and employees that is compatible with sound professional and ethical standards and that regulates their relationship with stakeholders, and developing mechanisms to monitor compliance and adherence with such code of conduct;
- developing policies in connection with the Company's social contributions;
- approving the appointment of the Chief Executive Officer, the Chief Financial Officer and the Company's Head of the Internal Audit Department;
- laying down a comprehensive strategy for the Company, the main work plans and the policy related to risk management;
- determining the appropriate capital structure of the Company, its strategies and financial objectives and approving its annual budgets;
- supervising the main capital expenditures of the Company and acquisition/disposal of assets;
- determining the performance objectives to be achieved and supervising implementation thereof;
- monitoring the overall performance of the Company;
- reviewing and approving the organizational and functional structures of the Company;
- establishing policies and procedures to ensure the Company's compliance with the relevant laws and regulations and the Company's continuous obligation to disclose material information to the Shareholders and other relevant parties;
- laying down policies, standards and procedures in connection with the membership of the Board of Directors and implementation thereof;
- ensuring alignment of strategy and plan with the Company's existing resources, risks, economic and market conditions and growth;
- ensuring the integrity of the financial and accounting procedures including procedures related to the preparation of the financial reports;

- ensuring the implementation of control procedures appropriate for risk management by forecasting the risks that the Company could encounter and disclosing them with transparency;
- holding a meeting in the last quarter of each year to approve the budget for the following year;
- except for the Audit Committee, establishing Committees of the Board of Directors with specific mandates, approving its charters and appointing its members;
- evaluating the performance of the Executive Management members in connection with the achievement of strategy;
- ensuring that a sound system of internal control (supported by the Audit Committee) is established, implemented and maintained at all levels;
- reviewing the effectiveness of the Company's internal control systems;
- ensuring compliance with the Company's corporate governance regulations and the Company's policies and procedures;
- approving the delegation of authority matrix, budgets and financial statements;
- determining the powers to be delegated to the Executive Management members;
- approving new business initiatives and business closures;
- reviewing the performance of the Committees established by the Board of Directors;
- reviewing compliance with the authority matrix;
- ensuring disclosure of key business transactions and Related Party transactions in the Board of Directors' annual report;
- calling for a meeting of the General Assembly at least once a year during the six months following the end of the Company's financial year;
- reviewing the Company's corporate governance regulations periodically, evaluating whether any changes are required in light of updated regulations, changes in practices and communicating such changes to the Secretary; and
- providing recommendations to the Shareholders for the dividends to be distributed in accordance with the Company's dividend distribution policy and for any retention of profits.

5.2.2.2 Chairman

The Chairman shall assume the following responsibilities:

- representing the Company before third parties, all courts of all degrees and types, the notary public, Board of Grievances, official authorities and departments, judicial and administrative committees of all types and degrees, labour offices, labour commissions, legal and Zakat committees, banking dispute settlement committees, primary and higher bodies and other committees and governmental entities, Department of Zakat, Ministry of Investment, police, public prosecution, execution courts, emirates, ministries, all other committees, including individuals, companies or bodies, whether inside or outside the Kingdom, and submitting, signing, reporting on, delivering and receiving applications in the name of the Company from any party. The Chairman has also the right to plead, defend, litigate, attend hearings on behalf of the Company, lodge, hear and respond to all cases and claims, reconcile, waive, make acknowledgement, deny, reply, impugn, supply witnesses, information, consent, take all regulatory measures to enforce the judgments in favor of the Company, appoint and dismiss attorneys, claim and receive the Company's rights vis-a-vis third parties under certified checks in the name of the Company. In addition, the Chairman may accept and reject judgments, appoint arbitrators, sign arbitration documents, appoint experts, receive, deliver and amend commercial registers, licenses, instruments of judgments, documents, clearances and commercial papers, request the execution of judgments and decisions, challenge for forgery, and submit terminations and grievances;
- signing contracts and agreements, applying for and receiving loans from any governmental or non-governmental banking or other institutions for the Company, including loan contracts with Saudi Industrial Development Fund, opening bank accounts inside and outside the Kingdom in the name of the Company and managing these bank accounts, whether by withdrawing, depositing or closing, receiving any profits that may result from these accounts, issuing, cashing, and endorsing checks, issuing guarantee letters and documentary credits, opening investment portfolios with Saudi and non-Saudi banks, and selling and purchasing shares for the benefit of the Company, provided that there shall be no brokerage in trading the shares;
- signing loan agreements, credit facilities, and mortgage agreements of all kinds and forms with banks on behalf of the Company, undertaking all transfers of title, including mortgage of all the Company's movable property, including stocks, bonds, real estate, land, and buildings, as required to achieve the objectives of the Company, regardless of their location, status, and intended purposes, and purchasing real estate, buildings and other fixed and movable assets, accepting transfers in favour of the Company, paying the price, selling real estate, transferring title, receiving the price, and selling fixed and movable assets;

- incorporating new companies, whether inside or outside the Kingdom, signing amendments of those companies' contracts by third parties and signing their memorandums of association and decisions amending these memorandums before the Ministry of Commerce and the notary on behalf of the partners in the name of the Company, including decisions related to increase or decrease of the Company's capital, and inclusion or dismissal of partners, selling and transfer of shares and stocks owned by partners to third parties, and purchase of shares and stocks in existing or new companies;
- attending, on behalf of the Company, the meetings of the General Assembly in the companies, in which the Company is a shareholder and voting on and signing the decisions issued therein, leasing and receiving the rent, holding memberships with chambers of commerce, obtaining phones of various forms and types from the Saudi Telecom Company and other telecommunications companies, agreeing with foreign companies to obtain agencies from them for the Company and registering them with the competent authorities, registering and objecting to registration of trademarks, appointing employees, recruiting and dismissing workers, determining their salaries and transferring their sponsorships, collecting the Company's rights and giving corresponding clearances, fulfilling the Company's obligations, paying its debts, and receiving and paying the price. They may authorize or delegate third parties to perform some of the above functions, pursuant to written authorizations or powers of attorney;
- promoting constructive relationships between the Board of Directors and the Executive Management, and between the executive Directors and the non-executive Directors;
- ensuring that the Board discusses all the main issues in an efficient and timely manner;
- ensuring that the Board of Directors agenda is focused on the Company's strategy, performance, value creation for Shareholders and accountability at all levels;
- promoting a culture in the boardroom that supports constructive criticism and alternative views on issues under consideration, and encourages discussion and voting on these issues;
- ensuring that both the Directors and the Shareholders receive adequate and timely information;
- delegating tasks to individual Directors and following up on their progress; and
- ensuring that the Directors disclose their business and conflict of interest in any matter discussed in Board of Directors meetings.

5.2.2.3 Vice Chairman of the Board of Directors

The Vice Chairman is responsible for directing the management and reviewing important decisions before passing them on to the Board of Directors. The Vice Chairman shall have the broadest powers to represent the Company before various government agencies. The Vice Chairman also chairs the General Assembly meetings in the absence of the Chairman.

5.2.2.4 Secretary

The responsibilities of the Secretary include the following:

- attending the meetings of the Board of Directors;
- managing all the administrative, technical and logistics relating to the affairs of the Board of Directors and the General Assembly meetings;
- managing and coordinating the meeting agendas of the Board of Directors and the Committees;
- documenting the Board's meetings and preparing minutes of them that include discussions and deliberations;
- preparing visual presentations, preparing and distributing minutes of meetings, archiving all data, information and records relating to the Board of Directors and the Committees
- preparing and maintaining a register of proceedings and resolutions of the Board of Directors and the Committees and safekeeping the Company's official records;
- acting as a liaison officer with the CMA and other official entities and ensuring compliance with the corporate governance regulations and other related regulations;
- assisting in the modernization and implementation of the Company's corporate governance;
- providing the Directors with the Board's agenda, working papers, documents and information related to it;
- ensuring that the procedures, rules and regulations applicable to the Board of Directors are followed by the Directors;
- informing the Directors of the dates of the Board's meetings within sufficient time before the specified date;
- maintaining and updating the Company's corporate governance regulations as per the instructions of the Board of Directors;

- providing support and advice to the Directors; and
- performing other tasks as delegated by the Board of Directors.

5.2.3 Service Contracts with Directors

No service or employment contracts have been concluded between the Company and the members of the Board. They were appointed based on a resolution of the constituent General Assembly of the Company held on 29/09/1441H (corresponding to 22 May 2020G). The Directors receive remuneration in accordance with the Company's Bylaws in a manner that does not conflict with the statutory controls issued in this regard (for more details, please refer to Section 5.5 (**Remuneration of Directors and Senior Executives**)).

5.2.4 Biographies of the Directors and the Secretary

The experience, qualifications and the current and past positions of each of the Directors and the Secretary are set out below:

5.2.4.1 Mohammed Abdullah Ibrahim Alkhorayef, Chairman of the Board

Nationality:	Saudi
Age:	57 years
Academic and Professional Qualifications:	• Bachelor of Science in Industrial Engineering, King Saud University, Riyadh, Kingdom of Saudi Arabia, 1988G.
Appointment Date:	• 29/09/1441H (corresponding to 22 May 2020G)
Current Positions:	• Company Chairman of the Board of Directors from 2020G up to the date of this Prospectus. • Chief Executive Officer, Alkhorayef Group Company, a closed joint stock company, with multiple activities and units that include the fields of oil, lubricants, machinery and equipment systems, contracting services, printing and paper, from 2013G up to the date of this Prospectus. • Chairman of the Board of Directors, Alkhorayef Trading Company, a limited liability company, operating in the field of distributing agricultural, industrial and marine machinery and equipment, from 2010G up to the date of this Prospectus. • Director, Alkhorayef Group Company, a closed joint stock company, with multiple activities and units that include the fields of oil, lubricants, machinery and equipment systems, contracting services, printing and paper, from 2009G up to the date of this Prospectus. • Chairman of the Board of Directors, Alkhorayef Industries Company, a limited liability company, operating in the field of manufacturing turbine pumps, iron pipes and pivot irrigation systems, from 2005G up to the date of this Prospectus. • Director, Alkhorayef Petroleum Company, a limited liability company, operating in the field of pumping systems and components, from 2015G to the date of this Prospectus. • Director, the Saudi Export Development Authority, a governmental body concerned with increasing Saudi non-oil exports, from 2019G up to the date of this Prospectus. • Director, the Arabian Centers Company, a public joint stock company, operating in the field of owning, developing and operating commercial malls, from 2017G up to the date of this Prospectus. • Vice Chairman of the Board of Directors, the Arab Agricultural Services Company (ARASCO), a closed joint stock company, operating in the production and sale of foodstuff, from 2019G up to the date of this Prospectus. • Chairman of the Board of Directors, Rakhaa Company for Agricultural Investment and Development (LLC), an Egyptian joint stock company, operating in the agricultural and food production field, from 2016G up to the date of this Prospectus. • Member of the Association for Loss Prevention and Risk Prevention "SLAMATC", operating in the field of raising safety awareness, developing expertise, qualifying competencies and cadres, and supporting industrial and professional programs, from 2019G up to the date of this Prospectus. • Member of the Board of Trustees, the Takaful Charitable Foundation for the employees of the Ministry of Education, an institution that aims to support students in need in the Kingdom's schools, from 2019G up to the date of this Prospectus. • President of the Saudi side, the Saudi-Iraqi Business Council, Council of Saudi Chambers, the Council aiming to strengthen economic relations and expand business partnerships, from 2017G up to the date of this Prospectus. • Member, Renewable Energy Committee, Chamber of Commerce and Industry in Riyadh, the committee aiming to support, empower and coordinate with all parties to achieve the strategic objectives for the Kingdom to be a pioneer in renewable energy in accordance with Vision 2030, from 2019G up to the date of this Prospectus.

Past Professional Experience:	• Director, the Saudi Standards, Metrology and Quality Organisation, a governmental authority, working in the field of achieving regional leadership and scientific benchmarking in the fields of standardization and conformity assessment and upgrading the specifications and quality of products and services, from 2014G to 2019G. • Director, the National Program for the Development of Industrial Clusters, a governmental program, aiming to create a new industrial structure in the Kingdom to diversify the national economy based on a shift from reliance on natural resources represented in the oil sector to the wealth gained from that sector, from 2016G to 2018G. • Chairman of the Board of Directors of the Saudi Paper Manufacturing Company, a public joint stock company operating in the industrial investment sector, from 2015G to 2018G. • Director, Saudi Steel Pipe Company, a public joint company operating in the construction sector, from 2013G to 2015G. • Director, Saudi Paper Manufacturing Company, a public joint stock company operating in the industrial investment sector, from 2006G to 2014G. • Member of the Industrial Committee, the Chamber of Commerce and Industry in Riyadh, from 2000G to 2011G

5.2.4.2 Abdulaziz Abdulrahman Abdullah Alkhorayef, Vice Chairman of the Board

Nationality:	Saudi
Age:	38 years
Academic and Professional Qualifications:	• Master of Science in Engineering Science and Manufacturing Systems Management, Cranfield University, Bedfordshire County, UK, 2008G. • Bachelor of Science in Industrial Engineering, King Saud University, Riyadh, Kingdom of Saudi Arabia, 2005G.
Appointment Date:	• 29/09/1441H (corresponding to 22 May 2020G)
Current Positions:	• Vice Chairman of the Company Board of Directors from 2020G up to the date of this Prospectus. • Vice President, Takamol Holding Company, a limited liability company operating in the field of project management, consulting, human resources and procurement, from 2017G up to the date of this Prospectus. • Member of the Board of Directors, Packaging Products Company, a closed joint stock company operating in the field of plastic single-use products that serve a large sector in the dairy and foodstuff industry, from 2017G up to the date of this Prospectus. • Member of the Board of Directors, Bayan Credit Information Company, a closed joint stock company operating in the field of providing credit information services and collecting credit data and information from commercial and industrial establishments, from 2018G up to the date of this Prospectus. • Member of the Advisory Board, Equipment Systems Sector, Alkhorayef Group Company, a closed joint stock company, with multiple activities and its units include the fields of oil, lubricants, machinery and equipment systems, contracting services, printing and paper, from 2015G up to the date of this Prospectus.
Past Professional Experience:	• Minister's Advisor for Industrial Initiatives, Ministry of Energy, Industry and Mineral Resources, Riyadh, Kingdom of Saudi Arabia, a government ministry working in the field of management, development and exploitation of oil, gas and mineral resources, from 2016G to 2017G. • General Director, General Administration for Planning, Policies and Industrial Research, Agency for Industrial Affairs, Ministry of Energy, Kingdom of Saudi Arabia, a government ministry working in the field of management, development and exploitation of oil, gas and mineral resources, Riyadh, from 2016G to 2017G. • General Manager, National Center for Small and Medium Enterprises, Ministry of Commerce, A government ministry setting and implementing commercial policies for the Kingdom, facilitating and developing commercial work internally and externally, enhancing the role of the private sector in the national economy, developing trade relations with various countries of the world, in addition to supervising the application of commercial regulations and issuing licenses to establish and supervise chambers of commerce and their branches, Riyadh, from 2014G to 2016G. • General Manager, Alkhorayef Industries Company, a limited liability company, operating in the field of manufacturing turbine pumps, iron pipes and pivot irrigation systems, from 2009G to 2014G. • Industrial Projects Development Manager, Alkhorayef Industries Company, a limited liability company - operating in the field of manufacturing turbine pumps, iron pipes and pivot irrigation systems, from 2005G to 2007G. • Industrial Projects Development Manager, Alkhorayef Petroleum Company, a limited liability company - operating in the field of pumping systems and components, from 2005G up to 2007G. • Industrial Projects Development Manager, Alkhorayef Printing Solutions Company, a limited liability company - operating in the field of printing and packaging solutions, from 2005G to 2007G.

5.2.4.3 Fahd Mohammed Abdulaziz Alkhorayef, Director

Nationality:	Saudi
Age:	39 years
Academic and Professional Qualifications:	• Master of Business Administration, Aston University, Birmingham, England, 2010G. • Bachelor of Industrial Engineering, King Saud University, Riyadh, Kingdom of Saudi Arabia, 2004G
Appointment Date	• 29/09/1441H (corresponding to 22 May 2020G).
Current Positions:	• Company Director from 2020G up to the date of this Prospectus. • Managing Director, Alkhorayef Printing Solutions Company, a limited liability company, operating in the field of printing and packaging solutions, from 2019G up to the date of this Prospectus. • General Manager, Saudi Automated Spare Parts Center, a limited liability company, operating in the field of spare parts and maintenance for heavy equipment and trucks, from 2012G up to the date of this Prospectus. • Member of the Advisory Board, Equipment Systems Sector, Alkhorayef Group Company, a closed joint stock company, with multiple activities and its units include the fields of oil, lubricants, machinery and equipment systems, contracting services, printing and paper, from 2015G up to the date of this Prospectus. • Member of the Board of Directors, Abdullah Al-Ibrahim Alkhorayef Sons Company, a closed joint stock company operating in the field of multiple investments, from 2012G up to the date of this Prospectus.
Past Professional Experience:	• Chairman of the Tender Committee, Alkhorayef Company for Lubricants Manufacturing, a limited liability company, operating in the field of manufacturing lubricants, from 2018G to 2020G. • In charge of communication and marketing management of Alkhorayef Group Company, a closed joint stock company a closed joint stock company, with multiple activities and its units include the fields of oil, lubricants, machinery and equipment systems, contracting services, printing and paper, from 2015G to 2019G. • Member of the Communication and Marketing Committee, Alkhorayef Group Company, Member of the Advisory Board, Equipment Systems Sector, Alkhorayef Group Company, a closed joint stock company, with multiple activities and its units include the fields of oil, lubricants, machinery and equipment systems, contracting services, printing and paper, from 2013G to 2015G. • Member of the Industrial Innovation Award Committee, the Saudi Authority for Industrial Estates and Technology Zone "Modon", which is a governmental body concerned with the development and supervision of industrial cities, from January 2012G to December 2012G. • Assistant General Manager, Saudi Spare Parts Center, a limited liability company operating in the field of spare parts and maintenance for heavy equipment and trucks, from 2011G to 2012G. • Material Handling Product Manager, Alkhorayef Trading Company, a limited liability company, operating in the distribution of agricultural, industrial and marine machinery and equipment, from 2006G to 2008G. • Project Management Director, Alkhorayef Group Company, a multi-activity closed joint stock company, whose units include the fields of oil, lubricants, machinery and equipment systems, contracting services, printing and paper, from 2005G to 2006G.

5.2.4.4 Ammar Ahmed Amin Al-Zubaidi, Director

Nationality:	Jordanian
Age:	51 years
Academic and Professional Qualifications:	• Bachelor's in Accounting and Business Administration, University of Jordan, Amman, Jordan, 1993G. • Bachelor's in Accounting and Auditing, Kuwait University, Kuwait, 1990G.
Appointment Date	• 29/09/1441H (corresponding to 22 May 2020G).
Current Positions:	• Company Director from 2020G up to the date of this Prospectus. • Member of the Executive Committee, Alkhorayef Group Company, a closed joint stock company, with multiple activities and units that include the fields of oil, lubricants, machinery and equipment systems, contracting services, printing and paper, from 2014G up to the date of this Prospectus. • Chief Financial Officer, Alkhorayef Group Company, a closed joint stock company, with multiple activities and units that include the fields of oil, lubricants, machinery and equipment systems, contracting services, printing and paper, from 2014G up to the date of this Prospectus. • Member of the Advisory Board, Equipment And Machinery Sector, Alkhorayef Group Company, a closed joint stock company, with multiple activities and its units include the fields of oil, lubricants, machinery and equipment systems, contracting services, printing and paper, from 2015G up to the date of this Prospectus. • Director, Alkhorayef Petroleum Company, a limited liability company, operating in the field of pumping systems and components, from 2014G up to the date of this Prospectus. • Member of the Credit and Risk Committee, Saudi Finance Company, a closed joint stock company, operating in the field of providing financing services, from 2015G up to the date of this Prospectus.
Past Professional Experience:	• General Manager for Financial Affairs, Alkhorayef Group Company, a closed joint stock company, with multiple activities and its units include the fields of oil, lubricants, machinery and equipment systems, contracting services, printing and paper, from 1999G to 2013G. • Credit Officer, Arab Bank in Jordan, a joint stock company operating in the field of providing banking and financial services, from 1993G to 1999G.

5.2.4.5 Abdulrahman Saud Hamad Al-Oweiss, Director

Nationality:	Saudi
Age:	38 years
Academic and Professional Qualifications:	• Diploma in Human Resources, Al Yamamah College, Riyadh, Saudi Arabia, 2005G • BA in English Language and Literature, Imam Muhammad bin Saud University, Riyadh, Kingdom of Saudi Arabia, 2005G.
Date of Appointment:	• 29/09/1441H (corresponding to 22 May 2020G)
Current Positions:	• Company Director from 2020G up to the date of this Prospectus. • Undersecretary for Institutional Services, Ministry of Finance, Kingdom of Saudi Arabia, governmental institution, from 2020G up to the date of this Prospectus.
Past Professional Experience:	• Vice President for Shared Services, National Water Company, a closed joint stock company, operating in the field of water and wastewater services provision, from 2017G to 2020G. • General Manager of the Eastern Province, Almarai Company, a multi-activity public joint stock company operating in the food sector, from 2015G to 2017G. • General Manager of Almarai in the State of Kuwait, a multi-activity public joint stock company operating in the food sector, from 2013G to 2015G. • Human Resources Manager, Almarai Company, a multi-activity public joint stock company operating in the food sector, from 2009G to 2013G. • Personnel Manager for the Arab Gulf States, Almarai Company, a multi-activity public joint stock company operating in the food sector, from 2007G to 2009G. • Training and Employee Relations Supervisor, Almarai Company, a multi-activity public joint stock company operating in the food sector, from 2006G to 2007G. • Member of the Future Managers Program, Almarai Company, a multi-activity public joint stock company operating in the food sector, from 2005G to 2006G.

5.2.4.6 Suleiman Mohammed Abdullah Al-Quhaydan, Director

Nationality:	Saudi
Age:	50 years
Academic and Professional Qualifications:	• Leadership Development Program, Harvard University, 2014G. • Master of Business Administration, King Saud University, Riyadh, Kingdom of Saudi Arabia, 2004G. • American Chartered Accountants Fellowship (CPA), Washington State Board, 2001G. • Saudi Fellowship for Certified Public Accountants (SOCPA), Saudi Organization for Certified Public Accountants, 1996G. • Bachelor of Administrative Sciences, Accounting Major, King Saud University, Riyadh, Kingdom of Saudi Arabia, 1992G.
Date of Appointment:	• 29/09/1441H (corresponding to 22 May 2020G)
Current Positions:	• Company Director from 2020G up to the date of this Prospectus. • Director, MASK Logistics Company, a limited liability company, operating in the field of logistical and industrial facilities services, from 2020G up to the date of this Prospectus. • Director, Subul Al-Khebra Consulting, a mixed limited liability company, operating in the field of consulting, Zakat and tax, from 2019G up to the date of this Prospectus. • Chief Financial Officer, Mohamed Ibrahim Al-Subaie & Sons Investment Company (MASIC), a closed joint stock company operating in the field of direct investment and asset management, from 2018G up to the date of this Prospectus. • Member of the Audit Committee, Zakher Investment and Real Estate Development Company, a limited liability company operating in the real estate sector from 2019G up to the date of this Prospectus. • Advisor to the Board of Directors, Easy Financial Services Company, a closed Bahraini joint stock company, operating in the field of financial technology and providing innovative solutions and technologies, from 2019G up to the date of this Prospectus. • Chairman of the Audit Committee, Al-Fadhili Field Housing Company, a limited liability Company, operating in real estate development, since 2018G. • Partner in Subul Al-Experience Consulting, a mixed limited liability company, operating in financial consultancy, Zakat and tax, from 2019G up to the date of this Prospectus. • Partner in Jada Gulf Trading Holding Company, a limited liability company, operating in the field of investment in securities and companies, from 2019G up to the date of this Prospectus. • Partner in the Arab Agricultural Services Company (ARASCO), a closed joint stock company, operating in the production and sale of foodstuffs, from 2018G up to the date of this Prospectus.
Past Professional Experience:	• Chief Financial Officer, The Arab Agricultural Services Company (ARASCO), a closed joint stock company operating in the production and sale of foodstuffs, from 2005G to 2017G. • Secretary of the Board of Directors, Arab Agricultural Services Company (ARASCO), a closed joint stock company, operating in the production and sale of foodstuffs, from 2013G to 2017G. • Member of the Audit Committee, Al Saedan Real Estate Company, operating in the real estate field, from 2015G to 2018G. • Director, Bahri Bulk Transportation Company, a limited liability company, operating in the transportation field, from 2013G to 2017G. • Financial Supervision and Consultation Department, Saudi Industrial Development Fund, governmental entity, from 1992G to 2005G.

5.2.4.7 Nayef Mohammad Ali Al Shami, Board Secretary

Nationality:	Saudi
Age:	38 years
Academic and Professional Qualifications:	• Bachelor of Finance Sciences, Prince Sultan University, Riyadh, Saudi Arabia, 2007G.
Date of Appointment:	• 01/03/1442H (corresponding to 18 October 2020G).
Current Positions:	• Secretary of the Company's Board of Directors from 2020G up to the date of this Prospectus. • CFO of the Company from 2020G until the date of this Prospectus.
Past Professional Experience:	• Financial Manager of Joint Financial Services, BAE Systems Saudi Development and Training Company, a limited liability company specialized in developing and training competencies in the field of defence and aviation, from 2020G to 2020G. • Financial Manager for Corporate Governance, for BAE Systems Saudi Development and Training, a limited liability Company specialized in developing and training competencies in the defence and aviation field, from 2019G to 2020G. • Finance specialist at Saudi Home Loans, a closed joint stock company operating in the field of real estate financing services and home financing solutions, from 2008G to 2020G. • Finance Cost and Operation Manager at BAE Systems Saudi Development & Training, a limited liability company specialized in developing and training competencies in the defence and aviation field, from 2016G to 2019G. • Project Financial Controller, Saudi GA Company, a limited liability company specialized in heavy and light industries, software and support services, from 2015G to 2016G. • Project Financial Controller, Alstom Grid, a limited liability company specialized in the field of energy and networks, from 2013G to 2015G. • Project Accountant, Saudi Railways Organization (SAR), a limited liability company specialized in establishing and operating a railway infrastructure in the Kingdom, from 2012G to 2013G. • Accountant, Al Faisaliah Group, a multi-activity closed joint stock company, whose units include the fields of investment, agriculture, food, health care, electronics, and consumer electronic systems and supplies, from 2006G to 2007G.

5.3 Board of Directors Committees

The Board of Directors has established the Committees to optimize the management of the Company and to meet relative regulatory requirements. Each Committee is required to have clear rules identifying their role, powers and responsibilities. Minutes must be prepared for each meeting of each Committee (which are reviewed and approved by the Board of Directors).

The following is a summary of the structure, responsibilities and current members of each permanent Committee:

5.3.1 Audit Committee

This committee's main role is to monitor the Company's business and affairs and assist the Board of Directors with the oversight of auditing processes, the Company's internal control systems, the Company's financial statements and other financial information, and the Company's compliance with legal and regulatory requirements. This committee's duties and responsibilities include the following:

- **Financial Reports:**
  - review, express an opinion on, and make recommendations to the Board of Directors regarding the interim and annual financial statements of the Company, including all announcements relating to the Company's financial performance, prior to their presentation to the Board of Directors, to ensure their integrity, fairness and transparency, and consider whether they are complete and consistent with the information known to the members and whether they reflect appropriate accounting principles and policies;
  - at the request of the Board of Directors, express a technical opinion with respect to fairness, balance and comprehensibility of the Board of Directors report and the Company's financial statements, and whether they include the information necessary to enable Shareholders and investors to assess the Company's financial position, performance, business model and strategy;
  - review any significant or unusual issues or matters included in the Company's financial statements and reports, and review any matters raised by the Chief Financial Officer (or his delegate), compliance officer, or the Company's external auditor;

- review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information;
- examine the accounting estimates in respect of significant matters contained in the Company's financial statements and reports;
- review the accounting policies in force and advise the Board of Directors of its opinion and any recommendations regarding the same;
- review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and assess their impact on the financial statements;
- review with the management and the external auditors the results of the audit, including any difficulties encountered;
- review with the management and the external auditors all matters required to be communicated to the committee under generally accepted auditing standards; and
- understand how management develops interim financial information, and the nature and extent of involvement of the Internal Audit Department and the external auditors.

- **Internal Control and Audit:**
  - review and consider the effectiveness of the Company's internal control, financial, and risk management systems;
  - review the internal audit reports and pursue the implementation of corrective measures in respect of the comments included therein;
  - oversee and supervise the performance and the activities of the internal auditors and the Company's Internal Audit Department to ensure they have access to the necessary resources and ensure their effectiveness in performing the tasks and duties assigned to them according to the appropriate professional standards;
  - approve the annual audit plan and all changes thereto, and review the performance and activities of the Internal Audit Department against the plan;
  - work with the internal audit manager regarding the internal audit budget, resource plan, activities, and the organizational structure for internal audit functions;
  - approve the Company's internal audit regulations;
  - review the Company's internal audit procedures;
  - recommend to the Board of Directors decisions regarding the appointment, dismissal and remuneration of the internal auditors;
  - review the performance and the activities of the internal audit manager and ensure that there are no unjustified restrictions on his activities, and recommend to the Board of Directors his appointment, dismissal, annual remuneration and salary; and
  - on a regular basis, meet separately with the Manager of the Internal Audit Department to discuss any matters that the committee or the internal audit officers believes should be discussed privately.

- **External Audit:**
  - recommend to the Board of Directors the appointment, dismissal, and compensation of the external auditors, after verifying their independence and reviewing their scope of work and terms of engagement;
  - review the professional qualifications of the external auditors and the personnel that will be working within the external auditors for the Company;
  - review the performance and supervise the activities of the external auditors and report to the Board of Directors with its recommendations in respect of the same;
  - review and verify annually the independence, objectivity, and fairness of the external auditors and the effectiveness of the external auditors' audit work, taking into account the relevant rules and standards, and make recommendations to the Board in respect of the same;
  - review the external auditors' proposed audit scope, approach, and plan, and make any comments thereon, including coordination of audit works with internal audit activities;
  - review the external auditors' work and verify that the external auditors are not providing any technical or management services outside of the scope of the audit not otherwise authorised by regulatory authorities, and make recommendations to the Board of Directors in respect of the same;
  - address any inquiries raised by the external auditors;

- resolve any disagreements between management and the external auditors regarding financial reporting; and
- on a regular basis, meet separately with the external auditors to discuss any matters that the Audit Committee or external auditors believe should be discussed privately.

- **Compliance:**
    - review the effectiveness of the control system, ensure compliance with laws and regulations and the results of investigations conducted by the department, and follow up on any cases of non-compliance (including disciplinary actions);
    - verify and monitor the Company's compliance with the applicable laws, regulations, policies and instructions;
    - review the reports and results of investigations of any competent supervisory or regulatory authority and any observations made by the external auditors or the internal auditors, and ensure that the Company has undertaken the necessary actions in relation to the same;
    - review the contracts and transactions to be entered into by the Company with Related Parties, and make recommendations to the Board of Directors in relation to the same;
    - ensure that appropriate arrangements and mechanisms are put in place, and implemented to allow for the confidential and anonymous submission by the Company's employees of concerns regarding any financial, accounting or auditing matters (including financial reports) or any cases of non-compliance;
    - report to the Board of Directors any matters or issues which should be brought to the attention of the Board of Directors, and any related recommendations; and
    - Obtain updates on a regular basis from the Company's management and its legal advisor regarding compliance matters.

- **Reporting:**
    - provide an open avenue of communication between the Internal Audit Department, the external auditors, and the Board;
    - submit to the Shareholders an annual report detailing the committee's composition, duties, and performance of these duties, and any other information as required by the applicable rules, including approval of services outside the scope of the audit;
    - review any other reports the Company issues that relate to the committee's responsibilities;
    - provide periodic reports to the Board of Directors of the committee's procedures and activities, recommendations and resolutions for any matters falling within its powers; and
    - prepare an annual written report on its opinion on the adequacy and effectiveness of the Company's internal control, financial and risk management systems and its recommendations in this regard as well as its other works, which fall within its powers. Deposit sufficient copies of this report with the Company's head office to provide a copy to each Shareholder upon his request. The report shall be published on the Company's website and the Exchange's website upon publication of the invitation for the relevant General Meeting at least ten days before the specified date of the meeting. The report shall be read out at the meeting.

- **Other Tasks:**
    - institute and oversee special investigations as needed;
    - carry out other related work as requested by the Board of Directors;
    - review and evaluate the adequacy and appropriateness of the committee's charter on an annual basis, submit recommendations to the Board of Directors in this regard, and ensure that the necessary disclosures are made in accordance with the requirements of the relevant laws and regulations;
    - annually confirm that all tasks with which the committee is entrusted have been executed; and
    - evaluate the performance of the committee and each member thereof on a regular basis.

The Audit Committee shall be created for three years by an Ordinary General Assembly decision, and its members shall be from among the Shareholders or others; provided that: (i) at least one member is an independent Director; (ii) no executive Director is a member; (iii) the number of members is not less than three members and not more than five members; and (iv) one of its members is specialized in finance and accounting. The Audit Committee convenes periodically; provided that at least four meetings are held during the Company's financial year. The internal auditors and the external auditors may call for a meeting with the Audit Committee at any time as may be necessary.

The following members were appointed to the Audit Committee at the Ordinary General Assembly held on 16/10/1441H (corresponding to 8 June 2020G):

Table 5.3: Audit Committee Members

Name	Role
Suleiman Mohammed Abdullah Al-Quhaydan	Chairman
Ammar Ahmad Amin Al-Zubaidi	Member
Mohammed Abdullah Saleh Alwabel	Member

Source: The Company

5.3.2 Biographies of the Members of the Audit Committee

The experience, qualifications and the current and past positions of the members of the Audit Committee are set out below:

5.3.2.1 Suleiman Mohammed Abdullah Al-Quhaydan, Audit Committee Chair

See Section 5.2.4.6 (**Suleiman Mohammed Abdullah Al-Quhaydan, Director**) for more details about Suleiman Muhammad Al-Qahidan's experience, qualifications, and current and past positions.

5.3.2.2 Ammar Ahmed Amin Al-Zubaidi, Audit Committee Member

See Section 5.2.4.4 (**Ammar Ahmed Amin Al-Zubaidi, Director**) for more details about Ammar Ahmed Amin Al-Zubaidi's experience, qualifications, and current and past positions.

5.3.2.3 Mohammed Abdullah Saleh Alwabel, Audit Committee Member

Nationality:	Saudi
Age:	57 years
Academic and Professional Qualifications:	• Bachelor of Administrative Sciences, Accounting Major, King Saud University, Riyadh, Kingdom of Saudi Arabia, in 1988G.
Date of Appointment:	• 16/10/1441H (corresponding to 8 June 2020G)
Current Positions:	• Director, Al-Mutlaq Group Company, a closed joint stock company operating in the field of investment management, from 2016G up to the date of this Prospectus. • Member of the Investment Committee, Al-Mutlaq Group Company, a closed joint stock company operating in the field of investment management, from 2016G up to the date of this Prospectus. • Director, Al Mutlaq Real Estate Investment Company, a limited liability company operating in the field of real estate development, from 2015G up to the date of this Prospectus. • Director National Finance House, a Bahraini closed joint stock company operating in the field of car purchase financing, from 2019G up to the date of this Prospectus.
Past Professional Experience:	• Independent Board Member, FALCOM Investment Funds, operating in the field of investment, from 2015G to 2018G. • Member of the Audit Committee, Nayifat Finance Company, a closed joint stock company, operating in the field of finance, from 2015G to 2018G. • Chief Executive Officer, Al Mutlaq Group Company, a closed joint stock company operating in the field of investment management, from 2016G to 2019G. • Chief Financial Officer, Al Mutlaq Group Company, a closed joint stock company operating in the field of investment management, from 2008G to 2016G. • Executive Manager for Financial and Administrative Affairs, Al Mutlaq Group Company, a closed joint stock company operating in the field of investment management, from 2002G to 2008G. • Partner and General Manager, Advanced Computer Company, a limited liability company operating in the field of information technology and electronic systems, from 2000G up to 2002G. • Audit Manager, Ernst & Young, a limited liability company operating in financial and accounting services and advice, financial auditing, tax advice and commercial transactions, from 1990G to 2000G. • Accountant, Riyad Bank, a public joint stock company operating in the field of banking, financial and banking services and consultations, and banking business, from 1988G up to 1990G.

5.3.3 Nomination and Remuneration Committee

The Nomination and Remuneration Committee oversees the nomination of Directors to the Board of Directors and the remuneration policy for the Directors and the members of the Executive Management. The duties and responsibilities of the Nomination and Remuneration Committee are mainly as follows:

- **Nomination:**
  - develop policies and standards regarding the nomination and appointment of Directors and members of the Executive Management, propose them to the Board of Directors and supervise the implementation of such policies and standards;
  - ensure the necessary and appropriate inquiries regarding all Board candidates and their qualifications are made before submitting a recommendation regarding their nomination to the Board of Directors;
  - recommend to the Board of Directors to nominate and re-nominate members of the Board of Directors in accordance with the applicable laws, regulations, rules and approved policies and standards;
  - review, evaluate, and make recommendations to the Board of Directors regarding the capabilities, qualifications and experiences required and appropriate for membership of the Board of Directors and the functions of the Executive Management, at least annually. This includes determining the time that Director should allocate to the Board's business, preparing a job description and a description of capabilities and qualifications required for executive, non-executive and independent Directors and the Executive Management;
  - annually verify independent Directors' independence according to the applicable laws, regulations and rules, and the absence of any conflict of interest if a Director also serves as a member of another company's board of directors;
  - periodically review plans for succession of Directors and Senior Executives and submit recommendations regarding them to the Board, taking into account the challenges and opportunities facing the Company in addition to the necessary capabilities, skills and experiences appropriate for membership of the Board of Directors and the functions of the Executive Management;
  - evaluate potential candidates for the Executive Management positions in the Company and make recommendations about them to the Board of Directors, and in particular assist the Board of Directors in selecting, developing and evaluating potential candidates for the position of Chief Executive Officer; and
  - establish special procedures in the event of a vacancy in the position of a member of the Board of Directors or the Executive Management and review them periodically, and recommend to the Board of Directors regarding the selection and approval of candidates to occupy those positions.

- **Review and Assessment:**
  - regularly review the structure, size, composition, strengths, and weaknesses of the Board of Directors (including the skills, knowledge, and experience) and the Executive Management, and make appropriate recommendations and suggest solutions to the Board of Directors in line with the interests of the Company;
  - develop and oversee an induction program for new Directors and a continuing education program for current Directors, periodically review these programs and update them as necessary; and
  - develop, recommend to the Board of Directors, and oversee an annual self-evaluation process for the Directors and certain Senior Executives of the Company.

- **Remuneration:**
  - develop a clear policy for the remuneration of Directors and members of Board Committees and the Executive Management (the "Remuneration Policy"), submit it to the Board of Directors in preparation for approval by the General Assembly, and its disclosure, supervision and verification of its implementation;
  - prepare an annual report on the remuneration and other payments (in cash or in kind) granted to the Directors and members of Baord Committees and the Executive Management, with clarification of the relationship between the remuneration granted and the Remuneration Policy (including an indication of any material deviation from that policy) in order to present it to the Board of Directors for consideration;
  - regularly review and assess the effectiveness and appropriateness of the Remuneration Policy and make recommendations to the Board of Directors in relation to the same;
  - recommend to the Board of Directors the remuneration to be granted to the Directors, including members of the Board Committees, and the Executive Management (including the nature and amount of remuneration), in

accordance with the approved Remuneration Policy;

- study and review the Chief Executive Officer's recommendations relating to hiring or ending the services of any Senior Executive; and
- review and make recommendations to the Board of Directors regarding the Company's incentive plans for the Directors and employees, including in relation to adopting, amending, and terminating such plans; and prepare any disclosures required under the Company's policies and any laws, regulations, or rules to which the Company is subject, including, at a minimum, disclosures relating to the Remuneration Policy and annual report on remuneration, and disclosures relating to remuneration in the Board's annual report.

- **Other Tasks:**
  - carry out other related work as requested by the Board of Directors.

The Nomination and Remuneration Committee consists of at least three members and up to five members for three years. Members of the Nomination and Remuneration Committee must not be executive members of the Board of Directors; provided that there shall be at least one independent Director among them. The Chairman of the Nomination and Remuneration Committee is an independent Director. The Nomination and Remuneration Committee shall convene periodically at least two times every financial year and periodically at least every six months, and as may be necessary by the request of the Board of Directors or any of the members.

The following members were appointed to the Nomination and Remuneration Committee by the Board of Directors on 15 October 1441H (corresponding to 7 June 2020G). The Nomination and Remuneration Committee comprises the following members as of the date of this Prospectus:

Table 5.4: Nomination and Remuneration Committee Members

Name	Role
Abdulrahman Saud Hamad Al-Oweiss	Chairman
Mohammed Abdullah Ibrahim Alkhorayef	Member
Jalajel Abdulmohsen Al Jalajel	Member

Source: The Company

[1] The Company will replace this member with a non-executive one in the first General Assembly Meeting of the Company after the Offering.

5.3.4 Biographies of the Members of the Nomination and Remuneration Committee

The experience, qualifications and the current and past positions of the members of the Nomination and Remuneration Committee are set out below:

5.3.4.1 Abdulrahman Saud Al-Oweiss, Nominations and Remuneration Committee Chairman

See Section 5.2.4.5 (**Abdulrahman Saud Al-Oweiss, Director**) for more details about Abdulrahman Saud Oweiss's experience, qualifications, current and previous positions.

5.3.4.2 Mohammed Abdullah Alkhorayef, Remuneration and Nomination Committee Member

See Section 5.2.4.1 (**Mohammed Abdullah Ibrahim Alkhorayef, Chairman of the Board**) for more details about Mohammed Abdullah Alkhorayef's experience, qualifications, and current and past positions.

5.3.4.3 Jalajel Abdul Mohsen Al Jalajel, Remuneration and Nomination Committee Member

Nationality:	Saudi
Age:	41 years
Academic and Professional Qualifications:	• Bachelor of Business Administration, Imam Muhammad Ibn Saud Islamic University, Riyadh, Saudi Arabia, 2013G. • Diploma in Human Resources Management, Al Yamamah University, Riyadh, Kingdom of Saudi Arabia, 2007G.
Date of Appointment:	• 15/10/1441H (corresponding to 7 June 2020G)
Current Positions:	• Human resources manager, Alkhorayef Group Company, a limited liability company, with multiple activities and units that include the fields of oil, lubricants, machinery and equipment systems, contracting services, printing and paper, from 2016G up to the date of this Prospectus.
Past Professional Experience:	• Member of the Tender Committee, Alkhorayef Company for Lubricants Manufacturing, a limited liability company, operating in the field of manufacturing lubricants, from 2018G to 2020G. • Director of Human Resources Department, Al-Rajhi Investment Company, a limited liability company, operating in the field of commercial and real estate investment, from 2011G to 2016G. • Director of Human Resources Department, Tanmiyat Investment Company, a limited liability company, operating in the field of commercial, real estate and medical investment, from 2007G to 2011G. • Human Resources Supervisor, Al-Rajhi Contracting Company, a limited liability company, operating in contracting shops, from 2002G to 2007G. • Customer Services Officer, Arts Logistics Company, a limited liability company, operating in the field of providing freight services, from 2011G to 2016G.

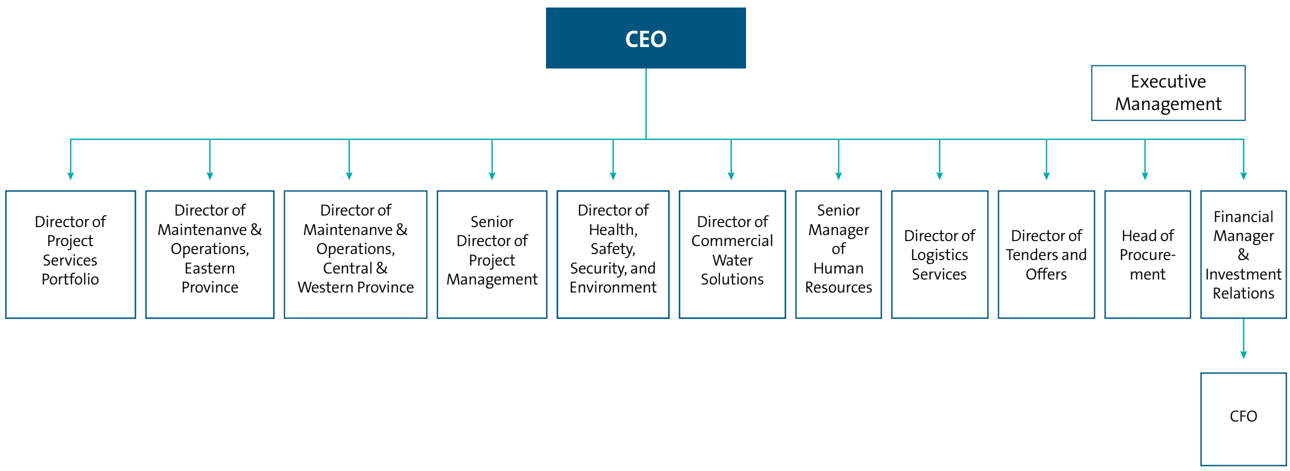
5.4 Executive Management

5.4.1 Overview of Executive Management

The Executive Management consists of qualified and experienced members with the necessary knowledge and experience to manage the Company's business in line with the objectives and guidance of the Board of Directors and the stakeholders. The Company successfully retained its Executive Management team, developed qualified employees and promoted them to high-ranking positions in the Company.

The following chart sets out the Senior Executives as of the date of this Prospectus:

Exhibit 5.3: Organizational Structure of Senior Executives



Source: The Company

Table 5.5: Details of Senior Executives

Name	Title	Date of Appointment	Nationality	Age (years)	No. of Shares pre Offering	No. of Shares post-Offering
Rami Mohammed Moussilli	Chief Executive Officer	6 February 2014G	American	45	-	-
Ramzi Said Elias Azar	Senior Director, Project Management Office	25 August 2014G	Lebanese	37	-	-
Nayef Mohammad Ali Al Shami	CFO	8 November 2020G	Saudi	38	-	-
Hisham Al-Sayed Ahmed Radwan	Director of Maintenance and Operations, Central and Western Province	1 June 2014G	Egyptian	53	-	-
Walid Hosseini Mohamed Naguib	Director of Maintenance and Operations, Eastern Province	1 June 2014G	Egyptian	48	-	-
Charbel Fares Boutros El-Khoury	Director of Project Services Portfolio	2 December 2015G	Lebanese	35	-	-
Mohammed Deeb Ibrahim Abanda	Director of Financial Management	4 December 2017G	Jordanian	53	-	-
Youssef Ali Taheri Al-Zaabi	Senior Director of Human Resources	24 March 2014G	Saudi	43	-	-
Taha Amin Farouk Al-Sayyadi	Director of Tenders and Offers Division	3 September 2017G	Lebanese	30	-	-
Abdullah Naveed Mohammed Naveed	Acting Director of Health, Safety, Security and Environment	22 October 2019G	Pakistani	28	-	-
Abdullah Mohammed Abdullah Bafarhan	Director of Logistics Services	4 May 2014G	Saudi	35	-	-
Hassan Jamal Ali Tahen	Head of Procurement	4 January 2015G	Egyptian	47	-	-
Medhat Saeed Rizk Issa	Director of Commercial Water Solutions Sector	15 March 2020G	Egyptian	50	-	-

Source: The Company

5.4.2 Biographies of Senior Executives

The experience, qualifications and the current and past positions of each Senior Executive are set out below:

5.4.2.1 Rami Mohammed Moussilli, Chief Executive Officer

Nationality:	American
Age:	45 years
Academic and Professional Qualifications:	• Master of Science in Civil Engineering, Georgia Tech, Georgia, USA, 2000G.
Date of Appointment:	• 06/04/1435H (corresponding to 6 February 2014G).
Current Positions:	• Chief Executive Officer of the Company from 2014G up to the date of this Prospectus.
Past Professional Experience:	• Executive Manager, Major Power Generation Projects Sector, BEMCO Arabia Contracting Company, a limited liability company, operating in the contracting field, from 2011G to 2014G. • Chief Executive Officer, C.W. Matthews Contracting and Thrasher Contracting Company, a limited liability company, operating in heavy civil works, bridges / roads, airports and aviation, infrastructure, critical and critical emergency services, Georgia, USA, from 2008G to 2011G. • Chief Operating Officer, C. W. Matthews Contracting and Thrasher Contracting Company, a limited liability company, operating in heavy civil works, bridges / roads, airports and aviation, infrastructure, critical and critical emergency services, Georgia, USA, from 2008G to 2011G. • Director of Proposals and Projects, 5R Constructors LLC, a limited liability company, operating in heavy civil works, bridges / roads, airports and aviation, infrastructure, critical and critical emergency services, Atlanta, Georgia, USA, from 2004G to 2006G. • Engineer, Proposals and Projects Division, 5R Establishers LLC, a limited liability company, operating in heavy civil works, bridges / roads, airports and aviation, infrastructure, critical and critical emergency services, Atlanta, Georgia, USA, from 2000G to 2004G. • Senior Research and Teaching Assistant, Georgia Tech, United States Geological Survey, Atlanta, Georgia, USA, 1999G to 2000G.

5.4.2.2 Ramzi Saeed Elias Azar, Senior Director, Project Management Office

Nationality:	Lebanese
Age:	37 years
Academic and Professional Qualifications:	• Bachelor of Science in Mechanical Engineering, Notre Dame University, Beirut, Lebanon, 2007G.
Date of Appointment:	• 29/10/1435H (corresponding to 25 August 2014G).
Current Positions:	• Senior director, Company project management office, from 2014G up to the date of this Prospectus.
Past Professional Experience:	• Regional Operations Manager, Capital Gas Gambia, a limited liability company, operating in the energy, water, oil and gas sectors, from 2007G to 2014G.

5.4.2.3 Nayef Mohammad Ali Al Shami, CFO

See Section 5.2.4.7 (**Nayef Mohammad Ali Al Shami, Board Secretary**) for more details about Nayef Mohammad Ali Al Shami's experience, qualifications, and current and past positions.

5.4.2.4 Hisham Al-Sayed Ahmed Radwan, Director of Maintenance and Operation Department, Central and Western Province

Nationality:	Egyptian
Age:	53 years
Academic and Professional Qualifications:	• Mechanical Engineering Diploma, University of Zagazig, Sharkia, Arab Republic of Egypt, 1989G.
Date of Appointment:	• 03/08/1435H (corresponding to 1 June 2014G)
Current Position	• Company Director of Maintenance and Operations, Central and Western Province, from 2014G up to the date of this Prospectus.
Past Professional Experience:	• Regional manager, Company operations and maintenance sector, 2014G to 2020G. • Director, Company Wells Projects and Networks Division, from 2009G to 2014G. • Company Project Manager from 1997G to 2009G. • Company site maintenance and operation engineer, from 1991G to 1997G. • Site Engineer, Al-Arifi Contracting Corporation, a sole proprietorship operating in the field of contracting, from 1990G to 1991G.

5.4.2.5 Walid Hosseini Mohamed Naguib, Director of Maintenance and Operation Department, Eastern Province

Nationality:	Egyptian
Age:	48 years
Academic and Professional Qualifications:	• Bachelor of Science in Civil Engineering, Zagazig University, Sharkia Governorate, Arab Republic of Egypt, 1995G.
Date of Appointment:	• 03/08/1435H (corresponding to 1 June 2014G)
Current Positions:	• Company Director of Maintenance and Operation Department, Eastern Province, from 2014G up to the date of this Prospectus.
Past Professional Experience:	• Company project manager, water and wastewater operations and maintenance, Dammam, from 2013G to 2016G. • Company Program Manager, Water Operations and Maintenance Project, villages and deserts of Hafar Al-Batin and Al-Qatif Provinces, from 2007G to 2009G. • Company Project Manager, drinking water projects operations and maintenance, 2006G to 2011G. • Company Project Manager, household sanitation connections, from 2012G to 2013G. • Executive Engineer, International Urban Development Company, a limited liability company operating in the contracting sector, from 2004G to 2006G. • Civil Engineer, El-Nasr Engineering and Contracting Company, a limited liability company operating in the contracting sector, from 1996G to 2001G.

5.4.2.6 Charbel Fares Boutros El-Khoury

Nationality:	Lebanese
Age:	35 years
Academic and Professional Qualifications:	• Bachelor of Science in Mechanical Engineering, Notre Dame University, Zouk Mosbeh, Kesrouan, Mount Lebanon, Lebanon, 2008G.
Date of Appointment:	• 19/02/1437H (corresponding to 2 December 2015G).
Current Positions:	• Director of Project Services Portfolio Department in the Company, from 2015G up to the date of this Prospectus.
Past Professional Experience:	• Director of the Mechanics Department - Vision Networks, Saudi Binladin Group, a limited liability company operating in the contracting and construction sector, from 2014G to 2015G. • Mechanical Engineer in the Technology Sector - Vision Networks, Saudi Binladin Group, a limited liability company operating in the contracting and construction sector, from February 2014G to September 2014G. • Project Manager - Tanks Division, Gulf Steel Works Factory Company, a limited liability company operating in the contracting sector, from June 2013G to September 2013G. • Engineer, Production and Installation Division, Pimco Pipe Manufacturing Company, a limited liability company operating in the contracting and industrial sectors, from 2011G to 2013G. • Site Mechanical Engineer, Contracting and Trading Company in the United Arab Emirates, a limited liability company operating in the contracting sector, from 2008G to 2011G.

5.4.2.7 Mohammed Deeb Ibrahim Abanda

Nationality:	Jordanian
Age:	53 years
Academic and Professional Qualifications:	• Bachelor of Accounting, University of Aleppo, Aleppo, Syria, 1993G.
Date of Appointment:	• 16/03/1439H (corresponding to 4 December 2017G).
Current Positions:	• Company Director of Financial Management, from 2017G up to the date of this Prospectus.
Past Professional Experience:	• Financial Controller, Riyadh Development and Contracting Company, a limited liability company operating in the contracting field, from June 2017G to November 2017G. • Financial Director, Dar Al-Youm Company for Press, Printing and Publishing, a limited liability company operating in the field of journalism, from 2016G to 2017G. • Financial Director, Drake & Scull Construction Company, a limited liability company operating in the contracting and construction sector, from 2012G to 2016G. • Accounts Manager, Drake & Scull International Company, a limited liability company operating in the contracting and construction sector, from 2006G up to 2012G. • Financial Projects Coordinator, French company Suez, a limited liability company operating in the field of water management, from 2004G to 2006G. • Director of Payroll, Suppliers and Fixed Assets, PepsiCo International, a closed joint stock company operating in the beverage business, from 1995G to 2004G • Supervising Accountant, Alwa Industrial Company, a limited liability company operating in the field of manufacturing bags, from 1993G to 1995G.

5.4.2.8 Youssef Ali Taheri Al-Zaabi, Senior Manager, Human Resources Department

Nationality:	Saudi
Age:	43 years
Academic and Professional Qualifications:	• BA in International Business Administration, King Abdulaziz University, Jeddah, Kingdom of Saudi Arabia, 2008G.
Date of Appointment:	• 23/05/1435H (corresponding to 24 March 2014G).
Current Positions:	• Company Senior Director of Human Resources, from 2018G up to the date of this Prospectus.
Past Professional Experience:	• Company Director of Personnel Affairs, from 2014G to 2018G. • Director of Administrative Affairs, Abdul Ghani Al-Ajou Group of Companies in the Western Province, a limited liability company operating in the field of office systems, from 2007G to 2014G. • Administrative Affairs Officer in the Western Province, Al-Jeel Medical and Trading Company Ltd., a limited liability company operating in the field of medical devices and supplies, from 2002G to 2007G. • Director of Administration and Workforce Affairs, Saudi Health Services Company Ltd., a limited liability company operating in the health services provision field, from 2000G to 2001G. • Personnel Manager, Saudi Health Services Company Ltd., a limited liability company operating in the health services provision field, from 1999G to 2000G. • Administrative Assistant, Saudi Health Services Company Ltd., a limited liability company operating in the health services provision field, from August 1999G to October 1999G. • Administrative Secretary, Saudi Health Services Company Ltd., a limited liability company operating in the health services provision field, from January 1999G to August 1999G.

5.4.2.9 Taha Amin Farouk Al-Sayyadi, Director of Tenders and Offers Division

Nationality:	Lebanese
Age:	30 years
Academic and Professional Qualifications:	• Master of Civil Engineering, University of Balamand, Koura, Lebanon, 2012G. • Bachelor of Civil Engineering, Lebanese University, Saida, Lebanon, 2010G.
Date of Appointment:	• 12/12/1438H (corresponding to 3 September 2017G).
Current Positions:	• Company Director of Tenders and Offers Division, from 2017G up to the date of this Prospectus.
Past Professional Experience:	• Site Manager, Saudi Company for Electrical and Mechanical Business Services, a closed joint stock company operating in the field of electrical and mechanical services, from 2014G to 2017G. • Site Engineer, Rabia Trade and Agriculture Company Ltd., a limited liability company operating in the commercial and agricultural fields, from 2012G to 2013G. • Site Engineer, General Company for Construction and Contracting Geneco (Lebanon), a limited liability company operating in the contracting sector, from 2010G up to 2012G.

5.4.2.10 Abdullah Naveed Mohammed Naveed, Acting Director of Health, Safety, Security and Environment

Nationality:	Pakistani
Age:	28 years
Academic and Professional Qualifications:	• Bachelor of Science in Mechanical Engineering, Pakistan Board of Engineers, Islamabad, Pakistan, 2012G.
Date of Appointment:	• 23/02/1441H (corresponding to 22 October 2019G).
Current Positions:	• Company Acting Director of Health, Safety, Security and Environment, from 2016G up to the date of this Prospectus.
Past Professional Experience:	• Mechanical Engineer, Saudi Bin Laden Group, a limited liability company, operating in the field of contracting and construction, from 2013G to 2016G. • Mechanical Engineer, Heavy Equipment Factory, a limited liability company, operating in the manufacture and sale of heavy equipment, from 2012G to 2013G.

5.4.2.11 Abdullah Mohammed Abdullah Bafarhan, Director of Logistics Services

Nationality:	Saudi
Age:	35 years
Academic and Professional Qualifications:	• Bachelor's degree in Electronic Engineering, University of Essex, Colchester, Britain, 2011G. • Diploma in Electronic Engineering, Riyadh Technical College, Riyadh, Kingdom of Saudi Arabia, 2006 AD.
Date of Appointment:	• 05/07/1435H (corresponding to 4 May 2014G).
Current Positions:	• Company Director of Logistics Services, from 2017G up to the date of this Prospectus.
Past Professional Experience:	• Company Business Development Assistant, from 2012G to 2015G. • Electronic Workshop Director, Al Kawthar Manufacturing Company Ltd., a limited liability company, operating in contracting, operation and maintenance, from 2006G to 2008G.

5.4.2.12 Hassan Jamal Ali Tahen, Head of Procurement

Nationality:	Egyptian
Age:	47 years
Academic and Professional Qualifications:	• Bachelor of Commerce - Accounting Division, Mansoura University, Mansoura, Arab Republic of Egypt, 1997G.
Date of Appointment:	• 14/03/1436H (corresponding 4 January 2015G).
Current Positions:	• Company Head of Procurement, from 2015G up to the date of this Prospectus.
Past Professional Experience:	• Senior accountant in the financial management of the Company from 2006G up to 2015G.

5.4.2.13 Medhat Saeed Rizk Issa, Director of the Commercial Water Solutions Sector

Nationality:	Egyptian
Age:	50 years
Academic and Professional Qualifications:	• Bachelor of Engineering - Department of Mechanical Power, Menoufia University, Shebin El-Kom, Arab Republic of Egypt, 1992G
Date of Appointment:	• 20/07/1441H (corresponding to 15 March 2020G).
Current Positions:	• Company Director of Commercial Water Solutions, from 2019G up to the date of this Prospectus.
Past Professional Experience:	• Central Region Sales Manager, Alkhorayef Trading Company, a limited liability company, operating in the distribution of agricultural, industrial and marine machinery and equipment, from 2013G to 2019G. • Water Systems Sales Manager, Saudi International Energy Company, a limited liability company, operating in the field of pumps and water and sanitation equipment, from 2011G to 2013G. • Sales engineer for water and wastewater equipment, pumps and supplies, Al-Jazea Industrial Company, a limited liability company, operating in the manufacture and supply of water and sanitation supplies and equipment, from 2001G to 2011G. • Pumps Sales Engineer, Alweiler Farid Pumps Company - Egypt, a limited liability company, operating in the manufacture and supply of pumps for water and wastewater applications, from 1995G to 2001G.

5.4.3 Employment Contracts with Senior Executives

The Company has concluded employment contracts with all members of the Executive Management in which their salaries and remuneration are identified depending on their qualifications and experience. These contracts include a number of benefits, such as providing transportation or granting a monthly allowance for transportation or housing, or both. These contracts are renewable and subject to the Saudi Labour Law. The following table shows the summary of the employment contracts with the Company's Senior Executives:

Table 5.6: Summary of Employment Contracts Concluded with the Company's Senior Executives

Name	Title	Appointment Dated	Date of Contract Conclusion	Date of Contract Expiration
Rami Mohammed Moussilli	Chief Executive Officer	06/04/1435H (corresponding to 6 February 2014G)	09/03/1435H (corresponding to 10 January 2014G)	Indefinite
Ramzi Said Elias Azar	Senior Director of the Project Management Office	29/10/1435H (corresponding to 25 August 2014G)	29/10/1435H (corresponding to 25 August 2014G)	Indefinite
Nayef Mohammad Ali Al-Shami	Chief Financial Officer	22/03/1441H (corresponding to 8 November 2020G)	28/02/1442G (corresponding to 15 October 2020G)	02/04/1443H (corresponding to 7 November 2021G)
Hisham Al-Sayed Ahmed Radwan	Director of Maintenance and Operation Department in the Central and Western Province	03/08/1435H (corresponding to 1 June 2014G)	28/02/1421G (corresponding to 1 June 2000G)	Indefinite
Walid Hosseini Mohamed Naguib	Director of Maintenance and Operation Department in the Eastern Province	03/08/1435H (corresponding to 1 June 2014G)	08/08/1427G (corresponding to 1 September 2006G)	Indefinite
Charbel Fares Boutros El-Khoury	Director of Project Services Portfolio Department	19/02/1437G (corresponding to 2 December 2015G)	20/02/1437G (corresponding to 2 December 2015G)	Indefinite
Mohammed Deeb Ibrahim Abanda	Director of Financial Management	16/03/1439H (corresponding to 4 December 2017G)	16/03/1439H (corresponding to 4 December 2017G)	Indefinite
Youssef Ali Taheri Al-Zaabi	Senior Director of Human Resources	23/05/1435H (corresponding to 24 March 2014G)	23/05/1435H (corresponding to 24 March 2014G)	Indefinite
Taha Amin Farouk Al-Sayyadi	Director of the tenders and offers section	12/12/1438H (corresponding to 3 September 2017G)	13/05/1438H (corresponding to 10 February 2017G)	Indefinite
Abdullah Naveed Muhammad Naveed	Acting Director of Health, Safety, Security and Environment	23/02/1441G (corresponding to 22 October 2019G)	25/06/1437H (corresponding to 4 April 2016G)	Indefinite
Abdullah Mohammed Abdullah Bafarhan	Logistics manager	05/07/1435H (corresponding to 4 May 2014G)	09/03/1433H (corresponding to 1 February 2012G)	Indefinite
Hassan Jamal Ali Than	Head of Procurement	14/03/1436G (corresponding to 4 January 2015G)	23/10/1427H (corresponding to 4 November 2006G)	Indefinite
Medhat Saeed Rizk Issa	Commercial Director of Water Solutions Sector	20/7/1441G (corresponding to 15 March 2020G)	16/01/1441G (corresponding to 15 September 2019G)	07/02/1443H (corresponding to 14 September 2021G)

Source: The Company

Rami Mohammed Moussilli is the Chief Executive Officer since his appointment on 06/04/1435H (corresponding to 6 February 2014G). An employment contract was concluded between him and the Company, and the following is a summary of his duties and responsibilities:

- managing the day-to-day affairs and business of the Company;
- proposing and developing the Company's strategy and overall commercial objectives, in close consultation with the Board of Directors;
- implementing the resolutions of the Board of Directors and the Committees;

- providing input to the Chairman on the Board of Directors meeting agenda;
- ensuring the provision of accurate and clear information to the Board of Directors in a timely manner; and
- ensuring that all material matters affecting the Company are brought to the attention of the Board of Directors.

On 8 November 2020G, Nayef Mohammad Al Shami joined the Company as the Chief Financial Officer. An employment contract has been concluded between him and the Company, and the following is a summary of his duties and responsibilities:

- leading the process of developing long and short financial plans, developing the financial model, and implementing strategic financial initiatives of the Company;
- managing the financial reporting process and ensuring that policies and procedures are applied to strengthen the Company's internal control systems.
- working on improving cash flows and taking measures to provide liquidity and working capital facilities necessary for the Company;
- preparing all financial statements and reports including income statement, statement of financial position, and reports provided to Shareholders and government entities; and
- periodic matching of the Company's records, books and programs with external parties and making the necessary adjustments and directing and recording accounting entries for all company operations to ensure their compliance with the accounting rules and standards.

5.5 Remuneration of Directors and Senior Executives

Pursuant to the Company's Bylaws, the remuneration of Directors shall be determined in accordance with the Ministry of Commerce's relevant official resolutions and instructions, the provisions of the Companies Law, any other complementary rules thereto and the Company's Bylaws. In addition, attendance and transportation allowances shall be determined by the Board of Directors in accordance with the applicable laws, resolutions and instructions in the Kingdom as passed by the concerned authorities.

It should be noted that, according to the Company's Articles of Association and Bylaws, neither the Directors nor the Senior Executives have the power to vote on their remuneration or compensation. The salaries of the Senior Executives are determined under employment contracts they entered into in accordance with the Remuneration Policy approved by the Company. Neither the Directors nor the Senior Executives have any power to borrow from the Company or vote on a contract or arrangement in which they have a significant interest.

No in-kind benefits were paid to the Directors and Senior Executives. In accordance with Article 76 of the Companies Law that allows the remuneration to be distributed as a percentage of profits, the maximum annual remuneration for each Director shall be five hundred thousand Saudi riyals (SAR 500,000).

The following table sets out the remuneration of the Directors and top five Senior Executives (including the Chief Executive Officer and the Chief Financial Officer) for the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G:

Table 5.7: Directors and Top Five Senior Executives Remuneration

	2017G	2018G	2019G	Six-month period ended 30 June 2020G
	(SAR million)			
Directors	0	0	0	0
Committee Members	0	0	0	0
Senior Executives	4,923	6,790	8,258	2,946
Total	**4,923**	**6,790**	**8,258**	**2,946**

Source: The Company

5.6 Corporate Governance

The Company's policy is to adopt high standards of corporate governance. The Company's Board of Directors undertakes to comply with the Corporate Governance Regulations issued by the CMA on 16/05/1438H (corresponding to 13 February 2017G), as amended on 15/09/1440H (corresponding to 20 May 2019G).

The Corporate Governance Regulations set out the rules and standards that regulate the management of the Company to ensure compliance with the best corporate governance practices to protect the rights of Shareholders and other stakeholders. The provisions of the Corporate Governance Regulations are mandatory, except for certain provisions that are designated as guiding provisions.

The Company's internal corporate governance manual, which was adopted by the Board of Directors on 15/10/1441H (corresponding to 7 June 2020G), includes provisions in relation to the following:

(a) the rights of the Shareholders;

(b) the Board of Directors (including the Board formation, membership, meetings, working procedures, competencies, duties and powers, development, support, evaluation and remuneration);

(c) the Committees of the Board of Directors;

(d) thr Executive Management and administrative committees;

(e) the internal control and audit;

(f) the external auditors;

(g) disclosure and transparency;

(h) internal policies; and

(i) record keeping.

As of the date of this Prospectus, the Company complies with the mandatory provisions of the Corporate Governance Regulations, except for the following articles:

(a) Article 8(a) requiring that upon calling for the General Assembly, the Company shall announce on the Exchange's website information about the nominees for the membership of the Board of Directors;

(b) Article 8(c) regarding the restriction of voting in the General Assembly on nominees whose information has been announced in accordance with Article 8(a);

(c) Article 13(d) related to the publication of the invitation for the General Assembly on the Exchange's website and the Company's website;

(d) Article 14(c) related to making information related to the items of the General Assembly available through the Exchange's website and the Company's website;

(e) Article 15(e) related to advertising to the public and notifying the CMA and the Exchange of the results of the General Assembly upon its conclusion;

(f) Article 17(d) requiring the Company to notify the CMA of the names of the members of the Board of Directors and description of their memberships, as well as any changes in their memberships;

(g) Article 19(b) requiring the Company upon the termination of the membership of a member of the Board of Director to promptly notify the CMA and the Exchange and to specify the reasons for such termination;

(h) Article 68 requiring the Company to publish the nomination announcement on the websites of the Company and the Exchange to invite persons wishing to be nominated to the membership of the Board of Directors;

(i) Article 86 relating to the commitment of Directors to the professional conduct policy; and

(j) Articles 89 and 90, Article 91(b), Article 92, and Article 93 related to disclosure policies and procedures.

The Company is currently not complying with the above articles of the Corporate Governance Regulations because the Company is not yet a listed company. The Directors undertake to comply with these articles as soon as the CMA issues its approval for the listing of the Shares. In addition, the Directors confirm that the Company is currently complying with all other provisions of the Corporate Governance Regulations and the Companies Law.

The Company has two permanent Board Committees (the Audit Committee, and the Nomination and Remuneration Committee), which are responsible for reviewing the Company's operations within their particular areas of expertise and presenting their findings and suggestions to the Board of Directors (for further details, see Section 5.3 (**Board of Directors Committees**)).

The Company's Board of Directors consists of six (6) Directors, most of whom are non-executive Directors, including two (2) independent Directors in accordance with the provisions of the Corporate Governance Regulations. The Board of Directors ensures that:

(a) all the Committees have clear competencies and that the roles and responsibilities of each Committee shall be detailed; and

(b) minutes of all meetings will be prepared, reviewed and signed by the Board of Directors in accordance with the Bylaws.

In accordance with Article 95(1) of the Companies Law and Article 8(b) of the Corporate Governance Regulations, the Shareholders have adopted the cumulative voting method in relation to the appointment of Directors as reflected in the Company's Bylaws (for further details, see Section 12.13 (**Summary of Bylaws**). This method of voting gives each Shareholder voting rights equivalent to the number of Shares he/she holds. Each Shareholder has the right to use all of his/her voting rights for one nominee or to divide such voting rights between his/her selected nominees without any duplication of these votes. This method increases the chances for minority Shareholders to be represented in the Board of Directors through the right to accumulate votes for one nominee.

5.7 Conflicts of Interest

Neither the Company's Bylaws nor the Company's internal regulations and policies grant a Director the power to vote on any contract or transaction in which he/she has a direct or indirect interest. This is in compliance with Article 71 of the Companies Law. The Company also has internal regulations called Conflict of Interest Policy and Business Ethics related to conflict of interest and competition and approved by the Board of Directors. The Directors confirm that:

(a) they will comply with Articles 71 and 72 of the Companies Law and Articles 44 and 46 of the Corporate Governance Regulations;

(b) they will not vote on General Assembly resolutions that relate to any Related Party transaction or contract in which they have a direct or indirect interest; and

(c) they will not compete with the Company's business without the approval of the Ordinary General Assembly in accordance with the Article 72 of the Companies Law.

As of the date of this Prospectus, none of the Directors or Senior Executives is a party to any specific agreement, arrangement or understanding under which they are subject to any obligation that prevents them from engaging in activities that are competitive with the Company or any similar obligation in relation to the Company's business. However, to engage in businesses competing with the Company, the Directors must obtain approval from the General Assembly in accordance with Article 46 of the Corporate Governance Regulations and Article 72 of the Companies Law.

Section 12.9 (**Related Party Contracts and Transactions**) provides a summary of the contracts and/or transactions entered into by the Company, including those in which a Director has a direct or indirect interest. As of the date of this Prospectus, the Directors are not engaged in any activities competing with the Company's activities.

The following table provides a summary of contracts and transactions with the Group, including those in which a Director has a direct or indirect interest:

Table 5.8: Summary of Contracts and Transactions with the Group, Including those in which a Director has a Direct or Indirect Interest[1]

Parties	Nature of the Contract or Transaction	Total Value of the Contract / Transaction for the Six-Month Period Ended 30 June 2020G	Direct or Indirect Conflicting Director
The Company (as the client) and Alkhorayef Group Company (as the service provider)	A joint service agreement under which the service provider provides IT services. For such services, the service provider is paid the prescribed fees to be billed monthly. The parties agree on an annual basis to the monthly cost based on the services provided.	SAR 240,300	• Mohammed Abdullah Alkhorayef, as a shareholder, director and Chief Executive Officer of Alkhorayef Group Company • Fahad Muhammad Alkhorayef, as a shareholder of Alkhorayef Group Company • Abdulaziz Abdulrahman Alkhorayef, as a shareholder of Alkhorayef Group Company • Ammar Ahmed Al-Zubaidi, as a Senior Executive of Alkhorayef Group Company
The Company (as the lessee) and Abdullah Ibrahim Alkhorayef Sons Company (as the lessor)	A lease of a plot of land owned by the lessor located south of Buraydah for the purpose of establishing an administrative office of the Company in Al Qassim Province.	SAR 35,000	• Mohammed Abdullah Alkhorayef, as a shareholder and director of Abdullah Ibrahim Alkhorayef Sons Company • Fahd Muhammad Alkhorayef, as a shareholder and director of Abdullah Ibrahim Alkhorayef Sons Company • Abdulaziz Abdulrahman Alkhorayef, as a shareholder of Abdullah Ibrahim Alkhorayef Sons Company • Ammar Ahmed Al-Zubaidi, as a Senior Executive of Alkhorayef Group Company controlled by the Abdullah Ibrahim Alkhorayef Sons Company
The Company (as the lessee) and Alkhorayef Group Company (as the lessor)	A lease of a plot of land owned by the lessor located in Al-Kharj Road in Riyadh for the purpose of establishing a factory, workshop and warehouse for the Company's business	SAR 144,000	• Mohammed Abdullah Alkhorayef, as a shareholder, director and Chief Executive Officer of Alkhorayef Group Company • Fahad Muhammad Alkhorayef, as a shareholder of Alkhorayef Group Company • Abdulaziz Abdulrahman Alkhorayef, as a shareholder of Alkhorayef Group Company • Ammar Ahmed Al-Zubaidi, as a Senior Executive of Alkhorayef Group Company
The Company (as the lessee) and Abdullah Ibrahim Alkhorayef Sons Company (as the lessor)	A lease of a plot of land owned by the lessor located in the city of Al-Kharj for the purpose of establishing housing for the Company's workers	SAR 25,000	• Mohammed Abdullah Alkhorayef, as a shareholder, director and Chief Executive Officer of Alkhorayef Group Company • Fahad Muhammad Alkhorayef, as a shareholder and director of Abdullah Ibrahim Alkhorayef Sons Company • Abdulaziz Abdulrahman Alkhorayef, as a shareholder of Abdullah Ibrahim Alkhorayef Sons Company • Ammar Ahmed Al-Zubaidi, as a Senior Executive of Alkhorayef Group Company controlled by the Abdullah Ibrahim Alkhorayef Sons Company
The Company (as the client) and the Alkhorayef Commercial (as the supplier)	Transactions for supplying pumps, motors and generators to the Company for the purpose of supporting its activities	SAR 2,355,483	• Mohammed Abdullah Alkhorayef, as the Chairman of Alkhorayef Commercial
The Company (as the client) and Alkhorayef Printing Solutions (as the supplier)	Transactions for supplying printing solutions, materials, consumables and maintenance services for the purpose of supporting its activities	SAR 93,585	• Fahad Muhammad Alkhorayef, as a member of the Advisory Board in the Equipment Systems segment at Alkhorayef Group Company that controls Alkhorayef Printing Solutions

Parties	Nature of the Contract or Transaction	Total Value of the Contract / Transaction for the Six-Month Period Ended 30 June 2020G	Direct or Indirect Conflicting Director
The Company (as the client) and Alkhorayef Lubricants (as the supplier)	Transactions for supplying advanced and specialized lubricants for the Company's engines and machines for the purpose of supporting its activities	SAR 68,885	• Mohammed Abdullah Alkhorayef, as a shareholder in Alkhorayef Group Company that controls Alkhorayef Company for Lubricants • Fahad Muhammad Alkhorayef, as a shareholder in Alkhorayef Group Company that controls Alkhorayef Company for Lubricants • Abdulaziz Abdulrahman Alkhorayef, as a shareholder in Alkhorayef Group Company that controls Alkhorayef Company for Lubricants • Ammar Ahmad Al-Zubaidi as a senior executive of Alkhorayef Group Company that controls Alkhorayef Company for Lubricants
The Company (as the client) and Alkhorayef Petroleum (as the supplier)	Transactions for providing generators and maintenance services to support their activities	SAR 166,238	• Mohammed Abdullah Alkhorayef, as a director in Alkhorayef Petroleum and as a shareholder in Alkhorayef Group Company that controls Alkhorayef Petroleum. • Fahad Muhammad Alkhorayef, as a shareholder in Alkhorayef Group Company that controls Alkhorayef Petroleum • Abdulaziz Abdulrahman Alkhorayef, as a shareholder in Alkhorayef Group Company that controls Alkhorayef Petroleum • Ammar Ahmed Al-Zubaidi, as a director and Alkhorayef Petroleum
The Company (as the client) and Saudi Parts Center (as the supplier)	Transactions for supplying electronic parts and equipment for the purpose of supporting its activities	SAR 67,473	• Fahd Muhammad Alkhorayef, as a Senior Executive at Saudi Parts Center • Ammar Ahmed Al-Zubaidi, as a Senior Executive of Alkhorayef Group Company, which controls the Saudi Parts Center
Alkhorayef Commercial (as the client) and the Company (as the supplier)	Transactions for supplying and manufacturing specialized spare parts of generators, pumps and motors in the ordinary course of the Company's business	SAR 97,000	• Mohammed Abdullah Alkhorayef, as the Chairman of Alkhorayef Commercial
Alkhorayef Petroleum (as the client) and the Company (as the service provider)	Transactions for providing operation and maintenance services of deep water wells, and supplying and manufacturing specialized spare parts of generators, pumps and motors in the ordinary course of the Company's business	Zero[2]	• Mohammed Abdullah Alkhorayef, as a director in Alkhorayef Petroleum and as a shareholder in Alkhorayef Group Company that controls Alkhorayef Petroleum. • Fahad Muhammad Alkhorayef, as a shareholder in Alkhorayef Group Company that controls Alkhorayef Petroleum • Abdulaziz Abdulrahman Alkhorayef, as a shareholder in Alkhorayef Group Company that controls Alkhorayef Petroleum • Ammar Ahmed Al-Zubaidi, as a director and Alkhorayef Petroleum

Source: The Company

[1] The intercompany financing agreement between the Company (as the borrower) and Alkhorayef Group Company (as the lender), whereby the lender provides the borrower with a loan at the amount requested by the borrower and approved by the lender as per the budget or request in accordance with the terms and conditions of the agreement, with a total value of SAR 233,454,000 as of the six-month period ended 30 June 2020G, was terminated on 25 October 2020G.

[2] There was no transaction at the end of the six-month period ended 30 June 2020G. Transactions between the Company and Alkhorayef Petroleum are being conducted as of the date of this Prospectus.

5.8 Employees

The Company adopted an employment policy aimed at building and enhancing relations between the Company and its employees. This policy covers all aspects of recruitment, work schedules, healthcare, social insurance benefits, salaries and other allowances, including accommodation and transportation allowances and rewards.

5.8.1 Number of Employees

As of 30 June 2020G, the Company employed 4,215 employees (16.8% of whom were Saudi nationals).

The following table shows the number of employees of the Company and by business segment and the Saudization percentage as of 31 December 2017G, 2018G and 2019G, and as of 30 June 2020G:

Table 5.9: Number of Employees of the Company by Business Segment and the Achieved Saudization Percentage as of 31 December 2017G, 2018G and 2019G, and as of 30 June 2020G:

Business Segment	31 December 2017G				31 December 2018G				31 December 2019G				30 June 2020G			
	Saudi	Non-Saudi	Total	Percentage / Saudisation	Saudi	Non-Saudi	Total	Percentage / Saudisation	Saudi	Non-Saudi	Total	Percentage / Saudisation	Saudi	Non-Saudi	Total	Percentage / Saudisation
Water	149	694	843	17.7%	318	1,090	1,408	22.6%	552	1,449	1,984	27.6%	564	1,460	2,024	27.9%
Wastewater	16	502	518	3.1%	49	493	542	9.0%	67	608	675	9.9%	91	894	985	9.2%
Integrated Water Solutions	62	766	828	7.5%	62	751	813	7.6%	56	855	911	6.1%	54	1,152	1,206	4.5%
Total	**227**	**1,962**	**2,189**	**10.4%**	**429**	**2,334**	**2,763**	**15.5%**	**675**	**2,909**	**3,584**	**18.8%**	**709**	**3,506**	**4,215**	**16.8%**

Source: The Company

The table below shows the number of employees of the Company and the achieved Saudization percentages as of 31 December 2017G, 2018G and 2019G, and as of 30 June 2020G:

Table 5.10: Number of Employees of the Company and the Achieved Saudization Percentage as of 31 December 2017G, 2018G and 2019G, and as of 30 June 2020G

The Company	31 December 2017G				31 December 2018G				31 December 2019G				30 June 2020G			
	Saudi	Non-Saudi	Total	Saudization ratio / category[(1)]	Saudi	Non-Saudi	Total	Saudization ratio / category[(1)]	Saudi	Non-Saudi	Total	Saudization ratio / category[(1)]	Saudi	Non-Saudi	Total	Saudization ratio / category[(1)]
Alkhorayef Water & Power Technologies	227	1,962	2,189	10.4% / medium green	429	2,334	2,763	15.5% / high green	675	2,909	3,584	18.8% / platinum	709	3,506	4,215	16.8% / platinum

Source: The Company

[(1)] Saudization ratio percentages are rounded.

The number of Company's employees was 2,189 employees as on 31 December 2017G. It increased by 26% to approximately 2,763 as of 31 December 2018G, and then increased by 30% to approximately 3,584 employees as of 31 December 2019G, while as of 30 June 2020G, the number of employees was 4,215 after another increase.

5.8.2 Saudization

The Nitaqat Program was approved pursuant to the Minister of Human Resources and Social Development Resolution No. 4040 issued on 12/10/1432H (corresponding to 10 September 2011G), based on the Council of Ministers Resolution No. 50 issued on 21/05/1415H (corresponding to 27 October 1994G), which was applied as of 12/10/1432H (corresponding to 10 September 2011G). The Saudi Arabian Ministry of Human Resources and Social Development established the Nitaqat Program to provide establishments with incentives to hire Saudi nationals. The program assesses an establishment's performance based on specific ranges, which are platinum and green (which is further divided into three categories low green, middle green and high green), yellow and red. Establishments that are classified within the platinum and green categories are deemed to be compliant with the Saudization requirements and receive certain specified benefits, such as the ability to obtain and renew work visas for foreign employees or the ability to change the profession of foreign employees (except for professions reserved exclusively for Saudi nationals). Establishments that are classified as yellow or red (depending on the extent to which they are non-compliant) are deemed to be non-compliant with the Saudization requirements and are subject to certain punitive measures, such as a limited ability to renew work visas for foreign employees or complete inability to obtain or renew work visas for foreign employees.

As of 30 June 2020G, the Company has a Saudization rate of 16.8%, which places it within the platinum range. For the Nitaqat Program classification of the Company and its Subsidiaries, see Table 5.10 (**Number of Employees of the Company and the Achieved Saudization Percentage as of 31 December 2017G, 2018G and 2019G, and as of 30 June 2020G**) above.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

6.1 Introduction

This Section provides an analysis of the operational performance and financial position of the Company for the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G.

The Company's financial statements for the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G have been prepared in accordance with the IFRS as adopted in the Kingdom and other standards and publications issued by SOCPA.

Unless mentioned otherwise herein, all amounts stated in this Section are presented in Saudi Riyals (SAR), and all percentages are rounded to the nearest decimal point. Therefore, a calculation of the percentage increase/decrease based on amounts presented in tables within this Section (shown in thousands) may not be exactly equivalent to the corresponding percentages as stated in tables. In addition, for the purposes of this Section, the financial information for the financial year ended 31 December 2017G was derived from the comparative financial information presented in the Company's audited financial statements for the financial year ended 31 December 2018G. The financial information for the financial years ended 31 December 2018G and 2019G was derived from the financial information presented in the Company's audited financial statements for the financial year ended 31 December 2019G. The financial information for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G was derived from the financial information contained in the Company's reviewed interim financial statements for the six-month period ended 30 June 2020G. Neither Ernst & Young & Co. (Certified Public Accountants) (the Company`s Auditor), nor its subsidiaries, employees, or any of their relatives own any shares or interest of any kind in the Company that would affect their independence. The Auditor has furnished its written consent to the reference in this Prospectus of its role as the Company's external auditor for the financial years ended 31 December 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G.

The above-mentioned financial statements form an integral part of this Prospectus, and should be read in conjunction with these statements and their accompanying notes. These financial statements are included in Section 19 (**Financial Statements and Auditor's Report**) of this Prospectus.

This Section may include data of forward looking nature about the Company's future projections based on Executive Management's plans and current expectations for the Company's growth, results of operations, and financial condition. Therefore, they may entail risks and uncertainties. The Company's actual results could differ materially from those expressed or implied in such forward looking statements due to various factors and future events, including those discussed within this Section and elsewhere in the Prospectus, particularly, in Section 2 (**Risk Factors**).

Directors' Declarations on Financial Statements

The Directors declare that:

- the financial information contained in this Section has been extracted without material changes and presented in a form consistent with the audited financial statements for the financial years ended 31 December 2018G and 2019G and the reviewed interim financial statements for the six-month period ended 30 June 2020G and their accompanying notes, which were prepared in accordance with the IFRS as adopted in the Kingdom and other standards and publications issued by SOCPA without any material changes thereto;
- there has been no interruption in the Company's business that may affect or may have significantly affected its financial position in the last twelve (12) months that preceded the date of this Prospectus;
- no commissions, discounts, brokerage fees or other non-cash compensations were granted by the Company to any Directors, Senior Executives, persons offering or providing securities, or any other experts during the three financial years immediately preceding the date of the registration and offer of securities and up to the date this Prospectus;
- there has been no material adverse change in the Company's financial or trading position during the three financial years that preceding the date of registration and offer of securities and up to the date of this Prospectus, except as mentioned in this Section or Section 2 (**Risk Factors**) of this Prospectus;

- the Company does not have any other borrowings or indebtedness, including bank overdrafts, guarantee liabilities (covered or not covered by a personal guarantee or mortgage), liabilities under acceptances, acceptance credits, or hire purchase commitments, except for as disclosed in this Section and Section 12 (**Legal Information**) of this Prospectus;
- to the best of their knowledge and belief, there are no mortgages, rights, encumbrances or costs on the properties of the Company and its subsidiaries as of the date of this Prospectus, except for as disclosed in this Section and Section 12 (**Legal Information**) or any other sections of this Prospectus;
- except as disclosed in Section 4.3 (**Current Shareholding Structure**) and Section 5.7 (**Conflicts of Interest**) of this Prospectus, neither the Directors nor their relatives own any shares or interest of any kind in the Company or its subsidiaries;
- the Company has sufficient working capital for twelve (12) months following the publication date of this Prospectus;
- the Company does not have any properties, including contractual securities or other assets, with whose value is subject to fluctuations or is difficult to ascertain such that it significantly affects the assessment of financial position;
- neither the Company nor its subsidiaries have shares under option as of the date of this Prospectus;
- the Company does not intend to make material changes to the Company's activities in the future; and
- all material facts relating to the Company and its financial performance have been disclosed in this Prospectus, and that there exists no other information, documents or facts whose omission would make any statement herein misleading.

6.2 Significant Accounting Policies

6.2.1 Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in the Kingdom").

These financial statements have been prepared under the historical cost basis, except otherwise indicated. The financial statements are presented in Saudi Riyals, which is also the Company's functional currency and presentation currency.

6.2.2 Summary of Significant Accounting Policies

(a) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(b) Investments in Joint Arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

A joint operation is an arrangement whereby the parties that have joint control on the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Company recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held assets or incurred liabilities, revenues and expenses for its joint operations.

(c) Current vs Non-Current Classification

The Company presents assets and liabilities in the statement of financial position based on their current/non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within 12 months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period; and

The Company classifies all other assets as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as non-current.

(d) Fair Value Measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

(e) Revenues from Contracts with Clients

The Company is in the process of providing contracted services (project services) and O&M services for water treatment plants and water networks, sewage treatment plants and wastewater networks, in addition to other infrastructure assets such as storm water networks. Accordingly, revenues are calculated on two bases, the first related to project services and the second to O&M services.

(i) Specific Revenue Recognition Criteria

Project Services Contracts

The Company principally operates fixed unit contracts and fixed price contracts that cover the contracting for wastewater treatment plants, and water and wastewater networks. If the outcome of such a contract can be reliably measured, revenue associated with the contract is recognised by reference to the stage of completion of the contract activity at year end (the performance completed to date method).

The outcome of a contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognized contract to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the year in which they are incurred.

The monthly revenue is calculated according to the actual completion percentage method, which depends on work progress of the project land. These revenues are recorded as contract assets / unbilled balances. In later stages, the invoices are issued after the client's approval of the invoice details is obtained. The amount of invoice is recorded as due from clients.

O&M Service Contracts

Revenue is recognised on the basis of direct measurements of the value to the client of the goods or services transferred to date relative to the total goods or services promised under the contract (Contract Bill of Quantities).

The monthly revenue is calculated based on the monthly invoices issued to a client after the scope of the O&M services provided is measured. The revenue is recognised as unbilled revenue/contract assets until the invoice is finally approved by the client. Upon the client's approval, the invoice amount is recorded as receivables from the client in the Company's accounts.

(ii) Contract Balances

Contract assets - a contract asset is the right to consideration in exchange for goods or services transferred to the client. If the Company performs by transferring goods or services to a client before the client pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities - a contract liability is the obligation to transfer goods or services to a client for which the Company has received consideration (or an amount of consideration is due) from the client. If a client pays consideration before the Company transfers goods or services to the client, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Trade receivable - a receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

(iii) Cost of Revenues

Contract costs — Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labor costs (including site supervision); costs of materials used; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Provisions for estimated losses on uncompleted contracts are recognized in the year in which they are determined and are classified under current liabilities as provisions.

(f) Taxes

Zakat: Zakat is calculated and provided for by Abdullah Ibrahim Alkhorayef Sons Company on a consolidated basis including its effectively wholly owned subsidiaries in accordance with Saudi Arabian fiscal regulations. This provision is reflected in Abdullah Ibrahim Alkhorayef Sons Company's consolidated financial statements. The Company's share of this provision is charged to its statement of profit or loss based on allocation by Abdullah Ibrahim Alkhorayef Sons Company.

Value Added Tax (VAT): Expenses and assets are recognised net of the amount of value added tax, except:

- when the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- when receivables and payables are stated with the amount of sales tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(g) Foreign Currencies

The Company's financial statements are presented in Saudi Riyals (SR), which is also the Company's functional currency and all values are rounded to the nearest SR except when otherwise indicated.

Transactions and Balances: Transactions in foreign currencies are initially recorded by the Company at the functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss.

(h) Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings — 20 years
- Heavy equipment — 7 years
- Furniture and fixtures — 7 years
- Motor vehicles — 5 years

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(i) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-Use Assets: The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are amortized on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease Liabilities: At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-Term Leases and Leases of Low-Value Assets: The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below SR 50,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(j) Borrowing Costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(k) Financial Instruments – Initial Recognition and Subsequent Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial Assets

Initial Recognition and Measurement: Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement: For purposes of subsequent measurement, financial assets are classified in following categories:

- financial assets at amortised cost (debt instruments);
- financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- financial assets at fair value through profit or loss.

Financial Assets at Amortised Cost (Debt Instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in statement of profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes trade receivables, cash and cash equivalents and due from Related Parties.

Impairment: The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial Liabilities

Initial Recognition and Measurement: Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade payables, due to Related Parties, dividend payable and due to employees.

The Company's financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent Measurement: Financial liabilities at amortised cost (loans and borrowings): This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

(iii) Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(l) Inventories

Inventories are measured at the lower of cost and net realisable value with due allowance for any obsolete or slow moving items. Cost is determined using the weighted average method.

Cost includes expenditure incurred in acquiring the inventories and costs incurred in bringing them to their existing location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal. Cost of finished goods and goods for resale is determined based on the purchase cost on a weighted average basis.

(m) Impairment of Non-Financial Assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The fair value less costs of disposal is determined by taking into account recent market transactions. If no such transactions can be identified, an appropriate valuation model is used. The value in use is assessed by discounting the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

(n) Cash and Bank Balances

Cash and bank balances in the statement of financial position comprise cash at banks and on hand.

(o) Provisions

General: Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as finance cost.

Onerous Contracts: If the Company has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Company recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

Contingent Liabilities Recognised in a Business Combination: A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognized in accordance with the requirements for revenue recognition.

(p) Employee Benefits

Short-Term Employee Benefits: Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined-Benefit Plans: In addition to the above, employees' terminal benefits are provided for in accordance with the requirements of the Saudi Labor Law and the Company's policies. These employees' terminal benefits represent a defined benefit obligation plan. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net pension liability recognized in the statement of financial position in respect of defined benefit post-employment plans is the present value of the projected defined benefit obligation (DBO) at the statement of financial position date. The defined benefit obligation is calculated annually by qualified actuaries using projected credit unit method. Re-measurement amounts, if any, are recognized and reported within equity under the statement of changes in equity with corresponding debit or credit to OCI that comprises of actuarial gains and losses on the defined benefits obligation.

6.2.3 Changes in Accounting Policies and Disclosures

The accounting policies adopted and methods of computation followed are consistent with those of the previous financial year, except for items discussed below. Specifically, the Company applied IFRS 16 for the first time. The nature and effect of the changes in result of adoption of this new accounting standard is described below.

There were several new and amendments to standards and interpretations which are applicable for the first time in 2019G, but either not relevant or do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases: IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified simplified retrospective method of adoption with the date of initial application of 1 January 2019G. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Nature of the effect of adoption of IFRS 16: The Company has lease contracts for buildings. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

Leases Previously Accounted for as Operating Leases: The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate for a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with terms ending within 12 months at the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- Restoration costs for the leases were considered to be negligible, except where reasonable information was available to assess and include such costs in determining lease liabilities.

Based on the foregoing, as of 1 January 2019G:

- Right-of-use assets of SAR 4,483,747 were recognized and presented separately in the statement of financial position.
- Additional lease liabilities of SAR 5,976,000 were recognized and presented separately in the statement of financial position.
- Prepayments of SAR 12,500 related to previous operating leases were derecognized.

For the financial year ended 31 December 2019G:

- Contract cost increased by SAR 315,205 because of the amortization of additional assets recognized (i.e., increase in right-of-use assets).
- Rent expense decreased by SAR 414,667 relating to previous operating leases.
- Finance costs increased by SAR 85,288 relating to the interest expense on additional lease liabilities recognized.

6.2.4 Annual Improvements 2015G-2017G Cycle

- **IFRS 3: Business Combinations**

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019G, with early application permitted.

These amendments had no impact on the financial statements of the Company as there is no transaction where joint control is obtained.

- **IFRS 11: Joint Arrangements**

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019G, with early application permitted.

These amendments had no impact on the financial statements of the Company as there is no transaction where a joint control is obtained.

- **IAS 23: Borrowing Costs**

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019G, with early application permitted.

Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

6.2.5 Significant Accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties include:

- capital management;
- financial instruments risk management objectives and policies; and
- sensitivity analysis disclosures.

(a) Judgements:

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Significant Judgement in Determining The Lease Term Of Contracts With Renewal Options: The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Company included the renewal period as part of the lease term for leases of office spaces due to the significance of these assets to its operations. These leases are reviewed after one year based on the Company's operational requirements and leased area is adjusted accordingly.

Revenues from Contracts with Clients: The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with clients.

Satisfaction of performance obligations for contracting, and operations and maintenance: The Company is required to assess each of its contracts with clients to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue. The Company has assessed that performance obligation relating to a contract for contracting and operations and maintenance can be reliably measured, by reference to the stage of completion of the contract activity at year end (the performance completed to date method), and the performance obligation relating to a contract of service can be reliably measured over the contractual period or as and when services are rendered to clients.

Variable Consideration: Certain contracts with clients include provision that give rise to variable consideration. In estimating the variable consideration, the Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Company had determined that in its contract with clients there is no element of variable consideration involved.

Going Concern: The Executive Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the Executive Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(b) Estimates and Assumptions:

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur. Information about the assumption and estimation uncertainties is included in the following areas:

Useful Life of Property and Equipment: The Executive Management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The Executive Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the Executive Management believes the useful lives differ from previous estimates.

Impairment of Inventories: The Company recognises an allowance for inventory losses due to factors such as obsolescence, physical damage etc. The estimation of such losses includes the consideration of factors including but not limited to introduction of new models or technology by the manufacturer, past trends and both existing and emerging market conditions.

Provision for Expected Credit Losses (ECLs) of Trade Receivables: The Company uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Company historical observed default rates. The company calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic condition may also may not be representative of clients actual default in future.

Impairment of Non-Financial Assets: The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is arrived based on available data from binding sales transactions at arm's length, for similar assets. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Defined-Benefit Plan: The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employee turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The most sensitive parameters are discount rate and future salary increase. In determining the appropriate discount rate, management considers the market yield on high quality Corporate/Government bonds. Future salary increases are based on expected future inflation rates, seniority, promotion, demand and supply in employment market. The mortality rate is based on publicly available mortality tables for the Country. Those mortality tables tend to change only at intervals in response to demographic changes.

6.2.6 Standards Issued But Not Yet Effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Based on the Company's assessment, the below standards are not expected to have potential impacts on the reported numbers and disclosures.

Standards	Description	Mandatory Effective Date
IFRS 3	Definition of a Business (Amendments)	1 January 2020G
IAS 1 and IAS 8	Definition of Material (Amendments)	1 January 2020G
Conceptual Framework	Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020G
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Not Yet Set
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

Source: The Company

6.3 Key Factors Affecting the Results of Operations

The following is a discussion of the most significant factors that have affected, or are expected to affect, the Company's financial position and results of operations. These factors are based on information currently available to the Company and may not represent all factors that could affect the Company's business. Accordingly, refer to Section 2 (**Risk Factors**) and the "**Important Notice**" Section on page (i) of this Prospectus.

6.3.1 Competition

Due to the large number of companies that operate and compete with the Company in the water and wastewater sector, the Company's performance is highly dependent on its ability to compete and obtain business from its most important clients. The average term of most of the Company's contracts with its key clients ranges from three to five years, and contracts are renewed through Government tenders. There can be no assurance that the volume of sales made to the Company's key clients will be stable or sustainable. The Company's inability to compete and obtain business from its most important clients could have a material adverse effect on its business, financial position, and results of operations.

6.3.2 Keeping Pace with Sector Growth and Scalability

As part of the Government's strategy to support economic diversification and develop public service sectors, Saudi Vision 2030, the National Transformation Program, and National Water Strategy 2030G provide a clear direction to achieve sustainable water supply (see Section 3.1.1 (**National Transformation Initiatives**)). These Government plans and visions provide significant growth opportunities for service companies that operate in the water and wastewater sector. Therefore, the Company's ability to keep pace with the sector's growth is crucial to its sustainable business. The Company's effectiveness in keeping pace with the sector's growth and contributing to the realisation of the relevant strategic Government visions depends on its scalability. The Company's scalability is dependent on several factors, most importantly the ability to attract clients, win new projects, expand and develop the scope, quality and volume of business the Company can carry out, obtain the necessary resources, secure equipment and machinery that enables the Company to maintain the quality of business, and the ability to win projects in new geographical areas. The Company's lack of scalability and inability to keep pace with the growing sector would have a material adverse effect on its business, financial position, and results of operations.

6.3.3 Conducting Business and Estimating Costs

The Company's ability to perform its business and estimate costs accurately are key factors of its success. Business performance depends on several factors, including the Company's ability to complete projects according to the defined specifications, the Company's employees' capacity to implement project requirements, and the Company's ability to provide the necessary resources within the required time frame. The Company's ability to estimate costs depends heavily on the Executive Management being aware of the expected cost of key elements such as labour and materials. The Company's inability to complete its business or accurately estimate costs would have a material adverse effect on its business, financial position, and results of operations.

6.3.4 Reliance on Key Clients

Given the current structure of the water and wastewater market in the Kingdom, and the Government's management (mainly represented by the Ministry of Environment, Water and Agriculture and the National Water Company) of water and wastewater services and related infrastructure, the Company's success, like other water and wastewater service providers, depends heavily on sustaining business with key Government clients. The total revenues from Ministry of Environment, Water and Agriculture, Saudi Arabia and National Water Company (the Company's two largest clients) accounted for 86.8%, 92.5%, and 83.5% of the Company's total revenues in the financial years ended 31 December 2017G, 2018G and 2019G, respectively, with Ministry of Environment, Water and Agriculture alone accounting for 62.0%, 57.1% and 72.1% respectively during these periods. There can be no assurance that the Company will continue to sustain its relationship with key clients. The Company's failure to acquire new business from its key clients would have a material adverse effect on its business, financial position, and results of operations.

6.4 Key Performance Indicators

The following table presents the Company's key performance indicators (KPIs) for the financial years ended 31 December 2017G, 2018G and 2019G:

Table 6.1: Key Performance Indicators

		Year Ended 31 December		
		2017G	2018G	2019G
Gross Profit Margin	%	16.3%	21.3%	28.2%
Operating Profit Margin	%	9.4%	16.3%	22.3%
Net Profit Margin	%	8.8%	14.4%	21.7%
Return on Equity	%	28.2%	41.5%	42.6%
Return on Assets	%	8.5%	13.0%	22.6%
Current Assets/Current Liabilities	x	1.4	1.5	2.2
Liabilities/Equity	x	2.3	2.2	0.9

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

6.5 Results of Operations - Income Statement

The following table shows the Company's income statement for the financial years ended 31 December 2017G, 2018G and 2019G:

Table 6.2: Results of Operations - Income Statement

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Revenues	249,636	356,265	423,228	42.7%	18.8%	30.2%
Cost of Revenues	(208,994)	(280,334)	(304,074)	34.1%	8.5%	20.6%
Gross Profit	**40,641**	**75,931**	**119,154**	**86.8%**	**56.9%**	**71.2%**
Sale and Distribution Expenses	(1,762)	(4,664)	(1,446)	164.7%	(69.0%)	(9.4%)
General and Administrative Expenses	(15,460)	(13,292)	(23,539)	(%14.0)	77.1%	23.4%
Operating Profits	**23,419**	**57,975**	**94,169**	**147.6%**	**62.4%**	**100.5%**
Finance Costs	(2,657)	(5,530)	(6,375)	108.2%	15.3%	54.9%
Other Income	-	-	4,440		-	-
(Loss)/Gain on Foreign Currency Exchange, Net	574	(1,347)	(64)	334.6%	(95.2%)	-
(Loss)/Gain on Sale of Property and Equipment	750	51	(442)	(93.3%)	976.2%	-
Net Profit for the Year	**22,087**	**51,148**	**91,727**	**131.6%**	**79.3%**	**103.8%**
Losses (profits) from Re-measurement of Defined Benefits Liability	1,762	(6,141)	326	(448.5%)	(105.3%)	(57.0%)
Net Other Comprehensive Income (Loss) Not Subject to Reclassification as Profit or Loss in Later Periods	**1,762**	**(6,141)**	**326**	**(448.5%)**	**105.3%**	**(57.0%)**
Total Comprehensive Income for the Year	**23,849**	**45,007**	**92,053**	**88.7%**	**104.5%**	**96.5%**

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

The Company recorded a 42.7% growth in total revenues, or SAR 106.6 million, from SAR 249.6 million in 2017G to SAR 356.3 million in 2018G. This increase is attributed to new projects (19 projects), most of which were executed in 2018G. The majority of new projects (16 projects, accounting for 84.2%) were related to operations and maintenance activities in the water withdraw and treatment subsegment, and other operations and maintenance activities in the wastewater networks subsegment.

In 2019G, total revenues further increased by 18.8%, or SAR 67.0 million, from SAR 356.3 million in 2018G to SAR 423.2 million in 2019G. This increase was largely driven by the increase in revenue generated from ongoing projects and was supplemented by revenue recorded by new projects. The increase in revenues during 2018G was relatively higher as compared to 2019G, since work executed during 2018G involved a higher number of projects.

Cost of revenues exhibited a gradual increase between 2017G and 2018G. These costs increased by 34.1%, or SAR 71.3 million, from SAR 209.0 million in 2017G to SAR 280.3 million in 2018G, as a result of the increase in employees' salaries and benefits. Cost of revenues further increased by 8.5%, or SAR 23.7 million, from SAR 280.3 million in 2018G to SAR 304.1 million in 2019G, due to an additional increase in salaries and benefits associated with project delivery staff. It is noted that employees' salaries and benefits accounted for 43.8% of total cost of revenues between 2017G and 2019G. Salaries and related benefits increased by 40.7% and 27.0% in 2018G and 2019G, respectively. This increase was driven by the increase in staff headcount between 2017G and 2019G.

The movement in gross profit was in line with the movement of revenues between 2017G and 2018G. Gross profit increased by 86.8%, or SAR 35.3 million, from SAR 40.6 million in 2017G to SAR 75.9 million in 2018G. Gross profit increased further by 56.9%, or SAR 43.2 million, from SAR 75.9 million in 2018G to SAR 119.2 million in 2019G. The greater increase in revenues relative to the increase in cost of revenues contributed to a significant increase in gross profit margins, with the Company recording a gross profit margin of 16.3%, 21.3%, and 28.2% in 2017G, 2018G and 2019G, respectively. The increase in gross profit margin between 2017G and 2018G was due to revenues increasing by 42.7% between the two years. The increase in gross profit margin between 2018G and 2019G was also related to the revenues increasing by 18.8% between the two years.

The movement of sale and distribution expenses fluctuated between 2017G and 2019G, increasing by 164.7%, or SAR 2.9 million, from SAR 1.8 million in 2017G to SAR 4.7 million in 2018G due to the increase in provisions for expected credit losses which increased by SAR 1.9 million upon the Company's adoption of IFRS 9, which stipulates applying the ECL method to determine provisions. The increase in sale and distribution expenses was also affected by the increase in tender expenses from SAR 0.9 million in 2017G to SAR 1.8 million in 2019G, due to the Company participating in a higher number of tenders between 2018G and 2019G.

Sale and distribution expenses recorded a significant decrease by 69.0%, or SAR 3.2 million, from SAR 4.7 million in 2018G to SAR 1.4 million in 2019G following the decrease in tender expenses and the lack of additions to provisions for receivables. Tender expenses decreased from SAR 1.8 million in 2018G to SAR 0.9 million in 2019G, while provisions for receivables dropped from SAR 1.9 million in 2018G to zero in 2019G.

Administrative expenses fluctuated between 2017G and 2019G. They decreased by 14.0%, or SAR 2.2 million, from SAR 15.5 million in 2017G to SAR 13.3 million in 2018G, due to a decrease in the salaries and benefits of administrative employees. It is noted that the decrease in employees' salaries and benefits between the two years was affected by the decrease in end-of-service benefits after adopting IFRS that stipulate different methods of calculating the end-of-service corresponding liability.

These expenses increased by 77.1%, or SAR 10.2 million, from SAR 13.3 million in 2018G to SAR 23.5 million in 2019G due to the increase in salaries and benefits following a rise in administrative employee numbers and the appointment of a new finance manager.

Operating profit consistently increased between 2017G and 2019G, with profit increasing by 147.6%, or SAR 34.6 million, from SAR 23.4 million in 2017G to SAR 58.0 million in 2018G, with an additional increase of 62.4%, or SAR 36.2 million, from SAR 58.0 million in 2018G to SAR 94.2 million in 2019G. The aforementioned increase during these two years was driven by the Company generating higher revenues.

The operating profit margin gradually increased from 9.4% in 2017G to 16.3% in 2018G and 22.3% in 2019G. This increase was in line with the movement of revenues and the increase in gross profit margins between 2017G and 2019G.

The financing costs incurred by the Company between 2017G and 2019G were mainly associated with loans obtained to finance projects and various business requirements. Financing costs increased by 108.2%, or SAR 2.9 million, from SAR 2.7 million in 2017G to SAR 5.6 million in 2018G, with an additional increase of 15.3%, or SAR 0.8 million, from SAR 5.5 million in 2018G to SAR 6.4 million in 2019G. This increase over these two years was driven by obtaining higher loans to support the requirements of the new projects which the Company contracted and executed in 2018G and 2019G.

Other income includes income that is not related to the Company's main activities. Other revenues were associated with several sources, including Government grants and sales of various raw materials. The main component of other revenues, which amounted to SAR 4.4 million in 2019G, is the Government grants that the Company obtained during the year as compensation for residency expenses incurred in 2018G. It should be noted that the other income recorded in FY17 and which amounted to SAR 0.8 million was mainly associated with the sale of scrap.

Foreign currency exchange losses and gains are mainly associated with transactions carried out with foreign suppliers. These losses or gains are affected by the volume of purchases and prevailing exchange rates upon completion of the purchase transactions.

Losses and gains associated with the sale of property and equipment relate to the sale of fully depreciated machinery, equipment and vehicles. Losses and gains fluctuate during the regular course of business.

The net profit for the year recorded a gradual increase between 2017G and 2019G. Net profit increased by 131.6%, or SAR 29.1 million, from SAR 22.1 million in 2017G to SAR 51.1 million in 2018G, with an additional increase of 79.3%, or SAR 40.6 million, from SAR 51.1 million in 2018G to SAR 91.7 million in 2019G. The aforementioned increase during the two years was primarily affected by the increase in revenues.

The net profit margin gradually increased from 8.8% in 2017G to 14.4% in 2018G and 21.7% in 2019G. This increase was in line with the movement of revenues and the increase in gross profit margins between 2017G and 2019G. As mentioned above, revenues increased from SAR 249.6 million in 2017G to SAR 356.3 million in 2018G, with an additional increase to SAR 423.2 million in 2019G. Note that the aforementioned increase in the net profit margin during the period between 2017G and 2019G was driven by three factors: Completion of work on old loss-making projects; the implementation of tighter cost control measures, and the use of more cost-effective project delivery methods.

6.5.1 Revenues Analysis by Sector and Division

The following table shows a breakdown of revenues by sector for the financial years ended 31 December 2017G, 2018G and 2019G:

Table 6.3: Revenues by Sector and Division

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Water Sector						
Water Networks	66,093	62,454	76,576	(5.5%)	22.6%	7.6%
Water Withdraw and Treatment	49,498	98,216	139,156	98.4%	41.7%	67.7%
Total	**115,591**	**160,670**	**215,732**	**39.0%**	**34.3%**	**36.3%**
Wastewater Sector						
Wastewater Networks	40,763	107,902	77,552	164.7%	(28.1%)	37.9%
Wastewater Treatment	36,433	40,091	53,879	10.0%	34.4%	21.6%
Total	**77,196**	**147,993**	**131,431**	**91.7%**	**(11.2%)**	**30.5%**
Integrated Water Solutions Sector						
City Management	44,982	31,465	30,672	(30.0%)	(2.5%)	(17.4%)
Stormwater Networks	7,065	9,309	34,660	31.8%	272.3%	121.5%
Support and Asset Management Services	4,802	6,828	10,733	42.2%	57.2%	49.5%
Total	**56,849**	**47,603**	**76,065**	**(16.3%)**	**59.8%**	**15.7%**
Total Revenues	**249,636**	**356,265**	**423,228**	**42.7%**	**18.8%**	**30.2%**

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G, and management information

Operations and services associated with the Company's various projects can be categorised into three main sectors: Integrated wastewater solutions, wastewater, and water services in general.

6.5.1.1 Water Sector

The main services the Company provides in this sector include water network activities (such as those related to water distribution networks and fire-fighting water networks) and water withdraw and treatment activities (such as those related to deep water wells and water treatment plants). Activities in this sector are performed under maintenance and operation service contracts or Project Services contracts. Revenues from the water sector accounted for 46.3%, 45.1% and 51.0% of total revenues in 2017G, 2018G and 2019G, respectively.

Revenues from the water sector increased by 39.0%, or SAR 45.1 million, from SAR 115.6 million in 2017G to SAR 160.7 million in 2018G. This increase was concentrated in water withdraw and treatment projects, where revenue increased by 98.4%, or SAR 48.7 million, from SAR 49.5 million in 2017G to SAR 98.2 million in 2018G. This increase was mainly affected by work initiation on five new deep water well projects in Tabuk, Jazan, and Hail Provinces.

However, revenues from water network projects decreased by 5.5%, or SAR 3.6 million, from SAR 66.1 million in 2017G to SAR 62.5 million in 2018G.

Revenues from the water sector further increased by 34.3%, or SAR 55.1 million, from SAR 160.7 million in 2018G to SAR 215.7 million in 2019G, due to the increase in revenues from water network projects and water withdraw and treatment projects. Revenues from water network projects increased by 22.6%, or SAR 14.1 million, from SAR 62.5 million in 2018G to SAR 76.6 million in 2019G. This increase was associated with projects carried out in Hail Province and Riyadh (the Riyadh Metro project).

In the case of the water withdraw and treatment projects, revenues increased by 41.7%, or SAR 40.9 million, from SAR 98.2 million in 2018G to SAR 139.2 million in 2019G due to the increase in the volume of work carried out in water withdraw and treatment projects in Tabuk and Jazan.

6.5.1.2 Wastewater Sector

The main services the Company provides in this sector include wastewater networks (such as treated wastewater networks and wastewater networks) and wastewater treatment works (including industrial wastewater). Activities in this sector are performed under maintenance and operation service contracts or Project Services contracts. Revenues from the wastewater sector accounted for 30.9%, 41.5%, and 31.1% of total revenues in 2017G, 2018G and 2019G, respectively.

Revenues from this sector increased by 91.7%, or SAR 70.8 million, from SAR 77.2 million in 2017G to SAR 148.0 million in 2018G. This significant increase was associated with the increase in revenues from the wastewater network project contracts.

Revenues from wastewater network contracts increased by 164.7%, or SAR 67.1 million, from SAR 40.8 million in 2017G to SAR 107.9 million in 2018G. This increase was mainly affected by revenues from wastewater network construction projects in Tuwaiq, Wadi Laban and Al-Aziziyah districts in Riyadh awarded to the Company in late 2017G. The increase in revenues from wastewater treatment projects also contributed to the increase in total revenues from the wastewater sector.

Revenues from wastewater treatment projects increased by 10.0%, or SAR 3.7 million, from SAR 36.4 million in 2017G to SAR 40.1 million in 2018G. This increase was affected by a new project awarded in Riyadh Province.

Revenues from the wastewater sector decreased by 11.2%, or SAR 16.6 million, from SAR 148.0 million in 2018G to SAR 131.4 million in 2019G due to a decrease in wastewater networks revenues by 28.1%, or SAR 30.3 million, from SAR 107.9 million in 2018G to SAR 77.6 million in 2019G. This decrease was affected by the completion of several wastewater projects during 2018G.

The decrease in revenues from wastewater network projects between 2018G and 2019G was offset by an increase in wastewater treatment contract revenues by 34.4%, or SAR 13.8 million, from SAR 40.1 million in 2018G to SAR 53.9 million in 2019G due to progress in projects carried out in Qassim Province (in Al-Bukharia and Al-Badaa Governorates) and Al-Kharj Governorate.

6.5.1.3 Integrated Water Solutions Sector

Services provided in this sector include city management, stormwater networks, support and asset management services (such as leak detection, laboratory services, and manufacturing workshops). Revenues from this sector represented 22.8%, 13.4%, and 18.0% of total revenues in 2017G, 2018G and 2019G, respectively.

Revenues from this sector decreased by 16.3%, or SAR 9.2 million, from SAR 56.8 million in 2017G to SAR 47.6 million in 2018G. The decrease is mainly attributed to the decrease in the revenues generated from city management projects, which decreased by 30.0%, or SAR 13.5 million in 2018G, from SAR 45.0 million in 2017G to SAR 31.5 million in 2018G due to the decrease in revenue generated from the Dammam Water and Wastewater O&M (3) project. This project's revenues decreased from SAR 45.0 million in 2018G to SAR 31.5 million in 2019G, due to the work in the project reaching advanced stages.

The decrease in revenues from city management projects was offset by a partial increase in revenues from stormwater network and support and asset management services projects.

Revenues from stormwater network projects increased by 31.8%, or SAR 2.2 million, from SAR 7.1 million in 2017G to SAR 9.3 million in 2018G. This increase was mainly associated with the implementation of three projects, the Stormwater and Groundwater Drainage Networks Project in central Riyadh (within Al-Shumaisi Municipality), the Stormwater and Groundwater Drainage Networks O&M Project in the west of Riyadh, in al-Arija district in Riyadh and the Riyadh Pumping Station O&M project.

Between 2018G and 2019G, revenues from the integrated water solution sector increased by 59.8%, or SAR 28.5 million, from SAR 47.6 million in 2018G to SAR 76.1 million in 2019G. This increase was mainly related to the initiation of the Project to Lower Groundwater Levels in Al-Arid, Tuwaiq 9, and Wadi Laban 2 districts in Riyadh, in addition to the Metro Line 6 project (storm water drainage) and the Dammam Water and Wastewater O&M project.

The increase in revenues from support and asset management services, and stormwater network projects was offset by a partial decrease in revenues from city management projects. Revenues from city management projects decreased by 30.0% or by SAR 13.5 million from 45.0 million in 2017G to SAR 31.5 million in 2018G, with an additional decline by 2.5%, or SAR 0.8 million in 2019G, from SAR 31.5 million in 2018G to SAR 30.7 million in 2019G. The decrease was due to lower revenues from the Dammam Water and Wastewater O&M project.

6.5.2 Revenues Analysis by Contract Type

The following table shows a breakdown of revenues by contract type for the financial years ended 31 December 2017G, 2018G and 2019G:

Table 6.4: Revenues by Contract Type

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Operations and Maintenance Contracts	196,803	250,399	307,021	27.2%	22.6%	24.9%
Project Services Contracts						
Ongoing Projects	7,466	2,367	104,761	(68.3%)	4325.6%	274.6%
Completed Projects	45,367	103,499	11,446	128.1%	(88.9%)	(49.8%)
Total Revenues from Project Services	**52.833**	**105.866**	**116.207**	**100.4%**	**9.8%**	**48.3%**
Total	**249,636**	**356,265**	**423,228**	**42.7%**	**18.8%**	**30.2%**

Source: Management information

(1) Ongoing and completed projects describe the status of the projects as of 30 June 2020G

The Company's contracts can be classified into two categories: (i) project services contracts, which typically include building and construction works, and (ii) operations and maintenance contracts, which include managing and implementing maintenance services and operating and supervising various water stations.

6.5.2.1 Project Services Contracts

Revenues from project Services contracts accounted for 21.2%, 29.7%, and 27.5% of total revenues in 2017G, 2018G and 2019G, respectively.

Revenues from project Services contracts in 2018G increased by 100.4%, or SAR 53.0 million, from SAR 52.8 million in 2017G to SAR 105.9 million in 2018G. This increase was related to four projects with the National Water Company based on which the Company established wastewater networks in Tuwaiq, Dahrat Laban and Al-Aziziya in Riyadh.

Revenues further increased between 2018G and 2019G by 9.8%, or SAR 10.3 million, from SAR 105.9 million in 2018G to SAR 116.2 million in 2019G. The additional increase was affected by five new projects awarded to the Company with several clients, namely National Water Company, Ministry of Environment, Water and Agriculture, the Royal Commission for Riyadh City (ADA), and FCC Aqualia. The five projects were: the Construction of Al-Narjis and Aredah ground water drainage system project, the Dammam gravity line project, the LO sewage line construction in Riyadh project, Al-Ared, Tuwaiq 9 and Laban 2 ground water drainage system construction project and the Riyadh Metro Line 1 utility relocation project.

6.5.2.2 Operations and Maintenance Contracts

Total revenues from operations and maintenance contracts accounted for 78.8%, 70.3%, and 72.5% of total revenues 2017G, 2018G and 2019G, respectively.

Revenues from operations and maintenance contracts increased in 2018G by 27.2%, or SAR 53.6 million, from SAR 196.8 million in 2017G to SAR 250.4 million in 2018G, with an additional increase of 22.6%, or SAR 56.6 million, from SAR 250.4 million in 2018G to SAR 307.0 million in 2019G. While the increase in 2018G was related to 14 new projects (with a value of SAR 426.5

million), the increase in 2019G was associated with 13 new projects (with a value of SAR 418.0 million). The large majority of the new projects were mainly secured with the Ministry of Environment, Water and Agriculture, National Water Company and Atkins Global.

6.5.3 Revenues Analysis by Client

The following table shows a breakdown of revenues by client for the financial years ended 31 December 2017G, 2018G and 2019G:

Table 6.5: Revenues by Client

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Operations and Maintenance Contracts						
Ministry of Environment, Water and Agriculture	143,671	203,372	270,522	41.6%	33.0%	37.2%
National Water Company	35,864	27,045	13,427	(24.6%)	(50.4%)	(38.8%)
AlRiyadh Municipality	7,065	9,192	6,936	30.1%	(24.5%)	(0.9%)
Ministry of National Guard - Health Affairs	3,750	5,045	4,766	34.5%	(5.5%)	12.7%
Atkins Global	-	-	3,913	-	-	-
Royal Commission for Jubail and Yanbu (RCJY)	1,080	2,501	3,410	131.7%	36.3%	77.7%
Other Clients	743	2,047	2,849	175.6%	39.2%	95.9%
Ma'aden	948	1,198	1,198	26.3%	-	12.4%
Ministry of Defence	3,681	-	-	(100.0%)	-	(100.0%)
Total	**196,803**	**250,399**	**307,021**	**27.2%**	**22.6%**	**24.9%**
Project Services Contracts						
Ministry of Environment, Water and Agriculture	11,065	180	34,802	(98.4%)	19,287.5%	77.3%
National Water Company	25,983	98,876	34,714	280.5%	(64.9%)	15.6%
Royal Commission for Riyadh City (RCRC)	-	118	22,927	-	19,369.0%	-
BACS Riyadh Metro	-	2,650	17,776	-	570.8%	-
FCC Aqualia	8,319	4.443	4,908	(46.6%)	10.5%	(23.2%)
Saudi Authority for Industrial Cities and Technology Zones (MODON)	7,466	(401)	1,079	(105.4%)	(369.5%)	(62.0%)
Total	**52,833**	**105.866**	**116,207**	**100.4%**	**9.8%**	**48.3%**
Total Revenues	**249,636**	**356,265**	**423,228**	**42.7%**	**18.8%**	**30.2%**

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G, and management information

(1) The below analysis includes total client revenues, i.e. total revenue for operations and maintenance contracts and project Services contracts

(2) O&M revenue from the National Water Company also includes revenue share from joint arrangements

The Company's revenues between 2017G and 2019G were associated with two main clients, Ministry of Environment, Water and Agriculture and National Water Company. The revenues received from these two clients represented 86.8%, 92.4%, and 83.5% of total revenues in 2017G, 2018G and 2019G.

6.5.3.1 Ministry of Environment, Water and Agriculture

Revenues generated from the Ministry of Environment, Water and Agriculture accounted for 62.0%, 57.1% and 72.1% of the total revenues recorded in 2017G, 2018G and 2019G, respectively.

Total revenues from contracts with the Ministry of Environment, Water and Agriculture increased in 2018G by 31.5%, or SAR 48.8 million, from SAR 154.7 million in 2017G to SAR 203.6 million in 2018G, with an additional increase of 50.0%, or SAR 101.8 million, from SAR 203.6 million in 2018G to SAR 305.3 million in 2019G.

The increase in revenues from projects with the Ministry of Environment, Water and Agriculture was related to the rise in the numbers and values of the projects secured with the Ministry between 2017G and 2019G. The key projects executed for the

Ministry between 2017G and 2019G include Project to Replace Existing Regression Lines with New Expulsion Lines and Develop Some Existing Pumping Stations in Dammam, and the Potable Water O&M Projects in Riyadh, Water and Water Waste O&M Projects in Dammam and Network O&M Projects in Hail.

6.5.3.2 National Water Company

Revenues generated from the National Water Company accounted for 24.8%, 35.3% and 11.4% of the total revenues recorded in 2017G, 2018G and 2019G, respectively.

Revenues from contracts with the National Water Company in 2018G increased by 103.6%, or SAR 64.1 million, from SAR 61.8 million in 2017G to SAR 125.9 million in 2018G. Revenues then decreased by 61.8%, or SAR 77.8 million, from SAR 125.9 million in 2018G to SAR 48.1 million in 2019G.

Most of the projects secured with the National Water Company were awarded at the end of 2017G. These projects were mainly executed in 2018G, and entered their final stages in 2019G, leading to a decrease in revenues between 2018G and 2019G. As mentioned above, the key projects secured with the National Water Company were related to the construction of wastewater networks in Tuwaiq, Wadi Laban and Al-Aziziya areas of Riyadh. Note that revenues generated from the National Water Company decreased by 24.6% and 50.4% during 2018G and 2019G, respectively, with the decline resulting from the decrease in number of projects launched by this client between these two years as compared to previous periods.

6.5.3.3 AlRiyadh Municipality

Revenues generated from Riyadh Municipality represented 2.8%, 2.6% and 1.6% of the total revenues during 2017G, 2018G and 2019G, respectively.

Revenues from AlRiyadh Municipality fluctuated between 2017G and 2019G. Total revenues increased by 30.1% in 2018G, or SAR 2.1 million, from SAR 7.1 million in 2017G to SAR 9.2 million in 2018G. Revenues then decreased by 24.5%, or SAR 2.3 million, from SAR 9.2 million in 2018G to SAR 6.9 million in 2019G.

The Company executed four projects for AlRiyadh Municipality, including construction of storm drain networks and pumps in AlRiyadh Province. The projects were secured at the end of 2017G and the work was mainly carried out in 2018G and entered its final stages in 2019G.

6.5.3.4 Ministry of National Guard - Health Affairs

Revenues generated from the Ministry of National Guard - Health Affairs represented 1.5%, 1.4% and 1.1% of the total revenues in 2017G, 2018G and 2019G, respectively.

Revenues from the Ministry of National Guard - Health Affairs increased by 34.5% from SAR 3.8 million in 2017G to SAR 5.0 million in 2018G. This increase was related to two projects: Waterwater Plant O&M Project for King Saud bin Abdulaziz University for Health Sciences in Riyadh, and Waterwater Plant O&M Project for King Saud bin Abdulaziz University for Health Sciences in Jeddah. The Company was awarded these two projects prior to 2017G, and the increase between 2017G and 2018G was related to the work progress on these two projects. Revenues related to these two projects decreased by 5.5%, from SAR 5.0 million in 2018G to SAR 4.8 million in 2019G, due to a decrease in the scale of work executed on these projects which entered their final stage of implementation.

6.5.3.5 Atkins Global

Revenues generated from Atkins Global represented 0.9% of total revenues in 2019G.

Revenues from Atkins Global, which amounted to SAR 3.9 million in 2019G, were related to a single project executed for this client related to supplying workers for the SWCC project.

6.5.3.6 Royal Commission for Jubail and Yanbu (RCJY)

Revenues generated from RCJY represented 0.4%, 0.7% and 0.8% of the total revenues in 2017G, 2018G and 2019G, respectively.

Revenues from RCJY increased by 131.7%, from SAR 1.1 million in 2017G to SAR 2.5 million in 2018G, with an additional increase of 36.3% to SAR 3.4 million in 2019G. The increase between 2017G and 2019G was related to one project "the O&M Fire Hydrant For Royal Commission". The increase in revenues was related to the work progress of this project.

6.5.3.7 Other Clients

Revenues generated from other clients represented 0.3%, 0.6% and 0.7% of total revenues in 2017G, 2018G and 2019G, respectively.

Revenues from other clients were related to maintenance and other workshop related services provided to a number of clients (such services mainly include maintenance of tools and heavy machines). Revenues from other clients increased by 175.6%, from SAR 0.7 million in 2017G to SAR 2.0 million in 2018G, with an additional increase of 39.2% to SAR 2.8 million in 2019G. This increase was associated with the growth in volume of services provided between the two years.

6.5.3.8 Ma’aden

Revenues generated from Maaden represented 0.4%, 0.3% and 0.3% of the total revenues in 2017G, 2018G and 2019G, respectively.

Revenues from Ma’aden were related to one project, the maintenance and operation of Ma’aden Wa’ad Al-Shamal Phosphate Company’s wastewater plant. Revenues increased by 26.3%, from SAR 0.9 million in 2017G to SAR 1.2 million in 2018G, and remained stable in 2019G. The volume of work performed on the project increased between 2018G and 2019G, while the progress of work remained stable between 2018G and 2019G.

6.5.3.9 Ministry of Defense

Revenues generated from the Ministry of Defense represented 1.5% of the total revenues in 2017G.

Revenues from the Ministry of Defense, which amounted to SAR 3.7 million in 2017G, were related to a wastewater network installation project at the Jeddah Air Base. The project was fully executed in 2017G.

6.5.3.10 Royal Commission for Riyadh City (RCRC)

Revenues generated from the Royal Commission for Riyadh City represented 0.03% and 5.4% of the total revenues in 2018G and 2019G, respectively.

Revenues from the Royal Commission for Riyadh City increased from SAR 0.1 million in 2018G to SAR 22.9 million in 2019G. Revenues were related to two projects: Al Narjis And Aredah Ground Water Drainage System Part 2 project and Al Ared And Tuwaiq 9 And Laban 2 Ground Water Drainage System project. The increase in revenues was related to these projects’ work progress between 2017G and 2019G.

6.5.3.11 BACS Riyadh Metro

Revenues generated from BACS Riyadh Metro represented 0.7% and 4.2% of the total revenues in 2018G and 2019G, respectively.

Operational services performed on this project included installing outfalls and wastewater drainage networks.

Revenues increased in 2018G by SAR 15.1 million, from SAR 2.7 million in 2018G to SAR 17.8 million in 2019G. Revenues were associated with one project related to the Riyadh Metro project and which was initiated in 2018G. The volume of work increased between 2018G and 2019G.

6.5.3.12 FCC Aqualia

Revenues generated from Aqualia represented 3.3%, 1.2% and 1.2% of the total revenues in 2017G, 2018G and 2019G, respectively.

Revenues from this client were associated with three projects: The Riyadh Metro Line 5 project, the Riyadh Metro Line 6 project, and the project to install storm drain lines in Riyadh Metro Line 6. Revenues decreased by 46.6%, from SAR 8.3 million in 2017G to SAR 4.4 million in 2018G, after the Riyadh Metro Line 6 project was completed between 2017G and 2018G. Revenues increased by 10.5% to SAR 4.9 million in 2019G, following the initiation of the Metrol Line 6 Storm Water Drainage project.

6.5.3.13 Saudi Authority for Industrial Cities and Technology Zones (MODON)

Revenues generated from the Saudi Authority for Industrial Cities represented 3.0%, 0.1%, and 0.3% of the total revenues in 2017G, 2018G and 2019G, respectively.

Operations conducted for MODON were related to a design, implementation and operation of wastewater treatment plant project in the industrial city a wastewater treatment project in Al-Kharj. Revenues decreased by 105.4% from revenue of SAR 7.5 million in 2017G to losses of SAR 0.4 million in 2018G after the project’s operations were suspended for technical reasons.

Revenues increased from losses of SAR 0.4 million in 2018G to revenues of SAR 1.1 million in 2019G. Revenues generated in 2019G were related to maintenance services for the project's machines.

For further information, refer to the Section 6.10.2.3 (**Revenues Analysis by Client**).

6.5.4 Cost of Revenues

The following table shows a breakdown of cost of revenues for the financial years ended 31 December 2017G, 2018G and 2019G:

Table 6.6: Cost of Revenues

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Salaries and Wages	82,828	116,527	148,030	40.7%	27.0%	33.7%
Materials Consumed	51,533	81,704	76,964	58.5%	(5.8%)	22.2%
Repair and Maintenance	28,048	37,235	29,114	32.8%	(21.8%)	1.9%
Depreciation	12,693	11,172	13,921	(12.0%)	24.6%	4.7%
Utilities	-	11,280	12,307	-	9.1%	-
Rent	-	4,949	7,195	-	45.4%	-
Professional Fees	-	3,268	4,463	-	36.6%	-
Insurance	-	3,480	3,907	-	12.3%	-
Penalties Without Provision	6,661	1,138	2,223	(82.9%)	95.4%	(42.2%)
(Utilised)/Additional Provision for Penalties	-	3,291	(2,129)	-	(164.7%)	-
Provision for Onerous Contracts	2,965	(776)	(2,189)	(126.2%)	182.0%	-
Travel	-	1,386	2,178	-	57.2%	-
Other	24,267	5,680	8,090	(76.6%)	42.4%	(42.3%)
Total	**208,994**	**280,334**	**304,074**	**34.1%**	**8.5%**	**20.6%**

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

Cost of revenues include expenses directly related to the projects which the Company executes. Salaries and wages are the key component of the cost, accounting for 39.6%, 41.6%, and 48.7% of total cost of revenues in 2017G, 2018G and 2019G, respectively.

6.5.4.1 Salaries and wages

Salaries and wages classified under cost of revenues are associated with the staff and workers involved in managing and executing the Company's projects. The team includes supervisors, engineers, drivers and workers.

The following table shows a breakdown of salaries and wages for the financial years ended 31 December 2017G, 2018G and 2019G:

Table 6.7: Salaries and wages

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Salaries	37,532	47,122	64,139	25.6%	36.1%	30.7%
Iqama / work permits	5,592	12,047	15,638	115.4%	29.8%	67.2%
Wage of temporary employment	2,870	12,340	13,002	329.9%	5.4%	112.8%
Overtime Pay	9,365	10,315	12,767	10.2%	23.8%	16.8%
End-of-Service Expenses	2,754	6,552	5,316	137.9%	(18.9%)	38.9%
Housing Allowance	3,319	4,678	6,614	40.9%	41.4%	41.2%
Food Allowance	3,913	4,587	5,960	17.2%	29.9%	23.4%
Health Insurance	2,963	4,599	5,174	55.2%	12.5%	32.1%
Other	14,521	14,288	19,420	(1.6%)	35.9%	15.6%
Total	**82,828**	**116,527**	**148,030**	**40.7%**	**27.0%**	**33.7%**

Source: Management information

Salaries and wages increased by 40.7%, or SAR 33.7 million, from SAR 82.8 million in 2017G to SAR 116.5 million in 2018G, and then by 27.0%, or SAR 31.5 million, from SAR 116.5 million in 2018G to SAR 148.0 million in 2019G.

This increase in salaries was affected by several factors, namely:

- An increase in Iqama expenses by SAR 6.5 million, or 115.4%, due to the increase in Iqama renewal fees by the Government and increase in number of employees during the period.
- An increase in wage of temporary employment by SAR 9.5 million or 329.9% in 2018G due to new projects related to O&M of water wells in Riyadh, Jazan and Tabuk (operations and maintenance of water wells projects). It should be noted that these projects involved the recruitment of local employees (i.e. residents of the area) to operate the wells as these projects are located in small rural villages.
- End of service expenses increased by 137.9% to SAR 6.6 million in 2018G due to the increase in the total number of employees. However, end of service expenses decreased to SAR 5.3 million in 2019G following the re-valuation of the final balance of the end of service expenses as of 31 December 2019G.
- Other expenses increased by SAR 5.1 million, or 35.9%, in 2019G, following the increase in the value bonus rewards granted to employees.

6.5.4.2 Materials Consumed

The following table shows a breakdown of the materials consumed for the financial years ended 31 December 2017G, 2018G and 2019G:

Table 6.8: Materials Consumed

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Subcontractors cost	18,727	54,066	34,064	188.7%	(37.0%)	34.87%
Civil Work	13,100	16,157	18,096	23.3%	12.0%	17.53%
Mechanical Work	1,482	(3,361)	16,262	326.8%	583.8%	231.26%
Electrical Work	1,443	321	482	(77.8%)	50.2%	(42.20%)
Others	9,019	2,519	6,920	(72.1%)	174.7%	(12.41%)
Joint Agreements' Costs	10,726	11,881	1,139	10.8%	-90.4%	(67.41%)
Less: Provision for Contract Losses	(2,965)	-	-	-100.0%	-	(100.00%)
Reclassification	-	121		-	(100.0%)	-
Total	**51,533**	**81,704**	**76,964**	**58.5%**	**(5.8%)**	**22.21%**

Source: Management information

Materials consumed in the execution of projects include several types of construction and operating materials and electrical spare parts used in carrying out the work. The value of materials consumed increased by 58.5%, or SAR 30.2 million, from SAR 51.5 million in 2017G to SAR 81.7 million in 2018G. It is noted that the Company's profitability improved in 2018G as it was awarded a significant number of new projects (19 projects), and the bulk of the required work was performed during 2018G. In 2019G, projects reached advanced stages of work, which led to a gradual decrease in the volume of work carried out, which in turn led to a decrease of 5.8%, or SAR 4.7 million, in the costs of materials consumed, from SAR 81.7 million in 2018G to SAR 77.0 million in 2019G.

6.5.4.3 Repair and Maintenance

Maintenance expenses are mainly associated with the operations and maintenance projects which the Company executed between 2017G and 2019G. These expenses increased by 32.8%, or SAR 9.2 million, from SAR 28.0 million in 2017G to SAR 37.2 million in 2018G, driven by the execution of several operations and maintenance projects in 2018G. Maintenance expenses decreased by 21.8%, or SAR 8.1 million, from SAR 37.2 million in 2018G to SAR 29.1 million in 2019G, due to some O&M projects reaching the last stages of completion the same year (such projects are: Water and Wastewater O&M Project in Dammam and Riyadh Water Wells O&M, Riyadh Water Group 3).

6.5.4.4 Depreciation

Depreciation charges are associated with the depreciation of heavy machinery, trucks and transport vehicles used in executing projects. Depreciation charges fluctuated during the period. Depreciation charges decreased by 12.0%, from SAR 12.7 million in 2017G to SAR 11.2 million in 2018G, due to the sale of significant assets (cars and heavy machinery). Depreciation charges increased in 2019G by 24.6%, or SAR 2.7 million, from SAR 11.2 million in 2018G to SAR 13.9 million in 2019G, due to additions made to heavy machinery and cars amounting to SAR 12.3 million and SAR 14.6 million, respectively, in 2019G (compared to SAR 4.1 million and SAR 0.6 million in 2018G).

6.5.4.5 Utilities

Utility expenses include costs for water, electricity, gas, phone service, mail and other similar expenses incurred on project sites. These expenses fluctuate during the regular course of business.

6.5.4.6 Penalties without Provisions

The following table shows a breakdown of the net penalties without a provision for the financial years ended 31 December 2017G, 2018G and 2019G:

Table 6.9: Net Penalties Without Provisions

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Penalties Without Provision	6,661	1,138	2,223	(82.9%)	95.4%	(42.23%)
(Utilised)/Additional Provision for Penalties	-	3,291	(2,129)	-	(164.7%)	-
Net Penalties Without Provisions	**6,661**	**4,429**	**94**	**(33.5%)**	**(97.9%)**	**(88.12%)**

Source: Management information

Net penalties without a provision incurred by the Company between 2017G and 2018G are related to a project the Company was unable to complete based on the timetable specified in the contract (the project for expanding and raising the efficiencies of the fourth and fifth wastewater treatment plants in in Qassim Province). The delay was due to technical and logistical factors. Penalties gradually decreased from SAR 6.7 million in 2017G to SAR 94,000 in 2019G, due to the completion of the aforementioned project.

6.5.4.7 Provision for onerous Contracts

The provision for onerous contracts is associated with several projects the Company executed and that resulted in losses between 2017G and 2019G. In 2017G, the Company recognised provisions for expected losses on a number of projects (design, implementation and operation of wastewater treatment plant project in the industrial city in Al-Kharj and Al-Bukharia and project for expanding and raising the efficiencies of the fourth and fifth wastewater treatment plants in Qassim Province) in progress. These provisions represented the value of materials estimated to be used to complete the projects. Work on these projects was completed during 2018G. As a result, the Company reversed the provisions recognised in 2017G. The value of the provision reserved in 2017G was SAR 3.0 million, and the provision was reversed gradually by SAR 0.8 million and SAR 2.2 million in 2018G and 2019G, respectively.

Other expenses include a variety of expenses, which mainly include rental, travel, insurance and other expenses. Other expenses fluctuate during the regular course of business.

6.5.5 Cost of Revenues by Sector and Division

The following table shows a breakdown of cost of the revenues by division and sector for the financial years ended 31 December 2017G, 2018G and 2019G:

Table 6.10: Cost of Revenues by Sector and Division

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Water Sector						
Water Networks	47,598	47,854	60,280	0.5%	26.0%	12.5%
Water Withdraw and Treatment	32,595	63,671	95,399	95.3%	49.8%	71.1%
Total	**80,193**	**111,525**	**155,680**	**39.1%**	**39.6%**	**39.3%**
Wastewater Sector						
Wastewater Networks	50,414	96,077	43,885	90.6%	(54.3%)	(6.7%)
Wastewater Treatment	36,061	28,067	37,554	(22.2%)	33.8%	2.0%
Total	**86,476**	**124,144**	**81,439**	**43.6%**	**(34.4%)**	**(3.0%)**
Integrated Water Solutions Sector						
City Management	31,179	32,789	28,191	5.2%	(14.0%)	(4.9%)
Stormwater Networks	5,779	6,038	31,353	4.5%	419.2%	132.9%
Support and Asset Management Services	5,368	5,838	7,412	8.8%	27.0%	17.5%
Total	**42,325**	**44,665**	**66,955**	**5.5%**	**49.9%**	**25.8%**
Total Costs	**208,994**	**280,334**	**304,074**	**34.1%**	**8.5%**	**20.6%**

Source: Management information

6.5.5.1 Water Sector

Cost of revenues associated with this sector increased by 39.1%, or SAR 31.2 million in 2017G, from SAR 80.2 million in 2017G to SAR 111.5 million in 2018G, with an additional increase of 39.6% in 2019G, or SAR 44.2 million, from SAR 111.5 million in 2018G to SAR 155.7 million in 2019G. This increase was attributed to the higher number of projects that led to a similar increase in revenues.

6.5.5.2 Wastewater Sector

Cost of revenues for this sector increased by 43.6% in 2017G, or SAR 37.7 million, from SAR 86.5 million in 2017G to SAR 124.1 million in 2018G, driven by an increase of 90.6%, or SAR 45.7 million, in cost of revenues of the wastewater network projects in 2017G, from SAR 50.4 million in 2017G to SAR 96.1 million in 2018G. This increase was in line with the growth of revenues of the aforementioned projects between 2017G and 2018G.

Conversely, cost of revenues from wastewater treatment projects decreased by 22.2%, or SAR 8.0 million in 2018G, from SAR 36.1 million in 2017G to SAR 28.1 million in 2018G. The lower costs incurred in connection with the design, implementation and operation of wastewater treatment plant project in the industrial city in Al-Kharj and Al-Bukharia and project for expanding and raising the efficiencies of the fourth and fifth wastewater treament plants in Qassim Province mainly contributed to the decline in cost of revenues from wastewater treatment projects. It is noted that the year 2018G witnessed the completion of the project for expanding and raising the efficiencies of the fourth and fifth wastewater treatment plants in Qassim Province and phase one of the Al-Kharj project.

Between 2018G and 2019G, cost of revenues decreased by 34.4%, or SAR 42.7 million in 2018G, from SAR 124.1 million in 2018G to SAR 81.4 million in 2019G. The decrease was due to the lower cost of revenues from wastewater network projects, which was in line with the decline in revenues from these projects.

Cost of revenues from wastewater treatment projects increased by 33.8%, or SAR 9.5 million, from SAR 28.1 million in 2018G to SAR 37.6 million in 2019G, following the increase in revenues from these projects between the two aforementioned years.

6.5.5.3 Integrated Water Solutions Sector

Cost of revenues associated with the integrated water solutions sector increased gradually between 2017G and 2019G.

Between 2017G and 2018G, cost of revenues increased by 5.5%, or SAR 2.3 million, from SAR 42.3 million in 2017G to SAR 44.7 million in 2018G, with a further increase of 49.9%, or SAR 22.3 million, to SAR 67.0 million in 2019G. This increase was due to higher cost of revenues associated with all of the sector's projects. It is noted that the increase in cost of revenues associated with the city management and stormwater network projects was in line with the increase in revenues generated from these projects.

In the case of city management projects, cost of revenues increased by 5.2% in 2018G, or SAR 1.6 million, from SAR 31.2 million in 2017G to SAR 32.8 million in 2018G. This increase was not in line with the revenues movement of these projects, which decreased between 2017G and 2018G. The higher cost of revenues was affected by some of the additional expenses the Company incurred to adjust some work designs.

6.5.6 Cost of Revenues by Type of Contract

The following table shows a breakdown of cost of revenues by contract type for the financial years ended 31 December 2017G, 2018G and 2019G:

Table 6.11: Revenue Costs by Contract Type

SAR'000	Financial year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	CAGR (2017G-2019G)
Operations and Maintenance Contracts	141,616	184,441	221,533	30.2%	20.1%	25.1%
Project Services Contracts	66,394	94,601	80,659	42.5%	(14.7%)	10.2%
Miscellaneous expenses	**985**	**1,293**	**1,882**	**31.2%**	**45.6%**	**38.2%**
Total Cost of Revenues	**208,994**	**280,334**	**304,074**	**34.1%**	**8.5%**	**20.6%**

Source: Management information

(1) Miscellaneous expenses are overheads that are not classified by contract.

6.5.6.1 Operations and Maintenance Contracts

Cost of revenues associated with the operations and maintenance contracts increased by 30.2% from SAR 141.6 million in 2018G to SAR 184.4 million in 2019G, with an additional increase of 20.1% to SAR 221.5 million in 2019G. This increase was in line with the increase in revenues generated from these contracts. As mentioned above, revenues from operations and maintenance contracts increased from SAR 196.8 million in 2017G to SAR 250.4 million in 2018G, with an additional increase to SAR 307.0 million in 2019G. This increase was mainly driven by the progress on the projects performed to the Ministry of Environment, Water and Agriculture.

6.5.6.2 Project Services Contracts

The total cost of revenues from project services contracts increased by 42.5% from SAR 66.4 million in 2017G to SAR 94.6 million in 2018G. This increase was in line with the increase in revenues from these contracts between the two years from SAR 52.8 million in 2017G to SAR 105.9 million in 2018G. This revenue increase was mainly driven by the higher revenues generated from projects with the National Water Company.

Cost of revenues from project Services contracts decreased by 14.7% from SAR 94.6 million in 2018G to SAR 80.7 million in 2019G. The decrease was due to several projects (7 projects) entering into their final stages, which led to a decline in the value of costs incurred in 2019G.

6.5.7 Gross Profit by Sector and Division

The following table shows a breakdown of gross profit by division and sector for the financial years ended 31 December 2017G, 2018G and 2019G:

Table 6.12: Gross Profit by Sector and Division

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Profit						
Water Sector						
Water Networks	18,495	14,600	16,296	(21.1%)	11.6%	(6.1%)
Water Withdraw and Treatment	16,903	34,545	43,757	104.4%	26.7%	60.9%
Total	**35,398**	**49,144**	**60,053**	**38.8%**	**22.2%**	**30.3%**
Wastewater Sector						
Wastewater Networks	(9,651)	11,825	33,667	222.5%	184.7%	-
Wastewater Treatment	372	12,024	16,325	3,136.4%	35.8%	562.9%
Total	**(9,280)**	**23,849**	**49,992**	**357.0%**	**109.6%**	**-**
Integrated Water Solutions Sector						
City Management	13,803	(1,324)	2,481	(109.6%)	287.4%	(57.6%)
Stormwater Networks	1,287	3,271	3,307	154.2%	1.1%	60.3%
Support and Asset Management Services	(566)	990	3,321	(274.9%)	235.4%	-
Total	**14,524**	**2,938**	**9,109**	**(79.8%)**	**210.1%**	**(20.8%)**
Gross Profit	**40,641**	**75,931**	**119,154**	**86.8%**	**56.9%**	**71.2%**
Gross Profit Margin						
Water Sector						
Water Networks						
Water Withdraw and Treatment	28.0%	23.4%	21.3%			
Total	**34.1%**	**35.2%**	**31.4%**			

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Wastewater Sector	30.6%	30.6%	27.8%			
Wastewater Networks						
Wastewater Treatment	(23.7%)	11.0%	43.4%			
Total	**1.0%**	**30.0%**	**30.3%**			
Integrated Water Solutions Sector	(12.0%)	16.1%	38.0%			
City Management						
Stormwater Networks	30.7%	(4.2%)	8.1%			
Support and Asset Management Services	18.2%	35.1%	9.5%			
Total	**(11.8%)**	**14.5%**	**30.9%**			
Gross Profit Margin	**25.5%**	**6.2%**	**12.0%**			

Source: Management information

6.5.7.1 Water Sector

Gross profits increased by 38.8%, or SAR 13.7 million, in 2017G, from SAR 35.4 million in 2017G to SAR 49.1 million in 2018G, with an additional increase of 22.2% or SAR 10.9 million in 2019G from SAR 49.1 million in 2018G to SAR 60.1 million in 2019G. This increase was in line with the increase in revenue generated in this sector. The gross profit margin decreased from 30.6% in 2017G and 2018G to 27.8% in 2019G.

6.5.7.2 Wastewater Sector

The wastewater sector incurred a total loss of SAR 9.3 million in 2017G, and the loss was mainly attributed to the wastewater networks projects where cost of revenues (SAR 86.5 million) exceeded their revenues (SAR 77.2 million). The incremental costs recognised during the year were related to expenses incurred to adjust some work designs.

In 2018G, the gross profit from the wastewater sector amounted to SAR 23.8 million in 2018G, with the increase between 2017G and 2018G being driven by the rising revenues of wastewater network, amounting to SAR 107.9 million in 2018G.

The gross profit from this sector further increased in 2019G by 109.6%, or SAR 26.1 million, from SAR 23.8 million in 2018G to SAR 50.0 million in 2019G, following the significant decline in cost of revenues from wastewater networks projects between 2017G and 2018G.

The gross profit margin increased from 12.0% in 2017G to 16.1% in 2018G, then to 38.0% in 2019G. The gross profit margin increase between 2017G and 2018G was driven by the increase in wastewater networks revenues as well as the decline in cost of revenues associated with wastewater treatment projects. The additional increase in the gross profit margin during 2019G was mainly attributed to the significant decrease in the costs associated with wastewater networks projects between 2018G and 2019G.

6.5.7.3 Integrated Water Solutions Sector

The gross profit generated from the integrated water solutions sector projects decreased by 79.8%, or SAR 11.6 million in 2018G, from SAR 14.5 million in 2017G to SAR 2.9 million in 2018G. The decrease was mainly driven by the decline in revenues generated from the city management projects, which was partially offset by the increase in cost of revenues from these projects.

The gross profit generated from integrated water solutions sector projects increased by 210.1%, or SAR 6.2 million in 2019G, from SAR 2.9 million in 2018G to SAR 9.1 million in 2019G. This increase was driven by a significant rise in the sector's revenues between 2018G and 2019G.

The gross profit margin decreased from 25.5% in 2017G to 6.2% in 2018G, and then increased to 12.0% in 2019G. This movement was in line with the fluctuation in gross profit between 2017G and 2019G.

6.5.8 Gross Profit by Contract Type

The following table shows a breakdown of gross profit by contract type for the financial years ended 31 December 2017G, 2018G and 2019G:

Table 6.13: Gross Profit by Contract Type

SAR'000	Financial year Ending 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	CAGR (2017G-2019G)
Project Services Contracts	(13,561)	11,265	35,548	(183.1%)	215.6%	-
Operations & Maintenance Contracts	55,187	65,958	85,488	19.5%	29.6%	24.5%
Miscellaneous Expenses	(985)	(1,293)	(1,882)	31.2%	45.6%	38.2%
Total	**40,642**	**75,931**	**119,154**	**86.8%**	**56.9%**	**71.2%**
Gross Profit Margin						
Project Services Contracts	(25.7%)	10.6%	30.6%			
Operations & Maintenance Contracts	28.0%	26.3%	27.8%			
Total (Minus Miscellaneous Expenses)	**16.3%**	**21.3%**	**28.2%**			

Source: Management information

[1] Miscellaneous expenses are overheads that are not segregated by contract.

6.5.8.1 Project Services Contracts

Project Services contracts incurred a loss of SAR 13.6 million in 2017G, mainly driven by the loss incurred on the project Services contracts executed for the Ministry of Environment, Water and Agriculture, particularly the project for expanding and raising the efficiencies of the fourth and fifth wastewater treatment plants in Qassim. The loss from this project was related to additional expenses incurred in the final project implementation stages after recording some technical difficulties that were mitigated during the completion stage.

Conversely, the project Services contracts realised a profit of SAR 11.3 million and SAR 35.5 million in 2018G and 2019G, respectively. The recovery in gross profit resulted from the increase in revenues generated from projects executed for the National Water Company, which was mainly attributed to the higher revenues of four projects: Sewage Network Construction In Riyadh District Tuwaiq Part 1 project, Sewage Network Construction In Riyadh District Tuwaiq Part 3 project, Sewage Network Construction In Riyadh District Dahrat Laban Part 3 project and Sewage Network Construction In Riyadh District Al Azizia project.

The gross profit margin increased from 25.7% in 2017G to 10.6% in 2018G and to 30.6% in 2019G. It is noted that the aforementioned losses were related to old service projects. This type of project became profitable for the Company following the new Executive Management's appointment in 2014G, which supervised the completion of the old projects recording losses (seven projects with a total value estimated at SAR 443.5 million) and initiated the implementation of new projects that were profitable for the Company.

It should be noted that three services contract projects (the Project for Implementing a Sewage Network in a Part of Tuwaiq District, Contract 1 completed in 2019G, the Project for Implementing a Sewage Network in a Part of Tuwaiq District, Contract 3 completed in 2019G, and the Sewage Network Construction in Riyadh District Al Azizia Project, completed in 2018G) recorded a cumulative gross profit lower than that estimated by management at the start of the projects. The three projects recorded a cumulative total profit of SAR 13.6 million upon completion of the works. However, the total profit estimated by the management within the budget of the three projects was SAR 28.4 million. The significant difference between the realised profit and the estimated profit was related to additional operational costs that were incurred during the implementation phases of the projects. These additional operational costs were due to lower quality of the underground soil in the project sites than that the Company estimated when studying the projects. It should be noted that the completion percentage related to the said projects did not reach 100% upon completion of the works. This is typically true for unit price contract projects. In case of these contracts, the agreed amount of work is usually re-measured or evaluated (the scope and quantity of work is re-measured during the implementation phases when there is limited implementation of the scope of work; as the agreed scope of work is based on estimates, the implementation may require higher or lower than estimated quantities).

6.5.8.2 Operations and Maintenance Contracts

The gross profit generated from the operations and maintenance contracts increased by 19.5% in 2018G from SAR 55.2 million in 2017G to SAR 66.0 million in 2018G, with an additional increase of 29.6% from SAR 66.0 million in 2018G to SAR 85.5 million in 2019G. This increase was mainly driven by the increase in revenues generated from maintenance and operation contracts with the Ministry of Environment, Water and Agriculture in 2018G, which increased by 41.6% from SAR 143.7 million in 2017G to SAR 203.4 million in 2018G, with an additional increase of 33.0% to SAR 270.5 million in 2019G. As mentioned above, the increase in revenues generated from maintenance and operation contracts with the Ministry of Environment, Water and Agriculture was the result of the increase in the number and value of projects executed between 2017G and 2019G.

The gross profit margin decreased from 28.0% in 2017G to 26.3% in 2018G, and then increased to 27.8% in 2019G. The decline in 2018G was driven by the increase in cost of revenues (30.2%), which surpassed the increase in revenues (27.2%) in the same year.

It should be noted that two O&M projects (the Project for Operation and Maintenance of the Third Group of Water in Riyadh completed in 2019G, and the Project for Operation and Maintenance of Water Resources Stations for the City of Riyadh (Second Group) completed in 2018G) recorded differences between the total estimated profits and the total realised profits upon completion of work. The two projects recorded a cumulative total profit of SAR 11.2 million at the completion stage. However, the total profit estimated by the management within the budget of the two projects was SAR 16.2 million. The difference between the estimated gross profit and the total realised profit of the Project for Operation and Maintenance of the Third Group of Water in Riyadh resulted from purchase costs of equipment to carry out the work, without these costs being recorded in the project budget. As for the Project for Operation and Maintenance of Water Resources Stations for the City of Riyadh (Second Group), the difference between the estimated total profit and the total realised profit resulted from additional costs related to discharging highly saline water from the Project. These costs were borne by the Company.

6.5.9 Selling and Distribution Expenses

The following table shows a breakdown of selling and distribution expenses for the financial years ended 31 December 2017G, 2018G and 2019G:

Table 6.14: Selling and Distribution Expenses

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Tender Fees	936	1,804	898	92.8%	(50.2%)	(2.0%)
Advertisement Expenses	94	84	192	(10.2%)	128.0%	43.1%
Business Development Expenses	194	792	190	309.1%	(76.0%)	(0.8%)
Salaries	-	-	146	-	-	-
Sales Commission	213	114	20	(46.2%)	(82.4%)	(69.2%)
Provision for Expected Credit Losses	-	1,869	-	-	(100.0%)	-
Other	326	-	-	(100.0%)	-	-
Total	**1,762**	**4,664**	**1,446**	**164.7%**	**(69.0%)**	**(9.4%)**

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

Sale and distribution expenses are mainly related to the costs that the Company incurs to develop and expand its business frameworks.

Sale and distribution expenses mainly consist of tender fees, accounting for 53.1%, 38.7% and 62.1% of total sale and distribution expenses during 2017G, 2018G and 2019G, respectively. Tender fees represent the subscription and transaction costs incurred by the Company while participating in Government tenders at the early bidding stages of the auction phase.

Tender fees increased by 92.8%, or SAR 0.9 million, from SAR 0.9 million in 2017G to SAR 1.8 million in 2018G. This increase came as a result of the higher number of tenders in which the Company participated, as the policy adopted during the year was aimed at expanding the business by obtaining the largest number of projects possible.

Tender fees decreased by 50.2%, or SAR 0.9 million, from SAR 1.8 million in 2018G to SAR 0.9 million in 2019G. It is noted that bids on tenders for various projects were being hand delivered to the client's premises until 2018G. However, in 2019G the entities rolled out several electronic portals used to display abundant information related to the nature, requirements, and duration of projects to be executed by clients. This allowed the Company (and other companies) to be more precise in project selection and participate only in projects that suit the Company's abilities, aspirations and experience, leading to limiting tender fees that the Company participated in during 2019G.

Advertisement expenses include costs associated with business promotion, which mainly involves participation in exhibitions and promotional events, distribution of promotional publications, and advertisements in various media and social media platforms. These expenses constantly fluctuate based on the scale of the events the Company organises or participates in. Advertisement expenses did not fluctuate significantly between 2017G and 2018G. However, between 2017G and 2018G these expenses increased by 128.0%, or SAR 0.1 million, from SAR 0.1 million in 2018G to SAR 0.2 million in 2019G, as a result of the Company participating in a number of events organised by some clients in order to promote new technologies that can be used for water treatment.

Business development expenses represent grants and contributions the Company provided to clients to support events and activities organised by clients to promote their businesses and new products. These expenses increased exceptionally by 309.1%, or SAR 0.6 million, from SAR 0.2 million in 2017G to SAR 0.8 million in 2018G as a result of the Company's contributions to support a number of exhibitions and events organised by some clients in order to promote new water meters. Business development expenses decreased by 76.0% from SAR 0.8 million in 2018G to SAR 0.2 million in 2019G. The decrease during the year was due to the decline in the scope of the Company's contributions to exhibitions and events in 2019G.

Salaries amounting to SAR 0.1 million in 2019G were included in sale and distribution expenses due to a inaccurate classification, as these expenses should have been classified under business development expenses.

At the end of the financial year 2019G, sales commission expenses amounted to SAR 0.02 million, with a decrease of 82.4% compared to SAR 0.1 million at the end of the financial year 2018G. At the end of the financial year 2018G, sales commission reached SAR 0.1 million, with a decrease of 46.2% compared to SAR 0.2 million at the end of the financial year 2017G, mainly due to the gradual completion of work in the related projects between 2017G and 2019G. These commissions were paid to a subcontractor who assisted the Company in executing a project which took place in rural areas located outside Riyadh.

The provision for expected credit losses of SAR 0.3 million and SAR 1.9 million in 2017G and 2018G, respectively, is related to obsolete and doubtful receivables. The Company uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially determined based on the Company's historical observed default rates. The provision related to doubtful receivables increased by 473.2%, or SAR 1.5 million, from SAR 0.3 million in 2017G to SAR 1.9 million in 2018G, following the adoption of IFRS 9 (Financial Instruments) to estimate a provision for expected credit losses, whereby the ECL method is used to calculate the provision.

Other expenses include a variety of costs that the Company incurs in the normal course of business on an occasional basis.

6.5.10 General and Administrative Expenses

The following table shows a breakdown of general and administrative expenses for the financial years ended 31 December 2017G, 2018G and 2019G:

Table 6.15: Administrative Expenses

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Salaries and Related Costs	10,877	8,665	16,697	(20.3%)	92.7%	23.9%
Professional Fees	984	821	1,614	(16.6%)	96.6%	28.1%
Postage, Telephone and Telegram Expenses	407	679	460	66.7%	(32.3%)	6.3%
Bank Charges	536	634	1,575	18.1%	148.5%	71.3%
Rent Expenses	740	572	595	(22.8%)	4.1%	(10.4%)
Shared Service Costs	481	481	481	-	-	-

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Depreciation	486	475	803	(2.2%)	69.2%	28.6%
Subscription Fees	165	230	385	39.6%	67.3%	52.8%
Repair and Maintenance Expenses	219	168	222	(23.2%)	32.1%	0.7%
Utilities Expenses	70	104	113	48.5%	9.3%	27.4%
Insurance Expenses	59	52	67	(11.6%)	27.5%	6.2%
Others	436	413	528	(5.4%)	27.8%	9.9%
Total	**15,460**	**13,292**	**23,539**	**(14.0%)**	**77.1%**	**23.4%**

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

General and Administrative expenses involve the costs related to the Company's administrative offices. Employee salaries and related costs constitute the main component of administrative expenses. Salaries and related costs represented 70.4%, 65.2% and 70.9% of total administrative expenses during 2017G, 2018G and 2019G, respectively.

6.5.10.1 Salaries and Related Costs

The following table shows a breakdown of salaries and related costs for the financial years ended 31 December 2017G, 2018G and 2019G:

Table 6.16: Salaries and Related Costs

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Bonus	2,300	2,045	5,873	(11.1%)	187.1%	59.8%
Benefits	3,920	5,339	5,664	36.2%	6.1%	20.2%
Housing Allowance	1,112	1,252	1,418	12.6%	13.3%	12.9%
End-of-Service Benefits	1,577	(2,863)	964	(281.6%)	133.7%	(21.8%)
Vacation Payee Expenses	373	527	551	41.1%	4.6%	21.5%
Health Insurance	280	379	409	35.4%	8.1%	20.9%
Overtime Pay	242	309	404	27.4%	30.9%	29.1%
Airfares Contractual	233	288	339	23.6%	17.7%	20.6%
Transportation Allowance	267	269	276	0.8%	2.5%	1.6%
GOSI premiums	247	263	272	6.4%	3.2%	4.8%
Other	325	857	528	163.6%	(38.4%)	27.4%
Total	**10,877**	**8,665**	**16,697**	**(20.3%)**	**92.7%**	**23.9%**

Source: Management information

Salaries and related costs decreased by 20.3%, or SAR 2.2 million, from SAR 10.9 million in 2017G to SAR 8.7 million in 2018G, due to adjustments recorded to amend end-of-service expenses and meet requirements of IFRS, which stipulates a different method of calculating end-of-service expenses. Employee salaries and related costs increased by 92.7%, or SAR 8.0 million, from SAR 8.7 million in 2018G to SAR 16.7 million in 2019G, as a result of the higher number of administrative employees and the increase in the value of salaries and benefits between the two aforementioned years. Between 2018G and 2019G, the number of administrative employees increased after the Company appointed new employees in order to keep pace with the increase in the activities starting from the beginning of 2018G. It is noted that the annual increase in the salaries of administrative employees in 2018G was noticeable given that the Company realised higher revenues during the year (the increase in salaries is not uniform, but rather varies by the employee's rank and performance during the year).

6.5.10.2 Professional Fees

Professional fees include expenses paid to the external auditors and consultants that the Company hires in the normal course of business. Audit fees are related to the Company's annual audits, while consulting expenses are associated with studies conducted by external companies to assist the Company assess the requirements and status of the projects to be executed. It is noted that in the case of high-value projects or projects with precise technical specifications, the Company engages external consultants to assess work requirements and provide advice on the latest engineering solutions.

The movement of professional fees is mainly driven by the number of consulting studies, which varies annually based on the number and nature of projects. Professional fees did not significantly fluctuate between 2017G and 2018G. However, these fees showed a notable increase by 96.6%, or SAR 0.8 million, from SAR 0.8 million in 2018G to SAR 1.6 million in 2019G, driven by the increase in the number of consulting studies conducted in 2019G, given that the Company participated in bids and tenders related to projects with high technical requirements, which required conducting studies to assess work requirements and propose the necessary engineering solutions.

6.5.10.3 Postage, Telephone and Telegram

Postage, telephone and telegram expenses are daily expenses incurred in administrative offices and staff accommodations. These expenses do not follow a specific trend, but rather fluctuate during the normal course of business, and their movement is not directly related to the movement and volume of business.

6.5.10.4 Bank Charges

Bank charges are incurred while issuing initial bid bond letters, performance bond letters and documentary credits. These charges did not significantly fluctuate between 2017G and 2018G. However, bank charges increased by 148.5%, or SAR 0.9 million, from SAR 0.6 million in 2018G to SAR 1.6 million in 2019G, due to the Company's participation in tenders and bids related to relatively high-value projects, which resulted in the issuance of high-value bond letters.

6.5.10.5 Rent Expenses

Rent expenses are related exclusively to the rental of the Company's administrative office and staff accommodations. Rent expenses decreased by 22.8%, or SAR 0.2 million, from SAR 0.7 million in 2017G to SAR 0.5 million in 2018G, due to reclassifying the rent of the operating departments (contracting and engineering) rents under cost of revenues, since these expenses are related to executed projects. Rent expenses did not experience any fluctuations between 2018G and 2019G.

6.5.10.6 Shared Service

Shared service costs are paid to Alkhorayef Group Company, which provides the Company with IT services. The Company does not have an independent IT department and depends on the services provided by Alkhorayef Group Company's central administration. It is noted that the aforementioned services are governed by the terms an SLA formulated between the two parties.

6.5.10.7 Depreciation

Depreciation expenses classified under administrative expenses are related to property and equipment for the Company's administrative offices and staff accommodations, including furniture, furnishings, and motor vehicles used by the Company's administrative team. These expenses remained relatively stable between 2017G and 2018G. Depreciation expenses increased by 69.2%, or SAR 0.3 million, from SAR 0.5 million in 2018G to SAR 0.8 million in 2019G, as a result of the additions made to property and equipment which amounted to SAR 2.0 million in the case of fixtures and furniture and SAR 14.6 million in the case of motor vehicles.

6.5.10.8 Subscription Fees

Subscription fees mainly include Chamber of Commerce fees, along with fees paid to municipalities. Chamber of Commerce fees include an annual subscription fee paid by the Company, while the municipality fees are related to advertisements and billboards that the Company uses from time to time as a marketing tool for its business. Subscription fees increased by 39.6%, or SAR 0.1 million, from SAR 0.1 million in 2017G to SAR 0.2 million in 2018G, then by 67.3%, or 0.2 million, from SAR 0.2 million in 2018G to SAR 0.4 million in 2019G, due to the increase in the Chamber of Commerce subscription fees and municipality fees.

6.5.10.9 Repair and Maintenance Expenses

Repair and maintenance expenses are mainly related to maintenance of the administrative staff motor vehicles. These expenses did not witness any significant fluctuations between 2017G and 2019G. The movement of these expenses depend on the scale of maintenance work, which constantly vary without following any particular direction.

6.5.10.10 Utilities Expenses

Utilities expenses include water and electricity costs incurred by the Company administrative offices and staff accommodation units. These expenses gradually increased between 2017G and 2019G due to the increase in number of the office employees and the number of staff in accommodation units.

6.5.10.11 Insurance Expenses

Insurance expenses include medical insurance expenses for administrative employees and insurance expenses for motor vehicles, furniture and furnishings in offices and security personnel and staff accommodation units. Fluctuations in these expenses depend on changes in the number of administrative employees covered by the insurance policies.

6.5.10.12 Others

Other expenses include a variety of costs incurred during the normal course of business. These expenses mainly include expenses related to travel, business trips, hospitality, and consumables. These expenses fluctuate constantly without direct correlation to the movement and volume of business.

6.5.11 Finance Costs

The following table shows a breakdown of financing costs for the financial years ended 31 December 2017G, 2018G and 2019G:

Table 6.17: Finance Costs

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Borrowing Financing Costs	1,686	4,683	7,128	177.7%	52.2%	105.6%
(Revenues) / Financing Costs Paid (Received) to/by Parent Company	971	847	(838)	(12.7%)	(198.9%)	-
Financing Costs from Leases	-	-	85	-	-	-
Total	**2,657**	**5,530**	**6,375**	**108.1%**	**15.3%**	**54.9%**

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

Financing costs mainly consist of costs associated with loans and facilities obtained by the Company to finance projects and business requirements. It should be noted that these loans are granted by banks to Alkhorayef Group Company and then transferred to the Company. These facilities include loans that are exclusively associated with the Company's projects and general loans obtained in order to finance working capital requirements.

Financing costs from borrowings increased by 177.7%, or SAR 3.0 million, from SAR 1.7 million in 2017G to SAR 4.7 million in 2018G, then by 52.2%, or SAR 2.4 million, from SAR 4.7 million in 2018G to SAR 7.1 million in 2019G, as a result of the increase in the value of the loans the Company obtained to support the increase in business volume during the three-year period. The increase in financing costs from borrowings in 2018G was also driven by the Company obtaining a loan of SAR 40.0 million to finance the working capital requirements.

Financing costs paid to Alkhorayef Group Company include interest costs associated with the loans used by the Company. Amounts due to Alkhorayef Group Company include commissions based on the average bank prevailing rates and are repayable by the Company upon demand from Alkhorayef Group Company (it is noted that the receivables from clients are transferred to Alkhorayef Group Company for the purpose of loan repayments). Interest costs are recognised as an expense when the amounts granted to the Company during the course of business exceed the amounts that the Company receives from Alkhorayef Group Company from project revenues (as is the case in 2017G and 2018G). In contrast, the interest cost is recognised as revenue for the Company when Alkhorayef Group Company's withdrawals from the projects' revenues exceed the amounts granted to the Company (as is the case in 2019G).

In addition to these two components, financing costs recorded in 2019G included expenses related to right-of-use assets associated with finance leases.

6.5.12 Other Income

The following table shows a breakdown of other income for the financial years ended 31 December 2017G, 2018G and 2019G:

Table 6.18: Other Income

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Government Incentives	-	-	4,389	-	-	-
Others	-	-	51	-	-	-
Total	**-**	**-**	**4,440**	**-**	**-**	**-**

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

Other income is associated with various sources of income not related to the Company's main activities.

Government incentives of SAR 4.4 million in 2019G constituted the main component of other revenues. This amount included Government incentives granted to the Company in 2019G to compensate for the high expenses the Company paid to renew employment residence permits in 2018G, following the issuance of a new law regulating expatriate employment affairs and conditions in the Kingdom. In 2019G, Government entities granted partial compensation to cover expenses incurred by the companies in 2018G.

Other income amounting to SAR 51,000 in 2019G related to sales of building materials to other companies. These operations do not fall under the Company's main activities, but rather are classified under miscellaneous activities and operations the Company conducts from time to time.

6.5.13 (Loss)/Gain on Foreign Currency Exchange, Net

Foreign currency exchange losses and gains are mainly related to equipment purchases from foreign suppliers. Fluctuations of these losses and gains are driven by the volume of purchases and the prevailing exchange rates at the time of the transaction. In 2017G, the Company realised foreign currency exchange gains of SAR 0.6 million, which subsequently turned into losses of SAR 1.3 million and SAR 64,000 in 2018G and 2019G, respectively.

6.5.14 Gain/Loss on Property and Equipment Sales

Losses and gains on sale of property and equipment relate to sales of fully depreciated assets and equipment. The assets sold between 2017G and 2019G consisted of depreciated meters, generators, and motor vehicles. Gains on sale of property and equipment amounted to SAR 0.8 million and 0.05 million in 2017G and 2018G, respectively,while a loss of SAR 0.4 million was recorded in 2019G.

6.5.15 Zakat

The group's Zakat returns are filed and paid by Abdullah Ibrahim Alkhorayef Sons Company. Accordingly, the Company did not record Zakat expenses between 2017G and 2019G since such charges are borne by the ultimate parent company. It should be noted that Zakat is paid uniformly by Abdullah Ibrahim Alkhorayef Sons Company, whose share of the consolidated Zakat is charged to the company (the total Zakat is calculated uniformly at the level of Abdullah Ibrahim Alkhorayef Sons Company, and the share of the company and other companies is calculated from the value that must be paid). The company was not charged any Zakat expenses between 2017G and 2019G, so that Abdullah Ibrahim Alkhorayef Sons Company paid the total Zakat without allocating the share associated with each of the subsidiaries.

6.5.16 Net Profit for the Year

Net profit for the year increased by 131.6%, or SAR 29.1 million, from SAR 22.1 million in 2017G to SAR 51.1 million in 2018G, and by 79.3%, or SAR 40.6 million, from SAR 51.1 million in 2018G to SAR 91.7 million in 2019G. This increase was mainly driven by the increase in revenues coupled with the decrease in total costs as a percentage of revenue over the historical period. This trend is evident in the net profit margin increase from 8.8% in 2017G to 14.4% and 21.7% in 2018G and 2019G, respectively. It should be noted that in the event that the Company declared and paid Zakat on a standalone basis then its Zakat expense could have amounted to SAR 2.3 million, SAR 3.0 million and SAR 4.8 million in 2017G, 2018G and 2019G, respectively. Had this been the case then the Company's net income would have amounted to SAR 19.8 million, SAR 48.1 million, and SAR 86.9 million in 2017G, 2018G and 2019G, respectively.

6.5.17 Other Comprehensive Income

Other comprehensive income represents the Company's net income after accounting for gains and losses on the re-measurement of defined benefits liabilities. Other comprehensive income increased by 88.7%, or SAR 21.2 million, from SAR 23.8 million in 2017G to SAR 45.0 million in 2018G, and then by 104.5%, or SAR 47.0 million, from SAR 45.0 million in 2018G to SAR 92.1 million in 2019G. This increase was in line with the annual net profit.

6.6 Statement of Financial Position

The following table shows the statement of financial position as of 31 December 2017G, 2018G and 2019G:

Table 6.19: Statement of Financial Position

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Assets						
Non-Current Assets						
Property and Equipment	36,300	49,156	62,680	35.4%	27.5%	31.4%
Right-of-Use Assets	-	-	4,169	-	-	-
Total Non-Current Assets	**36,300**	**49,156**	**66,849**	**35.4%**	**36.0%**	**35.7%**
Current Assets						
Inventories	7,609	9,989	26,955	31.3%	169.8%	88.2%
Trade and Other Receivables	137,838	205,686	147,213	49.2%	(28.4%)	3.3%
Prepayments and Other Assets	14,312	16,300	35,139	13.9%	115.6%	56.7%
Contract Assets	55,797	75,447	112,716	35.2%	49.4%	42.1%
Cash and Bank Balances	8,606	36,950	17,059	329.4%	(53.8%)	40.8%
Total Current Assets	**224,161**	**344,373**	**339,082**	**53.6%**	**(1.5%)**	**23.0%**
Total Assets	**260,461**	**393,528**	**405,931**	**51.1%**	**3.2%**	**24.8%**
Equity and Liabilities						
Issued Capital	80,000	80,000	80,000	-	-	-
Statutory Reserve	4,778	9,893	19,065	107.1%	92.7%	99.8%
Retained Earnings	(6,563)	34,253	116,808	(621.9%)	241.0%	-
Re-measurement of Employee Defined Benefit Liabilities	-	(925)	(599)	-	(35.2%)	-
Total Equity	**78,215**	**123,221**	**215,274**	**57.5%**	**74.7%**	**65.9%**
Non-Current Liabilities						
Capital Lease Contract Liabilities	770	-	-	(100.0%)	-	(100.0%)
Employee Defined Benefit Liabilities	19,206	27,743	32,269	44.5%	16.3%	29.6%
Term Loans	-	13,333	-	-	(100.0%)	-
Lease Liabilities	-	-	3,902	-	-	-
Total Non-Current Liabilities	**19,975**	**41,076**	**36,171**	**105.6%**	**(11.9%)**	**34.6%**
Current Liabilities						

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Trade Payables	55,830	48,871	58,442	(12.5%)	19.6%	2.3%
Term Loans	-	26,667	-	-	(100.0%)	-
Obligations Under Capital Lease Contracts	2,857	770	-	(73.1%)	(100.0%)	(100.0%)
Due to Related Parties	62,035	117,039	55,729	88.7%	(52.4%)	(5.2%)
Accruals and Other Liabilities	41,548	35,884	40,067	(13.6%)	11.7%	(1.8%)
Lease Liabilities	-	-	246	-	-	-
Total Current Liabilities	**162,271**	**229,231**	**154,485**	**41.3**	**(32.6%)**	**(2.4%)**
Total Liabilities	**182,246**	**270,307**	**190,656**	**48.3%**	**(29.5%)**	**2.3%**
Total Equity and Liabilities	**260,461**	**393,528**	**405,931**	**51.1%**	**3.2%**	**24.8%**

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

6.6.1 Overview of Statement of Financial Position

The Company's assets mainly consist of trade and other receivables, contract assets, as well as property and equipment. Combined, these components accounted for 88.3%, 83.9% and 79.5% of total assets as of 31 December 2017G, 2018G and 2019G, respectively.

6.6.1.1 Non-Current Assets

Non-current assets mainly consist of property and equipment, which represented 100.0%, 100.0% and 93.8% of the total non-current assets' balance as of 31 December 2017G, 2018G and 2019G, respectively.

Non-current assets gradually increased by 35.4%, or SAR 12.9 million, from SAR 36.3 million as of 31 December 2017G to SAR 49.2 million as of 31 December 2018G, with an additional increase of 36.0%, or SAR 17.7 million, to SAR 66.8 million as of 31 December 2019G. This increase was driven by additions in property and equipment, which amounted to SAR 24.8 million and SAR 28.8 million in 2018G and 2019G, respectively. Additions in property and equipment were concentrated in heavy machinery and motor vehicles acquired to support the increase in work activity on project sites.

6.6.1.2 Current Assets

Current assets were primarily composed of trade and other receivables as well as contract assets. These two components combined represented 86.4%, 81.6% and 76.7% of total current asset as of 31 December 2017G, 2018G and 2019G, respectively.

Current assets gradually increased by 53.6%, or SAR 120.2 million, from SAR 224.2 million as of 31 December 2017G to SAR 344.4 million as of 31 December 2018G, mainly due to the increase in the balances of trade and other receivables and contract assets. Trade and other receivables increased by 49.2%, or SAR 67.8 million, from SAR 137.8 million as of 31 December 2017G to SAR 205.7 million as of 31 December 2018G, due to a combination of the increase in revenue and a relatively slower rate of collections of receivables from clients. Note that slow collection of receivables in 2018G was attributed to several factors, including the implementation of new electronic platforms for issuing invoices and collecting receivables related to Government projects in addition to the implementation of VAT during the same period.

Contract assets increased by 35.2%, or SAR 19.7 million, from SAR 55.8 million as of 31 December 2017G to SAR 75.4 million as of 31 December 2018G, as a result of the increase in the volume of work executed during the year.

Current assets decreased by 1.5%, or SAR 5.3 million, from SAR 344.4 million as of 31 December 2018G to SAR 339.1 million as of 31 December 2019G, driven by the decrease in trade and other receivables by 28.4%, or SAR 58.5 million, from SAR 205.7 million as of 31 December 2018G to SAR 147.2 million as of 31 December 2019G, as a result of the accelerated collection of receivables from clients.

6.6.1.3 Equity

Equity mainly consists of issued capital and retained earnings. Equity gradually increased by 57.5%, or SAR 45.0 million, from SAR 78.2 million as of 31 December 2017G to SAR 123.2 million as of 31 December 2018G, with an additional increase of 74.7%, or SAR 92.1 million, to SAR 215.3 million as of 31 December 2019G. The increase between 2017G and 2019G was driven by the rise in retained earnings during the period due to the increase in the Company's reported net income between 2017G and 2019G.

6.6.1.4 Non-Current Liabilities

Non-current liabilities mainly consist of employee defined benefit liabilities. Employee defined benefit liabilities represented 96.1%, 67.5%, and 89.2% of total non-current liabilities as of 31 December 2017G, 2018G and 2019G, respectively.

Non-current liabilities increased by 105.6%, or SAR 21.1 million, from SAR 19.9 million as of 31 December 2017G to SAR 41.1 million as of 31 December 2018G, as a result of the increase in employee defined benefit liabilities by 44.5%, or SAR 8.5 million, from SAR 19.2 million as of 31 December 2017G to SAR 27.7 million as of 31 December 2018G. The increase in employee defined benefit liabilities was supplemented by the Company's acquisition of a loan with an amount of SAR 40.0 million (of which SAR 13.3 million was reported as the non-current portion whereas the current portion of SAR 26.7 million was reported under current liabilities) to finance working capital requirements. Non-current liabilities decreased by 11.9%, from SAR 41.1 million as of 31 December 2018G to SAR 36.2 million as of 31 December 2019G following the decline in term loans as a result of loan repayments made by the Company.

6.6.1.5 Current Liabilities

Current liabilities consist mainly of trade payables, amounts due to Related Parties, accruals, and other liabilities. These components represented 98.2%, 88.0% and 99.8% of total current liabilities as of 31 December 2017G, 2018G and 2019G, respectively.

Current liabilities gradually increased by 41.3%, or SAR 67.0 million, from SAR 162.3 million as of 31 December 2017G, to SAR 229.2 million as of 31 December 2018G, following the increase in amounts due to Related Parties by 88.7%, or SAR 55.0 million, from SAR 62.0 million as of 31 December 2017G to SAR 117.0 million as of 31 December 2018G. This variance was also partially driven by the Company's acquisition of a loan during 2018G to finance working capital requirements.

Current liabilities then decreased by 32.6%, or SAR 74.7 million, from SAR 229.2 million as of 31 December 2018G to SAR 154.5 million as of 31 December 2019G due to the settlement of a significant part of amounts due to Related Parties, which decreased by 52.4%, or SAR 61.3 million, from SAR 117.0 million as of 31 December 2018G to SAR 55.7 million as of 31 December 2019G.

6.6.2 Non-Current Assets

6.6.2.1 Property and Equipment

The following table shows a breakdown of property and equipment as of 31 December 2017G, 2018G and 2019G:

Table 6.20: Property and Equipment

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Net Book Value						
Buildings	1,117	971	816	(13.0%)	(16.0%)	(14.5%)
Heavy Machines	17,329	24,077	29,601	38.9%	22.9%	30.7%
Furniture and Fixtures	4,439	4,421	4,884	(0.4%)	10.5%	4.9%
Motor Vehicles	13,414	19,686	27,379	46.8%	39.1%	42.9%
Total	**36,300**	**49,156**	**62,680**	**35.4%**	**27.5%**	**31.4%**

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

The net book value of property and equipment was concentrated in heavy machines and motor vehicles, which collectively represented 84.7%, 89.0% and 90.9% of property and equipment's total net book value as of 31 December 2017G, 2018G and 2019G, respectively.

Heavy machines mainly consist of generators, meters, and pumps used during the execution of project works. The book value of heavy machines increased by 38.9%, or SAR 6.7 million, from SAR 17.3 million as of 31 December 2017G to SAR 24.1 million as of 31 December 2018G, with an additional increase of 22.9%, or SAR 5.5 million, from SAR 24.1 million as of 31 December 2018G, to 29.6 million as of 31 December 2019G. This increase was driven by the purchase of new machinery and equipment to support the increase in volume of work after the Company was awarded new projects during 2018G and 2019G.

Buildings consist of the Company's two office buildings and maintenance workshops located in Qassim which were set up to repair project equipment and motor vehicles. Note that the aforementioned buildings and workshops are located in Qassim Province, and the lands on which the buildings were erected are registered in Alkhorayef Group Company's name and were leased to the Company under a long-term lease contract for a duration of 20 years which expires in 2021G. It should be noted that this long-term lease contract is automatically renewable at the mutual consent of both parties. The net book value of buildings decreased by 13.0%, or SAR 0.1 million, from SAR 1.1 million as of 31 December 2017G to SAR 1.0 million as of 31 December 2018G, and decrease further by 16.0%, or SAR 0.2 million, from SAR 1.0 million as of 31 December 2018G to SAR 0.8 million as of 31 December 2019G. This decrease has resulted from the annual depreciation during the aforementioned period.

Furniture and fixtures include furnishings and office equipment in the Company's offices and staff accommodation units. The net book value of furniture and fixtures did not exhibit any significant fluctuations between 2017G and 2019G.

Motor vehicles consist of trucks used to transport materials to projects sites, in addition to motor vehicles placed at the disposal of certain project staff and some of the Company's management. The book value of motor vehicles increased by 46.8%, or SAR 6.3 million, from SAR 13.4 million as of 31 December 2017G to SAR 19.7 million as of 31 December 2018G, with an additional increase of 39.1%, or SAR 7.7 million, from SAR 19.7 million as of 31 December 2018G to SAR 27.4 million as of 31 December 2019G. This increase was driven by new motor vehicles acquired to support the increase in volume of work and new projects in 2018G and 2019G. As of 31 December 2019G, the number of the Company's motor vehicles stood at 1,022.

6.6.2.2 Right-of-Use Assets

As of 31 December 2019G, the Company held active lease contracts related to office space, workshops and staff accommodation in Al-Kharj and Riyadh.

IFRS 16 replaced IAS 17 (Leases). IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires lessees to account for all leases under a single on-balance sheet model.

The Company adopted IFRS 16 using the modified simplified retrospective method of adoption, with the initial application being 1 January 2019G. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial adoption.

The Company elected to use the transition practical expedient, allowing the standard to be applied only to contracts that were previously identified as leases in implementation of IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets").

The Company recognised right-of-use assets and lease liabilities for leases previously classified as operating leases, except for short-term leases and leases of low-value assets. Right-of-use assets for most leases were recognised based on the book value as if the standard had always been applied, except for using the incremental borrowing rate at the date of initial application. In some leases, right-of-use assets were recognised based on the amount equal to the lease liabilities.

6.6.3 Current Assets

6.6.3.1 Inventories

The following table shows a breakdown of inventories as of 31 December 2017G, 2018G and 2019G:

Table 6.21: Inventories

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Finished goods	10,634	13,014	31,188	22.4%	139.6%	71.3%
Less: Provision for slow moving inventories	(3,025)	(3,025)	(4,233)	-	39.9%	18.3%
Total	**7,609**	**9,989**	**26,955**	**31.3%**	**169.8%**	**88.2%**

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

Inventories consist of several components that mainly include spare parts for engines, meters, and pumps. Inventories also include mechanical equipment, wires and cables, pumping pipes, valves and other equipment.

- Spare parts for generators, meters, and pumps are used periodically to meet replacement requirements during the implementation of project works.
- Mechanical seals are attached to the pumps during installation operations in order to prevent leakage of water or other materials.
- Rubber wires and cables are used to connect parts and equipment during installation operations.
- Pipes and valves are connected to pumps and meters during installation and supply operations to control the flow of water.

Inventories increased by 22.4%, or SAR 2.4 million, from SAR 10.6 million as of 31 December 2017G to SAR 13.0 million as of 31 December 2018G, with an additional increase of 139.6%, or SAR 18.2 million, from SAR 13.0 million as of 31 December 2018G to SAR 31.2 million as of 31 December 2019G. While the 2017G - 2018G increase was driven by the purchase of additional inventories to support the increase in the volume of work and meet the requirements of new projects, the increase in 2019G was mainly due to the acquisition of the water works division of Alkhorayef Commercial Company. The acquisition involved the transfer of the division's inventories, with a net value of SAR 8.8 million (gross value of SAR 10.8 million) as of the date of the acquisition.

Note that contracts signed with clients require the Company to maintain certain levels of standby inventory throughout the project execution phase to sustain the level of activity and prevent low stock interruptions.

The following table shows a breakdown of the provision for slow-moving inventories as of 31 December 2017G, 2018G and 2019G:

Table 6.22: Slow-moving Inventories Provision

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Opening Balance	3,025	3,025	3,025	-	-	-
Additional Provision	-	-	1,208	-	-	-
Total	**-**	**3,025**	**4,233**	**-**	**39.9%**	**-**

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

Provisions for slow-moving inventories amounted to SAR 3.0 million as of 31 December 2017G and 31 December 2018G but subsequently increased by 39.9%, or SAR 1.2 million, from SAR 3.0 million as of 31 December 2018G to SAR 4.2 million as of 31 December 2019G. This increase was mainly driven by additional inventories of Alkhorayef Commercial Company's water works division. As a result, Company provisions have been reduced by SAR 0.8 million prior to the additoin, and additional provisions have been added in an amount of SAR 2.0 million thereafter.

As of 31 December 2019G, 34.4% of the Company's total inventories were over one year old, and the value of these inventories amounted to SAR 10.7 million. The Company considers the provision set aside as of 31 December 2019G sufficient to cover any slow-moving or damaged inventories, given that the inventories' components are equipment and spare parts that can be stored for long periods without being damaged, and most of these parts and equipment can be easily sold when needed by lowering their prices.

6.6.3.2 Trade and Other Receivables

The following table shows a breakdown of trade receivables and other receivables as of 31 December 2017G, 2018G and 2019G:

Table 6.23: Trade and Other Receivables

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Trade Receivables	140,495	202,093	144,038	43.8%	(28.7%)	1.3%
Retention Receivables	-	8,120	7,701	-	(5.2%)	-
Less: Provision for Expected Credit Losses	(2,657)	(4,526)	(4,526)	70.4%	-	30.5%
Total	**137,838**	**205,686**	**147,213**	**49.2%**	**(28.4%)**	**3.3%**

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

Trade and other receivables represents amounts receivable from clients, and these amounts are exclusively related to project proceeds.

Trade and other receivables increased by 43.8%, or SAR 61.6 million, from SAR 140.5 million as of 31 December 2017G to SAR 202.1 million as of 31 December 2018G. This increase was driven by several factors, including the increase in reported revenues and the volume of business activities, as well as a slower rate of collections.

In 2018G, the Ministry of Finance launched an electronic platform (Etimad) to manage and process the settlement of vendor bills. Activating the platform, granting Company access to it, and posting bills can be a time consuming process, which in turn delayed the collection of receivables.

The VAT Law was also implemented in 2018G and the bills the Company charged to clients had to reflect this tax. Implementing the new tax law has also led to delays in the collection process, given a number of bills were reissued after some clients rejected them, contending that the new tax law does not apply to all Government clients. Communication with clients and re-issuance of bills after making the necessary amendments was compulsory for all Government entities without exception, which in turn delayed the collection of receivables.

Trade and other receivables decreased by 28.7%, or SAR 58.1 million, from SAR 202.1 million as of 31 December 2018G to 144.0 million as of 31 December 2019G. This decrease was mainly driven by the accelerated collection of receivables from clients after addressing the technical problems that occurred in 2018G. The decline in the scope and volume of work executed in 2019G also contributed to the decrease in trade receivables, given the abundance of work executed in 2018G due to the fact that the projects were still in their early stages. However, most of the projects that were launched at the beginning of 2018G were already in their final stages of work during 2019G, which led to a lower frequency of billing.

The following table shows a breakdown of the expected credit losses as of 31 December 2019G:

Table 6.24: Expected Credit Losses

Maturity	Expected Credit Loss Rate	Value of Receivables	Expected Credit Loss
Not Past Due	1.9%	81,748	1,550
0-90 Days	2.2%	28,864	639
91-180 Days	4.8%	4,567	219
181-270 Days	8.1%	3,569	287
271-360 Days	12.3%	12,363	1,524
361-450 Days	0.5%	1,892	10

Maturity	Expected Credit Loss Rate	Value of Receivables	Expected Credit Loss
451-540 Days	2.2%	2,546	55
541-630 Days	12.4%	1,308	162
631-720 Days	2.0%	2,595	51
Over 720 Days	0.7%	4,586	30
Total		**144,038**	**4,526**

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

The following table shows a breakdown of the provision for expected credit losses as of 31 December 2017G, 2018G and 2019G:

Table 6.25: Expected Credit Losses Provision

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Opening Balance	2,331	2,657	4,526	14.0%	70.4%	39.4%
Charge for the Year	326	1,869	-	473.2%	(100.0%)	(100.0%)
Total	**2,657**	**4,526**	**4,526**	**70.4%**	**-**	**30.5%**

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

A provision for expected credit losses of SAR 2.7 million was accounted for as of 31 December 2017G, based on the estimates of Executive Management and the receivables collection team. In 2018G, the Company applied the simplified approach to set aside a provision for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The provision for expected credit losses increased by 70.4%, or SAR 1.9 million, from SAR 2.7 million as of 31 December 2017G to SAR 4.5 million as of 31 December 2018G due to the adoption of the new standard. The provision did not witness any changes between 31 December 2018G and 31 December 2019G.

The following table presents the aging profile of trade and other receivables as of 31 December 2017G, 31 December 2018G and 31 December 2019G:

Table 6.26: Aging of Trade Receivables and Other Receivables as of 31 December 2017G, 31 December 2018G and 31 December 2019G

SAR '000	Not Due	0-90 days	180-91 days	181-270 days	271-360 days	361-450 days	451-540 days	541-630 days	631-720 days	Over 720 days	Total
31 December 2019G	81,748	28,864	4,567	3,569	12,363	1,892	2,546	1,308	2,595	4,586	144,038
31 December 2018G	131,589	17,726	15,541	10,679	12,758	2,879	4,789	4,048	285	1,798	202,093
31 December 2017G	93,701	10,969	14,071	8,752	9,440	458	509	717	31	1,848	140,495
% of Total Receivables (2019G)	56.8%	20.0%	3.2%	2.5%	8.6%	1.3%	%1.8	0.9%	1.8%	3.2%	100.0%
% of Total Receivables (2018G)	65.1%	8.8%	7.7%	5.3%	6.3%	1.4%	2.4%	2.0%	0.1%	0.9%	100.0%
% of Total Receivables (2017G)	66.7%	7.8%	10.0%	6.2%	6.7%	0.3%	0.4%	0.5%	0.02%	1.3%	100.0%

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G, and management information

Trade and other receivables do not carry a commission and are generally repaid within 60-120 days. However, the receivables aging profile as of 31 December 2019G suggests that balances past due for over 181 days accounted for 20.1% of total trade receivables. In addition, trade receivables past due for over 720 days amounted to SAR 4.6 million, accounting for 3.2% of total trade receivables as of 31 December 2019G.

The Executive Management considers the provision for expected credit losses sufficient to cover any aged or doubtful receivables. As mentioned above, the provision for expected credit losses has been calculated in accordance with IFRS 9

"Financial Instruments," which requires applying the ECL method.

Retention receivables represent amounts that clients retain as a performance guarantee. The retention balance usually represents 10% to 15% of the total project value. Retention receivables amounted to SAR 7.7 million as of 31 December 2019G, and the said balances were mainly related to the wastewater network installation project in Al-Kharj, with this project's retention receivables representing 82.8% of total receivables as of 31 December 2019G (SAR 6.4 million). The said project was scheduled for completion during 2017G but got extended for technical reasons. Given the project's non-completion, retention receivables payable by the clients upon completion of the work were still on hold.

Note that the retention receivables balance amounted to zero as of 31 December 2017G, as the balance during the year was classified under prepayments and other assets.

The following table shows the aging of trade receivables by client as of 31 December 2019G:

Table 6.27: Aging of Trade Receivables by Client

Maturity	Total	Not Due	0-90 days	91-180 Days	181-270 Days	271-360 Days	361-450 Days	451-540 Days	541-630 Days	631-720 Days	Over 720 Days
Ministry of Environment, Water and Agriculture	82,847	47,765	8,282	2,416	1,541	11,814	1,586	2,231	903	2,144	4,166
National Water Company	38,545	22,208	13,037	1,412	1,889	-	-	-	-	-	-
Ministry of National Guard - Health Affairs	5,105	5,105	-	-	-	-	-	-	-	-	-
Al Riyadh Municipality	1,652	747	331	573	-	-	-	-	-	-	-
Other Clients	16,858	6,892	7,214	166	139	549	307	315	405	452	419
Total	**145,007**	**82,717**	**28,864**	**4,567**	**3,569**	**12,363**	**1,892**	**2,546**	**1,308**	**2,595**	**4,586**

Source: Management information

Note that most of the Company's contracts are concluded with Government clients and collection of receivables from these clients takes a long time. Receivables are usually overdue in the normal course of business. The Company has recently contacted clients to accelerate the collection of receivables. The Company has also obtained confirmation letters from clients which confirmed the accuracy of amounts receivable as reported in the Company's books.

The following table shows the details of trade receivables by clients:

Table 6.28: Details of Trade Receivables by Client as of 31 December 2017G, 2018G and 2019G.

SAR'000	Financial year ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	CAGR (2017G-2019G)
Ministry of Environment, Water and Agriculture	106,567	156,115	82,847	46.5%	(46.9%)	(11.8%)
National Water Company	24,528	34,098	38,545	39.0%	13.0%	25.4%
BACS Consortium	-	-	5,670	-	-	-
Ministry of National Guard - Health Affairs	1,173	5,229	5,105	346.0%	(2.4%)	108.7%
Atkins Global	-	-	3,712	-	-	-
FCC Aqualia	382	170	3,449	(55.4%)	1927.0%	200.7%
AlRiyadh Municipality	2,428	3,622	1,652	49.2%	(54.4%)	(17.5%)
Others	4,560	4,006	4,027	(12.1%)	0.5%	(6.0%)
Total	**139,637**	**203,240**	**145,007**	**45.5%**	**(28.7%)**	**1.9%**

Source: Management information

(1) Numbers in the above table do not match the numbers of trade receivables in Table No. 25 due to some differences which resulted from different classifications followed by the Executive Management and the Auditor.

Trade receivables are mainly associated with the Ministry of Environment, Water and Agriculture as well as the National Water

Company, given that these two clients are the two main clients of the Company. Receivable balances from these two clients combined represented 93.9%, 93.6% and 83.7% of total trade receivables as of 31 December 2017G, 31 December 2018G and 31 December 2019G, respectively. Note that the movement of trade receivables between 31 December 2017G and 31 December 2019G were mainly affected by the movement of trade receivables associated with these two clients over the same period.

The total balance of trade receivables increased by 45.5% or 63.6 SAR million from SAR 139.6 million as of 31 December 2017G to SAR 203.2 million as of 31 December 2018G due to the increase in trade receivables associated with the aforementioned two clients. While the trade receivable balance of the Ministry of Environment, Water and Agriculture increased by 46.5% or SAR 49.5 million from SAR 106.6 million as of 31 December 2017G to SAR 156.1 million as of 31 December 2018G, the trade receivable balance of the National Water Company increased by 39.0% or SAR 9.6 million from SAR 24.5 million as of 31 December 2017G to SAR 34.1 million as of 31 December 2018G. The increase in receivables from these two clients was driven by the delivery of additional work on new projects that were implemented for them in 2018G.

Total trade receivables decreased by 28.7%, or by SAR 58.2 million, from SAR 203.2 million as of 31 December 2018G to SAR 145.0 million as of 31 December 2019G. This decrease was mainly affected by the decrease in trade receivables associated with the Ministry of Environment, Water and Agriculture by 46.9%, or SAR 73.3 million, from SAR 156.1 million as of 31 December 2018G to SAR 82.8 million as of 31 December 2019G due to the completion of work on the large majority of projects which were launched during 2018G in connection to this client.

6.6.3.3 Contract Assets

The following table shows a breakdown of contract assets as of 31 December 2017G, 2018G and 2019G:

Table 6.29: Contract Assets as of 31 December 2019G

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Value of Work Performed	23,652	356,265	423,228	1,406%	18.8%	323.0%
Progress Billing	32,145	(280,818)	(310,512)	(973.6%)	10.6%	-
Total	**55,797**	**75,447**	**112,716**	**35.2%**	**49.4%**	**42.1%**

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

The following table shows a breakdown of contract assets by contract type as of 31 December 2017G, 2018G and 2019G:

Table 6.30: Contract Assets by Contract Type

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Operations and Maintenance Contracts	23,652	50,058	57,914	111.6%	15.7%	56.5%
Project Services Contracts	32,145	25,390	54,802	(21.0%)	115.8%	30.6%
Total	**55,797**	**75,447**	**112,716**	**35.2%**	**49.4%**	**42.1%**

Source: Management information

Contract assets gradually increased by 35.2%, or SAR 19.7 million, from SAR 55.8 million as of 31 December 2017G to SAR 75.4 million as of 31 December 2018G. This increase was driven by the rise in contract assets related to operations and maintenance contracts by 111.6% from SAR 23.7 million as of 31 December 2017G, to SAR 50.1 million as of 31 December 2018G. The increase in contract assets for operations and maintenance projects was attributed to the increase in the number of new projects executed in this category during 2018G (16 new projects).

Contract assets continued to rise by 49.4%, from SAR 75.4 million as of 31 December 2018G to SAR 112.7 million as of 31 December 2019G. This increase was concentrated in contract assets for project services contracts, which increased by 115.8%, from SAR 25.4 million as of 31 December 2018G to SAR 54.8 million as of 31 December 2019G. The increase was driven by late billing for the BACS Consortium project after the client was late in providing approval for technical reasons.

Note that the movement of contract assets is not only related to the number of projects or the movement of revenues, but is affected by the timing of the receipt of approval certificates signifying the client's satisfaction with the quality of the work performed.

The following table shows a breakdown of contract assets by major projects as of 31 December 2019G:

Table 6.31: Contract Assets by Major Projects

SAR '000	Client	Nature of Project	Balance of Contract Assets
Al Ared And Tuwaiq 9 And Laban 2 Ground Water Drainage System	Royal Commission for Riyadh City (RCRC)	Project Services	15,600
Riyadh Metro Line 1 Station	BACS Riyadh Metro	Project Services	11,033
Lo Sewage Line Phase 2 In Riyadh	National Water Company	Project Services	7,112
Dammam Gravity Line	National Water Company	Project Services	6,920
Dammam Water O&M (3)	Ministry of Environment, Water and Agriculture	Operations and Maintenance	6,867
Al Narjis And Aredah Ground Water Drainage System Part 2	Royal Commission for Riyadh City (RCRC)	Project Services	4,940
Jazan Water Wells North District	Ministry of Environment, Water and Agriculture	Operations and Maintenance	4,886
Dammam and Water O&M (4)	Ministry of Environment, Water and Agriculture	Operations and Maintenance	4,819
Al Madina Sewage Treatment Plant Part 2	Ministry of Environment, Water and Agriculture	Operations and Maintenance	4,042
Sewage Network Construction In Riyadh District Tuwaiq Contract 1	National Water Company	Project Services	3,674
Others	-	-	42,823
Total			**112,716**

Source: Management information

[1] The aforementioned projects are the projects associated with the ten highest balances under contract assets as of 31 December 2019G.

Contract assets related to the projects mentioned in the above table represented 62.0% of total contract assets as of 31 December. Note that the majority of the aforementioned contract asset balances were billed during Q1 2020G.

6.6.3.4 Prepayments and Other Assets

The following table shows a breakdown of prepayments and other assets as of 31 December 2017G, 2018G and 2019G:

Table 6.32: Prepayments and Other Assets

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Prepaid Expenses	2,194	9,694	28,009	341.9%	188.9%	257.3%
Retention Receivables	7,380	-	-	(100.0%)	-	(100.0%)
Advances to Suppliers	4,535	3,697	5,396	(18.5%)	45.9%	9.1%
Amounts Due from Related Parties	8	-	-	(100.0%)	-	(100.0%)
Other Receivables	195	2,908	1,734	1,389%	(40.4%)	198.0%
Total	**14,312**	**16,300**	**35,139**	**13.9%**	**115.6%**	**56.7%**

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

Prepayments and other assets consist mainly of prepayments, which represented 15.3%, 59.5% and 79.7% of the total prepayments and other assets as of 31 December 2017G, 2018G and 2019G, respectively.

The following table shows a breakdown of prepayments as of 31 December 2017G, 2018G and 2019G:

Table 6.33: Prepayments

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Employee Residency Renewal Expenses	2,194	7,472	23,960	240.6%	220.6%	230.5%
Employee Advances	-	-	1,772	-	-	-
Rental Expenses	-	1,081	1,176	-	8.8%	-
Insurance Expenses	-	1,064	1,053	-	(1.0%)	-
Other Miscellaneous Expenses	-	77	48	-	(37.3%)	-
Total	**2,194**	**9,694**	**28,009**	**341.9%**	**188.9%**	**257.3%**

Source: Management information

Prepayments include miscellaneous expenses that mainly consisted of employee residency renewal expenses, rental expenses, insurance expenses, and other miscellaneous expenses. Residency renewal expenses are the costs that the Company incurs annually to renew residency permits of workers and employees. Rental expenses relate to the Company's head office and staff accommodation units. Insurance expenses are related to employee medical insurance and property and equipment insurance.

Prepayments gradually increased by 341.9%, or SAR 7.5 million, from SAR 2.2 million as of 31 December 2017G to SAR 9.7 million as of 31 December 2018G, with an additional increase of 188.9%, or SAR 18.3 million, from SAR 9.7 million as of 31 December 2018G to SAR 28.0 million as of 31 December 2019G. This increase was driven by the increase in residency expenses due to the increase in employee headcount between 2017G and 2019G and the increase in residency renewal fees following the issuance of the law regulating expatriate employment affairs in the Kingdom in 2018G.

Retention receivables represent amounts that clients retain as a performance guarantee. As previously mentioned, the aforementioned balances were mainly related to the wastewater network installation project in Al-Kharj. Retention receivables decreased from SAR 7.4 million as of 31 December 2017G to zero as of 31 December 2018G and 2019G upon the reclassification of retention receivables under trade receivables.

Advances to suppliers represent amounts paid in advance to suppliers of machinery, equipment, and spare parts that the Company acquires to meet project requirements. Advances to suppliers decreased by 18.5%, or SAR 0.8 million, from SAR 4.5 million as of 31 December 2017G to SAR 3.7 million as of 31 December 2018G. This was largely driven by relatively higher advances as of 31 December 2017G on account of the acquisition of a large number of projects towards the end of 2017G which required the issuance of advances to suppliers for the procurement of machinery and equipment to support the initiation and execution of work on the new projects. At the end of 2018G, the outstanding balance of advances to suppliers was relatively lower given that projects launched at the end of 2017G moved into advanced stages of work and projects launched in 2018G did not involve high-value vendor orders towards the end of the year. In contrast, advances to suppliers rose by 45.9% from SAR 3.7 million as of 31 December 2018G to SAR 5.4 million as of 31 December 2019G, due to the procurement of new machinery and materials to support the delivery of projects launched in the second half of 2019G.

Amounts due from Related Parties amounting to SAR 8 thousand as of 31 December 2017G were related to a sister company which procured spare parts from the Company.

Other receivables involved a variety of expenses including VAT receivables. Other receivables increased from SAR 0.2 million as of 31 December 2017G to SAR 2.9 million as of 31 December 2018G, and subsequently decreased to SAR 1.7 million as of 31 December 2019G. Other receivables fluctuate in the normal course of business. Note that, as previously mentioned, retentions receivable were classified under trade and other receivables as of 31 December 2018G and 31 December 2019G, whereas they were previously classified as a separate sub-line item within prepaid expenses and other assets. It should be noted that retentions receivable as of 31 December 2017G mainly included an amount of SAR 6.2 million in relation to the sewage treatment project in AlKharj.

6.6.3.5 Cash and Bank Balances

The following table presents cash and bank balances as of 31 December 2017G, 2018G and 2019G:

Table 6.34: Cash and Bank Balances as of 31 December 2019G

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Bank Balances	8,606	36,948	17,057	329.3%	(53.8%)	40.8%
Cash in Hand	-	1	2	-	-	-
Total	**8,606**	**36,950**	**17,059**	**329.4%**	**(53.8%)**	**40.8%**

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

Cash and cash equivalents consist of cash in hand and bank account balances.

Cash in hand represents cash balances held at the head office and project sites. Cash in hand is utilised to cover daily routine expenses incurred during the normal course of business.

Bank balances represent cash balances held with various banks.

The movement of cash and cash equivalents fluctuated between 2017G and 2019G. Total cash and cash equivalents increased by 329.3%, or SAR 28.3 million, from SAR 8.6 million as of 31 December 2017G to SAR 36.9 million as of 31 December 2018G. This increase was driven by the increase in cash inflows from financing activities, which amounted to SAR 37.1 million in 2018G, as the Company obtained a term loan with an amount of SAR 40.0 million to finance working capital requirements.

Total cash and cash equivalents decreased by 53.8%, or SAR 19.9 million, from SAR 36.9 million as of 31 December 2018G to SAR 17.1 million as of 31 December 2019G. This was driven by the decrease in cash flows from financing activities, which amounted to negative SAR 41.1 million during 2019G, as a result of loan repayments that took place during the year.

6.6.4 Equity

The following table shows the components of equity as of 31 December 2017G, 2018G and 2019G:

Table 6.35: Equity as of 31 December 2019G

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Issued Capital	80,000	80,000	80,000	-	-	-
Statutory Reserve	4,778	9,893	19,065	107.1%	92.7%	99.8%
Retained Earnings	(6,563)	34,253	116,808	(621.9%)	241.0%	-
Re-measurement of Employee Defined Benefit Liabilities	-	(925)	(599)	-	(35.2%)	-
Total	**78,215**	**123,221**	**215,274**	**57.5%**	**74.7%**	**65.9%**

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

6.6.4.1 Issued Capital

As of 31 December 2017G, 2018G and 2019G, the Company's issued capital amounted to SAR 80 million, divided into 80,000 ordinary Shares with a par value of SAR 1,000 per share. The Company's issued capital is wholly owned by Alkhorayef Group Company. On 18 March 2020G, the owners of the Company decided to increase the Company's capital from SAR 80.0 million to SAR 250.0 million through the capitalization of retained earnings, the statutory reserve and part of amounts due to related parties associated with Alkhorayef Group Company (the Company's sole owner at the time).

6.6.4.2 Statutory Reserve

In accordance with the Companies Law and the Company's Articles of Association, the Company reserves 10% of its net profit for the year under the statutory reserve. The Company may resolve to discontinue such transfers when the reserve equals 30% of its issued capital.

6.6.4.3 Retained Earnings (Net of the Re-measurement of Employee Defined Benefit Liabilities)

The Company reported accumulated losses of SAR 6.6 million as of 31 December 2017G due to the cumulative effect of losses incurred during prior periods. However, the Company's position of accumulated losses as of 31 December 2017G has turned into retained earnings (i.e. accumulated profit) of SAR 33.3 million as of 31 December 2018G due to the cumulative effect of reported net profits during two consecutive years (i.e. SAR 22.1 million in 2017G and SAR 51.1 million in 2018G.

Retained earnings increased by 248.7%, or 82.9 million in 2019G, from 33.3 million as of 31 December 2018G to SAR 116.2 million as of 31 December 2019G, driven by 2019G's reported net income of SAR 91.7 million for the year.

6.6.4.4 Employee Defined Benefit Liabilities

Employee Defined benefit liabilities increased gradually by 44.5%, or SAR 8.5 million, from SAR 19.2 million as of 31 December 2017G to SAR 27.7 million as of 31 December 2018G, with an additional increase of 16.3%, or SAR 4.5 million, from SAR 27.7 million as of 31 December 2018G to SAR 32.3 million as of 31 December 2019G. This increase was mainly driven by the rise in employee headcount between 2017G and 2019G.

The defined benefit obligation is calculated annually by qualified third-party actuaries using the projected credit unit method. Re-measurement amounts, if any, are recognised and reported under equity in the statement of changes in equity with the corresponding debit or credit charged to other comprehensive income, which consists of actuarial gains and losses on the defined benefits obligation.

6.6.5 Non-current Liabilities

6.6.5.1 Term Loans

Loan balances recognised on 31 December 2018G are related to a loan the Company obtained from a local bank (Samba Financial Group) to finance working capital requirements. The SAR 40.0 million loan was secured through personal guarantees issued by the shareholders of Alkhorayef Group Company. The Company repaid the loan balance in full during 2019G.

6.6.5.2 Lease Liabilities

The following table shows lease liabilities as of 31 December 2019G:

Table 6.36: Lease Liabilities as of 31 December 2019G

SAR'000	Financial Year Ended 31 December 2019G	
	Minimum Lease Payments	Present Value of Minimum Lease Payments
Within One Year	408	246
2-5 years	5,160	3,902
Total Minimum Lease Payments	**5,568**	**4,149**
Less: Finance Costs	(1,419)	-
Present Value of Minimum Rental Payments	4,149	4,149

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

The Company has operating leases mainly related to a number of workshops in Riyadh and Al-Kharj, in addition to staff accommodation units in Qassim Province.

Prior to the adoption of IFRS 16, the Company classified each of its leases (as the lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred all of the risks and rewards incidental to the leased asset to the Company in a substantial way; otherwise it was classified as an operating lease. Finance leases were capitalised as of the lease's commencement date at the lower of its fair value or the present value of the minimum future lease payments. Lease payments were apportioned between interest (recognised as financing costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as a rent expense under profit or loss on a straight-line basis over the lease term. Any prepaid rents and accrued rents are recognised under prepayments, and trade payables and other payables, respectively.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

The right-of-use assets for most leases were recognised based on the book value as if the standard had always been applied, apart from using the incremental borrowing rate at the date of initial application.

6.6.6 Current Liabilities

6.6.6.1 Trade Payables

The following table shows the trade payables as of 31 December 2019G:

Table 6.37: Trade Payables as of 31 December 2019G

SAR'000	Financial Year Ended 31 December 2019G
Supplier 1 -	5,250
Supplier 2 -	3,043
Supplier 3 -	2,689
Supplier 4 -	1,744
Supplier 5-	1,658
Supplier 6 -	1,636
Subcontractor 1	1,597
Supplier 7 -	1,566
Supplier 8 -	1,561
Supplier 9 -	1,191
Other payables(1)	36,507
Total	**58,442**
Percentage of Top 10 Suppliers in Total Payables	**37.5%**

Source: Management information (names of suppliers are not disclosed to preserve the confidential of information)

(1) Other payables totaling 328 as of 31 December 2019G, including suppliers and subcontractors

Trade payable balances represents the outstanding balance of purchases from suppliers on credit. The Company deals with a number of local and external suppliers, and procurements are predominantly based on purchase orders as opposed to long-term supply contracts. Note that the Company is required, under contracts with clients, to purchase materials and equipment of particular specifications and of high quality. Hence, the Company deals with a limited number of suppliers capable of providing the equipment and machinery that fulfil the required specifications.

The balance of trade payables also include balances due to subcontractors. Balances due to contractors which are classified as other balances (in Table 6.37 (**Trade Payables as of 31 December 2019G**)) were SAR 10.1 million as of 31 December 2019G (the total amount is SAR 11.7 million). The number of contractors that the Company deals with was 175 contractors, and accounts payable to them were recorded as of 13 December 2019G.

Since the work carried out by subcontractors is governed by contracts (entered into with the Company), billing is based on specific conditions which are related to predefined milestones and work completion stages. As of the end of December of each year, the Company allocates amounts due to suppliers for unbilled work carried out during the months. The Company estimates the value of unbilled work carried out based on monthsly progress reports submitted by subcontractors.

Trade payables fluctuated between 2017G and 2019G. The balance of trade payables decreased by 12.5%, or SAR 7.0 million, from SAR 55.8 million as of 31 December 2017G to SAR 48.9 million as of 31 December 2018G, as a result of various settlements during the year.

The balance of trade payables increased by 19.6%, or SAR 9.6 million, from SAR 48.9 million as of 31 December 2018G to 58.4 million as of 31 December 2019G. This increase was mainly driven by the procurement of equipment and machinery to support the launch of new projects which were secured during 2019G in addition to those expected to start in 2020G.

The following table shows the aging of trade payables as of 31 December 2019G:

Table 6.38: Aging of Trade Payables as of 31 December 2019G

SAR'000	Not Due	0-90 days	180-91 days	187-270 days	271-360 days	More than 360 days	Total
Supplier 1	-	-	-	-	-	1,636	1,636
Subcontractor 1	-	-	-	-	-	253	253
Supplier 2	-	-	-	-	-	120	120
Supplier 3	-	-	-	-	-	193	193
Supplier 4	-	-	-	-	-	159	159
Subcontractor 2	-	-	-	-	-	146	146
Supplier 5	-	-	-	-	2	141	143
Supplier 6	-	-	-	-	-	132	132
Subcontractor 3	-	-	-	-	-	130	130
Subcontractor 4	-	78	9	25	16	127	255
Other creditors (1)	16,941	15,614	850	456	753	805	35,420
Total	**16,941**	**15,692**	**859**	**481**	**771**	**3.842**	**38.587**
% of Total Payables	**43.9%**	**40.7%**	**2.2%**	**1.2%**	**2.0%**	**10.0%**	**100.0%**

Source: Management information

(1) Other creditors amounted to a total of 278 creditors as of 31 December 2019G. They include suppliers and subcontractors.

(2) The above aging table includes the net of aged balances due to suppliers and subcontractors who issued invoices for the balances owed to them by the Company. The above table does not include: (i) unbilled accounts payable to subcontractors as of 31 December 2019G, estimated at SAR 20.2 million, (ii) amounts related to the joint venture with FCC Aqualia at an amount of SAR 2.0 million, and (iii) provision of SAR 4.0 million.

Agreements between the Company and the largest number of suppliers require dues to suppliers to be settled within 15-60 days (this period is stipulated in the purchase invoices). The Company shall comply with the payment terms to avoid delayed settlement of dues to suppliers with rare exceptions.

It should be noted that aging trade payables include retained payables and amounts due related to old projects. As for retained payables, they include amounts payable to subcontractors that are only paid at the end of the project or at the end of the work stage referred to in the contract (the contract signed with the subcontractor specifies the required work stages and the method of payment related each stage of work). It should be noted that the retained payables are not considered a separate financial item to be included in the balance sheet. Instead, these amounts are considered accounts payable. The ten top accounts payable stated in the above table included a balance of SAR 0.8 million representing retained payables to four subcontractors (subcontractors 1, 2, 3 and 4).

6.6.6.2 Term Loans

The balance of term loans stood at zero as of 31 December 2019G. The Company obtained a loan of SAR 40.0 million from a local commercial bank (Samba Financial Group) during 2018G in order to support working capital funding requirements. The loan was repaid in full during 2019G prior to its maturity date.

6.6.6.3 Lease Liabilities

Please refer to the lease liabilities section under non-current liabilities.

6.6.6.4 Obligations Under Capital Lease Contracts

Lease liabilities were associated with trucks obtained by the Company to support business and project requirements, and the financing costs of these leases have been recognised in the statement of profit and loss. The total balance of obligations under capital lease contracts (current and non-current) decreased by 78.8%, from SAR 3.6 million as of 31 December 2017G to SAR 0.8 million as of 31 December 2018G, then to zero as of 31 December 2019G. The decline was driven by the expiry of certain leases during 2019G.

6.6.6.5 Related Party Transactions

The following table shows Related Party transactions in 2017G, 2018G and 2019G:

Table 6.39: Related Party Transactions in 2017G, 2018G and 2019G

SAR'000	Related Party	Nature of Transaction	Financial Year Ended 31 December		
			2017G Audited	2018G Audited	2019G Audited
Name of Company					
Alkhorayef Group Company	Direct Shareholder (Owner)	Financing	-	149,339	158,347
		Shared Service Costs	-	481	481
		Land Rental	-	288	288
Alkhorayef Commercial Company	Affiliate	Purchases	2,387	3,791	1,937
		Sales	-	205	169
		Acquisition of a Division	-	-	11,133
Abdullah Ibrahim Alkhorayef Sons Company	Indirect Shareholder (Ultimate Owner)	Land Rental	404	150	120
Alkhorayef Company for Printing Solutions	Affiliate	Purchases	971	248	233
Alkhorayef Petroleum Company	Affiliate	Purchases	481	758	381
		Sales	-	605	19
		Land Rental	70	-	-
Executive Management	Management personnel	Short-term Benefits	-	1,768	1,968
		Post-employment Benefits	-	114	143

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

Transactions with Related Parties were mainly associated with Alkhorayef Group Company. Transactions between the Company and Alkhorayef Group Company mainly included transactions of a financing nature.

(a) Alkhorayef Group Company

Transactions with Alkhorayef Group Company were mainly associated with financing transactions. Loans granted by banks to the Company to finance projects are being acquired by Alkhorayef Group Company. Amounts due to Alkhorayef Group Company carry a commission based on the average prevailing bank rates and are repayable by the Company upon Alkhorayef Group Company's request. The volume of transactions varies annually based on the size of transfers, collections, and loans received from banks. The Company has full and independent control of its bank accounts and collection of revenues is deposited directly from clients in the Company's project accounts with banks. The Government requires companies (i.e. vendors) to open separate accounts for each project for the purpose of electronically transferring payments to the designated project account. Receivables from clients (collected by Alkhorayef Group Company) are used to settle loans related obligations.

Shared service costs are related to IT services provided by Alkhorayef Group Company to the Company pursuant to a service level agreement (SLA) which has been formulated between the two parties. The Company makes an annual payment of SAR 0.5 million to Alkhorayef Group Company in connection with shared IT services which are provided to the Company.

Land rental transactions are related to lands the Company has leased in different regions from Alkhorayef Group Company in order to establish workshops for the purpose of serving project delivery requirements.

(b) Alkhorayef Commercial Company

Pruchases are associated with the procurement of pumps from Alkhorayef Commercial Company.

Acquisition of a division pertains to the acquisition of the water works division of Alkhorayef Commercial Company. On 1 October 2019G, the Company acquired the water works division of Alkhorayef Commercial Company, which retails water-related products and materials. The strategic management and its accompanying operations were acquired along with the associated assets, so the Executive Management considers this transaction to be a business combination rather than an asset acquisition.

(c) Abdullah Ibrahim Alkhorayef Sons Company

Land rental services are related to lands that the Company has leased in different regions from Abdullah Ibrahim Alkhorayef Sons Company in order to establish workshops and set up administrative offices.

(d) Alkhorayef Company for Printing Solutions

Purhases from this Related Party are associated with the procurement of various office supplies.

(e) Alkhorayef Petroleum Company

Sales transactions with this Related Party pertain to the sale of electric generators and maintenance services.

Land rental services are related to lands the Company has leased from Alkhorayef Petroleum Company in different regions in order to establish workshops and set up administrative offices.

(f) Executive Management

Transactions with Executive Management members relate to the salaries and end-of-service benefits of the Company's Executive Management. Executive Management members include the Company's Chief Executive Officer, Chief Financial Officer, and the PMO Senior Director.

(g) Movement of amounts due to Related Parties

Amounts due to Related Parties increased by 88.7%, or SAR 55.0 million, from SAR 62.0 million as of 31 December 2017G to SAR 117.0 million as of 31 December 2018G, due the Company's acquisition of additional loans and financing facilities via Alkhorayef Group Company to support project funding requirements and reduce the impact of slower collections. Amounts due to Related Parties decreased by 52.4%, or SAR 61.3 million, from SAR 117.0 million as of 31 December 2018G to SAR 55.7 million as of 31 December 2019G. This was largely on account of settlements of amounts due to Alkhorayef Group Company (through contract collections).

6.6.6.6 Accruals and Other Liabilities

The following table presents the breakdown of accruals and other liabilities as of 31 December 2017G, 2018G and 2019G:

Table 6.40: Accruals and Other Liabilities in 2017G, 2018G and 2019G

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Accrued Expenses	11,930	14,634	18,446	22.7%	26.0%	24.3%
Contract Liabilities	19,246	13,071	16,249	(32.1%)	24.3%	(8.1%)
Provision for Onerous Contracts	2,965	2,189	4,010	(26.2%)	83.2%	16.3%
Provision for Penalties	5,982	3,155	952	(47.3%)	(69.8%)	(60.1%)
Zakat payable	173	149	60	(14.2%)	(59.8%)	(41.3%)
Other Liabilities	1,252	2,687	351	114.7%	(86.9%)	(47.1%)
Total	**41,548**	**35,884**	**40,067**	**(13.6%)**	**11.7%**	**(1.8%)**

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

Combined, accrued expenses and contract liabilities account for the largest portion of accruals and other liabilities. These two components collectively constituted 75.0%, 77.2% and 86.6% of total accruals and other liabilities as of 31 December 2017G, 2018G and 2019G, respectively.

Accrued expenses mainly include accrued salaries for the months of December. Accrued expenses gradually increased by 22.7%, or SAR 2.7 million, from SAR 11.9 million as of 31 December 2017G to SAR 14.6 million as of 31 December 2018G, with an additional increase of 26.0%, or SAR 3.8 million, from SAR 14.6 million as of 31 December 2018G to SAR 18.4 million as of 31 December 2019G. This trend is primarily driven by the increase in the Company's employee headcount between 2017G and 2019G.

Contract liabilities represent clients' advances. In a certain category of projects, the Company requires advance payments to be paid upon commencement of work, and these payments usually represent approximately 10% of the total contract value. The Company registered a relatively higher level of advances from clients as of 31 December 2017G as a result of securing a number of contracts at the beginning of 2017G (9 projects). These amounts were amortised during 2018G as work on new projects (secured in 2017G) progressed during the year, hence the decrease in contract liabilities by 32.1%, or SAR 6.2 million, from SAR 19.2 million as of 31 December 2017G to SAR 13.1 million as of 31 December 2018G.

Conversely, contract liabilities rose by 24.3%, or SAR 3.2 million, from SAR 13.1 million as of 31 December 2018G to SAR 16.2 million as of 31 December 2019G, due to the receipt of a new advance payment in connection to a new project which was secured during 2019G, namely Al Narjis And Aredah Ground Water Drainage System Part 2.

Provision for onerous contracts refers to provisions in respect of contracts under which the total value of unavoidable costs to fulfil obligations under the contract exceed the economic benefits expected to be received thereon. The outstanding balance of provision for onerous contracts fluctuated between 31 December 2017G and 31 December 2019G. The balance decreased by 26.2%, or SAR 0.8 million, from SAR 3.0 million as of 31 December 2017G to SAR 2.2 million as of 31 December 2018G since progress on the corresponding projects moved into the final stages. The provision increased by 83.2%, or SAR 1.8 million, from SAR 2.2 million as of 31 December 2018G to SAR 4.0 million as of 31 December 2019G. This increase was attributed to additional provisions in connection to certain ongoing contracts.

Provision for penalties pertains to the estimated cost of accrued penalties the Company may incur in connection to contracted work (including provisions against claims submitted by clients as a result of delays in delivery of work). Accrued provision for penalties decreased gradually between 2017G and 2019G whereby it decreased by 47.3%, or SAR 2.8 million, from SAR 6.0 million as of 31 December 2017G to SAR 3.2 million as of 31 December 2018G, with an additional decrease of 69.8%, or SAR 2.2 million, from SAR 3.2 million as of 31 December 2018G to SAR 1.0 million as of 31 December 2019G. The decline was due to the fact that the corresponding projects have reached their final work stages.

Zakat payable is related to withholding tax resulting from the Company's dealings with a number of foreign companies that provide it with various services, such as design services. Pursuant the Income Tax Law, withholding tax is paid as a percentage of the amounts paid to such companies (the percentage ranges between 5% and 20% depending on the type of service provided by the foreign company).Zakat

The outstanding balance of such liabilities decreased gradually between 2017G and 2019G whereby it decreased by 14.2%, or SAR 25,000 from 0.2 million as of 31 December 2017G to SAR 0.1 million as of 31 December 2018G, with an additional decrease of 59.8%, or SAR 89,000 from SAR 0.1 million as of 31 December 2018G to SAR 60,000 as of 31 December 2019G. The decrease was due to the fact that the provision was used and no additional provisions were made as no transaction was effected.

Other liabilities mainly included VAT payables due to Alkhorayef Group Company. Other liabilities increased by 114.7%, or 1.4 million, from SAR 1.3 million as of 31 December 2017G, to SAR 2.7 million as of 31 December 2018G, due to additional VAT accruals. These liabilities decreased by 86.9%, or SAR 2.3 million, from SAR 2.7 million as of 31 December 2018G, to SAR 0.4 million as of 31 December 2019G, due to the settlement of VAT payables to Alkhorayef Group Company in 2019G.

6.7 Statement of Cash Flows

The following table presents a summary of the Company's cash flow statement for the three years ended 31 December 2017G, 2018G and 2019G:

Table 6.41: Cash Flows Statement for 2017G, 2018G and 2019G

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Net Cash Flows from Operating Activities	19,676	15,653	49,478	(20.4%)	216.1%	58.6%
Net Cash Flows Used in Investment Activities	(10,174)	(24,452)	(28,264)	140.3%	15.6%	66.7%
Net Cash Flows (Used in) from Financing Activities	(3,932)	37,143	(41,105)	(1044.6%)	(210.7%)	223.3%
Net (Decrease) / Increase in Cash and Bank Balances	**5,570**	**28,344**	**(19,891)**	**408.9%**	**(170.2%)**	**-**
Cash and Bank Balances at 1 January	3,036	8,606	36,950	183.5%	329.4%	248.9%
Cash and Bank Balances at 31 December	**8,606**	**36,950**	**17,059**	**329.4%**	**(53.8%)**	**40.8%**

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

Movement in the Company's net cash flow for the year fluctuated between 2017G and 2019G and was largely influenced by movements in financing activities. Net cash flows increased by 408.9%, or SAR 22.8 million, from SAR 5.6 million in 2017G to SAR 28.3 million in 2018G. This movement was primarily influenced by financing activities as the Company registered a net cash flow from financing activities of SAR 3.9 million in 2017G, which turned into a net cash inflow of SAR 37.1 million during 2018G.

In 2019G, the Company registered a net cash outflow of SAR 19.9 million in light of net cash outflows from financing activities of SAR 41.1 million.

6.7.1 Net Cash Flows from Operating Activities

The following table shows the statement of cash flows from operating activities as of 31 December 2017G, 2018G and 2019G:

Table 6.42: Cash Flows Statement for 2017G, 2018G and 2019G

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Profit for the Year Before Zakat	22,087	51,148	91,727	131.6%	79.3%	103.8%
Adjustments to Reconcile Profit Before Zakat to Net Cash Flows:						
Provision for Expected Credit Losses of Trade Receivables	326	1,869	-	473.2%	(100.0%)	(100.0%)
Provision for Onerous Contracts	2,965	-	-	(100.0%)	-	(100.0%)
Depreciation of Property and Equipment	13,178	11,647	14,411	(11.6%)	23.7%	4.6%
Depreciation of Right-of-Use Assets	-	-	315	-	-	-
Gain on Sale of Property and Equipment	(750)	(51)	442	(93.3%)	976.2%	-
Charge for the year of Employee Defined Benefits	4,246	4,374	6,715	3.0%	53.5%	25.8%
Financing Costs	2,657	5,530	6,375	108.2%	15.3%	54.9%
	44,709	**74,518**	**119,986**	**66.7%**	**61.0%**	**63.8%**
Working Capital Adjustments:						
Trade Receivables, Prepayments and Others Assets	(31,977)	(71,706)	38,657	124.2%	(153.9%)	-
Inventories	5,159	(2,381)	(18,966)	(146.1%)	696.7%	-
Accounts Payable, Accruals and Other Liabilities	(9,245)	(13,324)	16,635	44.1%	(224.9%)	-
Amounts Due from/to Related Parties	1,509	55,004	(60,773)	3,545%	(210.5%)	-
Contract Asset	14,067	(19,651)	(37,269)	(239.7%)	89.7%	-
Cash Flows from Operations	24,222	22,461	58,271	(7.3%)	159.4%	55.1%
Employees' Benefits Plan Paid	(1,889)	(1,704)	(2,417)	(9.8%)	41.9%	13.1%
Finance Cost	(2,657)	(5,105)	(6,375)	92.2%	24.9%	54.9%
Net Cash Flows from Operating Activities	**19,676**	**15,653**	**49,478**	**(20.4%)**	**216.1%**	**58.6%**

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

The movement in net cash flows from operating activities fluctuated between 2017G and 2019G, driven mainly by the movement in net profit for the year and fluctuations in receivables, prepayments, and other assets.

Net cash flows from operating activities decreased by 20.4%, or SAR 4.0 million, from SAR 19.7 million in 2017G to SAR 15.7 million in 2018G. The movement of cash flows from operating activities between 2017G and 2018G was primarily driven by fluctuations in receivables, prepayments, and other assets. Receivables and prepayments and other assets increased by 45.9%, or SAR 69.8 million, from SAR 152.2 million in 2017G to SAR 222.0 million in 2018G, due to a combination of the increase in business activities and the slow-down in collection of trade receivables.

Net cash flows from operating activities increased by 216.1%, or SAR 33.8 million, from SAR 15.7 million in 2018G to SAR 49.5 million in 2019G, mainly driven by the rise in net profit for the year and the decrease in receivables as of 31 December 2019G, which was also supplemented by the increase in trade payables and accruals (trade payables and accruals increased from SAR 84.8 million as of 31 December 2018G to SAR 98.5 million as of 31 December 2019G).

6.7.2 Net Cash Flows from Investment Activities

The following table shows the statement of cash flows from investment activities as of 31 December 2017G, 2018G and 2019G:

Table 6.43: Statement of Cash Flows from Investment Activities in 2017G, 2018G and 2019G

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Purchase of Property and Equipment	(11,553)	(24,798)	(28,823)	114.7%	16.2%	58.0%
Proceeds from Sale of Property and Equipment	1,378	346	559	(74.9%)	61.4%	(36.3%)
Net Cash Flows used in Investing Activities	**(10,174)**	**(24,452)**	**(28,264)**	**140.3%**	**15.6%**	**66.7%**

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

The Company's net cash flow used in investment activities throughout the period between 2017G and 2019G. Cash flows utilised in investment activities gradually increased by 140.3%, or SAR 14.3 million, from SAR 10.2 million in 2017G to SAR 24.5 million in 2018G, with an additional increase of 15.6%, or SAR 3.8 million, from SAR 24.5 million in 2018G to SAR 28.3 million in 2019G.

The movement of cash flows used in investment activities was predominantly linked to property and equipment additions. Note that these additions were concentrated in the purchase of machinery, equipment and motor vehicles which were acquired to support project delivery requirements and the growth in business activities between 2017G and 2019G.

Moreover, the Company recorded cash inflows from investing activities in the form of gains from the disposal of property and equipment, which mainly involved the disposal of fully depreciated motor vehicles and heavy machinery.

6.7.3 Net Cash Flows from Financing Activities

The following table shows the statement of cash flows from financing activities as of 31 December 2017G, 2018G and 2019G:

Table 6.44: Statement of Cash Flows from Financing Activities for 2017G, 2018G and 2019G

SAR'000	Financial Year Ended 31 December			Increase/(Decrease)		
	2017G Audited	2018G Audited	2019G Audited	December 2018G	December 2019G	Compound Growth Rate (2017G-2019G)
Proceeds from Loans and Borrowings	-	40,000	-	-	(100.0%)	-
Payment of Obligations Under Capital Lease Contracts, Net	(3,932)	(2,857)	(770)	(27.3%)	(73.1%)	(55.8%)
Repayment of Loans and Borrowings	-	-	(40,000)	-	-	-
Payment of Lease Liability, net	-	-	(335)	-	-	-
Net Cash Flows (Used in) From Financing Activities	**(3,932)**	**37,143**	**(41,105)**	**(1044.6%)**	**(210.7%)**	**223.3%**

Source: The Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G

Cash flows from financing activities fluctuated between 2017G and 2019G, driven mainly by the movement of loans that the Company obtained and repaid during the period.

The Company registered a net cash outflow of SAR 3.9 million from financing activities in 2017G, mainly on account of payments towards liabilities under capital lease contracts.

In 2018G, the Company obtained a loan of SAR 40.0 million to finance working capital requirements, which led to a net cash inflow from financing activities of SAR 37.1 million during the same year. The Company repaid the loan in 2019G before its maturity date, which led to the net cash outflows from financing activities of SAR 41.1 million during the same year.

6.8 Contingencies

The following table shows a summary of the Company's contingencies as of 31 December 2019G:

Table 6.45: Contingent Liabilities and Expenses

SAR'000	Financial Year Ended 31 December 2019G
Financial Statement Information	
Letters of Credit	12,284
Letters of Guarantee	226,442
Total	**238,726**

Source: The Company's audited financial statements for the financial year ended 31 December 2019G, and management information

The total value of letters of guarantee held by the Company from banks as of December 2019G amounted to SAR 226.4 million. Such letters of guarantee are issued in favour of clients in the form of bid bonds and performance bonds during the normal course of business.

In addition, the Company obtains letters of credit from banks in the normal course of business to primarily serve as guarantees in the process of sourcing goods from foreign suppliers. The value of issued letters of credit amounted to SAR 12.3 million as of 31 December 2019G.

6.9 Planned and Historical Capital Expenditures

Planned capital expenditures for the year 2020G (as of 31 December 2019G) is estimated at SAR 30.0 million. This estimate is mainly attributable to the purchase of heavy machinery and motor vehicles for use in upcoming projects.

As shown in Table 6.20 (**Property and Equipment**) historical capital expenditure in connection with property and equipment additions amounted to SAR 11.6 million, SAR 24.8 million and SAR 28.8 million in 2017G, 2018G and 2019G, respectively. Additions over the aforementioned historical period were concentrated in the purchase of machinery and equipment which were required to support the gradual growth in business activities.

6.10 Update to Management's Discussion and Analysis for the Six-Months Period Ended 30 June 2020G.

6.10.1 KPIs

The following table shows KPIs for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G:

Table 6.46: KPIs

		Six-Month Period Ended 30 June	
		2019G – Reviewed	2020G - Reviewed
Gross Profit Margin	%	29.9%	28.9%
Operating Profit Margin	%	23.7%	23.7%
Net Profit Margin	%	23.4%	23.0%
Return on Equity	%	20.1%	22.4%
Return on Assets	%	10.7%	10.0%
Current Assets/Current Liabilities	X	2.2	2.4
Liabilities/Equity	x	0.9	1.2

Source: Management information

6.10.2 Results of Operations - Income Statement

The following table shows the Company's statement of income for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G:

Table 6.47: Results of Operations - Income Statement

SAR'000	Six-Month Period Ended 30 June		Increase/(Decrease)
	2019G - Reviewed	2020G – Reviewed	30 June 2020G
Revenues	184,805	250,767	35.7%
Cost of Revenues	(129,465)	(178,172)	37.6%
Gross Profit	**55,340**	**72,595**	**31.2%**
Sale and Distribution Expenses	(492)	(1,133)	130.3%
Administrative Expenses	(11,067)	(12,125)	9.6%
Operating Profits	**43,781**	**59,337**	**35.5%**
Financing Costs	(2,977)	(1,902)	(36.1%)
Other Income	2,422	206	(91.5%)
(Losses)/ Gains on Property and Equipment Sales	37	24	(34.5%)
Pre-Zakat Net Profit for the Year	**43,263**	**57,666**	**33.3%**
Zakat	-	-	-
Net Profit for the Year	**43,263**	**57,666**	**33.3%**
Net Other Comprehensive Income (Loss) Not Reclassified as Profit or Loss in Later Periods	-	-	-
Total Comprehensive Income for the Year	**43,263**	**57,666**	**33.3%**

Source: Reviewed interim financial statements for the six-month period ended 30 June 2020G

The Company's income increased by 35.7%, or SAR 66.0 million, from SAR 184.8 million in the six-month period ended 30 June 2019G to SAR 250.8 million in the six-month period ended 30 June 2020G, driven by the implementation of works under contracts awarded to the Company between the second half of 2019G and the first half of 2020G (14 contracts). The Company commenced operations on these contracts at the end of 2019G and the beginning of 2020G. During the first half of 2020G, a notable amount of work was completed in terms of scope and value of work, resulting in the aforementioned increase in revenues in the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G. It is noted that the increase in revenues was mainly driven by the increase in revenues from maintenance and operation projects, which rose by SAR 63.7 million between the two mentioned periods.

Cost of revenue increased by 37.6%, or SAR 48.7 million, from SAR 129.5 million in the six-month period ended 30 June 2019G to SAR 178.2 million in the six-month period ended 30 June 2020G. The increase in cost of revenue was mainly driven by the increase in salaries and wages and the increase in the cost of materials consumed. Salaries and wages represented 55.3% and 51.7% of total cost of revenues for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively. The increase in salaries and benefits was driven by an increase in project employee and worker numbers between the two mentioned periods.

The increase in salaries was due to an increase in project employee and worker numbers between the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G. The increase in materials consumed was also driven by the increase in the value and volume of materials used to meet requirements for the projects executed during the six-month period ended 30 June 2020G (as mentioned above, the scope of the works executed increased between the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G).

Gross profit grew by 31.2%, from SAR 55.3 million in the six-month period ended 30 June 2019G to SAR 72.6 million in the six-month period ended 30 June 2020G, driven mainly by the increase in revenues by 35.7% from SAR 184.8 million to SAR 250.8 million between these two periods. It is noted that the gross profit margin decreased from 29.9% in the six-month period ended 30 June 2019G to 28.9% in the six-month period ended 30 June 2020G. The partial decrease in the gross profit margin was due to the increase in cost of revenue surpassing the increase in revenues (37.6% versus 35.7% during the six-month period ended 30 June 2020G).

Sale and distribution expenses increased by 130.3%, or SAR 0.6 million, from SAR 0.5 million in the six-month period ended 30 June 2019G to SAR 1.1 million in the six-month period ended 30 June 2020G, driven by tender fees increasing by SAR 0.6 million, from SAR 0.3 million in the six-month period ended 30 June 2019G to SAR 0.9 million in the six-month period ended 30 June 2020G, given the higher number and value of tenders in which the Company participated in the six-month period ended 30 June 2019G compared to the six-month period ended 30 June 2020G, leading to an increase in tender fees. Tender fees amounted to SAR 0.3 million and SAR 0.9 million for the six-month period ended 30 June, 2019G and the six-month period ended 30 June 2020G.

Administrative expenses increased by 9.6%, or SAR 1.1 million, from SAR 11.1 million in the six-month period ended 30 June 2019G to SAR 12.1 million in the six-month period ended 30 June 2020G, driven by the increase in salaries and wages due to an increase in administrative employee numbers and the appointment of a new Chief Financial Officer between the two periods.

Operating profit increased by 35.5%, or SAR 15.6 million, from SAR 43.8 million in the six-month period ended 30 June 2019G to SAR 59.3 million in the six-month period ended 30 June 2020G. The increase in operating profit was commensurate to and driven mainly by the movement of revenues.

Financing costs decreased by 36.1%, or SAR 1.1 million, from SAR 3.0 million in the six-month period ended 30 June 2019G to SAR 1.9 million in the six-month period ended 30 June 2020G, following early repayment of the loans the Company. These loans were obtained by the Company in previous periods through Alkhorayef Group Company. It should be noted that the Company obtained a direct loan from The National Commercial Bank during the first half of 2020G. The agreement was signed directly with The National Commercial Bank after the Company had previously obtained loans through Alkhorayef Group Company. The total value of the loan is SAR 350 million, of which SAR 131.1 million were used to meet project needs.

Other income decreased by 91.5%, or SAR 2.2 million, from SAR 2.4 million in the six-month period ended 30 June 2019G to SAR 0.2 million in the six-month period ended 30 June 2020G, as a result of a decrease in Government incentives. Government incentives offered to the Company in previous years by the Ministry of Human Resources and Social Development represented contributions in compensation for the increase in residency permit renewal costs for expatriate employees. The Company was paid these compensations on the grounds that the Company has met the Platinum classification for Saudisation.

Gains from property and equipment sales did not witness significant fluctuations between the six-month period ended 30 June 2019G (SAR 37,000) and the six-month period ended 30 June 2020G (SAR 24,000). The gains between the two periods were attributed to the sale of fully depreciated equipment and machinery.

No Zakat expenses were recognised by the Company between the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G due to these expenses being set aside and recognised at the end of the year.

Net profit for the year increased by 33.3%, or SAR 14.4 million, from SAR 43.3 million in the six-month period ended 30 June 2019G to SAR 57.7 million in the six-month period ended 30 June 2020G, driven mainly by higher revenues.

No other comprehensive profits or losses were recognised between the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, and therefore no differences were recognised between the net profit for the year and the total comprehensive income for the year.

6.10.2.1 Revenues Analysis by Sector and Division

The following table shows a breakdown of revenues from the sectors and divisions for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G:

Table 6.48: Revenues by Sector and Division

SAR'000	Six-Month Period Ended 30 June		Increase/(Decrease)
	2019G - Reviewed	2020G - Reviewed	30 June 2020G
Water Sector			
Water Networks	32,113	42,032	30.9%
Water Withdraw and Treatment	65,996	74,809	13.4%
Total	**98,109**	**116,841**	**19.1%**
Wastewater Sector			

SAR'000	Six-Month Period Ended 30 June		Increase/(Decrease)
	2019G - Reviewed	2020G - Reviewed	30 June 2020G
Wastewater Networks	32,336	49,179	52.1%
Wastewater Treatment	22,644	40,754	80.0%
Total	**54,981**	**89,934**	**63.6%**
Integrated Water Solutions Sector			
City Management	15,394	25,487	65.6%
Stormwater Networks	11,995	15,028	25.3%
Support and Asset Management Services	4,327	3,478	(19.6%)
Total	**31,716**	**43,993**	**38.7%**
Total Revenues	**184,805**	**250,767**	**35.7%**

Source: Management information

(a) Water Sector

Revenues from water sector projects represented 53.1% and 46.6% of the total revenues for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively.

Revenues from the water sector increased by 19.1%, or SAR 18.7 million, from SAR 98.1 million in the six-month period ended 30 June 2019G to SAR 116.8 million in the six-month period ended 30 June 2020G, driven by higher revenues from water network projects and water withdraw and treatment projects.

Revenues from water network projects increased by 30.9%, or SAR 9.9 million, from SAR 32.1 million in the six-month period ended 30 June 2019G to SAR 42.0 million in the six-month period ended 30 June 2020G, driven mainly by the revenues generated from three new projects: A water network maintenance project in East Medina, wastewater O&M networks project, Al-Zulfi housing treatment plant and Al Madina west water network operations & maintenance project.

Revenues from water withdraw and treatment projects increased by 13.4%, or SAR 8.8 million, from SAR 66.0 million in the six-month period ended 30 June 2019G to SAR 74.8 million in the six-month period ended 30 June 2020G, mainly driven by the revenues generated from the water projects operations and maintenance project in the villages and cities of the Jazan Region (Northern Sector), which witnessed revenues of SAR 11.2 million in the six-month period ended 30 June 2020G.

(b) Wastewater Sector

Revenues generated from wastewater sector projects represented 29.8% and 35.9% of total revenues for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively.

Revenues from the wastewater sector increased by 63.6%, or SAR 35.0 million, from SAR 55.0 million in the six-month period ended 30 June 2019G to SAR 89.9 million in the six-month period ended 30 June 2020G, driven by higher revenues from wastewater network projects and wastewater treatment projects.

Revenues from wastewater network projects increased by 52.1%, or SAR 16.8 million, from SAR 32.3 million in the six-month period ended 30 June 2019G to SAR 49.2 million in the six-month period ended 30 June 2020G, driven mainly by two projects executed during the first half of 2020G: the contract to implement phase two of the main sanitation line installation in Riyadh and the operations and maintenance project for wastewater networks and pumping stations in Jeddah.

Revenues from wastewater treatment projects increased by 80.0%, or SAR 18.1 million, from SAR 22.6 million in the six-month period ended 30 June 2019G to SAR 40.8 million in the six-month period ended 30 June 2020G, driven mainly by two projects executed during the first half of 2020G: the Yanbu wastewater network and facilities maintenance project, and the wastewater treatment plant operations and maintenance (Phase II) in Madina.

(c) Integrated Water Solutions Sector

Revenues from Integrated Water Solutions sector projects represented 17.2% and 17.5% of total revenues for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively.

Revenues from the integrated water solutions sector increased by 38.7%, or SAR 12.3 million, from SAR 31.7 million in the six-month period ended 30 June 2019G to SAR 44.0 million in the six-month period ended 30 June 2020G, driven by higher revenues from city management and stormwater network projects.

Revenues from city management projects increased by 65.6%, or SAR 10.1 million, from SAR 15.4 million in the six-month period ended 30 June 2019G to SAR 25.5 million in the six-month period ended 30 June 2020G, driven mainly by the increase in revenues from the Damam Water O&M (4) project.

Revenues from stormwater networks increased by 25.3%, or SAR 3.0 million, from SAR 12.0 million in the six-month period ended 30 June 2019G to SAR 15.0 million in the six-month period ended 30 June 2020G, driven by higher revenues from two projects: the Metro Line 6 Project (storm drains), and the project to lower groundwater levels in Al-Arid, Tuwaiq 9 and Laban 2 districts.

The increase in revenues from city management projects and stormwater networks was offset by a decrease in revenues from support and asset management services projects, which decreased by 19.6%, or SAR 0.8 million, from SAR 4.3 million in the six-month period ended 30 June 2019G to SAR 3.5 million in the six-month period ended 30 June 2020G. This decrease was driven by a decline in revenues from the Swcc Asset Assessment Manpower Supply project (revenues from this project decreased from SAR 1.1 million in the six-month period ended 30 June 2019G to SAR 0.5 million in the six-month period ended 30 June 2020G, after the bulk of the work on this project was completed. The project completion rate increased from 21% in the six-month period ended 30 June 2019G to 80% in the six-month period ended 30 June 2020G).

6.10.2.2 Revenues Analysis by Contract Type

The following table shows a breakdown of revenues by contract type for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G:

Table 6.49: Revenues by Contract Type

SAR'000	Six-Month Period Ended 30 June		Increase/(Decrease)
	2019G - Reviewed	2020G – Reviewed	30 June 2020G
Revenues			
Operations and Maintenance Contracts	137,626	201,309	46.3%
Project Services Contracts			
Ongoing projects	34,883	46,881	34.4%
Completed projects	10,327	167	(98.4%)
Total Project Services Revenues	**45,210**	**47,047**	**4.1%**
Miscellaneous Revenues	**1,969**	**2,411**	**22.4%**
Total	**184,805**	**250,767**	**35.7%**

Source: Management information

(1) Ongoing and completed projects refer to the status as of 30 June 2020G.

(a) Operations and Maintenance Contracts

Revenues from operations and maintenance contracts accounted for 74.5% and 80.3% of total revenues for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively.

Revenues from operations and maintenance contracts increased by 46.3%, or SAR 63.7 million, from SAR 137.6 million in the six-month period ended 30 June 2019G to SAR 201.3 million in the six-month period ended 30 June 2020G, driven mainly by the revenues generated from three projects: the Jazan Water Wells North District project, the Jeddah Sewage Network And Lifting Stations O&M project and the Damam Water O&M (4) project. Revenues from these projects increased by SAR 44.0 million between the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, accounting for 69.1% of the total value of the increase in operations and maintenance contracts between the two mentioned periods.

(b) Project Services Contracts

Revenues from operation contracts represented 24.5% and 18.8% of total revenues in the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively.

Revenues from operations and maintenance contracts increased by 4.1%, or SAR 1.8 million, from SAR 45.2 million in the six-month period ended 30 June 2019G to SAR 47.0 million in the six-month period ended 30 June 2020G, driven by the revenues from three projects: the Metro line 6 storm water drainage, ground water drainage system in Riyadh and the Lo Sewage Line Phase 2 in Riyadh project in Tuwaiq 9 and Laban 2 Districts.

6.10.2.3 Revenues Analysis by Client

The following table shows a breakdown of revenues by client for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G:

Table 6.50: Revenues by Client

SAR'000	Six-Month Period Ended 30 June		Increase/(Decrease)
	2019G - Reviewed	2020G - Reviewed	June 2020G
Operations and Maintenance Contracts			
Ministry of Environment, Water and Agriculture	120,724	166,718	38.1%
National Water Company	5,072	24,215	377.5%
AlRiyadh Municipality	3,908	2,233	(42.8%)
Ministry of National Guard - Health Affairs	2,500	2,458	(1.7%)
Atkins Global	1,140	476	(58.2%)
RCJY	1,558	1,559	0.1%
Other Clients	2,125	3,060	44.0%
Ma'aden	599	589	(1.7%)
Total	**137,626**	**201,309**	**46.3%**
Project Services Contracts			
Ministry of Environment, Water and Agriculture	16,050	8,164	(49.1%)
National Water Company	12,077	24,002	98.7%
Royal Commission for Riyadh City (RCRC)	7,949	6,619	(16.7%)
BACS Riyadh Metro	8,346	1,633	(80.4%)
FCC Aqualia	162	6,176	3,713.5%
Saudi Authority for Industrial Cities and Technology Zones (MODON)	626	453	(27.7%)
Total	**45,210**	**47,047**	**4.1%**
Miscellaneous Revenues	**1,969**	**2,411**	**22.4%**
Total	**184,805**	**250,767**	**35.7%**

Source: Management information

(1) The below analysis involves total client revenues, i.e. total revenues from O&M Services contracts and Project Services contracts

(2) Operations and maintenance revenues from the National Water Company consist of revenues from joint arrangements

Revenues from the Company's two main clients (Ministry of Environment, Water and Agriculture and National Water Company) represented 83.3% and 88.9% of total revenues in the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively.

(a) Operations & Maintenance Contracts

(i) Ministry of Environment, Water and Agriculture

Revenues generated from the Ministry of Environment, Water and Agriculture represented 74.0% and 69.7% of the total revenues in the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively.

Ministry of Environment, Water and Agriculture in the six-month period ended 30 June 2020G, revenues from Ministry of Environment, Water and Agriculture contracts rose by 27.9%, or SAR 38.1 million, from SAR 136.8 million in the six-month period ended 30 June 2019G to 174.9 million in the six-month period ended 30 June 2020G, driven by the revenues from a number of new projects the Company executed for the Ministry of Environment, Water and Agriculture. Note that the increase in revenues from Ministry of Environment, Water and Agriculture mainly came from two projects: the Jazan Water Wells North District project and the Damam Water O&M project.

(ii) National Water Company

Revenues generated from the National Water Company represented 9.3% and 19.2% of the total revenues for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively.

Revenues from the National Water Company contracts increased by 181.2%, or SAR 31.1 million, from SAR 17.1 million in the six-month period ended 30 June 2019G to SAR 48.2 million in the six-month period ended 30 June 2020G, driven by the increase in revenues from two major projects: the Lo Sewage Line Phase 2 in Riyadh project and the Jeddah Sewage Network And Lifting Stations O&M project.

(iii) AlRiyadh Municipality

Revenues generated from AlRiyadh Municipality represented 2.1% and 0.9% of the total revenues for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively.

Revenues from contracts with AlRiyadh Municipality decreased by 42.8%, or SAR 1.7 million, from SAR 3.9 million in the six-month period ended 30 June 2019G to SAR 2.2 million in the six-month period ended 30 June 2020G, due to a decrease in revenues from three projects executed for the AlRiyadh Municipality between the two periods after completing one project with AlRiyadh Municipality and commencing the final stages of implementation for the other two projects. The three projects are: Operation and maintenance of pumping stations, Stormwater and Groundwater Drainage Networks Project, Central Riyadh, Circa Al-Shumaisi Municipality, and the project for maintenance and operation of two networks of floods and groundwater drainage, west of Riyadh, within the Al-Uraija Municipality.

(iv) Ministry of National Guard - Health Affairs

Revenues generated from the Ministry of National Guard - National Guard Health Affairs represented 1.4% and 1.0% of the total revenues in the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively.

Revenues from the Ministry of National Guard - Health Affairs did not witness significant fluctuations between the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G. Revenues from this client were associated with two projects: KSAU-HS wastewater O&M project in Riyadh and the KSAU-HS wastewater O&M project in Jeddah. There were no material changes to the volume of work performed in these two projects between the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G.

(v) Atkins Global

Revenues generated from Atkins Global represented 0.6% and 0.2% of total revenue for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively.

Revenues received from Atkins Global decreased by 58.2%, from SAR 1.1 million in the six-month period ended 30 June 2019G to SAR 0.5 million in the six-month period ended 30 June 2020G, due to the labour supply project for SWCC entering its final stages (Swcc Asset Assessment Manpower Supply project).

(vi) Royal Commission for Jubail and Yanbu (RCJY)

Revenues generated from RCJY represented 0.8% and 0.6% of the total revenues for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively.

Revenues from RCJY remained stable at SAR 1.6 million between the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, as the scope of work already carried out in "the O&M Fire Hydrant For Royal Commission" remained relatively stable between the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G.

(vii) Ma'aden

Revenues received from Maaden represented 0.3% and 0.2% of the total revenues for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G.

Revenues from Ma'aden were associated with one project, the Ma'aden Wa'ad Al-Shamal Phosphate Company wastewater plant maintenance and operation project, and did not witness any material changes between the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G. This project entered the final work stages during the first half of 2020G.

(viii) Other Clients

Revenues generated from other clients represented 1.1% and 1.2% of total revenue in the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively.

Revenues from other clients increased by 44.0%, from SAR 2.1 million in the six-month period ended 30 June 2019G to SAR 3.1 million in the six-month period ended 30 June 2020G, due to the increase in the volume of maintenance services provided to a number of clients in workshops.

(b) Project Services' Contracts

(i) Royal Commission for Riyadh City (RCRC)

Revenues generated from the RCRC represented 4.3% and 2.6% of the total revenues for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively.

Revenues from the Royal Commission for Riyadh City (ADA) decreased by 16.7%, from SAR 7.9 million in the six-month period ended 30 June 2019G to SAR 6.6 million in the six-month period ended 30 June 2020G. This decrease was mainly related to the project to lower groundwater levels on Al Narjis And Aredah Ground Water Drainage System Part 2, due to a decrease in the volume of work required to execute the project after changing some of the specifications of the required work.

(ii) BACS Riyadh Metro

Revenues generated from BACS Consortium represented 4.5% and 0.7% of total revenues in the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively.

Revenues from BACS Riyadh Metro projects decreased by 80.4%, or SAR 6.7 million, from SAR 8.3 million in the six-month period ended 30 June 2019G to SAR 1.6 million in the six-month period ended 30 June 2020G, due to the complete suspension of work on the Riyadh Metro project during the coronavirus pandemic.

(iii) FCC Aqualia

Revenues generated from Aqualia represented 0.1% and 2.5% of the total revenues for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively.

Revenues from this client increased by SAR 0.2 million in the six-month period ended 30 June 2019G to SAR 6.2 million in the six-month period ended 30 June 2020G. This increase was mainly affected by the progress of work in the project to install storm drain lines in Riyadh Metro Line 6.

(iv) Saudi Authority for Industrial Cities and Technology Zones (MODON)

Revenues generated from the Saudi Authority for Industrial Cities and Technology Zones (MODON) represented 0.3% and 0.2% of total revenues in the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively.

Revenues from MODON decreased by 27.7%, from SAR 0.7 million in the six-month period ended 30 June 2019G to SAR 0.5 million in the six-month period ended 30 June 2020G. This decrease was due to the design, implementation and operation of the wastewater treatment plant project in Al-Kharj Industrial City entering into the preservation and maintenance phase pending securing the amount of water required for operation.

6.10.2.4 Cost of Revenues

The following table shows a breakdown of cost of revenues for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G:

Table 6.51: Cost of Revenues

SAR'000	Six-Month Period Ended 30 June		Increase/(Decrease)
	2019G - Reviewed	2020G - Reviewed	30 June 2020G
Salaries and Wages	66,984	98,577	47.2%
Materials Consumed	27,991	41,269	47.4%
Repair and Maintenance	13,578	13,550	(0.2%)
Depreciation	6,552	8,097	23.6%
Utilities	4,676	5,833	24.7%
Rent	2,040	3,881	90.2%
Insurance	1,771	2,197	24.1%
Provision for Onerous Contracts	-	(3,587)	-
Travel	775	644	(16.9%)
Other	5,097	7,712	51.3%
Total	**129,465**	**178,172**	**37.6%**

Source: Reviewed interim financial statements for the six-month period ended 30 June 2020G and management information

(a) Salaries and Wages

Salaries, wages and materials consumed accounted for 51.7% and 55.3% of total costs of revenues in the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G.

The following table shows a breakdown of salaries and wages for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G:

Table 6.52: Salaries and Wages

SAR'000	Six-Month Period Ended 30 June		Increase/(Decrease)
	2019G - Reviewed	2020G - Reviewed	June 2020G
Salaries	30,185	41,571	37.7%
Iqama / work permits	6,762	14,537	115.0%
Wage of temporary employment	5,277	10,770	104.1%
Overtime Pay	5,830	5,489	(5.8%)
End-of-service Expenses	1,983	2,965	49.5%
Housing Allowance	3,080	4,194	36.2%
Food Allowance	2,773	3,796	36.9%
Health Insurance	2,419	3,208	32.6%
Other	8,676	12,047	38.9%
Total	**66,984**	**98,577**	**47.2%**

Source: Management information

Salaries and wages increased by 47.2%, or SAR 31.6 million, from SAR 67.0 million in the six-month period ended 30 June 2019G to SAR 98.6 million in the six-month period ended 30 June 2020G as a result of the increase in the number of employees from 2,976 employees in the in the six-month period ended 30 June 2019G to 4,215 in the six-month period ended 30 June 2020G. This increase was driven by two main factors:

- The first factor is Iqama / work permits expenses increasing by 115.0%, from SAR 6.8 million in the six-month period ended 30 June 2019G to SAR 14.6 million in the six-month period ended 30 June 2020G, as a result of an increase in Iqama / work permits renewal fees and an increase in the number of foreign employees appointed to execute a number of projects, specifically in the Jeddah and Taif Provinces.
- The second factor is the wage of the temporary employees increasing by 104.1%, from SAR 5.3 million in the six-month period ended 30 June 2019G to SAR 10.8 million in the six-month period ended 30 June 2020G. Note that most of the projects the Company obtained in 2019G and executed during the first half of 2020G were related to wells maintenance and operation in Riyadh, Jazan and Tabuk Provinces. Most of these projects were executed in remote areas by local workers and employees (residents of the provinces) employed by the Company on a temporary basis to perform these projects.

(b) Materials Consumed

The following table shows a breakdown of materials consumed for the six-month period ended 30 June 2019G and the six-month period ending 2020G:

Table 6.53: Materials Consumed

SAR'000	Six-Month Period Ended 30 June		Increase/(Decrease)
	2019G – Reviewed	2020G - Reviewed	June 2020G
Subcontractors Cost	12,417	16,658	34.2%
Civil Work	5,672	10,935	92.8%
Mechanical Work	6,587	9,280	40.9%
Electrical Work	94	18	(81.3%)
Others	974	3,218	230.4%
Joint Agreements' Costs	2,248	1,160	(48.4%)
Total	**27,991**	**41,269**	**47.4%**

Source: Management information

Materials consumed increased by 47.4%, or SAR 13.3 million, from SAR 28.0 million in the six-month period ended 30 June 2019G to SAR 41.3 million in the six-month period ended 30 June 2020G. This increase was affected by the higher volume of business activity. As mentioned above, the increase in activity was driven by the execution of a significant number of projects that the Company secured in late 2019G (20 projects), most of which were executed in the first half of 2020G. The increase in materials consumed was concentrated in subcontractor cost and civil work.

(c) Repair and Maintenance

Repair and maintenance expenses did not undergo material changes between the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, but rather remained stable at SAR 13.6 million between the two periods.

(d) Depreciation

Depreciation charges increased by 23.6%, or SAR 1.5 million, from SAR 6.6 million in the six-month period ended 30 June 2019G to SAR 8.1 million in the six-month period ended 30 June 2020G. This increase was driven by increases in heavy equipment acquired in order to keep pace with project activity during the first half of 2020G.

(e) Utilities

Utility expenses increased by 24.7%, or SAR 1.2 million, from SAR 4.7 million in the six-month period ended 30 June 2019G to SAR 5.8 million in the six-month period ended 30 June 2020G. This increase was in line with the increase in activity at the project sites.

(f) Rent

Rent expenses mainly represented the rental cost accommodation units for workers in the Company's projects. Rent expenses increased by 90.2%, or SAR 1.8 million, from SAR 2.0 million in the six-month period ended 30 June 2019G to SAR 3.9 million in the six-month period ended 30 June 2020G, as a result of renting additional housing units to accommodate the increasing number of workers between these two periods.

(g) Insurance

Insurance expenses mainly include medical insurance expenses for project workers and employees. These expenses increased by 24.1%, or SAR 0.4 million, from SAR 1.8 million in the six-month period ended 30 June 2019G to SAR 2.2 million in the six-month period ended 30 June 2020G, due to an increase in employee numbers and workers between these two periods.

(h) Provision for onerous Contract

The Company reversed a provision for an onerous contract of SAR 3.6 million in the six-month period ended 30 June 2020G. The provision recorded in previous periods was associated with expected losses from the design, implementation and operation of the wastewater treatment plant Project in Al-Kharj Industrial City. Consequently, the amount was reversed due to the client issuing an order of change, whereby an amount of SAR 3.6 million was added to the contract in the six-month period ended 30 June 2020G was reversed. As mentioned above, provisions booked in previous periods were associated with additional costs of materials that were expected to be incurred in order to complete the work on the projects.

(i) Travel

Travel expenses are the travelling costs incurred by the administrative staff during business trips. These expenses amounted to SAR 0.8 million and SAR 0.6 million in the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively. The partial decrease was affected by the lower frequency of travel during the second half of 2020G after the coronavirus pandemic outbreak.

(j) Other

Other expenses increased by 51.3%, or SAR 2.6 million, from SAR 5.1 million in the six-month period ended 30 June 2019G to SAR 7.7 million in the six-month period ended 30 June 2020G. This increase was mainly affected by the increase in legal expenses.

6.10.2.5 Cost of Revenues by Sector

The following table shows a breakdown of cost of revenues by sector for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G:

Table 6.54: Cost of Revenues by Sector and Division

SAR'000	Six-Month Period Ended 30 June		Increase/(Decrease)
	2019G - Reviewed	2020G - Reviewed	30 June 2020G
Sectoral Costs			
Water Sector			
Water Networks	21,456	28,913	34.8%
Water Withdraw and Treatment	41,454	50,784	22.5%
Total	**62,910**	**79,697**	**26.7%**
Wastewater Sector			
Wastewater Networks	17,476	32,588	86.5%
Wastewater Treatment	12,921	20,810	61.1%
Total	**30,397**	**53,398**	**75.7%**
Integrated Water Solutions Sector			
City Management	12,384	16,605	34.1%
Stormwater Networks	11,259	16,909	50.2%

SAR'000	Six-Month Period Ended 30 June		Increase/(Decrease)
	2019G - Reviewed	2020G - Reviewed	30 June 2020G
Support and Asset Management Services	2,401	2,647	10.2%
Total	**26,045**	**36,161**	**38.8%**
Miscellaneous Expenses[1]	10,113	8,916	(11.8%)
Total costs	**129,465**	**178,172**	**37.6%**

Source: Management information

[1] Miscellaneous expenses are overheads that are not classified by contract. These expenses mainly include indirect costs related to the administrative team supervising the sectors' projects. These expenses are not distributed according to the projects or clients, but rather calculated as a total added to the total costs during the period.

(a) Water Sector

Cost of revenues associated with this sector accounted for 48.6% and 44.7% of the total revenue costs during the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively.

Cost of revenues associated with this sector increased by 26.7%, or SAR 16.8 million, from SAR 62.9 million in the six-month period ended 30 June 2019G to SAR 79.7 million in the six-month period ended 30 June 2020G. Cost of revenues associated with water network projects and water withdraw network projects increased between these two periods as follows:

- Cost of revenues related to water network projects increased by 34.8% or SAR 7.5 million from SAR 21.5 million in the six-month period ended 30 June 2019G to SAR 28.9 million in the six-month period ended 30 June 2020G.
- Cost of revenues associated with water extraction and treatment projects increased by 22.5% or SAR 9.3 million from SAR 41.5 million in the six-month period ended 30 June 2019G to SAR 50.8 million in the six-month period ended 30 June 2020G.

The increase in cost of revenues from this sector was in line with the increase in revenues following the increase in the volume of work performed. The increase in cost of revenues was associated with the higher cost of materials used in project operations and the increase in the number of workers performing the work.

(b) Wastewater Sector

Cost of revenues associated with this sector accounted for 23.5% and 30.0% of the total revenue costs during the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively.

Cost of revenues related to the wastewater sector increased by 75.7%, or SAR 23.0 million, from SAR 30.4 million in the six-month period ended 30 June 2019G to SAR 53.4 million in the six-month period ended 30 June 2020G. This increase was affected by higher cost of revenues for wastewater network projects and wastewater treatment projects as follows:

- Cost of revenues related to wastewater network projects increased by 86.5%, or SAR 15.1 million, from 17.5 million in the six-month period ended 30 June 2019G to SAR 32.6 million in the six-month period ended 30 June 2020G.
- Cost of revenues associated with wastewater treatment projects increased by 61.1%, or SAR 7.9 million, from 12.9 million in the six-month period ended 30 June 2019G to SAR 20.8 million in the six-month period ended 30 June 2020G.

The increase in the cost of revenues associated with projects in this sector was in line with the increase in revenues from wastewater networks and wastewater treatment projects between the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G.

(c) Integrated Water Solutions Sector

Cost of revenues associated with this sector accounted for 20.1% and 20.3% of the total revenue costs during the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively.

Cost of revenues related to the integrated water solution sector increased by 38.8%, or SAR 10.1 million, from SAR 26.0 million in the six-month period ended 30 June 2019G to SAR 36.2 million in the six-month period ended 30 June 2020G. This increase was mainly driven by higher cost of revenues associated with city management projects and stormwater network projects.

- Cost of revenues associated with the urban water management projects increased by 34.1%, or SAR 4.2 million, from SAR 12.4 million in the six-month period ended 30 June 2019G, to SAR 16.6 in the six-month period ended 30 June 2020G.

- Cost of revenues associated with stormwater network projects increased by 50.2%, or SAR 5.7 million, from SAR 11.3 million in the six-month period ended 30 June 2019G, to SAR 16.9 million in the six-month period ended 30 June 2020G.
- Cost of revenues associated with support services and asset management projects increased by 10.2%, or SAR 0.2 million, from SAR 2.4 million in the six-month period ended 30 June 2019G to 2.6 million in the six-month period ended 30 June 2020G.

The increase in Cost of revenues was in line with the increase in project revenues in this sector (the increase in costs was concentrated in wage costs for workers and employees working in this sector's projects).

6.10.2.6 Cost of Revenues by Type of Contract

The following table shows a breakdown of cost of revenues per type of contract for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G:

Table 6.55: Cost of Revenues by Type of Contract

SAR'000	Six-Month Period Ended 30 June		Increase/(Decrease)
	2019G - Reviewed	2020G - Reviewed	30 June 2020G
Project Services Contracts	28,782	34,823	21.0%
Operations and Maintenance Contracts	90,570	134,432	48.4%
Miscellaneous Expenses[1]	10,113	8,917	(11.8%)
Total	**129,465**	**178,172**	**37.6%**

Source: Management information

[1] Miscellaneous expenses are overheads that are not classified by contract. These expenses mainly include indirect costs related to the administrative team supervising the sectors' projects. These expenses are not distributed according to the projects or clients, but rather calculated as a total added to the total costs during the period.

(a) Project Services Contracts

Cost of revenues from project Services contracts increased by 21.0%, or SAR 6.0 million, from 28.8 million in the six-month period ended 30 June 2019G to SAR 34.8 million in the six-month period ended 30 June 2020G. This increase was in line with the higher revenues from project services contracts, which was mainly driven by the progress in work on three projects: the Metro line 6 storm water drainage in Riyadh, Al Ared and Tuwaiq 9 and Laban 2 ground water drainage system and the Lo Sewage Line Phase 2 in Riyadh project.

(b) Operations and Maintenance Contracts

Cost of revenues increased by 48.4%, or SAR 43.9 million, from SAR 90.6 million in the six-month period ended 30 June 2019G to SAR 134.4 million in the six-month period ended 30 June 2020G. This increase was related to the three projects that constituted the main factor leading to higher revenues from operations and maintenance contracts (the Jazan Water Wells North District project, the Jeddah Sewage Network And Lifting Stations O&M project and the Damam Water O&M (4) project).

6.10.2.7 Analysis of Gross Profit by Sector and Division

The following table shows a breakdown of gross profit by division and sector for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G:

Table 6.56: Gross Profit by Sector and Division

SAR'000	Six-Month Period Ended 30 June		Increase/(Decrease)
	2019G - Reviewed	2020G - Reviewed	30 June 2020G
Water Sector			
Water Networks	10,657	13,118	23.1%
Water Withdraw and Treatment	24,542	24,025	(2.1%)
Total	**35,199**	**37,144**	**5.5%**
Wastewater Sector			

SAR'000	Six-Month Period Ended 30 June		Increase/(Decrease)
	2019G - Reviewed	2020G - Reviewed	30 June 2020G
Wastewater Networks	14,861	16,592	11.6%
Wastewater Treatment	9,723	19,944	105.1%
Total	**24,584**	**36,535**	**48.6%**
Integrated Water Solutions Sector			
City Management	3,009	8,882	195.1%
Stormwater Networks	736	(1,881)	(355.7%)
Support and Asset Management Services	1,926	831	(56.8%)
Total	**5,671**	**7,832**	**38.1%**
Miscellaneous Expenses(1)	(10,113)	(8,916)	(11.8%)
Gross Profit	**55,340**	**72,595**	**31.2%**
Gross Profit Margin			-
Water Sector			-
Water Networks	33.2%	31.2%	-
Water Withdraw and Treatment	37.2%	32.1%	-
Total	**35.9%**	**31.8%**	-
Wastewater Sector			-
Wastewater Networks	46.0%	33.7%	-
Wastewater Treatment	42.9%	48.9%	-
Total	**44.7%**	**40.6%**	-
Integrated Water Solutions Sector			-
City Management	19.5%	34.8%	-
Stormwater Networks	6.1%	(12.5%)	-
Support and Asset Management Services	44.5%	23.9%	-
Total	**17.9%**	**17.8%**	-
Total Profit Percentage	**29.9%**	**28.9%**	-

Source: Management information

(1) Miscellaneous expenses are overheads that are not classified by contract. These expenses mainly include indirect costs related to the administrative team supervising the sectors' projects. These expenses are not distributed according to the projects or clients, but rather calculated as a total added to the total costs during the period.

(a) Water Sector

Gross profit under the water sector increased by 5.5%, or SAR 1.9 million, from SAR 35.2 million in the six-month period ended 30 June 2019G to SAR 37.1 million in the six-month period ended 30 June 2020G as follows:

- This increase was concentrated in the water network sector, with profits increasing by 23.1%, or SAR 2.5 million, from SAR 10.6 million in the six-month period ended 30 June 2019G to SAR 13.1 million in the six-month period ended 30 June 2020G.
- Gross profit from water withdraw and treatment projects did not undergo material changes between the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G.

The gross profit margin from the water sector decreased from 35.9% in the six-month period ended 30 June 2019G to 31.8% in the six-month period ended 30 June 2020G as follows:

- The gross profit margin from water network projects decreased from 33.2% in the six-month period ended 30 June 2019G to 31.2% in the six-month period ended 30 June 2020G.
- The gross profit margin from water withdraw and treatment projects decreased from 37.2% in the six-month period ended 30 June 2019G to 32.1% in the six-month period ended 30 June 2020G.

While revenues from water networks and water withdraw and treatment projects increased between the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, the rate of increase in cost of revenues exceeded the rate of increase in revenues between these two periods for water network projects and water withdraw and treatment projects.

(b) Wastewater Sector

Gross profit from the wastewater sector increased by 48.6%, or SAR 12.0 million, from SAR 24.6 million in the six-month period ended 30 June 2019G to SAR 36.6 million in the six-month period ended 30 June 2020G. This increase was affected by a higher gross profit from wastewater network projects and wastewater treatment projects as follows:

- The gross profit of wastewater network projects increased by 11.6%, or SAR 1.7 million, from SAR 14.9 million in the six-month period ended 30 June 2019G to SAR 16.6 million in the six-month period ended 30 June 2020G.
- The gross profit of wastewater treatment projects increased by 105.1%, or SAR 10.2 million, from SAR 9.7 million in the six-month period ended 30 June 2019G to SAR 19.9 million in the six-month period ended 30 June 2020G.

The aforementioned increases were in line with the revenue movement of wastewater network projects and wastewater treatment projects.

The gross profit margin associated with the wastewater division projects decreased from 44.7% in the six-month period ended 30 June 2019G to 40.6% in the six-month period ended 30 June 2020G, after a decrease in the gross profit margin associated with wastewater networks projects as follows:

- Gross profit margin associated with the wastewater network projects decreased from 46.0% in the six-month period ended 30 June 2019G to 33.7% in the six-month period ended 30 June 2020G. The cost of revenues under these projects increased by 86.5% between the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G (versus a 52.1% increase in revenues between these two periods).
- On the other hand, gross profit margin associated with wastewater treatment projects increased from 42.9% in the six-month period ended 30 June 2019G to 48.9% in the six-month period ended 30 June 2020G driven by the increase in revenue generated from these projects from SAR 22.6 million to SAR 40.8 million between both periods.

(c) Integrated Water Solutions Sector

Gross profit from the integrated water solutions sector increased by 38.1%, or SAR 2.2 million, from SAR 5.7 million in the six-month period ended 30 June 2019G to SAR 7.8 million in the six-month period ended 30 June 2020G. This increase was mainly affected by the higher gross profit from city management projects as follows:

- Profit from city water management projects increased by 195.2%, or SAR 5.9 million, from SAR 3.0 million in the six-month period ended 30 June 2019G to SAR 8.9 million in the six-month period ended 30 June 2020G, due to higher revenues from the said projects.
- Gross profit from stormwater networks' projects decreased from a profit of SAR 0.7 million in the six-month period ended 30 June 2019G to a loss of SAR 1.9 million in the six-month period ended 30 June 2020G. This loss resulted from cost of revenues of these projects increasing from SAR 11.3 million in the six-month period ended 30 June 2019G to SAR 16.9 million in the six-month period ended 30 June 2020G.
- The gross profit for Support and asset management services projects decreased from SAR 1.9 million in the six-month period ended 30 June 2019G to SAR 0.8 million in the six-month period ended 30 June 2020G due to a decrease in revenues from the said projects.

The gross profit margin from the integrated water solution sector did not undergo material changes between the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G. The gross profit margin amounted to 17.9% and 17.8% during the two periods, respectively.

6.10.2.8 Analysis of Gross Profit by Type of Contract

The following table shows a breakdown of gross profit by type of contract for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G:

Table 6.57: Gross Profit by Type of Contract

SAR'000	Six-Month Period Ended 30 June		Increase/(Decrease)
	2019G - Reviewed	2020G - Reviewed	30 June 2020G
Project Services Contracts	16,429	12,224	(25.6%)
Operations and Maintenance Contracts	47,056	66,877	42.1%
Miscellaneous Expenses[1]	(8,144)	(6,506)	(20.1%)
Total	**55,340**	**72,595**	**31.2%**
Gross Profit Margin			-
Project Services Contracts	36.3%	26.0%	-
Operations and Maintenance Contracts	34.2%	33.2%	-
Total	**29.9%**	**28.9%**	-

Source: Management information

(1) Miscellaneous expenses are overheads that are not classified by contract. These expenses mainly include indirect costs related to the administrative team supervising the sectors' projects. These expenses are not distributed according to the projects or clients, but rather calculated as a total added to the total costs during the period.

(a) Project Services Contracts

Gross profit from project services contracts decreased by 25.6%, from SAR 16.4 million during the six-month period ended 30 June 2019G to SAR 12.2 million in the six-month period ended 30 June 2020G. The gross profit margin decreased from 34.2% in the six-month period ended 30 June 2019G to 33.2% in the six-month period ended 30 June 2020G. The decrease in the gross profit and gross profit margin was affected by the significant increase in cost of revenues from Project Services contracts in the first half of 2020G. The increase in cost of revenues (21.0%) surpassed the increase in revenues (4.1%) in the six-month period ended 30 June 2020G.

(b) Operations and Maintenance Contracts

Gross profit generated from operations and maintenance contracts increased by 42.1%, from SAR 47.1 million in the six-month period ended 30 June 2019G to SAR 66.9 million in the six-month period ended 30 June 2020G. This increase was related to the increase in revenues from maintenance and operation projects, which was mainly associated with three main projects: the Jazan Water Wells North District project, the Jeddah Sewage Network And Lifting Stations O&M project and the Damam Water O&M (4) project.

The gross profit margin from operations and maintenance contracts decreased from 34.2% in the six-month period ended 30 June 2019G to 33.2% in the six-month period ended 30 June 2020G. This decrease was due to the significant increase in cost of revenues, which amounted to 48.4% compared to a 46.3% increase in the revenues between the two periods.

6.10.2.9 Selling and Distribution Expenses

The following table shows a breakdown of selling and distribution expenses for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G:

Table 6.58: Sale and Distribution Expenses

SAR'000	Six-Month Period Ended 30 June		Increase/(Decrease)
	2019G - Reviewed	2020G - Reviewed	30 June 2020G
Tender Fees	297	938	215.5%
Advertising Expenses	126	116	(8.2%)
Business Development Expenses	61	127	108.3%
Sales Commission	8	(48)	(727.9%)
Total	**492**	**1,133**	**130.3%**

Source: Management information

Tender fees increased by 215.5%, or SAR 0.6 million, from SAR 0.3 million in the six-month period ended 30 June 2019G to SAR 0.9 million in the six-month period ended 30 June 2020G. This increase was mainly affected by the increase in the number and value of tenders and the cost of studies for projects in which the Company participated during the first half of 2020G.

Advertising expenses did not witness material changes between the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G. These expenses remained relatively stable at SAR 0.1 million between the two periods.

Business development expenses increased from SAR 61,000 in the six-month period ended 30 June 2019G to SAR 0.1 million in the six-month period ended 30 June 2020G. This increase was driven by the placement of billboards on project sites.

The Company recognised a sales commission of SAR 8,000 in the six-month period ended 30 June 2019G. The Company reversed the sales commission expenses of SAR 48,000 in the six-month period ended 30 June 2020G. These expenses represented commission costs provided for in excess in previous periods, as the Company reversed these additional expenses.

6.10.2.10 General and Administrative Expenses

The following table shows a breakdown of general and administrative expenses for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G:

Table 6.59: General and Administrative Expenses

SAR'000	Six-Month Period Ended 30 June		Increase/(Decrease)
	2019G - Reviewed	2020G - Reviewed	30 June 2020G
Salaries and Related Costs	7,973	9,696	21.6%
Professional Fees	673	552	(18.0%)
Postage, Telephone and Telegram Expenses	244	136	(44.5%)
Bank Charges	822	228	(72.2%)
Rent Expenses	258	224	(13.3%)
Shared Service Costs	240	240	-
Depreciation	385	512	33.0%
Subscription Fees	52	296	465.6%
Repair and Maintenance Expenses	77	59	(23.9%)
Utilities Expenses	45	27	(40.6%)
Insurance Expenses	33	40	22.3%
Other	264	115	(56.4%)
Total	**11,067**	**12,125**	**9.6%**

Source: Management information

(a) Salaries and Related Costs

Salaries and related costs formed the main component of general and administrative expenses. Salaries and related costs accounted for 72.0% and 80.0% in the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively.

The following table shows a breakdown of salaries and related costs for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G:

Table 6.60: Salaries and Related Costs

SAR'000	Six-Month Period Ended 30 June		Increase/(Decrease)
	2019G - Reviewed	2020G - Reviewed	June 2020G
Bonus	3,109	3,021	(2.8%)
Salaries & Wages	2,695	3,771	39.9%
Housing Allowance	683	882	29.1%

SAR'000	Six-Month Period Ended 30 June		Increase/(Decrease)
	2019G - Reviewed	2020G - Reviewed	June 2020G
End-of-Service Benefits	236	515	118.2%
Vacation Payee Expenses	231	339	46.8%
Health Insurance	200	246	23.0%
Overtime Pay	196	173	(11.7%)
Airfares Contractual	151	171	13.2%
Transportation Allowance	133	156	17.3%
GOSI premiums	133	169	27.1%
Other	206	253	22.8%
Total	**7,973**	**9,696**	**21.6%**

Source: Management information

Salaries and related costs increased by 21.6%, or SAR 1.7 million, from SAR 8.0 million in the six-month period ended 30 June 2019G to SAR 9.7 million in the six-month period ended 30 June 2020G. This increase was driven by an increase in administrative employee headcount and the appointment of a new Chief Financial Officer.

(b) Professional Fees

Professional fees decreased by 18.0%, or SAR 0.1 million, from SAR 0.7 million in the six-month period ended 30 June 2019G to SAR 0.6 million in the six-month period ended 30 June 2020G. These expenses fluctuate during the regular course of business and are affected by the scope and volume of the legal and financial transactions executed.

(c) Postage, Telephone and Telegram Expenses

Postage, telephone and telegram expenses decreased by 44.5%, or SAR 0.1 million, from SAR 0.2 million in the six-month period ended 30 June 2019G to SAR 0.1 million in the six-month period ended 30 June 2020G. This was mainly due to lower activity in the head office during the coronavirus pandemic outbreak.

(d) Bank Charges

Bank Charges decreased by 72.2%, or SAR 0.6 million, from SAR 0.8 million in the six-month period ended 30 June 2019G to SAR 0.2 million in the six-month period ended 30 June 2020G. The decrease resulted in a drop in the number of bid bonds issued during the first half of 2020G. Bank fees are mainly affected by the number and value of tenders in which the Company participated during the first half of 2020G. It is noted that during the first half of 2020G, some clients adopted a new method of work stipulating that the Company need to be pre-authorised to enter into some tenders, which automatically led to a drop in the number of tenders in which the Company participated.

(e) Rent expenses

Rent expenses did not witness material changes between the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, as the costs remained stable at SAR 0.2 million between the two periods.

(f) Shares Service Costs

Shares service costs remained stable at SAR 0.2 million between the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G.

(g) Depreciation

Depreciation charges increased by 33.0%, or SAR 0.1 million, from SAR 0.4 million in the six-month period ended 30 June 2019G to SAR 0.5 million in the six-month period ended 30 June 2020G. This increase was associated with additions made to heavy equipment (SAR 7.3 million) and motor vehicles (SAR 4.2 million) during the first half of 2020G.

(h) Subscription Fees

Subscription fees increased by 465.6%, or SAR 0.2 million, from SAR 52,000 in the six-month period ended 30 June 2019G to SAR 0.3 million in the six-month period ended 30 June 2020G. This increase was mainly driven by software license renewal costs (Oracle and Microsoft).

(i) Repair and Maintenance Expenses

Repair and maintenance expenses decreased by 23.9%, from SAR 77,000 in the six-month period ended 30 June 2019G to SAR 59,000 in the six-month period ended 30 June 2020G. The decrease was driven by the drop in frequency of maintenance and repair work for administrative office assets due to the spread of the coronavirus pandemic. These expenses fluctuate based on scope of maintenance works.

(j) Utilities

Utilities expenses decreased by 40.6%, from SAR 45,000 in the six-month period ended 30 June 2019G to SAR 27,000 in the six-month period ended 30 June 2020G, due to a decrease in the daily work activity in the administrative office following to the spread of the coronavirus pandemic.

(k) Insurance Expenses

Insurance expenses increased by 22.3%, from SAR 33,000 in the six-month period ended 30 June 2019G to SAR 40,000 in the six-month period ended 30 June 2020G, due to an increase in administrative employee numbers between the two periods.

(l) Other

Other expenses decreased by 56.4%, or SAR 0.1 million, from SAR 0.3 million in the six-month period ended 30 June 2019G to SAR 0.1 million in the six-month period ended 30 June 2020G. The decrease was driven by a decrease in business trip and travel expenses during the period of the coronavirus pandemic spread, during which movement and travel restrictions were imposed.

6.10.2.11 Financing Costs

The following table shows a breakdown of financing costs for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G:

Table 6.61: Financing Costs

SAR'000	Six-Month Period Ended 30 June		Increase/(Decrease)
	2019G - Reviewed	2020G - Reviewed	30 June 2020G
Borrowing Financing Costs	2,911	1,879	(35.5%)
(Profits)/Financing Costs Paid to Alkhorayef Group Company	23	(58)	355.8%
Financing Costs from Leases	43	81	89.5%
Total	**2,977**	**1,902**	**(36.1%)**

Source: Management information

Financing costs decreased by 35.5%, or SAR 1.0 million, from SAR 2.9 million in the six-month period ended 30 June 2019G to SAR 1.9 million in the six-month period ended 30 June 2020G. The decrease resulted from early repayment of loans the Company obtained in previous periods through Alkhorayef Group Company.

The Company recognised costs of SAR 23,000 paid to Alkhorayef Group Company during the six-month period ended 30 June 2019G. These costs represented interest expenses paid to Alkhorayef Group Company against sums and loans Alkhorayef Group Company granted the Company during the regular course of business. These interest expenses are recognised as an expense when the amounts granted by Alkhorayef Group Company exceed its withdrawals from the Company's project revenues. In the first half of 2020G, profits of SAR 58,000 were recognised, as the withdrawals obtained by Alkhorayef Group Company from the project revenues exceeded the amounts granted to the Company during the regular course of business. As mentioned above, it is noted that proceeds from clients are transferred to Alkhorayef Group Company for the purpose of loan payments. It should be noted that accounts receivable from Alkhorayef Group Company related to the withdrawals obtained by the Group from the Company were settled in the period following June 2020G. The financing agreement was terminated, upon which the transactions between the Company and Alkhorayef Group were based.

Financing costs also included expenses related to right-of-use assets associated with finance leases. These expenses increased by 89.5%, from SAR 43,000 in the six-month period ended 30 June 2019G to SAR 81,000 in the six-month period ended 30 June 2020G.

6.10.2.12 Other Income

The following table shows a breakdown of other income for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G:

Table 6.62: Other Income

SAR'000	Six-Month Period Ended 30 June		Increase/(Decrease)
	2019G - Reviewed	2020G - Reviewed	30 June 2020G
Government Incentives	2,389	188	(92.1%)
Other	32	-	-
Foreign Currency Exchange Losses and Gains	1	18	2101.8%
Total	**2,422**	**206**	**(91.5%)**

Source: Management information

Government incentives decreased by 92.1%, or SAR 2.2 million, from SAR 2.4 million in the six-month period ended 30 June 2019G to SAR 0.2 million in the six-month period ended 30 June 2020G. These incentives have been gradually disbursed since 2019G. These incentives do not constitute fixed income for the Company, but rather compensations provided on an irregular or non-periodic basis. These compensations were granted to cover part of the additional expenses the Company incurred between 2018G and 2019G from the high expenses associated with the renewal of residence permits due to the issuance of a new law regulating expatriate affairs and work conditions in the Kingdom.

Other income amounted to SAR 32,000 in in the six-month period ended 30 June 2019G pertained to the sale of spare parts. No similar income was recognised in the six-month period ended 30 June 2020G.

Foreign currency exchange gains increased from SAR 1,000 in the six-month period ended 30 June 2019G to SAR 18,000 in the six-month period ended 30 June 2020G. This increase was affected by the partial increase in the volume of various material procurements made by the Company to support the movement of projects performed during the first half of 2020G.

6.10.2.13 Gains/Loss on Property and Equipment Sales

Gains on sale of property and equipment amounting to SAR 37,000 and SAR 24,000 in the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively, were related to the sale of a number of machines and equipment that are fully depreciated during the course of work on project sites.

6.10.2.14 Zakat

No Zakat expenses were recognized by the Company between the first half of 2019G and the first half of 2020G.

6.10.2.15 Net Profit for the Year

Net profit for the year increased by 33.3%, or SAR 14.4 million, from SAR 43.3 million in the six-month period ended 30 June 2019G to SAR 57.7 million in the six-month period ended 30 June 2020G, This increase was mainly affected by the increase in revenues by 35.7% from SAR 184.8 million in the six-month period ended 30 June 2019G to SAR 250.8 million in the six-month period ended 30 June 2020G.

6.10.2.16 Other Comprehensive Income

The Company did not recognise any gains and losses from the re-measurement of defined benefit liabilities between the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G. Other comprehensive income was consistent with the net profit for the year between the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G.

6.10.3 Statement of Financial Position

The following table shows the statement of financial position as of 31 December 2019G and 30 June 2020G:

Table 6.63: Statement of Financial Position

SAR'000	Financial Year Ending	Six-Month Period Ending	Increase/(Decrease)
	31 December 2019G - Audited	30 June 2020G - Reviewed	30 June 2020G
Assets			
Non-Current Assets			
Property and Equipment	62,680	65,971	5.3%
Right-of-Use Assets	4,169	4,009	(3.8%)
Total Non-Current Assets	**66,849**	**69,980**	**4.7%**
Current Assets			
Inventory	26,955	23,596	(12.5%)
Trade Receivables, Prepayments and Other Receivables	182,351	228,337	25.2%
Contract Assets	112,716	133,460	18.4%
Cash and Bank Balances	17,059	16,216	(4.9%)
Amounts Due from Related Parties	-	106,124	-
Total Current Assets	**339,082**	**507,734**	**49.7%**
Total Assets	**405,931**	**577,714**	**42.3%**
Equity and Liabilities			
Capital	80,000	250,000	212.5%
Statutory Reserve	19,065	-	(100.0%)
Retained Earnings	116,808	7,666	(93.4%)
Re-measurement of Employee Defined Benefit Liabilities	(599)	(599)	-
Total Equity	**215,274**	**257,067**	**19.4%**
Non-Current Liabilities			
Employee Defined Benefit Liabilities	32,269	34,822	7.9%
Term Loans	-	71,786	-
Lease Liabilities	3,902	3,817	(2.2%)
Total Non-Current Liabilities	**36,171**	**110,426**	**205.3%**
Current Liabilities			
Accounts Payable, Accruals and Other Liabilities	98,510	89,604	(9.0%)
Long Term Loans – Current Portion	-	59,286	-
Short-Term Loans	-	61,005	-
Amounts Due to Related Parties	55,729	-	(100.0%)
Lease Liabilities	246	327	32.8%
Total Current Liabilities	**154,485**	**210,222**	**36.1%**
Total Liabilities	**190,656**	**320,647**	**68.2%**
Total Equity and Liabilities	**405,931**	**577,714**	**42.3%**

Source: Reviewed interim financial statements for the six-month period ended 30 June 2020G

6.10.3.1 Overview of Statement of Financial Position

Trade receivables, contract assets, and property and equipment constituted the main components of the Company's assets. These components accounted for 79.5% and 65.1% of total Company assets as of 31 December 2019G and 30 June 2020G, respectively.

(a) Non-Current Assets

Property and equipment accounted for 93.8% and 94.3% of total non-current assets as of 31 December 2019G and 30 June 2020G.

Non-current assets increased by 4.7%, or SAR 3.1 million, from SAR 66.8 million as of 31 December 2019G to SAR 70.0 million as of 30 June 2020G. This increase was related to the increases incurred on heavy equipment and motor vehicles during the first half of 2020G amounting to of SAR 11.5 million. Heavy equipment and motor vehicles were procured in order to keep pace with the higher activity of the projects performed.

(b) Current Assets

Trade receivables, prepayments and other receivables and contract asset balances were the two main components of current assets between 31 December 2019G and 30 June 2020G. These two components combined accounted for 87.0% and 92.2% of the total value of the current assets as of 31 December 2019G and 30 June 2020G, respectively.

Current assets increased by 49.7%, or SAR 168.7 million, from SAR 339.1 million as of 31 December 2019G, to SAR 507.7 million as of 30 June 2020G. This increase was mainly driven by an increase in prepayments and other receivables from SAR 35.1 million to SAR 157.5 million between 31 December 2019G and 30 June 2020G. This increase was affected by the SAR 106.1 million amounts due from Related Parties balance as of 30 June 2020G, receivable from Alkhorayef Group Company, which collected proceeds on behalf of the Company. As previously mentioned, the Company signed a financing agreement with Alkhorayef Group Company to borrow from Alkhorayef Group Company to meet all working capital needs, whenever needed. In the first half of 2020G, the Company collected about SAR 203 million mainly from government clients, which led to the transformation of the overlapping account into an account receivable in favour of the Company. It should be noted that accounts receivable from Alkhorayef Group Company related to the withdrawals obtained by the Group from the Company were settled in the period following June 2020G. The financing agreement was terminated, upon which the transactions between the Company and Alkhorayef Group were based.

(c) Equity

Equity gradually increased by 19.4%, or SAR 41.8 million, from SAR 215.3 million as of 31 December 2019G to SAR 257.1 million as of 30 June 2020G. This increase was associated with the Company's issued capital increasing from SAR 80.0 million as of 31 December 2019G to SAR 250.0 million as of 30 June 2020G, due to the partners' resolution to increase the capital during the first half of 2020G.

(d) Non-Current Liabilities

Employee defined employee benefit liabilities and term loans were the main components of the non-current liabilities between 31 December 2019G and 30 June 2020G. These two components accounted for 89.2% and 96.5% of total non-current liabilities as of 31 December 2019G and 30 June 2020G. It is noted that term loans and short-term loans accounted for 68.5% of non-current liabilities as of 30 June 2020G.

Total non-current liabilities increased by 205.3%, or SAR 74.3 million, from SAR 36.2 million as of 31 December 2019G to SAR 110.4 million as of 30 June 2020G. This increase was driven by the Company obtaining new loans to support project requirements, with the term loans balances amounting to SAR 71.8 million as of 30 June 2020G. It is noted that as of the end of 2019G, loans were granted to the Company under a comprehensive contract to be signed between the banks and Alkhorayef Group Company. However, as of 2020G, the Company obtained direct financing and began to transfer the current loan agreements to the Company's name, as well as transferring the loan agreement with The National Commercial Bank, which was under the comprehensive agreement the bank made with Alkhorayef Group Company on the Company's behalf.

(e) Current Liabilities

Current liabilities consisted mainly of accounts payable, accruals and other liabilities and amounts due to Related Parties, which accounted for 99.8% and 42.6% of total current liabilities as of 31 December 2019G and 30 June 2020G, respectively. It is noted that term loans and short-term loans accounted for 57.2% of non-current liabilities as of 30 June 2020G.

The total balance of current liabilities increased by 36.1%, or SAR 55.7 million, from SAR 154.5 million as of 31 December 2019G to SAR 210.2 million as of 30 June 2020G. This increase was affected by the loans the Company obtained during the first half of 2020G, with the total balance of short-term loans and the current balance of term loans amounting to SAR 120.3 million as of 30 June 2020G.

It is noted that the current liabilities included SAR 55.7 million in amounts due to Related Parties as of 31 December 2019G. These amounts were associated with the loans the Company obtained through Alkhorayef Group Company. These amounts were paid during the first half of 2020G. Consequently, the balance of the amounts due to Related Parties decreased from SAR 55.7 million as of 31 December 2019G, to zero as of 30 June 2020G.

6.10.3.2 Property and Equipment

The following table shows a breakdown of property and equipment as of 31 December 2019G and 30 June 2020G:

Table 6.64: Property and Equipment

SAR'000	Financial Year Ended 31 December 2019G - Audited	Six-Month Period Ended 30 June 2020G - Reviewed	Increase/(Decrease)
			30 June 2020G
Net Book Value			
Buildings	816	772	(5.4%)
Furniture and Fixtures	29,601	33,468	13.1%
Heavy Machines	4,884	4,513	(7.6%)
Motor Vehicles	27,379	27,217	(0.6%)
Total	**62,680**	**65,971**	**5.3%**

Source: Reviewed interim financial statements for the six-month period ended 30 June 2020G

The net book value increased by 5.3%, or SAR 3.3 million, from SAR 62.7 million as of 31 December 2019G to SAR 66.0 million as of 30 June 2020G. This increase was driven by the increase in book value of furniture and fixtures by 13.1%, or SAR 3.9 million, from SAR 29.6 million as of 31 December 2019G to SAR 33.5 million as of 30 June 2020G. The increase in book value of furniture and fixtures was related to an increase of SAR 7.3 million due to the Company acquiring new equipment and machinery to fulfil the requirements for projects executed during the first half of 2020G.

The net book value of property and equipment did not fluctuate significantly between 31 December 2019G and 30 June 2020G. The total book value of buildings, heavy machines, and motor vehicles slightly decreased from SAR 33.1 million as of 31 December 2019G, to SAR 32.5 million as of 30 June 2020G, due to depreciation of the these assets.

As previously mentioned, the buildings include two administrative buildings for the Company and a set of workshops in Qassim which were developed to repair project equipment and vehicles. The book value of the building did not experience any material changes between 31 December 2019G and 30 June 2020G.

6.10.3.3 Right-of-Use Assets

As of 30 June 2020G, right-of-use assets involved lease contracts for buildings containing workshops and staff accommodation units in Al-Kharj and Riyadh Provinces. The value of the right-of-use assets did not witness material changes between 31 December 2019G and 30 June 2020G. The value of these assets were SAR 4.2 million and SAR 4.0 million as of 31 December 2019G and 30 June 2020G, respectively.

6.10.3.4 Inventories

The following table shows a breakdown of inventories as of 31 December 2019G and 30 June 2020G:

Table 6.65: Inventories

SAR'000	Financial Year Ending 31 December 2019G - Audited	Six-Month Period Ending 30 June 2020G - Reviewed	Increase/(Decrease) 30 June 2020G
Finished Goods	31,188	27,829	(10.8%)
Less: Provision for Slow-moving Inventories	(4,233)	(4,233)	0.0%
Total	**26,955**	**23,596**	**(12.5%)**

Source: Management Information

The inventory balance decreased by 12.5%, or SAR 3.4 million, from SAR 27.0 million on 31 December 2019G to SAR 23.6 million as of 30 June 2020G. The decrease was due to the depreciation and utilisation of a notable amount of spare parts and materials consumed during the execution of the projects that the Company contracted in late 2019G and executed during the six-month period ended 30 June 2020G.

The following table shows a breakdown of provision for slow-moving inventories as of 31 December 2019G and 30 June 2020G:

Table 6.66: Provision for Slow-moving Inventories

SAR'000	Financial Year Ending 31 December 2019G - Audited	Six-Month Period Ending 30 June 2020G - Reviewed	Increase/(Decrease) 30 June 2020G
Opening Balance	4,233	4,233	-
Additional Provision	-	-	-
Total	**4,233**	**4,233**	**-**

Source: Management Information

The provision for slow-moving inventories remained stable between 31 December 2019G and 30 June 2020G. It is noted that as of 30 June 2020G, the balance of inventories obsolete for over one year amounted to SAR 9.6 million. The Company considers a provision of SAR 4.2 million sufficient to cover slow-moving or expired inventories in the course of business, especially since the majority of the Company's inventories consist of spare parts that can be kept for long periods without risk of damage and can be easily sold when needed by lowering their prices.

6.10.3.5 Trade Receivables, Prepayments and Other Receivables

The following table shows a breakdown of trade, prepayments and other receivables as of 31 December 2019G and 30 June 2020G:

Table 6.67: Trade Receivables, Prepayments and Other Receivables

SAR'000	Financial Year Ending 31 December 2019G - Audited	Six-Months Period Ending 30 June 2020G - Reviewed	Increase/(Decrease) 30 June 2020G
Trade Receivables	144,038	172,813	20.0%
Retention Receivables	7,701	8,663	12.5%
Less: Provision for Expected Credit Losses	(4,526)	(4,526)	-
Prepayments and Other Assets	35,139	51,388	46.2%
Total	**182.352**	**228,338**	**25.2%**

Source: Reviewed interim financial statements for the six-month period ended 30 June 2020G

Trade receivables increased by 20.0%, or SAR 28.8 million, from SAR 144.1 million as of 31 December 2019G to SAR 172.8 million as of 30 June 2020G. This increase was in line with the increase in revenues and the increase in the volume of work performed, which led to an increase in the value of bills issued.

The following table shows a breakdown of the aging of trade receivables as of 30 June 2020G:

Table 6.68: Aging of Trade Receivables and Other Receivables as of 30 June 2020G

SAR'000	Not Past Due	0-90 days	91-180 days	181-270 days	271-360 days	361-450 days	451-540 days	541-630 days	631-720 days	Over 720 days	Total
Total	81,106	26,588	22,967	18,147	4,225	1,300	11,086	350	460	6,583	172,872
% of Total Receivables	46.9%	15.4%	13.3%	10.5%	2.4%	0.8%	6.4%	0.2%	0.3%	3.8%	100.0%

Source: Management Information

The value of receivables outstanding for a period exceeding 361 days was SAR 19.8 million as of 30 June 2020G. The large majority of the Company's transactions are conducted with Government or quasi-Government clients, hence collection of receivables can be a time consuming process. The Company periodically communicates with clients to obtain confirmation letters to assess the accuracy of the amounts recognised and accelerate the collection process.

The following table shows the aging of trade receivables by client as of 30 June 2020G:

Table 6.69: Aging of Trade Receivables by Client

SAR'000	Total	Not Due	0-90 Days	91-180 Days	181-270 Days	271-360 Days	361-450 Days	451-540 Days	541-630 Days	631-720 Days	Over 720 Days
MEWA	104,631	54,688	8,006	13,866	8,282	2,416	1,161	10,717	44	145	5,306
NWC	27,477	5,311	6,411	5,405	8,937	1,412	-	-	-	-	-
Royal Commission for Riyadh City	17,774	10,737	7,037	-	-	-	-	-	-	-	-
Ministry of National Guard-Health Affairs	2,553	2,553	-	-	-	-	-	-	-	-	-
Riyadh Municipality	2,335	1,337	-	747	-	250	-	-	-	-	-
Other Clients	18,044	6,480	5,134	2,949	928	147	139	370	307	315	1,276
Total	**172,813**	**81,106**	**26,588**	**22,967**	**18,147**	**4,225**	**1,300**	**11,086**	**350**	**461**	**6,582**

Source: Management information

As mentioned previously, most of the Company's project contracts are executed for government clients. The process of collecting receivables from these clients takes a long time, and receivables are usually past due in the normal course of business.

The following table shows the details of the aging of trade receivables by projects as of 30 June 2020G:

Table 6.70: Aging of Trade Receivables by Project

SAR'000	Client	Total	Not Past Due	0-90 days	91-180 days	181-270 days	271-360 days	361-450 days	451-540 days	541-630 days	631-720 days	Over 720 days
O&M Jazan Water Wells	MEWA	15,582	3,508	1,681	1,692	8,000	526	175	-	-	-	-
Al Ared And Tuwaiq 9 And Laban 2 Ground Water Drainage System	RCRC	15,241	8,205	7,037	-	-	-	-	-	-	-	-
Dammam Water Project	MEWA	9,386	1,576	-	6,897	-	-	-	914	-	-	-
O&M Tabuk Water Wells	MEWA	8,295	4,155	-	4,141	-	-	-	-	-	-	-
Riyadh Water Group 3 (2)	MEWA	6,686	4,712	1,974	-	-	-	-	-	-	-	-

SAR'000	Client	Total	Not Past Due	0-90 days	91-180 days	181-270 days	271-360 days	361-450 days	451-540 days	541-630 days	631-720 days	Over 720 days
Riyadh Metro Line 1	BACS Consortium	6,409	3,148	2,511	143	607	-	-	-	-	-	-
Jazan Water Wells North District	MEWA	6,364	6,364	-	-	-	-	-	-	-	-	-
Awpt O&M- Project Construction Of Mini Water Purification Plants in Hail (1)	NWC	6,325	-	-	-	-	-	-	1,194	-	-	5,131
Riyadh Tse Water Distribution Part 1	NWC	6,230	1,709	711	1,414	983	1,412	-	-	-	-	-
Alhameimeh Water Station On Hail	MEWA	4,996	-	-	-	-	-	-	4,996	-	-	-
Other	-	87,298	47,730	12,674	8,680	8,556	2,287	1,125	3,984	350	461	1,450
Total	**-**	**172,813**	**81,106**	**26,588**	**22,967**	**18,147**	**4,225**	**1,300**	**11,086**	**350**	**461**	**6,582**

Source: Management information

Most of the trade receivables balance as of 30 June 2020G was associated with the Company's main projects with the Ministry of Environment, Water and Agriculture and the National Water Company. Balances related to these two clients represented 37.0% of the top ten trade receivables' balances as of 30 June 2020G.

The following table shows a breakdown of the expected credit losses as of 30 June 2020G:

Table 6.71: Expected Credit Losses

Maturity	Expected Credit Loss Rate	Value of Receivables	Expected Credit Loss
Not Past Due	1.9%	81,748	1,550
0-90 days	2.2%	28,864	639
91-180 days	4.8%	4,567	219
181-270 days	8.1%	3,569	287
271-360 days	12.3%	12,363	1,524
361-450 days	0.5%	1,892	10
451-540 days	2.2%	2,546	55
541-630 days	12.4%	1,308	162
631-720 days	2.0%	2,595	51
Over 720 days	0.7%	4,586	30
Total		**144,038**	**4,526**

Source: Management information

The following table shows a breakdown of the expected credit losses provision as of 31 December 2019G and 30 June 2020G:

Table 6.72: Expected Credit Losses Provision

SAR'000	Financial Year Ended 31 December 2019G - Audited	Six-Month Period Ended 30 June 2020G - Reviewed	Increase/(Decrease) 30 June 2020G
Opening Balance	4,526	4,526	-
Charge for the Year	-	-	-
Total	**4,526**	**4,526**	**-**

Source: Reviewed interim financial statements for the six-month period ended 30 June 2020G

The provision for expected credit losses did not witness material changes and the balance remained stable at SAR 4.5 million between 31 December 2019G and 30 June 2020G. The Company considers the provision sufficient to cover any obsolete or slow-moving balances. As mentioned above, the expected credit losses provision was calculated by adopting IFRS 9, which stipulates applying the ECL method to determine provisions.

Retention receivables increased by 12.5%, or SAR one million from SAR 7.7 million as of 31 December 2019G to SAR 8.7 million as of 30 June 2020G. As in the case of trade receivables, the increase in retention receivables was driven by the higher volume of work performed and frequency of billing during the first half of 2020G. It is noted that retention receivables as of 30 June 2020G were mainly associated with sanitation treatment network construction project. Retention receivables associated with this project amounted to SAR 6.4 million, accounting for 73.6% of the total retention receivables.

The following table shows the details of trade receivables by clients:

Table 6.73: Details of Trade Receivables by Client as of 30 June 2020G

SAR '000	Six-month Period Ended 30 June 2020G - Reviewed
Ministry of Environment, Water and Agriculture	104,631
National Water Company	27,477
BACS Consortium	6,409
Ministry of National Guard - Health Affairs	2,553
Atkins Global	3,600
FCC Aqualia	6,004
AlRiyadh Municipality	2,335
Others	18,534
Total	**171,541**

Source: Management information

(1) Numbers in the above table do not match the numbers of trade receivables in Table No. 6-70 as a result of some differences resulting from different classifications followed by the Executive Management and the Auditor.

Trade receivable balances were concentrated in receivable balances from NWC where the receivables of these two clients amounted to 77.0% of the total balance of trade receivables as of 30 June 2020G.

6.10.3.6 Contract Assets

The following table shows a breakdown of contract assets as of 31 December 2019G and 30 June 2020G:

Table 6.74: Contract Assets

SAR'000	Financial Year Ended 31 December 2019G - Audited	Six-Month Period Ended 30 June 2020G - Reviewed	Increase/(Decrease)
			30 June 2020G
Value of Work Performed	423,228	250,767	(40.7%)
Progress Billing	(310,512)	(117,307)	(62.2%)
Total	**112,716**	**133,460**	**18.4%**

Source: Reviewed interim financial statements for the six-month period ended 30 June 2020G

Contract assets increased by 18.4%, or SAR 20.7 million, from SAR 112.7 million as of 31 December 2019G to SAR 133.5 million as of 30 June 2020G. This increase was in line with the increase in revenues between the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G. It is noted that the progress billing process experienced a partial slowdown during the coronavirus pandemic due to the difficulties that arose in communication with clients.

The following table shows a breakdown of contract assets by type of contract as of 31 December 2019G and 30 June 2020G:

Table 6.75: Contract Assets by Type of Contract

SAR'000	Financial Year Ended 31 December 2019G - Audited	Six-Month Period Ended 30 June 2020G - Reviewed	Increase/(Decrease)
			June 2020G
Operations and Maintenance	57,914	100,118	72.9%
Project Services	54,802	31,048	(43.3%)
Miscellaneous Balances	-	2,294	-
Total	**112,716**	**133,460**	**18.4%**

Source: Management information

Contract assets associated with maintenance and operation contracts increased by 72.9%, from SAR 57.9 million as of 31 December 2019G to SAR 100.1 million as of 30 June 2020G, due to progress in the work on projects obtained in 2019G and executed during the first half of 2020G.

Contract assets associated with project services decreased by 43.3%, from SAR 54.8 million as of 31 December 2019G to SAR 31.0 million as of 30 June 2020G, after a number of projects were completed between 2019G and the first half of 2020G.

The following table shows a breakdown of contract assets by Key clients as of 31 December 2019 and 30 June 2020G:

Table 6.76: Contract Assets by Key Clients

SAR'000	The financial year ended 31 December 2019G - audited	The six-month period ended 30 June 2020G - reviewed	Increase/(decrease)
			June 2020G
MEWA	56.939	88,249	55.0%
NWC	15,932	25,440	60.0%
Other clients	39,845	19,771	50.4%
Total	**112,716**	**133,460**	**18.4%**

Source: Management information

Contract asset balances were concentrated in the balances related to the projects of the Company's two main clients: MEWA and NWC. The balances related to the projects of these two clients represented 64.7% and 85.2% of the value of the total contract asset balances as of 31 December 2019G and 30 June 2020G, respectively. It should be noted that contract assets had a tendency to increase during the year while they declined in the last quarter of the year. Most clients seek to facilitate the process of invoicing and paying dues before they review and audit their accounts at the end of the year.

The following table shows a breakdown of contract assets by major projects as of 30 June 2020G:

Table 6.77: Contract Assets by Project

SAR'000	Client	Type of Project	Contract Assets Balance
Dammam Gravity line	MEWA	Project Services	12,489
Jeddah Sewage Network And Lifting Stations O&M	NWC	Operations and Maintenance	11,458
Riyadh Water Wells O&M	MEWA	Operations and Maintenance	10,030
Jazan Water Wells North District	MEWA	Operations and Maintenance	9,987
Damam Water O&M (4)	MEWA	Operations and Maintenance	7,829
Riyadh Metro Line 1	BACS Consortium	Project Services	6,757
Tabuk Water Wells O&M	MEWA	Operations and Maintenance	6,599
Damam Water O&M (3)	MEWA	Operations and Maintenance	6,559
Jazan Water Wells	MEWA	Operations and Maintenance	6,511
Ta'if Water And Wastewater And Tse Networks	NWC	Operations and Maintenance	4,891
Others	-	-	50,351
Total	**-**	**-**	**133,460**

Source: Management information

Invoices for the amounts stated in the above table were issued in the third quarter of 2020G. The aforementioned projects represent the projects associated with the top 10 contract assets' balances as of 30 June 2020G. Balances related to the ten aforementioned projects represented 62.2% of the total contract asset balances as of 30 June 2020G.

The following table shows aging contract assets according to projects as of 30 June 2020G:

Table 6.78: The aging of contract assets according to projects

SAR '000	Not Due	0-90 Days	180-91 Days	187-270 Days	271-360 Days	Over 360 Days	Total
Riyadh Metro Line 1 Project	737	896	5,124	-	-	-	6,757
Dammam Gravity Line	4,736	3,428	4,325	-	-	-	12,489
O&M Fire Hydrant For Royal Commission	66	66	67	68	44	-	311
Potable Water O&M Projects, Riyadh Province	7,115	2,415	501	-	-	-	10,030
Supplying Workers for the SWCC Project	-	476	333	-	-	-	810
Al-Mithnb RV Water Project	-	-	518	-	-	-	518
Stormwater and Groundwater Drainage Networks Project, Central Riyadh, Circa Al-Shumaisi Municipality	292	944	316	-	-	-	1,552
Dammam Water O&M (3)	-	-	-	-	6,559	-	6,559
Other Projects	66,805	25,337	-	-	-	-	92,141
Total	**79,751**	**33,562**	**11,184**	**68**	**6,603**	**-**	**131,167**

Source: Management information

The aging schedule of contract assets shows that 94.9% of the value of contract asset balances were outstanding for a period in excess of 90 days.

The aging schedule of contract assets shows that the value of contract assets outstanding for a period exceeding 271 days amounted to SAR 6.6 million as of 30 June 2020G (5% of the total value of contract asset balances). The value of these long-term receivables is linked to the water and wastewater operations and maintenance contract, Dammam. The issuance of invoices related to this project has been delayed due to the fact that the client is in the process of raising new change orders to increase the amount of work required. These variation orders were delayed due to the spread of the coronavirus pandemic.

6.10.3.7 Prepayments and Other Assets

The following table shows a breakdown of prepayments and other assets as of 31 December 2019G and 30 June 2020G:

Table 6.79: Prepayments and Other Assets

SAR'000	Financial Year Ended 31 December 2019G - Audited	Six-Month Period Ended 30 June 2020G - Reviewed	Increase/(Decrease) 30 June 2020G
Prepaid Expenses	28,009	38,339	36.9%
Advances to Suppliers	5,396	8,729	61.8%
Other Receivables	1,734	4,320	149.1%
Total	**35,139**	**51,388**	**46.2%**

Source: Reviewed interim financial statements for the six-month period ended 30 June 2020G

The following table shows a breakdown of prepaid expenses as of 31 December 2019G and 30 June 2020G:

Table 6.80: Prepaid Expenses

SAR'000	31 December 2019G - Audited	30 June 2020G – Reviewed	Increase/(Decrease) 30 June 2020G
Prepaid Employee Residency Expenses	23,960	28,197	17.7%
Employee Advances	1,772	1,922	8.4%
Prepaid Rental Expenses	1,176	1,480	25.9%
Prepaid Insurance Expenses	1,053	6,740	539.9%
Other Miscellaneous Expenses	48	(32)	(34.6%)
Total	**28,009**	**38,370**	**36.9%**

Source: Management information

Prepaid expenses increased by 36.9%, or SAR 10.4 million, from SAR 28.1 million as of 31 December 2019G to SAR 38.3 million as of 30 June 2020G. This increase was driven by higher prepaid residency renewals expenses and prepaid insurance expenses and higher number of employees, with a SAR 9.9 million increase in the value of these two items between 31 December 2019G and 30 June 2020G.

While the increase in prepaid insurance expenses between 31 December 2019G and 30 June 2020G was driven by the renewal of insurance policies and contracts during the first half of 2020G, the increase in residence renewal expenses was affected by a rise in employee numbers and residence renewal fees during the six-month period ended 30 June 2020G.

Advances to suppliers increased by 61.8%, or SAR 3.3 million, from SAR 5.4 million as of 31 December 2019G to SAR 8.7 million as of 30 June 2020G. This increase was driven by the increase in the volume of procurement made by the Company in order to fulfil the requirements of the projects performed during the first half of 2020G.

Other receivables increased by 149.1%, or SAR 2.6 million, from SAR 1.7 million as of 31 December 2019G to SAR 4.3 million as of 30 June 2020G. This increase was mainly affected by higher employee advances due to a rise in the employee numbers from 3,584 employees as of 31 December 2019G to 4,215 employees as of 30 June 2020G. These advances consist of advance payments on new employee fees and allowances.

6.10.3.8 Cash and Bank Balances

The following table shows bank balances and cash in hand as of 31 December 2019G and 30 June 2020G:

Table 6.81: Cash and Bank Balances

SAR'000	Financial Year Ended 31 December 2019G - Audited	Six-Month Period Ended 30 June 2020G - Reviewed	Increase/(Decrease) 30 June 2020G
Bank Balances	17,057	14,058	(17.6%)
Cash in Hand	2	2,158	136051.4%
Total	**17,059**	**16,216**	**(4.9%)**

Source: Management information

Total bank balances and cash in hand increased by 4.9%, or SAR 0.8 million, from SAR 17.1 million as of 31 December 2019G to SAR 16.2 million as of 30 June 2020G, as a result of the increase in cash flows from financing activities, from a negative cash flow of SAR 14.1 million in the six-month period ended 30 June 2019G to a positive cash flow of SAR 192.1 million in the six-month period ended 30 June 2020G. This increase was driven by the Company obtaining new loans to fulfil requirements for projects executed in the first half of 2020G.

Cash in hand increased from SAR 2,000 as of 31 December 2019G to SAR 2.2 million as of 30 June 2020G. It is noted that cash in hand balances are liquidated at year-end before the amounts are renewed in advance of the start of the new year. Consequently, the cash in hand balance is usually low or zero at the end of the year, which explains the increase in the cash in hand balance from SAR 2 thousand as of 31 December 2019G to SAR 2.2 million as of 30 June 2020G.

6.10.3.9 Amounts Receivable from Related Parties

The SAR 106.1 million balance of amounts receivable from Related Parties as of 30 June 2020G represents the balance of receivables due from Alkhorayef Group Company.

Note that during 2016G, the Company signed a financing agreement with Alkhorayef Group Company, based on which the Company can obtain funds from Alkhorayef Group Company to meet all its working capital requirements whenever necessary. In the first half of 2020G, the Company collected about SAR 203 million mainly from Government clients, which led to the intercompany account turning into an account receivable for the Company. It should be noted that accounts receivable from Alkhorayef Group Company related to the withdrawals obtained by the Group from the Company were settled in the period following June 2020G. The financing agreement, upon which the transactions between the Company and Alkhorayef Group were based, was terminated.

No balances due from Related Parties were recorded between 31 December 2017G and 31 December 2019G due to the fact that intercompany balances between the Company and Alkhorayef Group Company are adjusted at year-end.

6.10.3.10 Equity

The following table shows the components of equity as of 31 December 2019G and 30 June 2020G:

Table 6.82: Equity

SAR'000	Financial Year Ended 31 December 2019G – Audited	Six-Month Period Ended 30 June 2020G – Reviewed	Increase/(Decrease) 30 June 2020G
Issued Capital	80,000	250,000	212.5%
Statutory Reserve	19,065	-	(100.0%)
Retained Earnings	116,808	7,666	(93.4%)
Re-measurement of Defined Employee Benefit Liabilities	(599)	(599)	-
Total	**215,274**	**257,067**	**19.4%**

Source: Reviewed interim financial statements for the six-month period ended 30 June 2020G

(a) Issued Capital

On 18 March 2020G, the Company's owners decided to increase the Company's capital from SAR 80.0 million to SAR 250.0 million by transferring SAR 170.0 million from the retained earnings (SAR 116.2 million) and the statutory reserve (SAR 19.1 million) and part of the balance of amounts receivable from Related Parties (SAR 34.1 million) associated with Alkhorayef Group Company (the Company's sole owner at the time). The corresponding legal process was completed in June 2020G.

(b) Statutory Reserve

The statutory reserve decreased from SAR 19.1 million as of 31 December 2019G to zero as of 30 June 2020G. The Company transferred the statutory reserve to increase the capital from SAR 80.0 million as of 31 December 2019G to SAR 250.0 million as of 30 June 2020G.

(c) Retained Earnings (Net After Re-measurement of Defined Employee Benefit Liabilities)

Retained earnings decreased by 93.9%, or SAR 109.1 million, from SAR 116.2 million as of 31 December 2019G to SAR 7.1 million as of 30 June 2020G, due to the transfer of retained earnings of SAR 116.8 million to increase the capital between 31 December 2019G and 30 June 2020G.

6.10.3.11 Employee Defined Benefit Liabilities

Employee defined benefit liabilities increased by 7.9%, or SAR 2.6 million, from SAR 32.3 million as of 31 December 2019G to SAR 34.8 million as of 30 June 2020G. This increase was driven by a rise in employee headcount from 3,584 employees as of 31 December 2019G to 4,215 employees as of 30 June 2020G.

6.10.3.12 Term Loans

The balance of term loans increased from zero as of 31 December 2019G, to SAR 71.8 million as of 30 June 2020G. The Company obtained a number of loans from several local banks (Samba Financial Group and The National Commercial Bank) to finance the requirements of the projects performed in the first half of 2020G. For more information, see Section 6.10.3.15 (**Loans**).

6.10.3.13 Lease Liabilities

The following table shows lease liabilities as of 31 December 2019G and 30 June 2020G:

Table 6.83: Lease Liabilities

SAR'000			Increase/(Decrease)
	Financial Year Ended 31 December 2019G - Audited	Six-Month Period Ended 30 June 2020G - Reviewed	30 June 2020G
Balance at Period Start			
Minimum Future Lease Payments	5,568	5,075	(8.9%)
Financing Costs	(1,419)	(1,258)	(11.3%)
Minimum Lease Payments Present Value	4,149	3,817	(8.0%)
Balance at Period End			
Minimum Future Lease Payments	5,976	5,568	(6.8%)
Financing Costs	(1,505)	(1,419)	(5.7%)
Minimum Lease Payments Present Value	4,471	4,149	(7.2%)
Current Portion	246	327	32.8%
Non-Current Portion	3,902	3,817	(2.2%)
Total	**4,149**	**4,144**	**(0.1%)**

Source: Management Information

As of 30 June 2020G, operating leases pertained to a number of workshops in Riyadh and Al-Kharj, in addition to staff accommodation units in Qassim Province. The total value of lease liabilities did not undergo significant change between 31 December 2019G and 30 June 2020G.

6.10.3.14 Accounts Payable, Accruals and Other Liabilities

The following table shows accounts payable, accruals and other liabilities as of 31 December 2019G and 30 June 2020G:

Table 6.84: Accounts Payable, Accruals and Other Liabilities

SAR'000	Financial Year Ended 31 December 2019G - Audited	Six-Month Period Ended 30 June 2020G - Reviewed	Increase/(Decrease) 30 June 2020G
Trade Payables	58,442	45,945	(21.4%)
Accruals and Other Liabilities	40,067	43,660	9.0%
Total	**98,510**	**89,604**	**(9.0%)**

Source: Management Information

The following table shows the key trade payables balances by supplier as of 30 June 2020G:

Table 6.85: Trade Payables

SAR'000	Six-Month Period Ended 30 June 2020G - Reviewed
Supplier 1	2,713
Supplier 2	1,636
Supplier 3	1,177
Subcontractor 1	828
Supplier 4	642
Supplier 5	605
Supplier 6	600
Supplier 7	525
Supplier 8-	479
Supplier 9	477
Other creditors[1]	36,263
Total	**45,945**
Percentage of Top 10 Payables out of Total Payables	21.1%

Source: Management Information

[1] Other payables totaling 349 creditors as of 30 June 2020G, including both suppliers and subcontractors.

Trade payables decreased by 21.4%, or SAR 12.5 million, from SAR 58.4 million as of 31 December 2019G to SAR 45.9 million as of 30 June 2020G. The Company accelerated payments to suppliers of equipment and materials used in projects to speed up the delivery of equipment and materials and avoid any delivery delays that could impede project works.

It is noted that trade payables, which amounted to SAR 45.9 million as of 30 June 2020G, included an amount of SAR 22.9 million pertaining to dues to subcontractors. These dues are associated with the work performed by the subcontractors carried out in June without being billed to the Company, since issuance of invoices is based on predefined work milestones highlighted in the signed contracts. Nonetheless, monthly progress reports highlighting the value and scale of work performed during the months are being raised to the Company. Dues to subcontractors are calculated based on these reports.

Trade payables, which were SAR 45.9 million, included accounts receivable to subcontractors, amounting to SAR 7.9 million, as of 30 June 2020G. The Company deals with 170 contractors. Accounts payable were recorded as of 30 June 2020G.

The following table shows the aging of trade payables as of 30 June 2020G:

Table 6.86: Aging of Trade Payables Balances as of 30 June 2020G[1]

SAR '000	Not Due	1-90 Days	-91-180 Days	181-270 Days	271-360 Days	Over 360 Days	Total
Supplier 1	-	-	-	-	-	1,636	1,636
Supplier 2	-	-	-	-	-	246	246
Supplier 3	-	-	-	2	-	202	204
Supplier 4	-	-	-	-	-	193	193
Subcontractor 1	-	-	-	-	-	193	193
Subcontractor 2	-	-	-	27	9	168	204
Supplier 5	-	-	-	-	-	159	159
Supplier 6	-	-	-	-	-	159	146
Supplier 7	-	-	-	-	-	143	143
Supplier 8	24	21	(204)	52	25	134	51
Other creditors[2]	6,491	(554)	(287)	1,884	391	1,046	8,970
Total	**6,515**	**(533)**	**(492)**	**1,964**	**424**	**4,266**	**12,145**

Source: Management information

(1) The above aging table includes the net of aged balances due to suppliers and subcontractors who issued invoices for the balances owed to them by the Company. The above table does not include: (i) unbilled accounts payable to subcontractors as of 30 June 2020G, estimated at SAR 22.9 million, and (ii) amounts related to the joint venture with FCC Aqualia at an amount of SAR 2.3 million.

(2) Other creditors amounted to a total of 249 creditors as of 30 June 2020G. They include both suppliers and subcontractors.

Dues to suppliers are usually settled during the normal course of business without any significant delays. The grace period granted by the suppliers to the Company ranges from 10 to 60 days.

As mentioned previously, aging trade payables include retained payables and amounts due related to old projects. As for retained payables, they include amounts payable to subcontractors that are only paid at the end of the project or at the end of the work stage referred to in the contract (the contract signed with the subcontractor specifies the required work stages and the method of payment related each stage of work). It should be noted that the retained payables are not considered a separate financial item to be included in the balance sheet. Instead, these amounts are considered accounts payable.

The ten aging balances presented in the above table included a balance of SAR 0.4 million representing retained payables to subcontractors (subcontractor 1 and subcontractor 2).

The following table shows accruals and other liabilities as of 31 December 2019G and 30 June 2020G:

Table 6.87: Accruals and Other Liabilities

SAR'000	Financial Year Ended 31 December 2019G – Audited	Six-Month Period Ended 30 June 2020G - Reviewed	Increase/(Decrease) 30 June 2020G
Accrued Expenses	18,446	21,568	16.9%
Advances from Customers	16,249	15,221	(6.3%)
Provision for Onerous contracts	4,010	3,023	(24.6%)
Provision for Penalties	952	931	(2.2%)
Zakat Payable	60	9	(84.5%)
Other Liabilities	351	2,908	729.2%
Total	**40,067**	**43,660**	**9.0%**

Source: Management information

Accrued expenses increased by 16.9%, or SAR 3.1 million, from SAR 18.4 million as of 31 December 2019G to SAR 21.6 million as of 30 June 2020G.This increase was affected by a rise in employee headcount and a decline in the utilization of leave and travel allowances during coronavirus pandemic outbreak.

Advances from customers decreased by 6.3%, or SAR one million, from SAR 16.2 million as of 31 December 2019G to SAR 15.2 million as of 30 June 2020G. The decrease was associated with the amortisation of amounts the Company collected in previous periods.

The provision for onerous contracts decreased by 24.6%, or SAR one million, from SAR 4.0 million as of 31 December 2019G to SAR 3.0 million as of 30 June 2020G. The decrease was associated with the reversal of a provision made in previous periods mainly associated with the industrial wastewater treatment project in Al-Kharj. Work on this project was partially suspended for technical reasons, but the Company was assigned the task of carrying out maintenance work and retaining the completed works. Consequently, the Company reversed the provisions made in previous periods to cover expected losses for this project.

The provision for penalties did not witness material changes between 31 December 2019G and 30 June 2020Gand remained relatively stable at SAR 0.9 million between the two periods.

Zakat payable is related to withholding tax that was registered between the first half of 2019G and the first half of 2020G. Zakat payable resulted from the Company's dealings with a number of foreign companies that provide it with various services such as design services. Pursuant the Income Tax Law, withholding tax is paid as a percentage of the amount paid to such companies (the percentage ranges between 5% and 20% depending on the type of service provided by the foreign company).

The Zakat payable decreased by 84.5% from SAR 60,000 as of 31 December 2019G to SAR 9,000 on 30 June 2020G. The decrease was due to the fact that the provision was used, and no additional provisions were made, as no transaction was effected.

Other liabilities increased by 729.2%, or SAR 2.6 million, from SAR 0.4 million on 31 December 2019G to SAR 2.9 million as of 30 June 2020G. This increase was affected by the increase in VAT, amounting to SAR 1.6 million as of 30 June 2020G. This increase was also driven by Company's issuing a purchase order worth SAR 1.5 million to an equipment supplier who did not raise any corresponding invoice to the Company by 30 June 2020G.

6.10.3.15 Loans

The following table shows the loan balances as of 31 December 2019G and 30 June 2020G:

Table 6.88: Loans

SAR'000	Financial Year Ended 31 December 2019G - Audited	Six-Month Period Ended 30 June 2020G - Reviewed	Increase/(Decrease) 30 June 2020G
Samba Financial Group	-	61,005	-
The National Commercial Bank	-	131,071	-
Total	**-**	**192,076**	**-**

Source: Management information

Total loans (long and short-term loans) increased from zero as of 31 December 2019G to SAR 192.1 million as of 30 June 2020G. As mentioned above, the Company obtained loans from several commercial banks to finance the projects secured in the end of 2019G and performed in the first half of 2020G.

During the first half of 2020G, the Company obtained a direct loan from The National Commercial Bank, and the agreement was signed directly with The National Commercial Bank while in the past the Company obtained loans through Alkhorayef Group Company. The loan's total value is SAR 350 million, of which SAR 131.1 million was utilised to meet project needs.

The loan amounts due to Samba Financial Group pertain to the loan obtained via Alkhorayef Group Company from Samba Financial Group. The said loan was secured by mortgaging the proceeds of some of the projects financed by the loan.

6.10.3.16 Transactions with Related Parties

The following table shows a breakdown of transactions with Related Parties for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G:

Table 6.89: Transactions with Related Parties

SAR'000	Related Party	Nature of Transaction	Six-Month Period Ended 30 June		Increase/ (Decrease)
			2019G - Reviewed	2020G - Reviewed	30 June 2020G
Company's name					
Alkhorayef Group Company	Partner	Financing	157,966	233,454	47.8%
		Shared Service Costs	240	240	-
		Capital Increase	-	34,127	-
Alkhorayef Commercial Company	Affiliate	Sales	110	97	(11.6%)
Executive Management		Short-term Benefits	960	1,268	32.1%
		Post-employment Benefits	64	75	16.9%

Source: Reviewed interim financial statements for the six-month period ended 30 June 2020G

(a) Financing Transactions

Transactions with Alkhorayef Group Company were mainly associated with financing transactions. As mentioned previously, Alkhorayef Group Company is responsible for financing the Company's projects with deposits. These loans are granted by banks to the Alkhorayef Group Company, which subsequently transfers the amounts to the Company. Amounts due to Alkhorayef Group Company carry a commission based on the average prevailing bank rates and are repayable by the Company upon Alkhorayef Group Company's request. The volume of transactions varies annually based on the size of transfers, collections, and loans received from banks. As previously mentioned, the Company transfers proceeds from its clients to the accounts of the Alkhorayef Group Company for repayment of loan liabilities.

The value of financing transactions increased from SAR 158.0 million in the six-month months period ended 30 June 2019G to SAR 233.5 million in the six-month months period ended 30 June 2020G. The aforementioned increase was influenced by the early settlement of the loans which the Company acquired through Alkhorayef Group Company. The early settlement was associated with the transfer of the loan agreements of the National Commercial Bank from Alkhorayef Group Company's name to the Company's name.

It should be noted that transactions with Alkhorayef Group Company included collections made on behalf of the Company.

(b) Capital Increase

Capital raising transactions were related to Alkhorayef Group Company's desire to use the SAR 34.1 million in amounts owed to it by the Company during the first half of 2020G to contribute to raising the Company's capital.

(c) Shared Service Cost

Shared service cost transactions pertain to IT services provided to the Company through a service level agreement between the Company and Alkhorayef Group Company.

(d) Sales

The value of purchases from Alkhorayef Commercial Company increased from SAR 1.0 million in the six-month period ended 30 June 2019G to SAR 1.3 million in the six-month period ended 30 June 2020G as the Company purchased a significant quantity of high-value pumps to support the needs of projects.

(e) Short-Term Benefits

These benefits relate to the salaries of key management personnel, which include the Company's Chief Executive Officer, Chief Financial Officer, and Project Manager.

(f) Post-Employment Benefits

These benefits relate to the service expenses of the above mentioned key management personnel

(g) Executive Management

The total value of transactions with Executive Management increased from SAR 1.0 million in the six-month period ended 30 June 2019G to SAR 1.3 million in the six-month period ended 30 June 2020G, due to a rise in employee numbers between the two periods.

6.10.3.17 Lease Liabilities

The following table shows lease liabilities as of 31 December 2019G and 30 June 2020G:

Table 6.90: Lease Liabilities

SAR'000			Increase/(Decrease)
	Financial Year Ended 31 December 2019G - Audited	Six-Month Period Ended 30 June 2020G - Reviewed	30 June 2020G
Balance at Period Start			
Minimum Future Lease Payments	5,568	5,075	(8.9%)
Financing Costs	(1,419)	(1,258)	(11.3%)
Minimum Lease Payments Present Value	**4,149**	**3,817**	**(8.0%)**
Balance at Period End			
Minimum Future Lease Payments	5,976	5,568	(6.8%)
Financing Costs	(1,505)	(1,419)	(5.7%)
Minimum Lease Payments Present Value	**4,471**	**4,149**	**(7.2%)**
Current Portion	246	327	32.8%
Non-Current Portion	3,902	3,817	(2.2%)
Total	**4,149**	**4,144**	**(0.1%)**

Source: Management information

As mentioned above, lease liabilities are mainly related to a number of workshops and staff accommodation units in different regions of the Kingdom. The book value of lease liabilities did not undergo material changes between 31 December 2019G and 30 June 2020G, but remained stable at the threshold of SAR 4.1 million between the two periods.

6.10.4 Statement of Cash Flows

The following table shows the statement of cash flow for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G:

Table 6.91: Statement of Cash Flows

SAR'000	Six-Month Period Ended 30 June		Increase/ (Decrease)
	2019G - Reviewed	2020G - Reviewed	30 June 2020G
Net Cash Flows from Operating Activities	8,334	(181,198)	(2274.1%)
Net Cash Flows Used in Investing Activities	(6,516)	(11,717)	79.8%
Net Cash Flows (Used in) from Financing Activities	(14,103)	192,072	(1461.9%)
Net (Decrease) / Increase in Cash and Bank Balances	**(12,285)**	**(843)**	**(93.1%)**
Cash and Bank Balances at 1 January	36,950	17,059	(53.8%)
Cash and Bank Balances at 30 June	**24,665**	**16,216**	**(34.3%)**

Source: Reviewed interim financial statements for the six-month period ended 30 June 2020G

Cash and bank balances decreased by 34.3%, from SAR 24.7 million in the six-month period ended 30 June 2019G to SAR 16.2 million in the six-month period ended 30 June 2020G. The decrease was mainly affected by the cash flow generated from operating activities amounting to SAR 8.3 million in the six-month period ended 30 June 2019G turning into a negative cash flow of SAR 181.2 million in the six-month period ended 30 June 2020G. This change resulted from the Company recognising SAR 106.1 million in amounts owed by Related Parties as of 30 June 2020G. These amounts are associated with the frequency of collecting amounts due from clients, as there is a financing agreement between Alkhorayef Group Company and other companies. This agreement stipulates that whenever the Company needs financing, the Company can borrow from Alkhorayef Group Company. After the period ended 30 June 2020G, Alkhorayef Group Company settled the dues receivable in full on 14 July 2020G.

6.10.4.1 Cash Flows from Operating Activities

The following table shows the statement of cash flows from operating activities for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G:

Table 6.92: Net Cash Flows from Operating Activities

SAR'000	Six-Month Period Ended 30 June		Increase/ (Decrease)
	2019G - Reviewed	2020G - Reviewed	30 June 2020G
Profit for the Year Before Zakat	43,263	57,666	33.3%
Adjustments to Reconcile Profit Before Zakat to Net Cash Flows			
Depreciation of Property and Equipment	6,779	8,450	24.6%
Depreciation of Right-of-use Assets	-	160	-
Gain on Sale of Property and Equipment	(37)	(24)	(34.5%)
Charge for the year of Employee Defined Benefits	2,617	3,481	33.0%
Financing Costs	2,977	1,902	(36.1%)
	55,600	71,634	28.8%
Working Capital Adjustments:			
Trade Receivables, Prepayments and Other Assets	31,174	(45,986)	(247.5%)
Inventories	1,059	3,359	217.3%
Accounts Payable, Accruals and Other Liabilities	3,675	(8,905)	(342.3%)
Amounts Due from/to Related Parties	(7,157)	(177,727)	2,383.1%
Contract Assets	(72,197)	(20,744)	(71.3%)
Cash Flows from Operations	12,152	(178,369)	(1567.8%)
Employees' Benefits Plan Paid	(2,977)	(1,902)	(36.1%)
Finance Costs	(842)	(927)	10.2%
Net Cash Flows from Operating Activities	**8,334**	**(181,198)**	**(2274.1%)**

Source: Reviewed interim financial statements for the six-month period ended 30 June 2020G

Cash flows from operating activities shifted from a positive cash flow of SAR 8.3 million as of 30 June 2019G to a negative cash flow of SAR 181.2 million in the six-month period ended 30 June 2020G. The decline in cash flows from operating activities was mainly affected by the increase in the amounts due from Related Parties. As mentioned above, these balances were related to the financing agreement between the companies concluded with Alkhorayef Group Company in 2016G. The purpose of this agreement is to allow the Company to borrow from Alkhorayef Group Company when needed. This borrowing from Alkhorayef Group Company is mainly to meet all working capital requirements. During the first half of 2020G, the Company collected about SAR 203 million from the Government, which led to the intercompany account between the company being transferred to the Company. After the period ended 30 June 2020G, Alkhorayef Group Company fully settled the outstanding balance amounting to SAR 106.1 million.

6.10.4.2 Cash Flows from Investing Activities

The following table shows the statement of cash flows from investment activities for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G:

Table 6.93: Statement of Cash Flows from Investing Activities

SAR'000	Six-Month Period Ended 30 June		Increase/(Decrease)
	2019G - Reviewed	2020G - Reviewed	30 June 2020G
Purchase Property and Equipment	(6,607)	(11,797)	78.6%
Proceeds from Sale of Property and Equipment	91	80	(11.8%)
Net Cash Flows used in Investing Activities	**(6,516)**	**(11,717)**	**79.8%**

Source: Reviewed interim financial statements for the six-month period ended 30 June 2020G

Cash flow from investing activities amounted to SAR 6.5 million and SAR 11.7 million for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively. The increase between the two periods was driven by the Company acquiring a higher volume and value of equipment and machinery to support the movement of projects.

The Company recognised low-value proceeds from the sale of equipment and machinery used in various projects. The value of these proceeds was SAR 91,000 and SAR 80,000 in the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G.

6.10.4.3 Cash Flows from Financing Activities

The following table shows a statement of cash flows from financing activities for the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G:

Table 6.94: Net Cash Flows from Financing Activities

SAR'000	Six-Month Period Ended 30 June		Increase/ (Decrease)
	2019G - Reviewed	2020G - Reviewed	30 June 2020G
Proceeds from Loans and Borrowings	-	202,969	-
Payment of Obligations Under Capital Lease Contracts, Net	(770)	(4)	(99.5%)
Repayment of Loans and Borrowings	(13,333)	(10,893)	(18.3%)
Net Cash Flows (Used in) From Financing Activities	**(14,103)**	**192,072**	**(1461.9%)**

Source: Reviewed interim financial statements for the six-month period ended 30 June 2020G

The Company recognised negative cash flows of SAR 14.1 million in the six-month period ended 30 June 2019G. These negative cash flows were related to repayments of loans obtained by the Company.

The negative cash flow of SAR 14.1 million recognised by the Company during the six-month period ended 30 June 2019G turned into a positive cash flow of SAR 192.1 million due to the Company obtaining new loans to support business and project requirements. Note that in the first half of 2020G, the Company signed a facility agreement with The National Commercial Bank under which it obtained a long-term loan. The Company has utilized SAR 131.1 million of the total loan as of 30 June 2020G. The Company also obtained additional loans at an amount of SAR 61.0 million through Alkhorayef Group Company. These additional loans were obtained from Samba Financial Group in order to finance the work on various projects. These loans are classified as short-term loans and typically have a term of three to nine months.

6.10.5 Contingencies

The following table shows a summary of the Company's contingencies as of 30 June 2020G:

Table 6.95: Contingent Liabilities and Expenses

SAR'000	Six-Months Period Ended 30 June 2020G
Financial Statement Information	
Letters of Credit	13,176
Letters of Guarantee	259,233
Management Information	
Planned Capital Expenditures	30,000
Operating Lease Commitments	1,200
Purchase Orders	39,000
Total	342,610

Source: Management Information

Letters of guarantee issued as bid bonds and performance bonds held by the Company from banks amounted to SAR 259.2 million as of 30 June 2020G.

Letters of guarantee included the following:

- Guarantees issued during the bidding process: these amount between 2% to 5% of the tender amount.
- Performance guarantees issued for the client as a guarantee of work being performed on the projects. They usually amount for 5% of the contract value.

In addition, letters of credit issued as guarantees to foreign suppliers amounted to SAR 13.2 million as of 30 June 2020G.

Planned capital expenditures amounting to SAR 30.0 million as of 30 June 2020G pertained to heavy equipment to be purchased in the future.

Operating lease commitments of SAR 1.2 million are related to real estate lease liabilities.

Purchase orders of SAR 39.0 million were issued to the suppliers of the heavy equipment the Company procured.

6.10.6 Incurred Capital Expenditures

Incurred capital expenditures on property and equipment procurement amounted to SAR 6.6 million and SAR 11.8 million in the six-month period ended 30 June 2019G and the six-month period ended 30 June 2020G, respectively. This increase was associated with the additional machinery and equipment the Company obtained to meet project work requirements, as the scope of the work performed increased between the first half of 2019G and the first half of 2020G.

7. DIVIDEND DISTRIBUTION POLICY

Pursuant to Article 110 of the Companies Law, each Shareholder is entitled to the rights attached to the Shares, including in particular the right to receive a portion of the dividends declared. The declaration and payment of any dividends will be recommended by the Board of Directors before being approved by the Shareholders at a General Assembly meeting. The Company is under no obligation to declare dividends and any decision to do so will depend on, amongst other things, the Company's historic and anticipated earnings and cash flows, financing and capital requirements and market and general economic conditions, the Company's Zakat position and legal and regulatory considerations. Dividend distribution is subject to the limitations contained in the Bylaws. Dividends will be distributed in Saudi Arabian Riyals.

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

(a) 10% of the net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when such statutory reserve totals 30% of the Company's paid-up capital;

(b) the Ordinary General Assembly, upon the proposal of the Board of Directors, may set aside five percent (5%) of the net profits to form a voluntary reserve to be allocated to support the financial position of the Company;

(c) the Ordinary General Assembly may resolve to form other reserves to the extent they serve the Company's interests, or to ensure the distribution of fixed dividends – so far as possible – to the Shareholders. The Ordinary General Assembly may also deduct amounts from the net profits to create social institutions for the Company's employees, or to support existing institutions of such kind; and

(d) a certain percentage of the remainder of the net profits shall then be distributed to the Shareholders as dividends, as decided by the Ordinary General Assembly.

The following is a summary of the profits that the Company has announced and distributed since the beginning of 2017G:

Table 7.1: Declared and Distributed Profits in the Financial Years Ended 31 December 2017G, 2018G and 2019G, and the Six-Month Period Ended 30 June 2020G

SAR '000	2017G	2018G	2019G	The Six-Month Period Ended 30 June 2020G
Declared dividends for the period	-	-	-	50,000
Dividends paid during the period	-	-	-	50,000
Net profit for the year	**22,087**	**51,148**	**91,727**	**57,666**
Ratio of declared dividends to net income	-	-	-	86.7%

Source: The Company

The Offer Shares are not entitled to any dividends announced prior to the date of this Prospectus, as the first entitlement of Offer Shares shall be in dividends announced by the Company from the date of this Prospectus and the subsequent financial years. As of the date of this Prospectus, the Directors undertake that there are no declared or outstanding dividends for the said periods except as set out above.

8. USE OF PROCEEDS

The total Offering Proceeds are estimated at SAR 540,000,000, of which approximately SAR 19,000,000 will be applied towards the Offering expenses, which include the fees of the Financial Advisor, the Lead Manager, Bookrunner, the Underwriter, the Financial Due Diligence Advisor, the Legal Advisor, the Auditor, the Receiving Agents and the Market Study Consultant, as well as marketing, printing and distribution fees and other costs and expenses related to the Offering.

All the Net Offering Proceeds of approximately SAR 521,000,000 will be distributed to the Selling Shareholder. The Company will not receive any part of the proceeds from the Offering. The Selling Shareholder will bear all fees, costs and expenses in relation to the Offering.

9. CAPITALIZATION AND INDEBTEDNESS

Prior to the Offering, the Current Shareholders owned the entire issued share capital of the Company. Upon completion of the Offering, they will jointly hold seventy percent (70%) of the Company's shares.

The following table shows the Company's capitalization as reflected in the Company's audited financial statements for the financial years ended 31 December 2017G, 2018G and 2019G, and the reviewed interim financial statements for the six-month period ended 30 June 2020G. The following table should be read in conjunction with the relevant Financial Statements, including the notes thereto set out in Section 19 (**Financial Statements and Auditor's Report**):

Table 9.1: Capitalization and Indebtedness of the Company

SAR '000	2017G	2018G	2019G	The Six-Month Period Ended 30 June 2020G (preliminary)
Short-term loan	-	-	-	61,005
The Current Portion of Long-Term Loans	-	26,667	-	59,286
The Non-Current Portion of Long-Term Loans	-	13,334	-	71,786
Total Loans	-	40,000	-	192,077
Shareholders' equity:				
Share Capital	80,000	80,000	80,000	250,000
Statutory Reserve	4,778	9,893	19,065	-
Retained Earnings (Accumulated Losses)	(6,563)	33,328	116,808	7,666
Total Equity	78,215	123,221	215,274	257,067
Total Capitalization (Total Loans + Total Equity)	78,215	163,221	215,274	257,067
Total Loans / Total Capitalization	-	25%	-	74.7%

Source: Financial Statements

The Directors declare that:

(a) none of the Company's share capital is under option;

(b) the Company does not have any debt instruments as of the date of this Prospectus; and

(c) they believe that the Company's existing cash balances and its cash flows will be sufficient to meet its anticipated cash needs for working capital and capital expenditure for at least twelve (12) months following the date of this Prospectus.

10. STATEMENTS BY EXPERTS

All the Advisors, whose names are listed starting on pages (vi) and (vii), have given and, as of the date of this Prospectus, have not withdrawn, their written consent to the publication of their names, addresses, logos and statements attributed to each of them in the context in which they appear in this Prospectus, and do not, themselves, nor do their employees forming part of the team serving the Company, or any of their relatives, have any shareholding or interest of any kind in the Company as of the date of this Prospectus which would impair their independence.

11. DECLARATIONS

The Directors declare the following:

(a) they have not at any time been declared bankrupt or been subject to bankruptcy proceedings;

(b) none of the companies in which any of the Directors, Senior Executives or the Secretary was employed, in a managerial or supervisory capacity, was declared bankrupt or insolvent during the past five years;

(c) except as specified in Section 12.9 (**Related Party Contracts and Transactions**), they do not, themselves, nor do any of Senior Executives, Secretary, or their relatives or affiliates, have any material interest in any written or verbal contract or arrangement under consideration or expected to be conducted with the Company as of the date of this Prospectus;

(d) except as otherwise described in Section 5.2.1 (**Composition of the Board of Directors**), and Section 12.9 (**Related Party Contracts and Transactions**), neither they nor any of Senior Executives, Secretary, or their relatives, have any shareholding or interest of any kind in the Company nor in any debt instruments of the Company, and the Company is prohibited from granting a loan to a Director or guaranteeing a loan entered into by a Director;

(e) all transactions with Related Parties described in Section 12.9 (**Related Party Contracts and Transactions**), including determination of the financial consideration for contracts, have been carried out in an appropriate manner and on an arm's length basis, as done in transactions with third parties;

(f) no commissions, discounts, brokerages or other non-cash compensation were granted by the Company within the three years prior to this Prospectus in connection with the issue or sale of any securities;

(g) there has been no interruption in the Company's business that may significantly affect or have affected its financial position during the last 12 months;

(h) there is no intention to introduce any material changes to the nature of the Company's business;

(i) they will not vote on General Assembly resolutions that relate to any transaction or contract in which the Directors have a direct or indirect interest;

(j) there has been no material adverse change in the financial or trading position of the Company in the three financial years ended 31 December 2017G, 2018G and 2019G immediately preceding the date of filing the application for registration and offering of securities that are subject of this Prospectus and during the period covered in the Auditor's report to the date of approval of this Prospectus;

(k) as of the date of this Prospectus, the Company does not have any employee share schemes in place for its employees or any other existing similar arrangement involving the employees in the capital of the Company;

(l) the Company does not have any securities (contractual or otherwise) or any assets that are subject to fluctuation which would adversely and materially affect the financial position;

(m) except as disclosed in Section 2 (**Risk Factors**) and Section 6.3 (**Key Factors Affecting the Results of Operations**), the Company is not aware of any information regarding any governmental, economic, financial, monetary or political policies or any other factors that have materially affected or may materially affect (directly or indirectly) its operations;

(n) except as disclosed in Section 2 (**Risk Factors**) and Section 6.3 (**Key Factors Affecting the Results of Operations**), the Company is not aware of any seasonal information or business cycles related to its business that would affect the Company's operations or financial position;

(o) the statistical information used in Section 3 (**Market Overview**) obtained from third-party sources represents the latest information available from each respective source;

(p) the Company has insurance policies with sufficient insurance coverage to carry out its activities. The Company renews its insurance policies regularly to ensure continued insurance coverage;

(q) all contracts and agreements which the Company considers to be material or important or which have an impact on a Subscriber's decision to invest in the Offer Shares have been disclosed. There are no other material agreements or contracts that have not been disclosed;

(r) all terms and conditions that may affect the decisions of the Subscribers to invest in Offer Shares have been disclosed;

(s) as of the date of this Prospectus, there are no material Related Party contracts or transactions that have any material impact on the Company's activities, and the Company has no intention to enter into any new agreements with Related Parties, except as specified in Section 12.9 (**Related Party Contracts and Transactions**);

(t) the Selling Shareholder will incur all the expenses and costs related to the Offering, and such costs will be deducted from the Offering Proceeds, including the fees of the Financial Advisor, the Underwriter, the Legal Advisors, the Financial Due Dilgience Advisor, the Market Study Consultant and the Receiving Agents, as well as marketing, printing and distribution costs and other expenses related to the Offering;

(u) as of the date of this Prospectus, there is no dispute with the GAZT. The Selling Shareholder will bear any additional claims that may arise from the GAZT for the previous years up to the date of the Company's listing, and a written undertaking has been provided by the Selling Shareholder;

(v) as of the date of this Prospectus, the Company submits its Zakat returns through Abdullah Ibrahim Alkhorayef Sons Company on a consolidated basis. The Company has taken all necessary measures to file Zakat returns separately after the Offering;

(w) as of the date of this Prospectus, there are no disputes against the main shareholder of Alkhorayef Group Company and related to the Company's business;

(x) they have developed procedures, controls and systems that would enable the Company to meet all the requirements of the relevant laws and regulations, including Companies Law, CML and its implementing regulations (including the Rules on the Offer of Securities and Continuing Obligations), and Listing Rules;

(y) all the Company's employees are under its sponsorship;

(z) as of the date of this Prospectus, the Shareholders whose names appear in Section 4.3 (**Current Shareholding Structure**) are the legal and beneficial owners, whether direct or indirect owners, of the Shares in the Company;

(aa) all increases in the capital of the Company are in compliance with the applicable laws and regulations of the Kingdom;

(bb) except as disclosed in Section 2 (**Risk Factors**), to the best of their knowledge and belief, there are no other material risks that may affect a prospective Subscriber's decision to invest in the Offer Shares;

(cc) Except as disclosed in Section 2.1.35 (**Risk Relating to Licenses and Approvals**), and Section 12.4 (**Government Consents, Licenses, and Certificates**), the Company has obtained all necessary licenses and permits to carry out its business activities;

(dd) except as disclosed in Section 12.12 (**Litigation**), the Company is not party to any existing disputes, claims, issues or investigation procedures that may have a material effect on the Company's operations or financial position;

(ee) except as disclosed in Section 12.6 (**Financing Agreements**), the Company has not issued any debt instruments, nor does it have any term loans or any other outstanding borrowings or indebtedness (including bank overdrafts, financial liabilities under acceptance, acceptance credits or purchase commitments);

(ff) the Board of Directors acknowledges that none of the Company's assets are under mortgage, right or charge as of the date of this Prospectus;

(gg) the Company has working capital sufficient for at least 12 months immediately following the date of this Prospectus;

(hh) no Shares of the Company are under option;

(ii) as of the date of this Prospectus, the Company does not have an employee stock option plan;

(jj) as of the date of this Prospectus, the Company does not have a policy on research and development and the Company does not produce any products;

(kk) the Company created a separate accounting policy manual in preparation for the Offering;

(ll) the audited financial statements for the financial year ended 31 December 2017G have been prepared in accordance with the accounting standards issued by SOCPA, and audited by the Auditors. The Company's audited financial statements for the financial years ended 31 December 2018G and 2019G have prepared in accordance with IFRS endorsed by SOCPA and audited by the Auditors as well. The Company's reviewed interim financial statements for the six-month period ended 30 June 2020G have prepared in accordance with IFRS endorsed by SOCPA.

(mm) the financial information contained in this Prospectus was extracted from the audited financial statements of the Company, without making any material amendment to them except for rounding off. The financial information for the financial years ended 31 December 2018G and 2019G, and the six-month periods ended 30 June 2019G and 2020G, contained in Section 6 (**Management's Discussion and Analysis of Financial Position and Results of Operations**) was extracted without material changes from the Company's audited financial statements for the financial years ended 31 December 2018G and 2019G and the Company's reviewed interim financial statements for the six-month period ended 30 June 2020G. All the financial information for 2017G in this Prospectus is derived or extracted from the comparative financial information for 2017G and included in the audited financial statements for the financial year ended 31 December 2018G, where the Company applied, during 2017G, the accounting standards issued by SOCPA in the comparative period in the financial statements for the financial year ended 31 December 2018G. In addition, the financial information is presented in line with the Company's annual audited financial statements;

(nn) the Company is capable of preparing the required reports in a timely manner in accordance with the implementing regulations of the CML issued by the CMA;

(oo) all necessary approvals have been obtained from lenders to offer 30% of the Company shares in order for the Company to be a public joint stock company;

(pp) the Company is committed to all the terms and conditions under the agreements with lenders granting all loans, facilities and financing;

(qq) as of the date of this Prospectus, there is no breach of the contractual terms and conditions under the agreements with the providers of all loans, facilities and financing, and the Company is committed to all these terms and conditions; and

(rr) all terms and conditions that may affect the decisions of the Subscribers in the Company's shares have been disclosed.

In addition to the above, the Directors confirm that:

(a) third-party information and data included in this Prospectus, including the information obtained or derived from the market research conducted by the Market Study Consultant, is reliable and the Company has no reason to believe that such information is materially inaccurate;

(b) this Prospectus contains all the information required to be included under the Rules on the Offer of Securities and Continuing Obligations, and no material facts that may affect the application for registration and offer of securities were omitted from this Prospectus;

(c) they have submitted, and will submit, to the CMA all the documents required under CML and the Rules on the Offer of Securities and Continuing Obligations;

(d) the Company has prepared its internal control policies on sound principles where the Company has implemented a written policy regulating and resolving possible conflicts of interest issues, which include the misuse of the Company's assets and misfeasance due to Related Party transactions. The Company has ensured that its operational and financial policies are sound and that control procedures appropriate for risk management are implemented in accordance with Part 5 of the Corporate Governance Regulations. The Directors review the Company's internal controls on an annual basis;

(e) the internal control, accounting, and information technology systems of the Company are sufficient and adequate;

(f) except as disclosed in Section 12.9 (**Related Party Contracts and Transactions**), as of the date of this Prospectus, there is no conflict of interest related to the Directors with respect to contracts or transactions entered into with the Company;

(g) as of the date of this Prospectus, none of the Directors engaged in any activities similar or competitive with the activities of the Company. The Directors undertake to fulfil this regulatory requirement in the future as per Article 72 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations;

(h) unless otherwise approved by the General Assembly, a Director may not have a direct or indirect interest in the transactions and contracts entered into by the Company;

(i) the Directors shall notify the Board of Directors of any direct or indirect interest they may have in the transactions and contracts entered into by the Company, and this notification will be recorded in the minutes of the Board of Directors meeting;

(j) all transactions with Related Parties shall be entered into on an arm's-length basis and all works and contracts with Related Parties shall be subject to a vote in meetings of the Board of Directors and, if required by the Companies Law, the General Assembly. Directors may not vote on any decision related to transactions or contracts with the Company in which they have a direct or indirect interest, whether in the Board of Directors or the General Assembly, in accordance with Article 71 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations;

(k) the Directors and the Chief Executive Officer shall not have the right to vote on decisions relating to their fees and remuneration; and

(l) neither the Directors nor any Senior Executive shall obtain a loan from the Company, and the Company shall not guarantee any loan entered into by a Director.

The Directors undertake to:

(a) record all Board of Directors resolutions by means of written minutes of meetings, which shall be signed by the Directors;

(b) disclose the details of any Related Party transactions in accordance with the Companies Law and the Corporate Governance Regulations; and

(c) comply with the provisions of Articles 71, 72 and 73 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations.

12. LEGAL INFORMATION

12.1 The Company

Alkhorayef Water & Power Technologies is a Saudi closed joint stock company converted pursuant to Ministerial Resolution No. 359 dated 09/10/1441H (corresponding to 1 June 2020G) with commercial registration No. 1010085982 dated 22/2/1412H (corresponding to 2 September 1991G). The current capital of the Company is SAR 250,000,000, divided into 25,000,000 ordinary Shares with a fully paid nominal value of SAR 10 per share. The Company's registered head office is located at Alnafal, King Abdulaziz Road, P.O. Box 62637, Riyadh 11595, Kingdom of Saudi Arabia. According to the Company's main and branch Commercial Registrations, its main activities include installing, and maintaining water pipelines between and within the cities, construction and maintenance of new networks, construction and repair of main water distribution stations, repair and maintenance of irrigation canals, water storage towers and wells, construction and repair of sewage stations, projects and networks and pumps, in addition to the construction of dams. The Company's activities also include repair and maintenance of pipelines and water purifiers, the water collection and purification, the disposal of wastewater, the operation of wastewater treatment networks and facilities, installation, maintenance and repair of oil and gas and irrigation pipelines, drilling of water wells and extension of irrigation pipes, and management of construction projects, retail sale of electrical equipment and supplies, sale of measurement and control devices, navigation equipment and devices, sale of water pumping equipment, retail sale of water purification equipment and supplies, and retail sale of electrical generators and suppliers. In addition, the activities also include water distribution and transfer, construction and repair of roads, streets, sidewalks and road supplies, construction of electric power stations and converters, construction of port berths and marine constructions, cleaning of waterways, groundwater withdrawal and site drying, installation and repair of solar energy networks, and energy efficiency project management activities. For further information, see Section 4.6 (**Overview of the Company's Business**).

12.2 Ownership Structure

The following table summarizes the ownership structure of the Company before and after the Offering:

Table 12.1: Direct Ownership Structure of the Company Pre-and Post-Offering

Shareholders	Pre-Offering			Post-Offering		
	No. of Shares	Shareholding (%)[1]	Nominal Value (SAR)	No. of Shares	Shareholding (%)[1]	Nominal Value (SAR)
Alkhorayef Group Company (closed joint stock company)	20,250,000	81%	202,500,000	12,750,000	51%	127,500,000
Alkhorayef Nama Company (limited liability company)	1,250,000	5%	12,500,000	1,250,000	5%	12,500,000
Hamad Abdullah Ibrahim Alkhorayef	600,347	2.401%	6,003,470	600,347	2.401%	6,003,470
Saad Abdullah Ibrahim Alkhorayef	600,347	2.401%	6,003,470	600,347	2.401%	6,003,470
Mohammad Abdullah Ibrahim Alkhorayef	600,347	2.401%	6,003,470	600,347	2.401%	6,003,470
Jawaher Abdullah Ibrahim Alkhorayef	300,174	1.201%	3,001,740	300,174	1.201%	3,001,740
Sarah Abdullah Ibrahim Alkhorayef	300,174	1.201%	3,001,740	300,174	1.201%	3,001,740
Munerah Abdullah Ibrahim Almubarak	62,286	0.249%	622,860	62,286	0.249%	622,860
Abdullah Ibrahim Abdullah Alkhorayef	193,766	0.776%	1,937,660	193,766	0.776%	1,937,660
Fahad Ibrahim Abdullah Alkhorayef	96,883	0.388%	968,830	96,883	0.388%	968,830
Ibtisam Ibrahim Abdullah Alkhorayef	48,443	0.194%	484,430	48,443	0.194%	484,430
Sarah Ibrahim Abdullah Alkhorayef	48,443	0.194%	484,430	48,443	0.194%	484,430
Njood Ibrahim Abdullah Alkhorayef	48,443	0.194%	484,430	48,443	0.194%	484,430
Fawziah Mohammed Zaid Sulieman	75,043	0.3%	750,430	75,043	0.3%	750,430
Abdullah Abdulrahman Abdullah Alkhorayef	131,326	0.525%	1,313,260	131,326	0.525%	1,313,260

Shareholders	Pre-Offering			Post-Offering		
	No. of Shares	Shareholding (%)[1]	Nominal Value (SAR)	No. of Shares	Shareholding (%)[1]	Nominal Value (SAR)
Abdulaziz Abdulrahman Abdullah Alkhorayef	131,326	0.525%	1,313,260	131,326	0.525%	1,313,260
Ibrahim Abdulrahman Abdullah Alkhorayef	131,326	0.525%	1,313,260	131,326	0.525%	1,313,260
Reema Abdulrahman Abdullah Alkhorayef	65,663	0.263%	656,630	65,663	0.263%	656,630
Seema Abdulrahman Abdullah Alkhorayef	65,663	0.263%	656,630	65,663	0.263%	656,630
Public	-	-	-	7,500,000	30%	75,000,000
Total	**25,000,000**	**100%**	**250,000,000**	**25,000,000**	**100%**	**250,000,000**

Source: The Company

[1] The shareholding percentages are rounded.

For further information regarding the Shareholders and the ownership structure of the Company, see Section 4.3 (**Current Shareholding Structure**).

12.3 Subsidiaries

The Company does not hold a direct or an indirect ownership interest in any subsidiaries.

12.4 Government Consents, Licences and Certificates

The Company (including its branches) holds several operational and regulatory licences and certificates from relevant competent authorities which are periodically renewed. The Directors declare that the Company obtained all licences and certificates necessary to execute its operations in order to maintain such activities, except as noted for certain of its operational licences expired or not obtained, as disclosed in Table 12.4 (**Summary of Operational Licences Obtained by the Company**), although the Company has submitted all necessary applications to the competent authorities to obtain such licences. The following tables list licences and certificates currently held by the Company:

Table 12.2: Details of Commercial Registration Certificates Obtained by the Company

Location	Type of Entity	Commercial Registration No.	Registration Date	Expiration Date
Riyadh, Kingdom of Saudi Arabia	Joint stock company	1010085982	22/02/1412H (corresponding to 2 September 1991G)	21/02/1446H (corresponding to 26 August 2024G)
Riyadh, Kingdom of Saudi Arabia	Branch	1010615747	07/04/1441H (corresponding to 4 December 2019G)	07/04/1446H (corresponding to 10 October 2024G)
Riyadh, Kingdom of Saudi Arabia	Branch	1010468210	22/05/1438H (corresponding to 18 February 2017G)	22/05/1446H (corresponding to 23 November 2024G)
Dammam, Kingdom of Saudi Arabia	Branch	2050125508	02/09/1440H (corresponding to 6 May 2019G)	03/12/1442H (corresponding to 13 July 2021G)

Source: The Company

Table 12.3: Details of Regulatory Licences and Certificates Obtained by the Company

Company	Issuing Authority	Licence Number	Purpose	Issue Date	Expiry Date
Alkhorayef Water & Power Technologies	GOSI	35550761	Certificate of fulfilment of obligations	15/04/1442H (corresponding to 30 November 2020G)	15/05/1442H (corresponding to 30 December 2020G)
Alkhorayef Water & Power Technologies	Riyadh Chamber of Commerce and Industry, Kingdom of Saudi Arabia	31113	Chamber of Commerce and Industry membership certificate	03/07/1412H (corresponding to 7 January 1992G)	20/02/1446H (corresponding to 25 August 2024G)
Alkhorayef Water & Power Technologies	GAZT	1110414410	Certificate enabling the Company to finalise all processes	06/09/1441H (corresponding to 29 April 2020G)	18/09/1442H (corresponding to 30 April 2021G)
Alkhorayef Water & Power Technologies	Ministry of Human Resources and Social Development	20002010028238	Saudization Certificate	13/03/1442H (corresponding to 30 October 2020G)	17/06/1442H (corresponding to 30 January 2021G)
Alkhorayef Water & Power Technologies	Ministry of Human Resources and Social Development	75238	Certificate of Compliance with Wages Protection System	22/04/1442H (corresponding to 07 December 2020G)	23/06/1442H (corresponding to 05 February 2021G)

Source: The Company

Table 12.4: Summary of Operational Licences Obtained by the Company

The Company	Issued by	License No.	Purpose	Issue Date	Expiry Date
Kingdom of Saudi Arabia/Central Region					
Alkhorayef Water & Power Technologies	MOMRA	19483	Contractor Classification Certificate	24/12/1440H (corresponding to 25 August 2019G)	24/12/1444H (corresponding to 12 July 2023G)
Alkhorayef Water & Power Technologies	Saudi Contractors Authority	10002677	Membership certificate	18/09/1441H (corresponding to 11 May 2020G)	17/10/1442H (corresponding to 29 May 2021G)
Alkhorayef Water & Power Technologies	Riyadh Municipality, Kingdom of Saudi Arabia	40082381498	Commercial license	04/04/1438H (corresponding to 2 January 2017G)	04/04/1443H (corresponding to 9 November 2021G)
Alkhorayef Water & Power Technologies	General Directorate of Civil Defence	N/A	Civil Defence License	N/A	N/A(1)
Kingdom of Saudi Arabia/Eastern Region					
Alkhorayef Water & Power Technologies	Dammam City Municipality, Kingdom of Saudi Arabia	40082130237	Commercial license	05/01/1432H (corresponding to 11 December 2010G)	04/01/1443H (corresponding to 12 August 2021G)
Alkhorayef Water & Power Technologies	General Directorate of Civil Defence	1431080196691	Civil Defence License	01/08/1431H (corresponding to 13 July 2010G)	01/08/1433H (corresponding to 21 June 2012G)(2)

Source: The Company

(1) The license is not available and the Company is issuing the same.

(2) The license expired and the Company is renewing the same.

12.5 Material Agreements

The Company entered into 47 agreements for projects directly relating to the Company's business segments, with a total value of about SAR 1,703 million, of which 31 material agreements with a total value of about SAR 1,476 million. The total value of the agreements concluded between the Company and MEWA was about SAR 1,037 million, accounting for about 70% of the total transaction. The total value of the agreements concluded between the Company and NWC was about SAR 261 million, accounting for 18% of the total transactions. The following is a summary of those agreements which the Company considers material or important or which may otherwise influence a Subscriber's decision to invest in the Offer Shares. The Company believes that all such agreements, in addition to the key provisions thereunder, have been included in this Section and that there are no other agreements which are material in the context of the Company's business. The Company has not breached the conditions and undertakings included in such agreements. These summaries do not purport to describe all the applicable terms and conditions of such agreements and are qualified in their entirety by the respective agreements. In addition, see also Sections 12.6 (**Financing Agreements**), 12.8.2 (**Leases**), and 12.7 (**Insurance Policies**) for details regarding the Company's financing agreements, lease agreements, and insurance policies:

Table 12.5: Details of Material Agreements as of the date of this Prospectus

Name of Agreement	Parties	Type of Agreement	Brief Description	Term and Renewal Mechanism	Value
Agreements with Key Clients					
Agreements in the Western Region					
Water network maintenance agreement in western AlMadina Al-Munwarah	The Company (as contractor) and Ministry of Environment, Water and Agriculture ("**MEWA**") (as owner)	Hybrid contract	The Company has entered into a maintenance and operation agreement for the maintenance of the water networks located in western AlMadina Al-Munwarah, and providing materials, equipment and labour workers.	The agreement is for a term of 36 months, commencing from 02/01/1441H (corresponding to 1 September 2019G).	The aggregate amount payable under this agreement is SAR 43,273,235.
Water network maintenance agreement in eastern AlMadina Al-Munwarah	The Company (as contractor) and MEWA (as owner)	Hybrid contract	The Company has entered into a maintenance and operation agreement for the maintenance of the water networks located in eastern AlMadina Al-Munwarah, and providing of materials, equipment and labour workers.	The agreement is for a term of 36 months, commencing from 02/01/1441H (corresponding to 1 September 2019G).	The aggregate amount payable under this agreement is SAR 39,090,860.
Maintenance and operation agreement for a sewage treatment facility in AlMadina Al-Munwarah (second phase)	The Company (as contractor) and MEWA (as owner)	Hybrid contract	The Company has entered into a maintenance and operation agreement for a sewage treatment facility in AlMadina Al-Munwarah (second phase), and providing of materials, equipment, and labour workers.	The agreement is for a term of 24 months, commencing from 28/11/1440H (corresponding to 31 July 2019G).	The aggregate amount payable under this agreement is SAR 25,185,000.
Maintenance and operation agreement in relation to the well treatment facilities located in AlMadina Al-Munwarah	The Company (as contractor) and MEWA (as owner)	Hybrid contract	The Company has entered into a maintenance and operation agreement in relation to the well treatment facilities located in AlMadina Al-Munwarah, and providing of materials, equipment, and labour workers.	The agreement is for a term of 36 months, commencing from 25/05/1439H (corresponding to 11 February 2018G).	The aggregate amount payable under this agreement is SAR 23,712,350.

Name of Agreement	Parties	Type of Agreement	Brief Description	Term and Renewal Mechanism	Value
Maintenance and operation agreement pertaining to Jeddah's sewage networks and ground elevation facilities in the city of Jeddah	The Company (as contractor) and NWC (as owner)	Hybrid contract	The Company has entered into a maintenance and operation agreement pertaining to Jeddah's sewage networks and ground elevation facilities, and providing of materials, equipment, and labour workers.	The agreement is for a term of 36 months, commencing from 06/05/1441H (corresponding to 1 January 2020G).	The aggregate amount payable under this agreement is SAR 96,699,015.
on sewage networks in the Yanbu Governorate and its environs	The Company (as contractor) and MEWA (as owner)	Hybrid contract	the sewage networks in the Yanbu Governorate, and providing of materials, equipment and labour workers.	The agreement is for a term of 36 months, commencing from 02/01/1441H (corresponding to 1 September 2019G).	The aggregate amount payable under this agreement is SAR 39,999,729.
Maintenance and operation agreement on drinking water in the Tabuk Region	The Company (as contractor) and MEWA (as owner)	Hybrid contract	The Company has entered into a maintenance and operation agreement in relation to the drinking water in the villages of the Tabuk region, and providing of materials, equipment and labour workers.	The agreement is for a term of 36 months, commencing from 17/10/1439H (corresponding to 1 July 2018G).	The aggregate amount payable under this agreement is SAR 52,283,300.
Insurance, preparation, management, maintenance and operation agreement pertaining to sewage treatment facility of King Saud bin Abdulaziz University for Health sciences in Jeddah	The Company (as contractor) and the Ministry of the National Guard (as owner)	Hybrid contract	The Company has entered into a maintenance and operation agreement pertaining to sewage treatment facility of King Saud University for health sciences in Jeddah, and providing of administration and operation services for the sewage treatment facility.	The agreement is for a term of 60 months, commencing from 04/06/1438H (corresponding to 1 April 2017G).	The aggregate amount payable under this agreement is SAR 10,185,000.
Operation and maintenance agreement for drinking water, treated water and environmental services networks in Ta'if	The Company (as contractor) and NWC (as owner)	Hybrid contract	The Company has entered into an agreement for the operation and maintenance of potable water, treated water, and environmental services networks in Ta'if, and providing of materials, equipment and labour workers, and maintenance of built and temporary units at the request of the owner, in accordance with the provisions of the contract.	The agreement is for a term of 36 months, commencing from 12/08/1441HH (corresponding to 5 April 2017G).	The aggregate amount payable under this agreement is SAR 83,736,651.
Lease agreement for mobile seawater purification plant to be used in Shuaiba, Rabigh and South Jeddah power plants in the Western Region	The Company (as contractor) and SEC (as owner)	Unit price contract	The Company entered into an agreement to lease a mobile seawater purification plant to be used in Shuaiba, Rabigh and South Jeddah power plants in the Western Region, and providing of a mobile seawater purification plant in containers with all of its accessories.	The agreement is for a term of three years, commencing from 22/10/1441H (corresponding to 14 June 2020G).	The aggregate amount payable under this agreement is SAR 73,313,100.

Name of Agreement	Parties	Type of Agreement	Brief Description	Term and Renewal Mechanism	Value
Agreements in the Eastern Region					
Maintenance and operation agreement for the substitution of certain pipelines, the execution of the recently installed pipelines and the development of a few of the generating facilities located in the city of Dammam	The Company (as contractor) and MEWA (as owner)	Unit price contract	The Company has entered into a maintenance and operation agreement for the substitution of certain pipelines, the execution of the recently installed pipelines and the development of a few of the generating facilities located in the city of Dammam, and providing of materials, equipment and labour workers.	The agreement is for a term of 36 months, commencing from 11/05/1440H (corresponding to 17 January 2019G).	The aggregate amount payable under this agreement is SAR 69,999,907.
Maintenance and operation agreement for the city of Dammam's water and sewage system	The Company (as contractor) and MEWA (as owner)	Hybrid contract	The Company has entered into a maintenance and operation agreement for the city of Dammam's water and sewage system, and providing of materials, equipment and labour workers.	The agreement is for a term of 36 months, commencing from 19/10/1440H (corresponding to 22 June 2019G).	The aggregate amount payable under this agreement is SAR 78,999,999.
Maintenance and operation agreement of portable diesel generators for sewage facilities in the Eastern province	The Company (as contractor) and MEWA (as owner)	Hybrid contract	The Company has entered into a maintenance and operation agreement of portable diesel generators for sewage facilities in the Eastern province, and providing of materials, equipment and labour workers.	The agreement is for a term of 36 months, commencing from 28/04/1439H (corresponding to 15 January 2018G).	The aggregate amount payable under this agreement is SAR 18,467,300.
Maintenance and operation agreement in relation to a dual and triplex treatment plant in Dammam and Al Khobar	The Company (as contractor) and NWC (as owner)	Hybrid contract	The Company has entered into a maintenance and operation agreement in relation to a dual and triplex treatment plant in Dammam and Al Khobar, and providing of materials, equipment, and labour workers.	The agreement is for a term of 36 months, commencing from 14/03/1440H (corresponding to 22 November 2018G).	The aggregate amount payable under this agreement is SAR 16,414,094.
Maintenance and operation agreement for pipelines' firefighting systems	The Company (as sub-contractor) and Royal Commission for Jubail and Yanbu (as owner)	Hybrid contract	The Company has entered into an operation and maintenance agreement for pipelines' firefighting systems.	The agreement is for a term of 60 months, commencing from 05/08/1438H (corresponding to 1 May 2017G).	The aggregate amount payable under this agreement is SAR 20,000,000.
Maintenance and operation agreement pertaining to the odour removal units located in Dammam and Al Khobar	The Company (as contractor) and MEWA (as owner)	Hybrid contract	The Company has entered into a maintenance and operation agreement pertaining to the odour removal units located in Dammam and Al Khobar.	The agreement is for a term of 36 months, commencing from 06/03/1440H (corresponding to 14 November 2018G).	The aggregate amount payable under this agreement is SAR 9,748,100.

Name of Agreement	Parties	Type of Agreement	Brief Description	Term and Renewal Mechanism	Value
Water and pipeline supply delivery agreement in Dammam	The Company (as contractor) and MEWA (as owner)	Unit price contract	The Company has entered into an agreement where it undertakes to deliver water and its needed installations and pipelines within the city of Dammam.	The agreement is for a term of 36 months, commencing from 25/05/1439H (corresponding to 10 February 2018G).	The aggregate amount payable under this agreement is SAR 17,388,850.
Water and wastewater operation and maintenance program contract for the Ajyal Project - Saudi Aramco	The Company (as contractor) and MEWA (as owner)	Hybrid contract	The Company entered into an agreement for the purpose of carrying out the operations and maintenance of water and wastewater in Ajyal Project - Saudi Aramco in the Eastern Province.	The term of the agreement is 36 months from the date of site handover.	The total amount payable under this agreement is SAR 9,099,936.
Agreements in the Central Region					
Implementation and delivery contract for lowering the level of groundwater, Laban, Tuwaiq and Al Aarid in the city of Riyadh	Azmeel Contracting (as the previous contractor), the Company (as current contractor) and the High Commission for the Development of Riyadh (as owner)	Unit price contract	Azmeel Contracting has entered into an implementation and delivery contract for lowering the level of groundwater, and providing of materials, equipment and labour workers, in the following neighbourhoods: Laban, Tuwaiq and Al Aarid in the city of Riyadh. However, such contract has since been novated to the Company and therefore, the Company has replaced Azmeel Contracting as (contractor).	The agreement is for a term of 36 months, commencing from 10/09/1440H (corresponding to 15 May 2019G).	The aggregate amount payable under this agreement is SAR 36,629,438.
Maintenance and operation agreement in relation to a number of projects for drinkable water (in Ad-Dilam, Al Hayathem, Al Hariq, Howtat Bani Tamim, Al Aflaj, As Sulayyil and Wadi Ad Dawasir)	The Company (as contractor) and MEWA (as owner)	Hybrid contract	The Company has entered into a maintenance and operation agreement in relation to a number of projects for drinkable water, and providing of materials, equipment and labour workers, for the following cities and towns: Ad Dilam, Al Hayathem, Al Hariq, Howtat Bani Tamim, Al Aflaj, As Sulayyil and Wadi Ad-Dawasir.	The agreement is for a term of 36 months, commencing from 17/05/1440H (corresponding to 23 January 2019G).	The aggregate amount payable under this agreement is SAR 37,000,000.
Maintenance and operation agreement of the Riyadh Region's drinking water projects	The Company (as contractor) and MEWA (as owner)	Hybrid contract	The Company has entered into a maintenance and operation agreement of the Riyadh Region's drinking water projects and providing of materials, equipment, and labour workers.	The agreement is for a term of 36 months, commencing from 06/07/1439H (corresponding to 24 March 2018G)	The aggregate amount payable under this agreement is SAR 85,842,000.

Name of Agreement	Parties	Type of Agreement	Brief Description	Term and Renewal Mechanism	Value
Maintenance and operation agreement in relation to a water purification plant in Al Badayea	The Company (as contractor) and MEWA (as owner)	Hybrid contract	The Company has entered into a maintenance and operation agreement in relation to a water purification plant, the maintenance and operation shall also encompass all the water purification plant's essentials, and providing of materials, equipment and labour workers.	The agreement is for a term of 60 months, commencing from 11/09/1439H (corresponding to 27 May 2018G).	The aggregate amount payable under this agreement is SAR 61,099,998.
Maintenance and operation agreement for a ground water reduction in Narjis and Al Aarid (2) in	The Company (as contractor) and High Commission for the Development of Riyadh (as owner)	Unit price contract	The Company has entered into a maintenance and operation agreement for a ground water reduction of the following Riyadh neighborhoods: Narjis and Al Aarid (2), and providing of materials, equipment, and labour workers.	The agreement is for a term of 36 months, commencing from 10/01/1440H (corresponding to 20 September 2018G).	The aggregate amount payable under this agreement is SAR 68,039,276.
Agreement for the implementation of the sewage systems in a part of the King Abdullah neighborhood of Riyadh	The Company (as contractor) and the National Water Company ("**NWC**") (as owner)	Unit price contract	The Company has entered into an agreement for the implementation of the sewage systems in a part of the King Abdullah neighborhood of Riyadh, and providing of material, equipment and labour workers.	The agreement is for a term of 18 months, commencing from 27/06/1440H (corresponding to 4 March 2019G). The project was partially stopped on a temporary basis on 25/05/1441H (corresponding to 20 January 2020G). The agreement shall be extended by the owner due to delay in determining the project sites.	The aggregate amount payable under this agreement is SAR 26,624,360.
Agreement for the execution of the second phase pertaining to the primary sewage system in the city of Riyadh	The Company (as contractor) and NWC (as owner)	Unit price contract	The Company has entered into an agreement for the execution of the second phase pertaining to the primary sewage system in the city of Riyadh, and providing of materials, equipment and labour workers.	The agreement is for a term of 24 months, commencing from 21/07/1440H (corresponding to 28 March 2019G).	The aggregate amount payable under this agreement is SAR 46,999,200.
Maintenance and operation agreements in group 2 centres and governorates	The Company (as contractor) and MEWA (as owner).	Hybrid contract	The Company has entered into a maintenance and operation agreement in relation to several project that are concerned with the drinking water of several provinces within Riyadh, and providing of materials, equipment and labour workers.	The agreement is for a term of 36 months, commencing from 05/12/1438H (corresponding to 27 August 2017G). The agreement shall continue until the project is delivered according to the direction of the project owner and the Company shall be notified thereof.	The aggregate amount payable under this agreement is SAR 23,490,623.

Name of Agreement	Parties	Type of Agreement	Brief Description	Term and Renewal Mechanism	Value
Subcontract agreement in the city of Riyadh	The Company (as sub-contractor) and the branch of Aqualia Intech (as contractor)	Unit price contract	The Company has been subcontracted by a branch of Aqualia Intech, for the execution of a storm water drainage system for the Riyadh Metro.	The agreement is for a term of 11 months, commencing from 07/09/1441H (corresponding to 30 April 2019G).	The aggregate amount payable under this agreement is SAR 22,213,785.
Drainage contract for storm water, wastewater, drinking water and irrigation water for Riyadh Metro	The Company (as sub-contractor) and the Saudi Arabia Bechtel Company, Almabani General Contractors and Consolidated Contractors Company (as contractor)	Unit price contract	The Company has been subcontracted by Saudi Arabia Bechtel Company, Almabani General Contractors and Consolidated Contractors Company to identify and divert any storm water, sewer, potable water, and irrigation shown in the utility drawings of the Riyadh Metro project.	The agreement is for a term of 12 months, commencing from 21/06/1441H (corresponding to 15 February 2020G).	The aggregate amount payable under this agreement is SAR 25,281,624.
Maintenance and operation agreement of water and wastewater networks and the fourth treatment plant in Al Bukayriyah	The Company (as contractor) and MEWA (as owner)	Hybrid contract	The Company has entered into an operation and maintenance agreement that concerns water and sewage systems and the water treatment facility located in Al Bukayriyah city, and providing of materials, equipment, and labour workers.	The agreement is for a term of 30 months, commencing from 19/11/1439H (corresponding to 1 August 2018G).	The aggregate amount payable under this agreement is SAR 16,016,670.
Design, implementation and operation agreement for the sewage treatment plant in Al-Kharj Industrial City	The Company and FCC Aqualia (as contractor) and Modon (as owner)	Unit price contract	The Company entered into an agreement to design, supply and construct an industrial water treatment plant located in Al-Kharj Industrial City. The contract includes the operation and maintenance of the plant at start-up, and providing of of materials, equipment and labour workers.	The agreement is for a term of 101 months, commencing from 13/02/1435H (corresponding to 16 December 2013G).	The aggregate amount payable under this agreement is SAR 73,250,100.
Service contract for providing emergency teams for notifications regarding leaks of the Riyadh water network	The Company (as contractor) and the NWC (as owner)	Time and equipment contract	The Company has entered into an agreement with the National Water Company, under which the Company will secure operation and maintenance work for water networks in Riyadh in the event of an emergency leak.	The agreement is for a term 36 months, commencing from 25/10/1439H (corresponding to 9 July 2018G).	The aggregate amount payable under this agreement is SAR 7,221,525.

Name of Agreement	Parties	Type of Agreement	Brief Description	Term and Renewal Mechanism	Value
Maintenance and operation agreement for the sewage treatment plant at King Saud bin Abdulaziz University for Health Sciences in Riyadh affiliated to the Health Affairs at Ministry of National Guard	The Company (as contractor) and the Ministry of the National Guard (as owner)	Hybrid contract	The Company has entered into a maintenance and operation agreement pertaining to sewage treatment facility of King Saud University for health sciences in Riyadh, and providing administration and operation services for the sewage treatment facility.	The agreement is for a term 60 months, commencing from 04/07/1438H (corresponding to 1 April 2017G).	The aggregate amount payable under this agreement is SAR 14,825,000.
Operation and maintenance agreement for the sewage treatment plant and networks in the Az Zulfi Governorate and Az Zulfi Housing Treatment Plant	The Company (as contractor) and MEWA (as owner)	Hybrid contract	The Company has entered into a maintenance and operation agreement for the water systems and the sewage treatment facility in the city of Az Zulfi, and providing of material, equipment and labour workers.	The agreement is for a term 60 months, commencing from 18/12/1440H (corresponding to 19 August 2019G).	The aggregate amount payable under this agreement is SAR 15,554,700.
Maintenance and operation agreement for Wadi Al Dawasir Project	The Company (as contractor) and MEWA (as owner)	Hybrid contract	The Company has entered into a maintenance and operation agreement pertaining to Wadi Al Dawasir's water project.	The agreement is for a term of 60 months, commencing from 13/04/1440H (corresponding to 20 December 2018G).	The aggregate amount payable under this agreement is SAR 13,918,000.
Contract for the operation and maintenance of the drinking water network in the Al-Kharj Governorate	The Company (as contractor) and MEWA (as owner)	Hybrid contract	The Company entered into an agreement to operate and maintain the drinking water network in the Al-Kharj Governorate for the neighbourhoods located south of King Saud Road, and the neighbourhoods of Al-Khaldiya, Al Khuzama, Al Nada, Al Azizia, Mushrif, Al Rawabi and Al Hada.	The agreement is for a term of 36 months, commencing from 06/07/1441H (corresponding to 1 March 2020G).	The aggregate amount payable under this agreement is SAR 10,880,520.
Contract for the operation and maintenance of a purification plant in Al-Muzahmiya and Darmaa	The Company (as contractor) and MEWA (as owner)	Hybrid contract	The Company entered into an agreement to operate and maintain a purification plant in Al-Muzahmiyah and Darmaa.	The agreement is for a term of 60 months, commencing from 05/12/1441H (corresponding to 26 July 2020G).	The aggregate amount payable under this agreement is SAR 18,703,680.
Public work contract for the project to design, supply and implement a branch in the existing treated wastewater line on Makkah Road	The Company (as contractor) and Qiddiya (as owner)	Unit price contract	The Company entered into a public works agreement for a project to design, supply and implement a branch in the existing treated wastewater line on Makkah Road, in addition to a branch of the treated wastewater network on Darmaa Road.	The agreement is for a term of 300 days, commencing from 03/11/1441H (corresponding to 24 June 2020G) to complete the works, in addition to 365 calendar days from the date of delivery of the project for the purpose of completing the maintenance work.	The aggregate amount payable under this agreement is SAR 25,435,252.

Name of Agreement	Parties	Type of Agreement	Brief Description	Term and Renewal Mechanism	Value
The contract related to the remaining part of Riyadh Water Resources Project (the First Group) - Al Buwaib 3	The Company (as contractor) and NWC (as owner)	Unit price contract	The Company entered into an agreement for the purpose of completing the remainder of Riyadh Water Resources Project (the First Group) - Al Buwaib 3.	The term of the agreement is 8 months from the delivery date of the site on 30/11/1441H (corresponding to 21 July 2020G).	The total amount payable under this agreement is SAR 4,610,000.
Contract for rehabilitation of the main cooling towers in Al Buwaib 1 and 2 and Salboouk 1 and 2 stations	The Company (as contractor) and NWC (as owner)	Unit price contract	The Company entered into an agreement for the purpose of rehabilitating the main cooling towers at both Al Buwaib 1 and 2 and Salboouk 1 and 2 stations, in addition to providing materials, equipment and workers.	The term of the agreement is 15 months starting from 15/03/1442H (corresponding to 1 November 2020G).	The total amount payable under this agreement is SAR 1,485,000.
Contract for the operations and maintenance of Al-Hani Station	The Company (as contractor) and NWC (as owner)	Hybrid contract	The Company entered into Al Hani Station operation and maintenance agreement to operate and maintain Al Hani Station, including subsidiary and complementary works, including temporary, additional and supplementary works.	The term of the agreement is 60 months starting from the delivery date of the site on 04/03/1442H (corresponding to 19 November 2020G).	The total amount payable under this agreement is SAR 53,260,000.
Contract for Replacement of Air Compressors at Source Support Stations - Group (3)	The Company (as contractor) and NWC (as owner)	Unit price contract	The Company entered into an agreement to perform the work of replacing the air controls in the source support stations - Group (3) in the Riyadh Region.	The term of the agreement 24 weeks starting from 15/03/1442H (corresponding to 1 November 2020G).	The total amount payable under this agreement is SAR 846,500.
Contract for lifting and lowering the submersible equipment for the wells of Riyadh Business Unit	The Company (as contractor) and NWC (as owner)	Unit price contract	The Company entered into an agreement to carry out the lifting and lowering of submersible equipment for the wells of Riyadh Business Unit.	The term of the agreement is one year starting from the delivery date of the project on 10/11/1442H (corresponding to 1 July 2020G).	The total amount payable under this agreement is SAR 570,000.
Agreement in the Northern Region					
Maintenance and operation agreement of the Water Project in the Ha'il Region	The Company (as contractor) and MEWA (as owner)	Hybrid contract	The Company entered into an operation and maintenance agreement for the comprehensive water project in the Hail Region to supply the villages and city of Hail with treated and clean drinking water, in addition to providing materials, equipment and labour.	The agreement is for a term of 69 months, commencing from 10/03/1443H (corresponding to 1 January 2015G) to 14/02/1442H (corresponding to 1 October 2020G)[(2)].	The aggregate amount payable under this agreement is SAR 71,444,945.
Contract for the operation and maintenance of the Hail water purification plant in Al Hamima	The Company (as contractor) and MEWA (as owner)	Hybrid contract	The Company entered into an agreement to operate and maintain the water purification plant in Hail, in addition to providing materials, equipment and labour.	The agreement is for a term of 36 months, commencing from 02/05/1439H (corresponding to 19 January 2018G).	The aggregate amount payable under this agreement is SAR 36,947,350.

Name of Agreement	Parties	Type of Agreement	Brief Description	Term and Renewal Mechanism	Value
Maintenance and operation agreement of the Northern Region	The Company (as contractor) and MWSPC (as owner)	Hybrid contract	The Company entered into an agreement to operate and maintain the sewage treatment plant in Ras al-Khair and Umm Waal Industrial in the northern region. The company shall provide all equipment, chemicals, labour, supervision works, services and all other matters. It shall be exclusively responsible for all of the above.	The agreement is for a term of 46 months, commencing from 16/06/1438H (corresponding to 15 March 2017G) to 02/06/1442H (corresponding to 15 January 2021G).	The aggregate amount payable under this agreement is SAR 4,191,558.
Maintenance and operation agreement for the Ha'il Region network	The Company (as contractor) and MEWA (as owner)	Hybrid contract	The Company has entered into a maintenance and operation agreement in relation to a water purification plant located in the Ha'il Region. The Company shall provide all equipment, chemicals and labour.	The agreement is for a term of 36 months, commencing from 15/05/1439H (corresponding to 1 February 2018G).	The aggregate amount payable under this agreement is SAR 21,167,000.
Maintenance and operation agreement for miniature water purification plant in the Ha'il Region	The Company (as contractor) and MEWA (as owner)	Hybrid contract	The Company has entered into a maintenance and operation agreement in relation to a miniature water purification plant located in the Ha'il Region.	The agreement is for a term of 36 months, commencing from 29/01/1439H (corresponding to 19 October 2017G)[3].	The aggregate amount payable under this agreement is SAR 11,998,350.
Maintenance and operation agreement for Ha'il water lab in the Ha'il Region	The Company (as contractor) and MEWA (as owner)	Hybrid contract	The Company has entered into a maintenance and operation agreement for the Hail Region's Central Water Laboratory.	The agreement is for a term of 42 months, commencing from 01/12/1438H (corresponding to 23 August 2017G).	The aggregate amount payable under this agreement is SAR 10,198,384.
Agreements in the Southern Region					
Maintenance and operation agreement in the Jazan Region	The Company (as contractor) and MEWA (as owner)	Hybrid contract	The Company has entered into a maintenance and operation agreement for the Jazan Region's water related projects, the Company shall also undertake the provision of material, equipment and labour workers.	The agreement is for a term of 36 months, commencing from 10/10/1439H (corresponding to 24 June 2018G).	The aggregate amount payable under this agreement is SAR 60,919,407.
Maintenance and operation agreement concerning the water projects of the Jazan Region's towns and cities (northern sector)	The Company (as contractor) and MEWA (as owner)	Hybrid contract	The Company has entered into a maintenance and operation agreement for a number of water related projects within the Jazan Region's towns and cities (northern sector), the Company shall also undertake the provision of material, equipment and labour workers.	The agreement is for a term of 36 months, commencing from 18/11/1440H (corresponding to 21 July 2019G).	The aggregate amount payable under this agreement is SAR 81,865,680.

Name of Agreement	Parties	Type of Agreement	Brief Description	Term and Renewal Mechanism	Value
Maintenance and operation agreement for water purification facility in the Jazan Region	The Company (as contractor) and MEWA (as owner).	Hybrid contract	The Company has entered into an operation and maintenance agreement that concerns a water purification facility located in the Jazan Region. The Company shall also undertake the provision of material, equipment, and labour workers.	The agreement is for a term of 36 months, commencing from 07/08/1440H (corresponding to 13 April 2019G).	The aggregate amount payable under this agreement is SAR 25,680,467.
A contract for operations and maintenance of the water purification plant on Jazan Valley Dam	The Company (as contractor) and MEWA (as owner)	Hybrid contract	The Company entered into a maintenance and operation agreement for the water purification plant on Jazan Valley Dam, in addition to the provision of materials, equipment and workers.	The term of the agreement is 360 days, starting from 15/01/1442H (corresponding 03 September 2020G).	The total amount payable under this agreement is SAR 10,347,997.
Agreements with Subcontractors4					
Sub-contracting agreement for the purpose of a project to design, implement and operate a sewage treatment plant in Al Kharj Industrial City	The Company (as the contractor) and the contractor 1 (as the owner)	-	The Company entered into a subcontracting agreement for part of the works in a project to design, implement and operate a wastewater treatment plant in Al Kharj Industrial City.	The subcontracting agreement is valid until the work is delivered, with a maximum expiration date of the main contract (for 101 months starting from 13/02/1435H (corresponding to 16 December 2013G)). The agreement may be extended in accordance with to the main contract.	The total amount payable under this agreement is SAR 223,292,483.

Source: The Company

(1) The term of the agreement will be extended according to the period of work suspension, after the site is determined, noting that the Company has obtained the initial approval from the regulatory body on the project site.

(2) The Company seeks to renew the agreement, noting that work continues on the site.

(3) The term of the agreement has expired and the Company seeks to deliver the project.

(4) The Company has other, non-material agreements with subcontractors.

12.6 Financing Agreements

The Company has entered into three financing agreements with Financial Institutions relating to its business. As of 30 June 2020G, Company's debts were about SAR 192.1 million. The following is a summary of the terms and conditions of such agreements which the Company considers material or important or which may otherwise influence a Subscriber's decision with respect to the Offer Shares. The Company has not breached any of the conditions and undertakings included in such agreements. These summaries include only the material terms and conditions, not all applicable terms and conditions of such agreements, and cannot be considered as an alternative to the terms and conditions of those agreements.

Certain financing agreements to which the Company is a party include provisions that either require the submission of a prior notification to the Financial Institutions of any change of control or change in the ownership structure of the Company, or when offering the Company's share for public subscription or introducing new provisions that require prior approval of the Financial Institutions. The Company, in this regard, obtained all the consents required from the Financial Institutions.

The following table sets out the financing agreements entered into by the Company for the purposes of its business:

Table 12.6: Details of Financing Agreements

Lender	Type of Financing	Availability Period	Financing Amount
Arab National Bank	Shari'a Compliant Credit Facilities Agreement[2]	The facility availability period runs from 27/04/1441H (corresponding to 24 December 2019G) until 20/11/1442H (corresponding to 30 June 2021G).[1]	SAR 277,000,000
The National Commercial Bank	Finance and Banking Services Agreement	The facility availability period runs from 15/08/1441H (corresponding to 8 April 2020G) until 16/05/1442H (corresponding to 31 December 2020G).	SAR 350,000,000
Samba Financial Group	Facilities agreement[3]	The period of facility availability extends from 29/12/1441H (corresponding to 19 August 2020G) to 15/04/1442H (corresponding to 30 November 2020G).	SAR 240,000,000

Source: The Company

(1) Arab National Bank confirmed by a letter dated 23 December 2020G that the agreement was renewed until 30 June 2021G, and a renewed agreement will be issued to that effect.

(2) The National Commercial Bank confirmed by a letter dated 22 December 2020G that the agreement would be effective until it is renewed. It is expected that the agreement will be renewed on 31 January 2021G.

(3) The agreement expired, and the Company seeks to renew it. Samba Financial Group confirmed by a letter dated 12 December 2020G that the facilities would be still available for the Company's use and that the agreement is in the process of being renewed.

12.6.1 Shari'a Compliant Credit Facilities Agreement with Arab National Bank

The Company concluded a Shari'a compliant credit facilities agreement with Arab National Bank ("**ANB**") on 27/04/1441H (corresponding to 24 December 2019G), whereby ANB agreed to provide the Company with Shari'a compliant credit facilities with a total value of SAR 277,200,000 consisting of the following:

(a) A SAR 120,000,000 invoice discounting facility to finance project deliverables for up to 80% of the value of approved invoices (excluding the final 10% of the value of project deliverables) at an annual profit rate of 1.25% (for six months) over SIBOR repayable over six months.

(b) A SAR 130,000,000 fixed period Tawarruq financing facility to finance the cost of preparation and other works related to the preparation of the project site and direct payment, and settlement of invoices for pipe and tank suppliers at an annual profit rate of 1.5% over SIBOR (until 31 December 2020G) and an annual profit rate of 1.5% over SIBOR (for three months) repayable over 36 months in eight equal quarterly instalments of SAR 16,250,000 from 31 January 2021G until 31 October 2022G, including any of the following:

   (i) SAR 130,000,000 documentary guarantees or promissory notes to issue documentary guarantee letters to acceptable beneficiaries to import equipment and products for the project at an annual profit rate of equivalent to the standard SAMA tariff, subject to an annual postponement fee of 1.25%, for a period of 360 days;

   (ii) SAR 130,000,000 Tawarruq financing for financing imports pursuant to issued documentary guarantees at an annual profit rate of 1.25% over SIBOR for a period of 360 days;

   (iii) SAR 130,000,000 shipment guarantees to issue shipment guarantees to release cargo in case of delay in receipt of the original shipment policy related to the issued documentary guarantees or collection documents from ANB, for a period of 90 days; and

(iv) A SAR 27,200,000 final guarantee letter to issue a guarantee letter for the project (equivalent to 5% of the value of the project), for a period of three years.

The facilities are valid until 30 June 2021G and they have been secured by the Company as follows:

(a) A promissory note from the Company covering the facility amount of SAR 277,200,000.

(b) A joint and several guarantee from Alkhorayef Group Company, Hamad Abdullah Alkhorayef and Sa'ad Abdullah Alkhorayef covering the total value of the facilities.

(c) An assignment of contract proceeds from the project deliverables of the Dammam Water Treatment Project (3) with a value of SAR 542,300,000.

The Company's main covenants under the facilities include seeking the lender's consent before implementing any change in the ownership structure. Whereas, the lender has the right to cancel facilities and demand immediate repayment if there is a change in the ownership structure of the Company. Pursuant to a letter dated 24/10/1441H (corresponding to 16 June 2020G), ANB consented to the Offering and to release the personal and institutional guarantors, once the Offering is successfully completed.

The agreement is governed by the laws of the Kingdom and any disputes arising from the agreement shall be referred to the Committee for Settlement of Banking Disputes, unless ANB wishes to refer the matter to another competent judicial authority.

12.6.2 Finance Facilities with The National Commercial Bank (NCB)

The Company concluded a financing and banking services agreement with The National Commercial Bank ("**NCB**") on 15/08/1441H (corresponding to 8 April 2020G), it remains valid until 16/05/1442H (corresponding to 31 December 2020G), whereby NCB agreed to provide the Company with banking facilities of up to SAR 350,000,000, consisting of the following:

(a) A SAR 50,000,000 commercial Tayseer facility for purposes of refinancing the matured letters of credit at an annual profit rate of 1.75% over the applicable SIBOR rate, repayable in a single payment over six months. This facility matures on 31 December 2020G.

(b) SAR 50,000,000 local and international letters of credit at sight for the purpose of supporting the Company's working capital and producing the necessary materials for the Company's projects at the standard SAMA tariff rate, repayable over 180 days. The facility matures on 31 December 2020G.

(c) SAR 50,000,000 local and international deferred payment letters of credit for the purpose of supporting the Company's working capital and producing the necessary materials for the Company's projects at an annual deferral rate of 0.25% over the standard SAMA tariff rate, repayable over 180 days. The facility matures on 31 December 2020G.

(d) SAR 50,000,000 readiness letters of credit for the purpose of serving the Company's needs of funding in relation financing requirements not covered by international banks, at an annual profit rate of 1.25% over the standard SAMA tariff rate, repayable over 360 days. The facility matures on 31 December 2021G.

(e) SAR 50,000,000 bid bond letters of guarantee for entering into government and non-government tenders at an annual profit rate of 0.25% over the standard SAMA tariff rate, with a tenor of 48 months. The facility matures on 31 December 2020G.

(f) A SAR 300,000,000 commercial Tayseer facility at an annual profit rate of 2% over NCB's treasury rate, with a tenor of 48 months repayable in quarterly instalments. The facility matures on 31 December 2020G.

The facilities are valid until 31 December 2020G and they have been secured by the Company as follows:

(a) A joint and several corporate guarantee by Abdullah Ibrahim Alkhorayef Sons Company covering 110% of the value of the facilities.

(b) A joint and several personal guarantee by Mohammed Abdullah Alkhorayef and Saad Abdullah Alkhorayef covering 110% of the value of the facilities.

(c) An undertaking to deposit an equivalent of 120% of the value of the facilities in NCB accounts.

The Company's main covenants under the facilities include the following:

(a) The Company must maintain a leverage ratio that does not exceed 3:1.

(b) The Company must seek lender's consent before implementing any change in its legal structure or form.

The lender has the right to cancel the facilities and demand immediate repayment if there is a change in the Company's legal structure or form. Pursuant to a letter dated 18/10/1441H (corresponding to 10 June 2020G), NCB consented to the Offering and to release the personal and institutional guarantors, once the Offering is successfully completed.

The agreement is governed by the laws of the Kingdom and any disputes arising from the agreement shall be referred to a Saudi competent dispute resolution body, including the Committee for Settlement of Banking Disputes.

12.6.3 Term Facilities Agreement with Samba Financial Group

The Company entered into a facilities agreement with Samba Financial Group ("**Samba**") on 29/12/1441H (corresponding to 19 August 2020G), whereby Samba agreed to provide facilities to the Company with a total value of SAR 240,000,000, including the following:

(a) General letters of guarantee up to a maximum of SAR 130,000,000 for the purpose of issuing (i) bid bonds for a period of one year at an annual profit rate of 1% including the standard SAMA tariff, (ii) performance bonds for a period of five years at an annual profit rate of 1% including the standard SAMA tariff, (iii) a three-year advance payment guarantee at an annual profit rate of 1.25% including the standard SAMA tariff and/or (iv) a three-year payment guarantee at an annual profit rate of 2.5% including the standard SAMA tariff.

(b) Project progress finance facility with a maximum value of SAR 110,000,000 for the purpose of financing the Company's Government projects for a period of 270 days at an annual profit rate of 2% over SIBOR, provided that the revenues of projects are assigned in favour of Samba, in addition to providing of letters of acknowledgment of assignment from contract owners for projects with a value greater than SAR 50,000,000.

The facilities will remain valid until until 30 November 2020G. The Company secured the same by providing a corporate guarantee from Abdullah Ibrahim Alkhorayef Sons Company, covering 100% of the facilities value.

The Company's main covenants under the facilities include the following:

(a) Ranking the facilities provided by Samba on a pari-passu basis with all other facilities of the Company;

(b) Undertaking to obtain the lender's approval before pledging any of the Company's assets; and

(c) Undertaking to keep the lender informed of any material changes in the Company's business and relationships with banks.

The agreement is governed by the laws of the Kingdom and any disputes arising from the agreement shall be referred to a Saudi competent dispute resolution body, including the Committee for Settlement of Banking Disputes.

Pursuant to the letter dated 26/01/1442H (corresponding to 14 September 2020G), Samba approved the Offering and consented to release the institutional guarantor, once the Offering is successfully completed.

12.7 Insurance Policies

The Company maintains insurance policies covering different types of risks to which it may be exposed. These insurance policies have been issued by several insurance companies. The following table sets out the key particulars of the insurance policies held by the Company:

Table 12.7: Details of Insurance Policies

Policy No.	Types of Coverage	Insurer	Validity	Maximum Insurance Coverage
1/ZE/30016/0/11	Business All Risk	AXA Cooperative Insurance Company	1 January 2020G (corresponding to 06/05/1441H) to 31 December 2020G (corresponding to 16/05/1442H)	N/A
1/ZF/30071/0/1	Fidelity Guarantee	AXA Cooperative Insurance Company	1 January 2020G (corresponding to 06/05/1441H) to 31 December 2020G (corresponding to 16/05/1442H)	SAR 1,500,000

Policy No.	Types of Coverage	Insurer	Validity	Maximum Insurance Coverage
1/PL/20021/014	Public Liability	AXA Cooperative Insurance Company	1 January 2020G (corresponding to 06/05/1441H) to 31 December 2020G (corresponding to 16/05/1442H)	USD 5,000,000
1/ZM/30251/0/8	Money Insurance	AXA Cooperative Insurance Company	1 January 2020G (corresponding to 06/05/1441H) to 31 December 2020G (corresponding to 16/05/1442H)	SAR 24,348,000
1/VF/37707/0/10	Motor Car Comp (Commercial)	AXA Cooperative Insurance Company	1 January 2020G (corresponding to 06/05/1441H) to 31 December 2020G (corresponding to 16/05/1442H)	SAR 10,000,000 for third-party insurance cases. The insurance coverage for the Company's vehicles is based on the insurance value of each vehicle
1/GG/30096/0/11	Personal Accident	AXA Cooperative Insurance Company	1 January 2020G (corresponding to 06/05/1441H) to 31 December 2020G (corresponding to 16/05/1442H)	SAR 3,000,000
1/EP/30142/0/11	Plant All Risks	AXA Cooperative Insurance Company	1 January 2020G (corresponding to 06/05/1441H) to 31 December 2020G (corresponding to 16/05/1442H)	SAR 3,750,000 maximum insurance coverage for third party
1/FA/30613/0/7	Property All Risks	AXA Cooperative Insurance Company	1 January 2020G (corresponding to 06/05/1441H) to 31 December 2020G (corresponding to 16/05/1442H)	SAR 5,000,000 for each site
1/WC/30254/0/1	Workmen's Compensation	AXA Cooperative Insurance Company	1 January 2020G (corresponding to 06/05/1441H) to 31 December 2020G (corresponding to 16/05/1442H)	USD 1,000,000
18521824	Medical Insurance	Tawuniya	1 February 2020G (corresponding to 07/06/1441H) to 31 January 2021G (corresponding to 18/06/1442H)	SAR 500,000

Source: The Company

12.8 Real Estate

12.8.1 Title Deeds

There are no material properties owned by the Company.

12.8.2 Leases

The Company has entered into various lease agreements in order to initiate or establish and support its operations in the relevant business segments. The Company as the lessee in these agreements pays the annual rent amount as specified in each agreement and generally has the right to assign and sublease the agreements in whole or in part to any third party, subject to the approval of the lessor. The leasing term varies for each lease agreement, often ranging from six months to three years. Some agreements are automatically renewable. Most lease agreements do not allow one party to terminate them without cause. However, some agreements allow one party to terminate the agreement following notice of not less than one month to one year. Some lease agreements provide the option of automatic renewal unless a notification is sent by either of the parties to the other, specifying that it does not wish to renew the agreement pursuant to the relevant provisions. As of 30 June 2020G, the Company had 88 lease agreements, of which 15 were expired. However, the Company continues to pay rent for such expired agreements on a monthly basis and continues to occupy the corresponding properties until the renewal of the expired agreements is completed. The following table shows the number of lease agreements by lease term:

Table 12.8: Number of Lease Agreements by Lease Term

Term of Lease (Years)	Number of Lease Agreements
0-1	66
2-3	20
+3	2
Total	**88**

Source: The Company

Table 12.9: Details of Lease Agreements Concluded by the Company

SN	Location	Lessor	Purpose	Contract Term and Renewal Mechanism	Rental Value	Right of Assignment/ Sub-Contracting
1.	Algazaz District, Dammam	Jaber Hasan Khan	Workers accommodation	One year, starting from 01/01/1442H (corresponding to 20 August 2020G), automatically renewable unless a party notifies the other of its desire not to renew.	SAR 110,000 annually	The agreement does not contain any clause regarding the right to assign or sublease.
2.	Alkhaleej District, Dammam	Essam Mohammed AlKadhi	Workers accommodation	One year, starting from 07/07/1436H (corresponding to 26 April 2015G), renewal is subject to the consent of both parties.[1]	SAR 12,500 annually	With the written consent of the lessor
3.	Alkhaleej District, Dammam	Abdullah Mohammed Eid Alhussain	Workers accommodation	One year, starting from 01/01/1440H (corresponding to 12 September 2018G), renewal is subject to the consent of both parties.[2]	SAR 7,740 annually	With the written consent of the lessor
4.	Prince Mohammed bin Fahad, Dammam	Saudi Investment Group & Marketing Co. Ltd.	Business administration office	Two years, starting from 01/06/1441H (corresponding to 26 January 2020G) and ending on 29/05/1443H (corresponding to 3 January 2022G), renewal is subject to the consent of both parties.	SAR 106,312 annually	With the written consent of the lessor
5.	Halat Maheesh District, Qatif	Khalid Fares AlKhaldy	Workers accommodation	Indefinite period, starting from 10/03/1436H (corresponding to 1 January 2015G).	SAR 100,000 annually	With the written consent of the lessor

SN	Location	Lessor	Purpose	Contract Term and Renewal Mechanism	Rental Value	Right of Assignment/ Sub-Contracting
6.	Al Aarid District, Riyadh	Omar Abdulaziz AlHadlag	Workers accommodation	One year, starting from 10/06/1441H (corresponding to 5 February 2020G) ending on 09/06/1442H (corresponding to 23 January 2021G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 70,000 annually	With the written consent of the lessor
7.	Um Alsabaa District, Taif	Saed Ahmed AlZahrani	Workers accommodation	Three years, starting from 06/08/1441H (corresponding to 31 March 2020G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least six months before the end of the contract term.	SAR 190,000 annually	With the written consent of the lessor
8.	Alshuhdaa Northern District, Taif	Abdulaziz Basheet AlSufiany	Workers accommodation	One year, starting from 22/08/1441H (corresponding to 16 April 2020G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 48,000 annually	With the written consent of the lessor
9.	Al Nafl District, Riyadh	1000 Alqasem Real Estate Company	Workers accommodation	One year, starting from 28/07/1440H (corresponding to 4 April 2019G) ending on 28/07/1441H (corresponding to 23 March 2020G), renewal is subject to the consent of both parties.[3]	SAR 20,000 annually	With the written consent of the lessor
10.	Alsalam District, Riyadh	Njoom Alslam Holding Company	Workers accommodation	One year, starting from 10/11/1441H (corresponding to 1 July 2020G) to 20/11/1442H (corresponding to 30 June 2021G), renewal is subject to the consent of both parties.	SAR 180,000 annually	With the written consent of the lessor
11.	Alazizyah District, Al-Wajh	Abdulrahman Ibrahim AlGhaban	Workers accommodation	One year, starting from 01/04/1441H (corresponding to 29 November 2019G) ending 29/03/1442H (corresponding to 15 November 2020G), automatically renewable for a similar period.	SAR 9,600 annually	With the written consent of the lessor
12.	Al-Balad District, Tabuk	Khader Abdullah AlAtawi	Workers accommodation	One year, starting from 17/08/1441H (corresponding to 11 April 2020G) ending on 27/08/1442H (corresponding to 10 April 2021G), renewal is subject to the consent of both parties.	SAR 6,000 annually	With the written consent of the lessor
13.	Almashreq District, Tabuk	Ahmed Suliman AlDees	Workers accommodation	Six months, starting from 25/05/1440H (corresponding to 1 February 2019G), renewal is subject to the consent of both parties.[4]	SAR 700 monthly	With the written consent of the lessor
14.	Alshwaq District, Tabuk	Eid Suliman AlDagees	Workers accommodation	Indefinite period starting from 14/01/1440H (corresponding to 25 September 2018G).	SAR 800 monthly	With the written consent of the lessor
15.	Bany Malik District, Jeddah	Saud, Turki, Mohammed, Latifah, Mohannad and Saleh Al-Otaibi	Workers accommodation	Three years, starting from 05/05/1441H (corresponding to 1 January 2020G) ending on 18/06/1445H (corresponding to 31 December 2023G), renewal is subject to the consent of both parties.	SAR 190,000 annually	With the written consent of the lessor
16.	Alkhudairy Street, Jazan	Ali Yahya Mohammed Faqeeh	Workers accommodation and warehouse	Three years, starting from 10/09/1439H (corresponding to 25 May 2018G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least fifteen days before the end of the contract term.	SAR 57,000 annually	With the written consent of the lessor

SN	Location	Lessor	Purpose	Contract Term and Renewal Mechanism	Rental Value	Right of Assignment/ Sub-Contracting
17.	South of Buraidah, Al-Qassim	Abdullah Ibrahim Alkhorayef Sons Company	Business administration office	One year, starting from 28/02/1435H (corresponding to 1 January 2014G) and ending on 08/03/1436H (corresponding to 30 December 2014G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least three months before the end of the contract term.	SAR 70,000 annually	With the written consent of the lessor
18.	Almadina Street, Tabuk	Saed Rafea Abdullah	Workers accommodation and warehouse	One year, starting from 09/09/1439H (corresponding to 24 May 2018G), ending on 13/09/1440H (corresponding to 18 May 2019G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 28,000 annually	With the written consent of the lessor
19.	Alwurud District, Riyadh	Yosuf Mustafa AlAsaly heirs	Workers accommodation	One year, starting from 17/09/1441H (corresponding to 10 May 2020G) and ending on 28/09/1442H (corresponding to 10 April 2021G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 32,000 annually	Subleasing or assignment to others is not permitted.
20.	Alsooq District, Dammam	Abdullah Mohammed Abdulaziz Alsaleh	Business administration office	One year, starting from 01/06/1440H (corresponding to 07 January 2019G) ending on 30/05/1441H (corresponding to 26 January 2020G), renewal is subject to the consent of both parties.[5]	SAR 17,000 annually	The agreement does not contain any clause regarding the right to assign or sublease.
21.	Alnarjis District, Riyadh	Abdulaziz Abdullah Eisa Al-Banyan	Business administration office	One year starting on 14/05/1440H (corresponding to 21 January 2019G) and ending on 25/05/1441H (corresponding to 21 January 2020G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 27,000 annually	With the written consent of the lessor
22.	Alsultanah District, Tabuk	Madi Rasheed Al-Ghazali	Workers accommodation	Three years, starting from 14/09/1439H (corresponding to 29 May 2018G) ending on 14/09/1442H (corresponding to 26 April 2021G), automatically renewable for one year.	SAR 30,000 annually	With the written consent of the lessor
23.	Ghazala Governorate, Hail	Rashed Alrashed Altamimi	Warehouse, workshops, workers accommodation and office	One year starting from 15/09/1439H (corresponding to 30 May 2018G) ending on 15/09/1440H (corresponding to 20 May 2019G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 12,000 annually	With the written consent of the lessor
24.	Prince Sultan Street, Jazan	Bader and Bandar Salem Saleh Babgi	Warehouse and workshop	One year, starting from 11/10/1440H (corresponding to 15 June 2019G), renewal is subject to the consent of both parties.[6]	SAR 28,000 annually	With the written consent of the lessor
25.	Albalad Alqadim, Al-Bakriyyah	Sami Suliman Abalkhail	Workers accommodation	One year, starting from 20/11/1440H (corresponding to 23 July 2019G) ending on 20/11/1441H (corresponding to 11 July 2020G), renewal is subject to the consent of both parties.[7]	SAR 29,000 annually	With the written consent of the lessor
26.	Alhuzamyah, Riyadh	Mohammed Abdullah AlShabanat	Workers accommodation	Three years, starting from 19/08/1436H (corresponding to 07 June 2015G) ending on 19/08/1439H (corresponding to 05 May 2018G), renewal is subject to the consent of both parties.[8]	SAR 12,000 annually	With the written consent of the lessor

SN	Location	Lessor	Purpose	Contract Term and Renewal Mechanism	Rental Value	Right of Assignment/ Sub-Contracting
27.	AlDeerah District, Ad Dilam Governorate	Abdulrahman Abdullah Alshereef	Workers accommodation	Six months, starting on 01/09/1439H (corresponding to 16 May 2018H), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 18,000 annually	With the written consent of the lessor
28.	The Main Hospital Street, Al-Ghat	Abdullah Saed AlAzmi	Office and workers accommodation	One year, starting from 01/11/1438H (corresponding to 25 July 2017G) to 01/11/1439H (corresponding to 14 June 2018G), renewal is subject to the consent of both parties.[9]	SAR 12,000 annually	With the written consent of the lessor
29.	Airport District, Al-Madinah Al-Munawara	Saleh Mesleh Suwaleh Al-Ahmadi	Workers accommodation	Three years, starting from 15/08/1433H (corresponding to 05 July 2012G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least fifteen days before the end of the contract term.	SAR 15,000 annually	With the written consent of the lessor
30.	Alhayathem, Al-kharj	Ibrahim Mohammed AlRumaih	Workers accommodation	Six months, starting 01/11/1439H (corresponding to 14 July 2018G) ending on 01/05/1440H (corresponding to 8 January 2019G), automatically renewable for a similar period.	SAR 6,000 monthly	With the written consent of the lessor
31.	King Fahad Road, Riyadh	Ahood Suliman Al-Nazawi Al-Jhani	Workers accommodation	One year starting from 11/12/1441H (corresponding to 1 August 2020G) ending on 21/12/1442H (corresponding to 31 July 2021G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least two months before the end of the contract term.	SAR 105,000 annually	With the written consent of the lessor
32.	Alyarmouk District, Hail	Bandar Hathal Essa Al-Hathal	Workers accommodation	One year starting from 15/07/1439H (corresponding to 1 April 2018G) and ending on 15/07/1440H (corresponding to 22 March 2019G), to be renewable by the request of either party one month before the end of the contract term.[10]	SAR 14,000 annually	With the written consent of the lessor
33.	Barzan District, Hail	Rasheed Rashed Al-Thweeny	Workers accommodation	One year starting from 12/08/1439H (corresponding to 28 April 2018G) and ending on 12/08/1440H (corresponding to 18 April 2019G), renewable at the request of either party fifteen days before the end of the contract.[11]	SAR 6,500 annually	With the written consent of the lessor
34.	Main street, Dhurma	Abdullah Mohammed Alammar	Workers accommodation	One year, starting from 15/10/1441H (corresponding to 07 June 2020G) and ending on 15/10/1442H (corresponding to 27 May 2021G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 12,500 annually	With the written consent of the lessor
35.	Main street, Dhurma	Abdullah Mohammed Alammar	Workers accommodation	One year, starting from 15/10/1441H (corresponding to 07 June 2020G) and ending on 15/10/1442H (corresponding to 27 May 2021G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 12,500 annually	With the written consent of the lessor

SN	Location	Lessor	Purpose	Contract Term and Renewal Mechanism	Rental Value	Right of Assignment/ Sub-Contracting
36.	Aldeera District, Huraymila	Mohammed Ibrahim Mohammed AlQasel	Workers accommodation	One year starting on 11/02/1441H (corresponding to 11 September 2019G) and ending on 10/02/1442H (corresponding to 28 September 2020G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 12,000 annually	With the written consent of the lessor
37.	Block No.3, Rumah	Talal Shafi Maher Alsubaie	Workers accommodation	One year, starting on 15/08/1438H (corresponding to 12 July 2017G) ending on 14/08/1439H (corresponding to 30 April 2018G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 16,000 annually	With the written consent of the lessor
38.	Alazezyah District, Az-Zulfi	Mohammed Abdullah AlMateg	Workers accommodation	One year, starting from 18/11/1440H (corresponding to 21 July 2019G) ending on 18/11/1441H (corresponding to 09 July 2020G), renewal is subject to the consent of both parties.(12)	SAR 7,000 annually	With the written consent of the lessor
39.	Abu Baker Alsediq Street, Turaif	Sultan Hameed AlHazmi	Workers accommodation	One year starting on 16/06/1438H (corresponding to 15 March 2017G) and ending on 27/06/1439H (corresponding to 15 March 2018G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 2,800 annually	With the written consent of the lessor
40.	King Abdulaziz Road, Al-Duwadimi	Wakf Awad Khalid AlSehani	Workers accommodation	One year starting on 01/07/1439H (corresponding to 18 March 2018G) and ending on 30/06/1440H (corresponding to 08 March 2019G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 10,000 annually	With the written consent of the lessor
41.	Thuliaba District, Al-Duwadimi	Saad Ibrahim AlYehia	Workers accommodation	One year, starting on 01/07/1439H (corresponding to 18 March 2018G) and ending on 30/06/1440H (corresponding to 08 March 2019G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 12,000 annually	With the written consent of the lessor
42.	AlNahda District, Block 1077, AlQuwaiiyah	Suliman Abdullah AlHussan	Workers accommodation	Three years, Starting from 09/01/1440H (corresponding to 20 September 2018G) and ending on 13/02/1443H (corresponding to 20 September 2021G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 30,000 annually	With the written consent of the lessor
43.	Alarbeen street, Rumah	Sultan Mohammed AlSubaie	Workers accommodation and warehouse	One year starting on 01/07/1439H (corresponding to 18 March 2018G) and ending on 01/07/1441H (corresponding to 25 February 2020G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least two months before the end of the contract term.	SAR 20,000 annually	With the written consent of the lessor

SN	Location	Lessor	Purpose	Contract Term and Renewal Mechanism	Rental Value	Right of Assignment/ Sub-Contracting
44.	The first Block, Mahad Al-Dhahab	Musaed Dakheel AlMutairi	Workers accommodation	One year, starting from 17/09/1439H (corresponding to 1 June 2018G) and ending on 27/09/1440H (corresponding to 1 June 2019G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 8,000 annually	Subleasing or assignment to others is not permitted.
45.	Alsalam District, AlMithnab	Mohammed Abdullah Ibrahim Al-Duaigi	Workers accommodation	One year, starting on 01/11/1440H (corresponding to 04 July 2019G) and ending on 30/10/1441H (corresponding to 22 June 2020G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 23,000 annually	With the written consent of the lessor
46.	Kilo 2 District, Jeddah	Mohammed Hassan Saed Al-Shehri	Workers accommodation	One year, starting on 09/12/1438H (corresponding to 1 September 2017G), renewal is subject to the consent of both parties.(13)	SAR 17.500 annually	With the written consent of the lessor
47.	Almzahmia District, Riyadh	Manal Mohammed Abdullah Al-Husain	Workers accommodation	Three years, starting on 01/01/1439H (corresponding to 22 September 2017G) and ending on 01/01/1443H (corresponding to 10 August 2021G), renewal is subject to the consent of the lessor at least one month before the end of the contract term.	SAR 20,000 annually	With the written consent of the lessor
48.	Eastern Alnaseem District, Riyadh	Suliman Hamad AlMudiany	Workers accommodation	One year, starting from 07/08/1441H (corresponding to 1 April 2020G) and ending on 18/08/1442H (corresponding to 1 April 2021G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least two months before the end of the contract term.	SAR 60,000 annually	With the written consent of the lessor
49.	Aldeera District, Al-Qassim	Abdullah Abdulaziz Alhumaily AlHarbi	Workers accommodation	One year, starting on 01/09/1441H (corresponding to 24 April 2020G) and ending on 30/08/1442H (corresponding to 13 April 2021G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least fifteen days before the end of the contract term.	SAR 34,000 annually	With the written consent of the lessor
50.	Prince Naif Street, AlJubail	Ali Mohammed Ali Abu Alaynen	Workers accommodation	One year, starting from 15/07/1439H (corresponding to 1 April 2018G) and ending on 25/07/1440H (corresponding to 1 April 2019G), renewal is subject to the consent of both parties.(14)	SAR 26,000 annually	The agreement does not contain any clause regarding the right to assign or sublease.
51.	Al Aarid District, Riyadh	Mohammed Munahi Mohammed AlShahrani	Workers accommodation	One year, starting from 18/02/1441H (corresponding to 18 October 2019) ending on 18/02/1442H (corresponding to 06 October 2020G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 50,000 annually	With the written consent of the lessor

SN	Location	Lessor	Purpose	Contract Term and Renewal Mechanism	Rental Value	Right of Assignment/ Sub-Contracting
52.	Bathan District, Al-Medina Al-Munawara	Mohammed Othman Sahari	Workers accommodation	Three years, starting on 17/10/1439H (corresponding to 1 July 2018G) and ending on 21/11/1442H (corresponding to 1 July 2021G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least two months before the end of the contract term.	SAR 9,000 annually	With the written consent of the lessor
53.	Alrashayda Street, Al-Medina Al-Munawara	Awayd Aeed AlAden	Workers accommodation	Three years, starting from 10/10/1439H (corresponding to 24 June 2018G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least fifteen days before the end of the contract term.	SAR 24,000 annually	With the written consent of the lessor
54.	Shuran District, Al-Medina Al-Munawara	Haded bin Munawer AlJabry	Workers accommodation	Three years starting on 01/02/1441H (corresponding to 1 October 2019G) and ending on 04/03/1444H (corresponding to 30 September 2022G), renewal is subject to the consent of both parties.	SAR 100,000 annually	With the written consent of the lessor
55.	Alshumaisy District, Riyadh	Ibrahim Abdulaziz Al-Haim	Workers accommodation	One year, starting on 14/03/1440H (corresponding to 23 November 2018G) and ending on 25/03/1440H (corresponding to 23 November 2019G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 13,000 annually	With the written consent of the lessor
56.	Albadeiah District, Howtat Bani Tamim	Ibrahim Nasser Al-Khamees	Workers accommodation	Three years, starting from 23/07/1439H (corresponding to 09 April 2018G) ending on 23/07/1442H (corresponding to 07 March 2021G), renewal is subject to the consent of both parties.	SAR 15,000 annually	The agreement does not contain any clause regarding the right to assign or sublease.
57.	Laila District, AlAflaj	Mohammed Fahad Al-Ajaleen	Workers accommodation	Two years starting from 10/07/1440H (corresponding to 17 March 2019G) and ending on 09/07/1442H (corresponding to 21 February 2021G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 25,000 annually	With the written consent of the lessor
58.	Alnakheel District, Huraymila	Msfer Faleh Al-dowayan AlDosari	Workers accommodation	Three years, starting from 15/07/1439H (corresponding to 1 April 2018G) and ending on 15/07/1442H (corresponding to 27 February 2021G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 33,000 annually	With the written consent of the lessor
59.	Alteseen District, Huraymila	Fahad Faleh AlShali	Workers accommodation	Six months, starting on 01/08/1439H (corresponding to 17 April 2018G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 10,000 annually	With the written consent of the lessor

SN	Location	Lessor	Purpose	Contract Term and Renewal Mechanism	Rental Value	Right of Assignment/ Sub-Contracting
60.	Alkhaleej Street, AlArtawiyah	Mohammed Suliman AlJheem	Workers accommodation	One year, starting on 09/01/1440H (corresponding to 20 September 2018G) and ending on 20/01/1441H (corresponding to 20 September 2019G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least two months before the end of the contract term.	SAR 16,000 annually	With the written consent of the lessor
61.	Main Street, Sajir	Khalaf Mutlaq AlJathea AlOtaibi	Workers accommodation	One year, starting from 10/07/1439H (corresponding to 27 March 2018G) and ending on 10/07/1440H (corresponding to 17 March 2019G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least two months before the end of the contract term.	SAR 12,000 annually	With the written consent of the lessor
62.	Alarbeen Street, Al-Qasab	Real Estate Office of Musaed Bandar Dahaim AlOsaimy	Workers accommodation	One year starting on 05/07/1441H (corresponding to 12 March 2019G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew before the end of the contract term.	SAR 15,000 annually	With the written consent of the lessor
63.	AlGashia Road, AlEidyay	Twafeeq Haidar AlYakoob	Workers accommodation and warehouse	One year starting from 01/11/1441H (corresponding to 22 June 2020G) and ending on 30/10/1441H (corresponding to 22 June 2020G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least three months before the end of the contract term.	SAR 50,000 annually	With the written consent of the lessor
64.	Al-Rawdah District, Az Zulfi	Mohammed Mohana Mohammed Al-Mdallah	Workers accommodation	Two years, starting from 15/05/1440H (corresponding to 22 January 2019G) and ending on 16/05/1442H (corresponding to 31 December 2020G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least two months before the end of the contract term.	SAR 50,000 annually	With the written consent of the lessor
65.	Alkhamseen District, Wadi ad-Dawasir	Mubark Mohammed Trjam Al-Trjam	Workers accommodation	One year starting from 01/02/1440H (corresponding to 12 October 2018G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least fifteen days before the end of the contract term.	SAR 40,000 annually	With the written consent of the lessor
66.	Jareer District, Riyadh	Khalid Abdullah Al-Mushari	Workers accommodation	One year, starting on 10/05/1463H (corresponding to 1 March 2015G) and ending on 09/05/1437H (corresponding to 18 February 2016G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 15,000 annually	With the written consent of the lessor
67.	Kaab Bin Malik Street, Al-Artawiyah	Fahad Saud Al-Otaibi	Workers accommodation	One year, starting on 10/05/1436H (corresponding to 1 March 2015G) and ending on 09/05/1437H (corresponding to 18 February 2016G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least two months before the end of the contract term.	SAR 28,000 annually	With the written consent of the lessor

SN	Location	Lessor	Purpose	Contract Term and Renewal Mechanism	Rental Value	Right of Assignment/ Sub-Contracting
68.	Extended Block, Dammam	Khalid Ibrahim AlShayban	Company office and workers accommodation	One year, starting on 01/03/1439H (corresponding to 20 November 2017G) and ending on 30/02//1440H (corresponding to 10 November 2018G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 19,000 annually	With the written consent of the lessor
69.	Jalajl, Al-Majma'ah	Amal Saad Abdullah Al-Swaid	Workers accommodation	Two years, starting from 20/12/1439H (corresponding to 1 September 2018G) and ending on 11/01/1442H (corresponding 30 August 2020G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least two months before the end of the contract term.	SAR 11,000 annually	With the written consent of the lessor
70.	Hota Sudair, Al-Majma'ah	Nawal Abdulrahman Al-Fantookh	Workers accommodation	Three years, starting from 01/05/1438H (corresponding to 29 January 2017G) and ending on 30/04/1441H (corresponding to 28 December 2019G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 25,000 annually	With the written consent of the lessor
71.	South District, Hawtah Sudair	Mohammed Abdullah Al-Madhi	Workers accommodation	Two years, starting from 01/09/1436H (corresponding to 18 June 2015G) and ending on 01/09/1438H (corresponding to 27 May 2015G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 20,000 annually	With the written consent of the lessor
72.	Airport District, Al-Madinah Al-Munawara	Saleh Jazaa Al-Muatiri	Workers accommodation	Three years, starting on 05/09/1440H corresponding(10 May 2019G) and ending on 08/10/1443H (corresponding to 10 May 2022G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 90,000 annually	With the written consent of the lessor
73.	Alkharj Road, Riyadh	Alkhorayef Group Company	Laboratory, workshops, and warehouse for the Company's business	One year, starting on 13/04/1439H (corresponding to 1 January 2018) and ending on 22/04/1440H (corresponding to 31 December 2018G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least three months before the end of the contract term.	SAR 288,000 annually	The agreement does not contain any clause regarding the right to assign or sublease.
74.	Alnagadi District, Yanbu	Yahna Allah Ali Al-Ghamdi	Warehouse for the Company's business	One year, starting 01/10/1440H (corresponding to 05 June 2019G) and ending on 01/10/1441H (corresponding to 24 May 2020G), renewal is subject to the consent of both parties.[15]	SAR 35,000 annually	With the written consent of the lessor
75.	Albada' District, Al-Kharj	Abdullah Ibrahim Alkhorayef Sons Company	Workers accommodation	One year, starting from 28/02/1435H (corresponding to 1 January 2014G) 08/03/1436H (corresponding to 30 December 2014G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least three months before the end of the contract term.	SAR 50,000 annually	With the written consent of the lessor

SN	Location	Lessor	Purpose	Contract Term and Renewal Mechanism	Rental Value	Right of Assignment/ Sub-Contracting
76.	Alwurud District, Riyadh	Abdulrahman Hamed Al-lehebi Al-Hazy	Workers accommodation	One year starting from 01/10/1440H (corresponding to 05 October 2018G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least fifteen days before the end of the contract term.	SAR 50,000 annually	With the written consent of the lessor
77.	Eastern Alnaseem District, Riyadh	Fahad Barakah Al-Otaibi	Workers accommodation	One year starting on 20/11/1440H (corresponding to 23 July 2019G) and ending on 20/11/1441H (corresponding to 11 July 2020G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least two months before the end of the contract term.	SAR 62,000 annually	With the written consent of the lessor
78.	Al Nafl District, Riyadh	Mohammed Abdulaziz Al-Rajhi & Sons Investment Company	Head Office of the Company	One year, starting on 20/11/1440H (corresponding to 23 July 2019G) and ending on 20/07/1441H (corresponding to 11 July 2020G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 890,000 annually	The lessee has the right to assign the valid contract to one of its subsidiaries
79.	Albader District, Riyadh	Khaleel Ibrahim Ali Al-Manee	Workers accommodation	One year, starting from 06/09/1441H (corresponding to 29 April 2020G) and ending on 17/09/1442H (corresponding to 29 April 2021G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 14,000 annually	With the written consent of the lessor
80.	Prince Mohammed bin Abdulaziz Street, Al-Aflaj	Fahad Mohammed Sawyan Al-Dosari	Workers accommodation	One year, starting from 01/09/1440H (corresponding to 06 May 2019G) and ending on 01/09/1442H (corresponding to 13 April 2021G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 10,000 annually	With the written consent of the lessor
81.	Algadeem Street, Al-Ghat	Manee Saud Alskhabra Al-Dosari	Workers accommodation	One year starting on 01/11/1439H (corresponding to 13 August 2018G) and ending on 01/11/1439H (corresponding to 14 July 2018G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 11,000 annually	With the written consent of the lessor
82.	Aldeera District, Huraymila	Ahmed Abdullah Al-Dahmsh	Office and workers accommodation	One year, starting on 01/1/1441H (corresponding to 1 September 2019G) and ending on 30/12/1441H (corresponding to 20 August 2020G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 10,000 annually	With the written consent of the lessor
83.	Block 423, Az Zulfi	Mohammed Abdullah Al-Gashamy	Office	One year, starting from 23/06/1440H (corresponding to 1 March 2019G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 42,000 annually	With the written consent of the lessor

SN	Location	Lessor	Purpose	Contract Term and Renewal Mechanism	Rental Value	Right of Assignment/ Sub-Contracting
84.	Block 112, Al-Slamyah	Bandar Ibrahim Mohammed Omegan	Workers accommodation	Six months, starting on 23/08/1439H (corresponding to 9 May 2018G) and ending on 23/03/1440H (corresponding to 02 December 2018G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least two months before the end of the contract term.	SAR 20,000 for the whole term of the contract	With the written consent of the lessor
85.	Mawkef District, Hail	Abdullah Rasheed Abdullah Al-Saleh	Workers accommodation	One year, starting on 15/04/1440H (corresponding to 24 December 2018G) and ending on 15/04/1441H (corresponding to 13 December 2019G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least two months before the end of the contract term.	SAR 14,400 annually	With the written consent of the lessor
86.	Alhalifah District, Al-Medina Al-Munawara	Saud Matni AlSubeaie	Workers accommodation	One year starting on 15/09/1438H (corresponding to 10 June 2017G) and ending on 16/09/1439H (corresponding to 31 May 2018G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 10,800 annually	With the written consent of the lessor
87.	Sharq Alsamraa District, Hail	Awad Swailim AlArmany	Workers accommodation	One year starting on 02/05/1439H (corresponding to 19 January 2018G) and ending on 02/05/1440H (corresponding to 09 January 2019G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least two months before the end of the contract term.	SAR 33,000 annually	With the written consent of the lessor
88.	Alrawdah District, Jazan	Bader Mohammed Yehya Aseeri	Workers accommodation	Three years, starting from 07/09/1439H (corresponding to 22 May 2018G) and ending on 07/09/1442H (corresponding to 19 April 2021G), automatically renewable for a similar period unless a party notifies the other of its desire not to renew at least one month before the end of the contract term.	SAR 33,000 annually	With the written consent of the lessor

Source: The Company

[1] The agreement has expired, and it is being renewed by the Company

[2] The agreement has expired, and it is being renewed by the Company

[3] The agreement has expired, and it is being renewed by the Company

[4] The agreement has expired, and it is being renewed by the Company

[5] The agreement has expired, and it is being renewed by the Company

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[10] The agreement has expired, and it is being renewed by the Company

[11] The agreement has expired, and it is being renewed by the Company

[12] The agreement has expired, and it is being renewed by the Company

[13] The agreement has expired, and it is being renewed by the Company

[14] The agreement has expired, and it is being renewed by the Company

[15] The agreement has expired, and it is being renewed by the Company

12.9 Related Party Contracts and Transactions

The Company's Directors declare that all of the contracts with Related Parties described in this Section have been carried out in an appropriate manner and on an arm's length basis, as done in transactions with third parties. Except as stated in this Section, the Directors declare that the Company is not involved in any dealings, agreements, commercial relations or real estate deals with a related party, including the Financial Advisor and Legal Advisors for the Offering.

The Directors also declare that the Company complies with Article 71 and Article 72 of the Companies Law and the instructions stated in Article 46 of the Corporate Governance Regulations issued by the CMA in relation to agreements with Related Parties. The General Assembly approved all transactions and contracts with Related Parties for the financial years 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G. The total value of transactions with Related Parties was SAR 1.4 million, SAR 156.4 million, SAR 174.6 million and SAR 270.8 million, respectively, in the same periods. Under these transactions and contracts for the financial years 2017G, 2018G and 2019G, and the six-month period ended 30 June 2020G, purchases from Related Parties accounted for 7%, 7.1%, 2.6% and 3.7%, respectively, of the total purchases. Leases from Related Parties accounted for 14%, 12.2%, 12% and 10.1%, respectively, of the total payments against lease liabilities, in the same periods. Sales to Related Parties accounted for 0, 0.2%, 0.4% and 0.4% of the total sales value.

12.9.1 Shared Services Agreement Between the Company (as Client) and Alkhorayef Group Company (as Service Provider)

The Company (as the "**Client**") has entered into shared services agreement with Alkhorayef Group Company (as the "**Service Provider**") pursuant to which the Service Provider provides information technology services. In consideration for such services, the Service Provider charges fees that are determined and invoiced on a monthly basis, and on an annual basis the parties shall agree on the monthly cost based on the provided services. During the financial year of 2019G, the Company paid an amount of SAR 480,600 and paid an amount of SAR 240,300 in the six-month period ended 30 June 2020G in consideration for the services performed by the Service Provider pursuant to this agreement. The agreement is for an indefinite term commencing from 03/04/1438H (corresponding to 1 January 2017G). The agreement was amended on 06/05/1441H (corresponding to 1 January 2020G) to include a monthly fee of SAR 60,000 and require Alkhorayef Group Company, as the Service Provider, to comply with procedures and policies to protect the confidentiality of data and information. The agreement may be terminated by any of the parties thereto by serving at least 90 days advance written notice to the other party. The agreement is governed by the laws of the Kingdom and any dispute arising from the agreements shall be referred to the competent court in the Kingdom.

The Shared Services Agreement also provides that the Service Provider shall keep confidential any information obtained under the Agreement. To ensure that the information is kept confidential, the Service Provider shall, among other things:

(a) Adopt an "Insider Trading Policy" once the Company's Shares are offered for public subscription to ensure that the employees of the Service Provider do not trade in the Company's shares based on information they obtain under the agreement; and

(b) Develop and implement "Chinese Walls" procedures to limit the leakage of the Company's confidential information into the Service Provider's technical systems. For example, the Service Provider shall:

    (i) provide its team with a copy of the confidentiality provisions under the agreement;

    (ii) provide the Company with a list of the names of the Service Provider's working group members who will implement the terms of the agreement;

    (iii) ensure that the working team members do not share the information they obtain under the agreement with any other employee or officer of the Service Provider from outside the working team;

    (iv) have the working team mebers sign a non-disclosure undertaking for any information they obtain under the agreement;

    (v) limit access to confidential information in the technical systems of the Service Provider to the members of the working team only; and

    (vi) provide the Company, upon its request, from time to time, with an affirmation of the Service Provider's compliance with the non-disclosure provisions and obligations stipulated in the agreement.

This agreement is a Related Party agreement because the Company is a subsidiary of the Service Provider and because the Directors, Muhammad Abdullah Alkhorayef, Fahd Muhammad Alkhorayef, Abdulaziz Abdurrahman Alkhorayef and Ammar Ahmed Al-Zubaidi, have interests therein. This agreement was presented to and approved at the General Assembly meeting held on 16/10/1441H (corresponding to 8 June 2020G).

12.9.2 Lease Agreement Between the Company (as Lessee) and Abdullah Ibrahim Alkhorayef Sons (as Lessor)

The Company (as the "**Lessee**") has entered into a lease agreement with Abdullah Ibrahim Alkhorayef Sons (as the "**Lessor**") for the purpose of leasing a plot of land owned by the Lessor located in the south of Buraidah to establish an administrative office for the Company Al-Qassim Region, for an annual rent of SAR 70,000. The agreement is effective for a year starting from 29/02/1435H (corresponding to 1 January 2014G), automatically renewable for similar periods. The agreement shall be governed by the laws of the Kingdom and any dispute arising from the agreements shall be referred to the competent court in the Kingdom.

This agreement is a Related Party agreement considering that the Company is a subsidiary of the Lessor and because the Directors, Muhammad Abdullah Alkhorayef, Fahd Muhammad Alkhorayef, Abdulaziz Abdurrahman Alkhorayef and Ammar Ahmed Al-Zubaidi have interests therein. This agreement was presented to and approved at the General Assembly meeting held on 16/10/1441H (corresponding to 8 June 2020G).

12.9.3 Lease Agreement Between the Company (as Lessee) and Alkhorayef Group Company (as Lessor)

The Company (as the "**Lessee**") has entered into a lease agreement with Alkhorayef Group Company (as the "**Lessor**") for the purpose of leasing a plot of land owned by the Lessor located in Al Kharj Road in Riyadh to establish a factory, workshop and warehouse for the Company's business, in return for an annual rent of SAR 288,000. The agreement is effective for a year starting from 14/06/1439H (corresponding to 1 January 2018G), automatically renewable for similar periods.

This agreement is a Related Party agreement because the Company is a subsidiary of the Lessor and because the Directors, Muhammad Abdullah Alkhorayef, Fahd Muhammad Alkhorayef, Abdulaziz Abdurrahman Alkhorayef and Ammar Ahmed Al-Zubaidi have interests therein. This agreement was presented to and approved at the General Assembly meeting held on 16/10/1441H (corresponding to 8 June 2020G).

12.9.4 Lease Agreement Between the Company (as Lessee) and Abdullah Ibrahim Alkhorayef Sons Company (as Lessor)

The Company (as the "**Lessee**") has entered into a lease agreement with Abdullah Ibrahim Alkhorayef Sons Company (as the "**Lessor**") for the purpose of leasing a plot of land owned by the Lessor located in Al Kharj to establish the Company's worker accommodation, for an annual rent of SAR 50,000. The agreement is effective for three years starting from 15/08/1439H (corresponding to 1 April 2018G), automatically renewable for similar periods.

This agreement is a Related Party agreement because the Company is affiliated with the Lessor, and because of the interest of the Directors, Muhammad Abdullah Alkhorayef, Fahd Muhammad Alkhorayef, Abdulaziz Abdul-Rahman Alkhorayef and Ammar Ahmed Al-Zubaidi in it, and this agreement was presented to and approved at the General Assembly held on 16/10/1441H (corresponding to 8 June 2020G).

12.9.5 Supply Transactions between the Company (as Client) and Alkhorayef Trading Company (as Supplier)

Alkhorayef Trading Company (as the "**Supplier**") supplies pumps, motors and electrical generators to the Company (as the "**Client**") for the purpose of supporting its activities, as required. The total value of purchase orders for the financial year ended 31 December 2019G and the six-month period ended 30 June 2020G was SAR 3,523,078 and SAR 2,355,483, respectively. There are still dealings between the Company and Alkhorayef Trading Company as of the date of this Prospectus.

These transactions are Related Party transactions because the Company is an affiliate of the Supplier and the Chairman, Muhammad Abdullah Alkhorayef, has interests therein. These transactions were presented to and approved by the General Assembly held on 16/10/1441H (corresponding to 8 June 2020G).

12.9.6 Supply Transactions between the Company (as Client) and Alkhorayef Printing Solutions Company (as Supplier)

Alkhorayef Printing Solutions Company (as the "**Supplier**") supplies printing solutions, materials, consumables and maintenance services to the Company (as the "**Client**") for the purpose of supporting its activities, as required. The total value of purchase orders for the financial year ended 31 December 2019G and the six-month period ended 30 June 2020G was SAR 235,840 and SAR 93,585, respectively. There are still dealings between the Company and Alkhorayef Printing Solutions Company as of the date of this Prospectus.

These transactions are Related Party transactions because the Company is an affiliate of the Supplier and there is a Director, Fahad Mohammed Alkhorayef, having interests therein. These transactions were presented to and approved by the General Assembly held on 16/10/1441H (corresponding to 8 June 2020G).

12.9.7 Supply Transactions between the Company (as Client) and Alkhorayef Company for Lubricants (as Supplier)

Alkhorayef Company for Lubricants (as the "**Supplier**") supplies advanced and specialized engine and machine lubricants to the Company (as the "**Client**") for the purpose of supporting its activities, as required. The total value of purchase orders for the financial year ended 31 December 2019G and the six-month period ended 30 June 2020G was SAR 13,445 and SAR 68,885, respectively. There are still dealings between the Company and Alkhorayef Company for Lubricants as of the date of this Prospectus.

These transactions are Related Party transactions because the Company is an affiliate of the Supplier and there are Directors, Muhammad Abdullah Alkhorayef, Fahd Muhammad Alkhorayef, Abdulaziz Abdulrahman Alkhorayef and Ammar Ahmed Al-Zubaidi, having interests therein. These transactions were presented to and approved by the General Assembly held on 16/10/1441H (corresponding to 8 June 2020G).

12.9.8 Supply Transactions between the Company (as Client) and Alkhorayef Petroleum Company (as Supplier)

Alkhorayef Petroleum Company (as the "**Supplier**") supplies generators and maintenance services to the Company (as the "**Client**") for the purpose of supporting its activities, as required. The total value of purchase orders for the financial year ended 31 December 2019G and the six-month period ended 30 June 2020G was SAR 144,375 and SAR 166,238, respectively. There are still dealings between the Company and Alkhorayef Petroleum Company as of the date of this Prospectus.

These transactions are Related Party transactions because the Company is an affiliate of the Supplier and there are Directors, Mohammed Abdullah Alkhorayef and Ammar Ahmed Al-Zubaidi, having interests therein. These transactions were presented to and approved by the General Assembly held on 16/10/1441H (corresponding to 8 June 2020G).

12.9.9 Supply Transactions between the Company (as Client) and Saudi Parts Center Company (as Supplier)

The Saudi Parts Center Company (as the "**Supplier**") supplies spare parts and electronic equipment to the Company (as the "**Client**") for the purpose of supporting its activities, as required. The total value of purchase orders for the financial year ended 31 December 2019G and the six-month period ended 30 June 2020G was SAR 439,191 and SAR 67,473, respectively. There are still dealings between the Company and Saudi Parts Center Company as of the date of this Prospectus.

These transactions are Related Party transactions because the Company is an affiliate of the Supplier and there are Directors, Fahad Mohammed Alkhorayef and Ammar Ahmed Al-Zubaidi, having interests therein. These transactions were presented to the General Assembly held on 16/10/1441H (corresponding to 16 March 2020G) and were approved.

12.9.10 Supply Transactions between Alkhorayef Commercial Company (as Client) and the Company (as Supplier)

The Company (as the "**Supplier**") supplies and manufactures specialized spare parts for generators, pumps and motors for Alkhorayef Commercial Company (as the "**Client**") in the ordinary course of the Company's business, as required. The total value of purchase orders for the financial year ended 31 December 2019G and the six-month period ended 30 June 2020G was SAR 169,000 and SAR 97,000, respectively. There are still dealings between the Company and Alkhorayef Commercial Company as of the date of this Prospectus.

These transactions are Related Party transactions because the Company is an affiliate of the Client and the Chairman, Muhammad Abdullah Alkhorayef, has interests therein. These transactions were presented to and approved by the General Assembly held on 16/10/1441H (corresponding to 8 June 2020G).

12.9.11 Service Provision Transactions between Alkhorayef Petroleum Company (as Client) and the Company (as Service Provider)

The Company (as the "**Service Provider**") provides operation and maintenance services for deep water wells, as well as supplying and manufacturing specialized spare parts for generators, pumps and motors for Alkhorayef Petroleum Company (as the "**Client**") in the ordinary course of the Company's business, as required. The total value of purchase orders for the financial year ended 31 December 2019G and the six-month period ended 30 June 2020G was SAR 19,000 and zero, respectively. There are still dealings between the Company and Alkhorayef Petroleum Company as of the date of this Prospectus.

These transactions are Related Party transactions because the Company is an affiliate of the Client and, there are Directors, Mohammed Abdullah Alkhorayef and Ammar Ahmed Al-Zubaidi, having interests therein. These transactions were presented to and approved by the General Assembly held on 16/10/1441H (corresponding to 8 June 2020G).

12.10 Conflicts of Interest

Except what has been disclosed in Section 12.9 (**Related Party Contracts and Transactions**), the Directors confirm they do not have a conflict of interest in relation to contracts or service agreements entered into with the Company, and none of them was engaged in any activities similar to, or competing with, the Company's activities as of the date of this Prospectus.

12.11 Intellectual Property

12.11.1 Trademarks

The trademark on which the Company relies as a brand for its business is registered in the name of Alkhorayef Group Company, with permission to the Company to use it. The Company has applied to the Saudi Authority for Intellectual Property to register the trademark under its name on 23/11/1441H (corresponding to 14 July 2020G). After the application was rejected on 08/12/1441H (corresponding to 29 July 2020G), the Company re-applied for it on 24/01/1442H (corresponding to 12 September 2020G). On 25/03/1442H (corresponding to 11 November 2020G), the trademark of the Company was published electronically by the Saudi Authority for Intellectual Property, pending issuance of the final trademark certificate following sixty days from the date of publication.

12.11.2 The Company's Other Intellectual Properties

The Company has registered an Internet domain under its name. The following table sets out the details of the internet domain name registered under the Company's name:

Table 12.10: Details of Internet Domain Name

Internet Domain Name	Expiry Date
www.awpt.com.sa	29/04/1443H (corresponding to 4 December 2021G)

Source: The Company

12.12 Litigation

The Directors confirm that there are no actual or threatened law suits, claims, complaints or investigation procedures that may, individually or collectively, have a material effect on the Company. Moreover, the Company is not aware of any material potential legal disputes or facts which, individually or collectively, may pose an imminent risk of material litigation, except as stated below:

12.12.1 Potential Disputes

12.12.1.1 A telecommunications and technology company against the Company

A telecommunications and technology company requires the Company to pay SAR 683,140 in order to compensate it for costs related to repairing one of its optical fibre cables by one of its specialized contractors. Such cable was accidentally damaged by the Company in the ordinary course of its business. Negotiations were held between the parties, however no settlement was reached as of the date of this Prospectus.

12.12.2 Zakat and Tax Disputes and Claims

(a) Zakat Status of the Company, Disputes and Claims

Abdullah Ibrahim Alkhorayef Sons Company submitted Zakat returns on a consolidated basis for itself and its subsidiaries, including the Company, and paid the due Zakat on the specified dates. Subsequently, it obtained certificates from the GAZT for all years up to 2019G. Abdullah Ibrahim Alkhorayef Sons Company also obtained the final Zakat assessments for all years up to 2008G. As of the date of this Prospectus, the GAZT did not submit any additional requests or amendments regarding the assessment of Zakat liabilities for the financial years from 2008G to 2019G for Abdullah Ibrahim Alkhorayef Sons Company.

It should be noted that the Company has previously incorrectly computed some Zakat information and some associated data associated that were provided to Abdullah Ibrahim Alkhorayef Sons Company. For example, the Company consolidated the customs duty expenses with the value of purchases in its Zakat data for 2017G instead of recording customs duties as separate expenses. The Company also did not include accounts payable with maturity date exceeding 354 days in its Zakat data for 2017G and 2018G, which amounted to a total of SAR 11.8 million and SAR 4.8 million, respectively. In addition, the Company has erred in the mechanism of calculating the inventory movement when for the purpose of submitting its Zakat data in 2017G and failed to disclose the costs of social insurance contributions for its Saudi and non-Saudi employees, for 2017G and 2018G. In addition, the Company failed to detail the direct costs in its Zakat data for 2017G and recognize the liabilities of the Related Parties in its Zakat data for 2017G and 2018G. Moreover, the Company did not detail the fines imposed on the Company whether or not they were contractual (such as fines that the owner of a project may impose) or legal (such as tax fines and traffic fines). The Company did not include these fines in the amended Zakat income for 2017G and 2018G. The total of these fines was SAR 1.1 million and 4.4 million, respectively, and accordingly the Company did not detail such fines in its Zakat data for such periods. Therefore, the final amount of potential Zakat liabilities of Abdullah Ibrahim Alkhorayef Sons Company for the financial years from 2008G to 2019G remains uncertain. As of the date of this Prospectus, there is no dispute regarding Zakat with or objection to the GAZT (for more details, see Section 2.1.37 (**Risks Related to Potential Zakat Liability**)).

(b) Taxation Status of the Company, Disputes and Claims

Since the VAT Law was issued and became effective on 1 January 2018G, the Company was registered with the GAZT to comply with the VAT Law and to be able to complete all its transactions. It should be noted that the Company committed some violations of the VAT Law, such as the Company's invoices not including the address of the supplier as is stipulated in the VAT Law. In addition, the Company has contracts and transactions that were concluded before 31 May 2017G, which were wrongly considered not subject to the VAT for the entire duration of such contracts. The Company also requested exemption for some invoices related to supplies of materials for Government projects, as they are contracts concluded with a Government entity. If the GAZT decides not to exempt these invoices from the VAT, the Company may have to pay fines to the GAZT. In addition, some of the VAT registrations did not fully meet the requirements of the VAT Law. In some disclosures, required information was provided without the necessary details, such as omission of relevant discount notices when applicable and of financial costs for the financial years ended 31 December 2018G and 2019G, which amounted to SAR 4.8 million and SAR 7.2 million, respectively, which are not subject to the VAT per se, though must be disclosed. Therefore, any of these cases may expose the Company to fines of up to SAR 50,000 per case. The Company has also made amendments to its tax returns, which included differences between the balance of the expected returns and the final returns. These differences are due to miscalculation or non-disclosure. Any such non-disclosure or miscalculation of costs and taxes may require resubmission of the VAT registrations in the required manner in addition to fines of up to 50% of the undisclosed amounts and a delay penalty of 5% of the amounts on a monthly basis. In addition, the Company is a subsidiary of Abdullah Ibrahim Alkhorayef Sons Company and its tax returns are submitted on a consolidated basis. Therefore, the Company is jointly liable before the GAZT for any tax violations by Abdullah Ibrahim Alkhorayef Sons Company and its subsidiaries. Being a subsidiary of Abdullah Ibrahim Alkhorayef Sons Company, the Company submits its tax returns on a consolidated basis. As of the date of this Prospectus, there is no dispute regarding taxes with or additional claims by the GAZT (for more details, see Section 2.2.7 (**Risks Related to VAT**)).

12.13 Summary of Bylaws

12.13.1 Name of the Company

The name of the Company is "Alkhorayef Water & Power Technologies", a Saudi closed joint stock company under the Commercial Registration No. 1010085982 dated 22/02/1412H (corresponding to 2 September 1991G).

12.13.2 Objects of the Company

According to the Bylaws, the Company's objects are:

(a) mining and quarrying;

(b) manufacturing;

(c) electrical, gas and steam supply and air conditioning;

(d) water supply, sanitation activities, and waste management and treatment (water collection, water purification, water desalination, water distribution and transmission, reduction of water salinity, and other activities which concern water collection and treatment, eradication of wastewater, treatment of wastewater and other activities that relate to the sewage system);

(e) construction (extension of water service lines within and between cities, construction of new water systems and construction and repair of primary water distribution stations, construction and repair of the watering and irrigation canals and the main water storage towers, drilling and maintenance of water wells, ground-water withdrawal and site drying);

(f) wholesale and retail trade and repair of motor vehicles and motorcycles;

(g) transportation, storage and cooling;

(h) provision of accommodation and food services;

(i) communication and information;

(j) real estate activities;

(k) professional, scientific and technical activities;

(l) administrative and support services;

(m) public administration and defence, compulsory social insurance;

(n) education;

(o) human health and social work activities;

(p) art, entertainment and recreation; and

(q) other service activities.

The Company operates in the above objects following the attainment of necessary licenses from the relevant authorities.

12.13.3 Participation

The Company may establish companies on its own (limited liability or closed joint stock companies) provided that the capital thereof is no less than five million Saudi Riyals (SAR 5,000,000). It may own interests and shares in other existing companies or merge therewith. It also has the right to participate with others in the establishment of joint stock or limited liability companies after satisfying the requirements of applicable laws and regulations in this regard. The Company may also dispose of such interests or shares, provided that does not include any brokerage.

12.13.4 Head Office of the Company

The head office of the Company is in the city of Riyadh. The Company may establish branches, offices or agencies for the Company within or outside the Kingdom by a resolution of the Board of Directors.

12.13.5 Term of the Company

The term of the Company shall be ninety-nine (99) years commencing from the date of its registration at the commercial registration as a joint-stock company. The term of the Company may always be extended by a resolution issued by the Extraordinary General Assembly at least one year prior to the expiration of its term.

12.13.6 Company's Share Capital

The Company's share capital shall be two-hundred fifty million Saudi Riyals (SAR 250,000,000) divided into twenty-five million (25,000,000) Shares, with an equal nominal value of ten Saudi Riyals (SAR 10) each, all of which are ordinary Shares.

12.13.7 Share Subscription

The Shareholders have subscribed to all of the Company's Shares amounting to twenty-five million (25,000,000) Shares.

12.13.8 Preferred Shares

The Extraordinary General Assembly of the Company may, in accordance with principles set by the competent authority, issue preferred shares, purchase the same, convert regular Shares to preferred shares, or convert preferred shares to regular Shares. Such preferred shares do not confer the right to vote at the General Assemblies of Shareholders but entitle their owners to obtain additional higher percentage of the net profits, after setting aside the statutory reserve.

12.13.9 Unpaid Value of Shares

If a Shareholder fails to pay the value of Shares when they fall due, the Board of Directors may, after giving such Shareholder notice by e-mail or registered mail, sell such Shares in a public auction or through the stock market, according to the circumstances and in accordance with the regulations set by the competent authority. The Company shall recover from the proceeds of the sale such amounts as are due to it and return the balance to the Shareholder. If the proceeds of the sale fall short of the amounts due, the Company shall have a claim on the assets of the Shareholder for the unpaid balance. Nevertheless, a defaulting Shareholder may, up to the date of sale of such Shares, pay the outstanding value of such Shares plus all the expenses incurred by the Company, in this regard. The Company shall cancel the Shares so sold and issue the purchaser a new Shares certificate bearing the serial numbers of the cancelled Shares and make a notation to that effect in the Shareholders' register.

12.13.10 Nominal Share Value

The Shares shall be nominal shares and may not be issued at less than their nominal value. However, the Shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added as a separate item in the Shareholders' equity. They may not be distributed as dividends to the Shareholders. A Share shall be indivisible vis-à-vis the Company. In the event that a Share is owned by several persons, they shall select one person from amongst themselves to exercise, on their behalf, the rights pertaining to such Share, and they shall be jointly responsible for the obligations arising from the ownership of such Share.

12.13.11 Trading of the Shares

Shares that are subscribed for by the founding Shareholders shall not be tradable before the publication of the financial statements for two complete financial years, each of not less than 12 months, from the date of the incorporation of the Company. A notation shall be made on the respective share certificates, indicating their class, the date of incorporation of the Company, and the period during which their trading shall be suspended. During the lock-up period, Shares may, in accordance with the applicable provisions for the disposal of Shares, be transferred from one founding Shareholder to another, or from the heirs of a deceased founding Shareholder to a third party, or in case of seizing funds of an insolvent or bankrupt founding Shareholder provided that the other founding Shareholder are given the priority to own such Shares. Such provisions shall apply to any Shares subscribed for by the Shareholders in case the capital is increased before the lapse of such lock-up period.

12.13.12 Shareholders' Register

The Shares shall be transferred by registration in the Shareholders' register maintained or outsourced by the Company, which shall contain the names of the Shareholders, their nationalities, their occupations, their domicile and address, the serial numbers of the Shares and the paid up amount of such Shares. The transfer of title to a Share shall not be effective vis-à-vis the Company or any third party except from the date of such recording in the said register.

12.13.13 Increase of Share Capital

(a) The Extraordinary General Assembly may resolve to increase the Company's capital, provided that the capital shall have been paid up in full, unless the unpaid part of the capital is allocated for Shares issued in exchange for converting debt instruments or financing instruments into Shares and the period specified for such conversion has not yet expired.

(b) The Extraordinary General Assembly may allocate in all cases the issued Shares when increasing the capital or any part thereof for the employees of the Company or of any other subsidiary company thereof. It is not permissible for the Shareholders to exercise their preemptive rights when the Company issues Shares to its employees.

(c) The Shareholders have, at the time of issuance of the Extraordinary General Assembly's resolution approving to increase the capital, the priority to subscribe the new Shares issued in exchange for cash contribution. They shall be notified of their preemptive rights to subscribe the new Shares by publication in a daily newspaper or by registered mail stating also the decision to increase the capital, the terms of the offering, its duration, and start and end dates of the subscription.

(d) The Extraordinary General Assembly may suspend the preemptive rights of the Shareholders to subscribe in a capital increase in exchange for cash contribution or give priority to non-shareholders when it deems that doing so is in the interest of the Company.

(e) The Shareholders retain the right to sell or assign their preemptive rights during the period following the resolution of the General Assembly to increase the capital and until the last day of subscription for the new Shares, relative to their preemptive rights, in accordance with the regulations set out by the relevant authority.

(f) Notwithstanding the above point, new Shares shall be allotted to the holders of preemptive rights who have expressed interest to subscribe thereto, in proportion to their preemptive rights resulting from the capital increase; provided that their allotment does not exceed the number of new Shares they have applied for. Remaining new Shares shall be allotted to the preemptive right holders who have asked for more than their proportionate stake, in proportion to their preemptive rights resulting from the capital increase, provided that their total allotment does not exceed the number of new Shares they have asked for. Any remaining new Shares shall be offered to third parties, unless otherwise decided by the Extraordinary General Assembly decides, or provided under the CML.

12.13.14 Decrease of Share Capital

The Extraordinary General Assembly may decide to decrease the Company's capital if it exceeds its needs of the Company or if the Company suffered losses. And in the latter case only, the capital may be decreased to below the limit set in Article 54 of the Companies Law. That resolution shall not be issued until after reading the external auditors' report about the reasons causing the decrease and the obligations on the Company and the effect of the reduction on such obligations.

If the capital decrease is due to it being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within 60 days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

12.13.15 Board of Directors

The Company shall be managed by a Board of Directors consisting of six members to be elected by the Ordinary General Assembly for a term not exceeding three years.

12.13.16 Membership Termination

A Director's membership in the Board shall expire upon the expiry of the Board's term or should the Director no longer be fit for membership of the Board, pursuant to any applicable laws or instructions in the Kingdom. However, the Ordinary General Assembly may at any time dismiss all Directors or some of them, without prejudice to the right of the dismissed Directors to claim compensation from the Company if dismissed unreasonably or in inappropriate time. A Director may also tender his/her resignation, provided that such resignation occurs at an appropriate time, otherwise, said Director shall be held liable for any damages affecting the Company as a result of such resignation.

12.13.17 Board Vacancy

If a position on the Board of Directors becomes vacant, the Board of Directors may appoint a temporary Director to fill the vacancy, in line with the number of votes obtained at the General Assembly that elected the Board of Directors, provided that such Director shall be experienced and eligible. The Ministry of Commerce, or the CMA if the Company is listed, shall be notified within five Business Days from the date of the appointment, and such appointment shall be submitted to the first meeting of the Ordinary General Assembly. The new Director shall complete the unexpired term of his/her predecessor. If the number of Directors falls below the minimum number prescribed in the Companies Law or the Company's Bylaws, the remaining Directors shall call the Ordinary General Assembly to convene within 60 days to elect the required number of Directors.

12.13.18 Powers and Duties of the Board

Without prejudice to the powers conferred on the General Assembly, the Board shall be vested with full powers to manage the business and affairs of the Company. This includes, but is not limited to:

(a) Developing the Company's internal regulations and policies.

(b) Adopting the Company's vision, strategies, work plans, and approving its plans, operational budgets, annual capital budgets, and others.

(c) Concluding, signing and executing all contracts and agreements, including without limitation, purchase, sale, rental and lease agreements, agencies, franchise, financial hedging contracts and other documents, contracts, transactions and deals on behalf of the Company, entering into tenders, bidding, and accepting and rejecting the award on its behalf.

(d) Dealing, on behalf of the Company, with all banks operating inside and outside the Kingdom; opening, managing, operating, and closing bank accounts, withdrawing and depositing, issuing and preparing bonds and checks, signing all commercial papers and documents, obtaining loans and other Sharia-compliant credit facilities, including those with a term of more than three (3) years, from government financing funds and institutions, commercial banks, treasuries or companies and individuals, including the Shareholders of the Company, and providing guarantees and sponsorships for the benefit of any entity when it is deemed for the Company's best interest, placing and investing the Company's funds in any way; creating, opening, managing and closing the Company's Sharia-compliant portfolios and investment accounts with banks and investment companies inside and outside the Kingdom, purchasing and selling commodities, building materials, lands, real estate, and the likes; establishing investment fund companies inside and outside the Kingdom, with the right to delegate the all that is mentioned, issuing promissory notes and other commercial papers, undertaking all transactions, concluding all banking agreements and transactions, selling, buying, or mortgaging the Company's real estate and assets, and discharging the Company's debtors of their liabilities and debts.

(e) Approving the internal, financial, administrative, technical, and regulatory regulations, including the policies and regulations pertaining to the Company's employees, appointing and dismissing heads of departments and senior officials, determining their duties, and disbursing their dues; applying for work, exit, entry and final exit visas for the Company's employees and sponsored persons, transferring and waiving their sponsorships, managing their affairs in accordance with Saudi applicable laws; appointing the Executive Management members with experience and competence in accordance with what the Board deems appropriate, and determining their duties and remuneration.

(f) Delegating the Company's management with the power to sign on behalf of the Company within the limits established and set by the Board of Directors.

(g) Forming Committees, and delegating powers to them as the Board deems appropriate, and coordinating between these Committees in order to expedite the decisions on the matters presented to them.

(h) Approving the establishment of subsidiaries, branches, offices and agencies of the Company inside and outside the Kingdom, and representing the Company in signing of articles of association of the companies in which the Company is a shareholder, and purchasing of shares and equities.

(i) Transferring title, accepting, determining and receiving the consideration, signing, before the notary public across and outside the Kingdom, any sale or purchase Sukuk, issuing permits, planning lands, referring to municipalities, requesting survey declarations, signing and executing all relevant papers, documents and contracts; appointing experts and arbitrators, and assigning powers of attorney, retaining, dismissing, and paying fees of attorneys, and delegating or authorizing others to carry out specific assignment(s) on behalf of the Company, with the right to annul and cancel agencies and dismiss agents.

The Board may, within limits of its authorities, authorise one or more of the Directors or third parties to undertake specific assignment(s). The Board may also authorise the acquisition of other companies and the disposition of assets, property and real estate, and it shall have the right to authorise buying, accepting, paying the consideration, mortgaging, and redeeming mortgage, transferring title, and receiving the consideration and delivering what is in return, in respect of the Company's properties, provided that the Board's minutes and reasons for the resolution for the disposal of the Company's properties shall observe the following:

(i) the Board of Directors shall specify, in the resolution which pertains to the sale, the reasons and justifications for such an action;

(ii) the consideration shall be roughly comparable to the fair value; and.

(iii) the payment of the consideration for such a transaction is not deferred except in certain cases and with sufficient guarantees.

The Chairman may also sign loan contracts with Government funds and Financial Institutions, regardless of their value and tenor, commercial loan contracts with local and foreign commercial banks, regardless of their value and tenor and whatever their value and proportion of the Company's capital, in addition to signing all loan-related documents. Moreover, the Chairman may reconcile, waive, contract, make a commitment, and engage in businesses under the Company's name and on behalf of the Company and may conduct all acts and activities that would achieve the purposes of the Company, and he/she may, within limits of his/her authority, authorize or delegate anyone he/she deems fit to conduct a specific assignment(s).

The Board of Directors shall also have the right to discharge the Company's debtors from their liabilities when it deems it is in the Company's best interest, provided that the minutes of the Board of Directors and the reasons given for the resolution shall observe the following:

(a) discharge shall be after the lapse of at least one (1) year from the incurring of the debt;

(b) discharge shall be for a maximum specified amount for each year, for each debtor; and

(c) discharge shall be a right to be exercised only by the Board of Directors and shall not be delegated to any person.

12.13.19 Remuneration of the Directors

Remuneration of the Directors shall be determined by the General Assembly within the limits of the Companies Law and its implementing regulations. Notwithstanding the applicable laws and regulations in the Kingdom issued by the relevant authorities, Directors shall be also remunerated for attendance and transportation, according to what is set out by the Board. The Board of Directors' report to the Ordinary General Assembly must include a comprehensive statement of all the amounts received by Directors during the financial year as remuneration, expense allowance, and other benefits, as well as of all the amounts received by the Directors during in their capacity as officers or executives of the Company, or in consideration of technical, administrative or advisory services. It must also include the number of meetings of the Board and the number of sessions each Director attended as of the date of the last General Assembly.

12.13.20 Authorities of the Chairman, Deputy, Managing Director, and Secretary

The Board of Directors shall appoint from among its members a Chairman and a Deputy Chairman. The Board of Directors may also appoint a Managing Director. No member can concurrently assume the Chairman's position and be appointed to any other executive position in the Company.

The Chairman shall have the following authorities:

(a) Representing the Company before third parties, all courts of all degrees and types, the notary public, the Administrative Courts, official authorities and departments, judicial and administrative committees of all types and degrees, labour offices, labour commissions, legal and Zakat committees, banking dispute settlement committees, primary and higher bodies and other committees and governmental entities, the GAZT, Saudi Arabian Ministry of Investment (MOI), police, public prosecution, execution courts, provinces, ministries, all other committees, individuals, companies or bodies, whether inside or outside the Kingdom, and submitting, signing, reporting on, delivering and receiving applications in the name of the Company from any party. The Chairman has also the right to plead, defend, litigate, attend hearings on behalf of the Company, lodge, hear and respond to all cases and claims, reconcile, waive, make acknowledgement, deny, reply, impugn, supply witnesses, proof, consent, take all regulatory measures to enforce the judgments in favor of the Company, appoint and dismiss attorneys, claim and receive the Company's rights vis-a-vis third parties under certified checks in the name of the Company. In addition, the Chairman may accept and reject judgments, appoint arbitrators, sign arbitration documents, appoint experts, receive, deliver and amend commercial registers, licenses, instruments of judgments, documents, clearances and commercial papers, request the execution of judgments and decisions, challenge for forgery, and submit terminations and grievances.

(b) Signing and concluding all contracts, agreements, borrowing and receiving loans from any governmental or non-governmental bank or other authority for the Company, including loan contracts with Saudi Industrial Development Fund, opening bank accounts inside and outside the Kingdom in the name of the Company and managing these bank accounts, whether by withdrawing, depositing or closing, receiving any profits that may result from these accounts, issuing, cashing, and endorsing checks, issuing guarantee letters and documentary credits, opening investment portfolios with Saudi and non-Saudi banks, and selling and purchasing shares for the benefit of the Company, provided that there shall be no brokerage in trading the shares.

(c) Signing and concluding loan agreements, credit facilities, and mortgage agreements of all kinds and forms with banks on behalf of the Company, undertaking all transfers of title, including mortgage of all the Company's movable property, including stocks, bonds, real estate, land, and buildings, as required to achieve the objectives of the Company, regardless of its location, status, and intended purposes, and purchasing real estate, buildings and other fixed and movable assets, accepting transfers in favor of the Company, paying the consideration, selling real estate, transferring title, receiving the consideration, and selling fixed and movable assets.

(d) Initiating the establishment of new companies, whether inside or outside the Kingdom, signing amendments of those companies' contracts by third parties and signing their articles of association and amendments to these articles of association before the Ministry of Commerce and the notary on behalf of the partners in the name of the Company, including resolutions related to increase or decrease of the Company's capital, and inclusion or dismissal of partners, selling and transferring shares and stocks owned by partners to third parties, and purchase shares and stocks in existing or new companies.

(e) Attending, on behalf of the Company, the meetings of the general assemblies of the companies in which the Company is a shareholder or has ownership interests, and voting on and signing the resolutions issued therein, leasing and receiving the rent, holding memberships with chambers of commerce, setting up communication lines of various forms and types with the Saudi Telecom Company and other telecommunications companies, agreeing with foreign companies so that the Company may obtain and register agencies therefrom with the competent authorities, registering and objecting to registration of trademarks, appointing employees, recruiting and dismissing workers, determining their salaries and transferring their sponsorships, collecting the Company's rights and giving corresponding clearances, fulfilling the Company's obligations, paying its debts, and receiving and paying the consideration. The Chairman may appoint agents or attorneys for the Company or authorize one or more of the Directors or third parties to perform certain assignment(s). In the absence of the Chairman, the Deputy Chairman shall have all the powers conferred on the Chairman.

The Managing Director shall have the following authorities:

(a) Signing and concluding loan agreements, credit facilities, and mortgage agreements of all kinds and forms with banks on behalf of the Company, undertaking all transfers of title, including mortgage of all the Company's movable property, including stocks, bonds, real estate, land, and buildings, as required to achieve the objectives of the Company, regardless of its location, status, and intended purposes, and purchasing real estate, buildings and other fixed and movable assets.

(b) Signing and concluding contracts, agreements, borrowing and receiving loans from any governmental or non-governmental bank or other authority for the Company, including loan contracts with Saudi Industrial Development Fund, opening bank accounts inside and outside the Kingdom in the name of the Company and managing these bank accounts, whether by withdrawing, depositing or closing, receiving any profits that may result from these accounts, issuing, cashing, and endorsing checks, issuing guarantee letters and documentary credits, opening investment portfolios with Saudi and non-Saudi banks, and selling and purchasing shares for the benefit of the Company, provided that there shall be no brokerage in trading the shares.

(c) Attending, on behalf of the Company, the meetings of the general assemblies in the companies in which the Company is a shareholder or has ownership interests, and voting on and signing the resolutions issued therein, leasing and receiving the rent consideration, holding memberships with chambers of commerce, setting up communication lines of various forms and types with the Saudi Telecom Company and other telecommunications companies, agreeing with foreign companies so that the Company may obtain and register agencies therefrom with the competent authorities, registering and objecting to registration of trademarks, appointing employees, recruiting and dismissing workers, determining their salaries and transferring their sponsorships, collecting the Company's rights and giving corresponding clearances, fulfilling the Company's obligations, paying its debts, and receiving and paying the consideration. The Managing Director may authorize or delegate third parties to perform some of the above functions, pursuant to written authorizations or powers of attorney.

(d) Initiating the establishment of new companies, whether inside or outside the Kingdom, signing amendments of those companies' contracts by third parties and signing their articles of association and decisions amending these articles of association before the Ministry of Commerce and the notary on behalf of the partners on behalf of the Company, including decisions related to increase or decrease of the Company's capital, and inclusion or dismissal of partners, selling and transferring shares and stocks owned by partners to third parties, and purchase shares and stocks in existing or new companies.

The Deputy Chairman shall replace the Chairman in case of the latter's absence.

The Shareholders' General Assembly shall determine the special remunerations received by each of the Chairman and Managing Director, in addition to the remunerations prescribed for each Director pursuant to Article 20 of Company's Bylaws.

The Board of Directors shall appoint a Secretary, whether from amongst its Directors or otherwise. The Secretary shall organize the meetings of the Board of Directors and its works, prepare related meeting minutes in writing and keep its records, write correspondence with governmental and non-governmental entities, and submit special invitations to attend the Board of Directors meetings at the request of the Board. The term of office of the Chairman, Deputy Chairman, Managing Director and Secretary, where he/she is a Director, shall not exceed their respective membership terms as Directors and they may be reappointed. The Board of Directors may dismiss any of them without prejudice to the right to compensation of the dismissed, if the dismissal was due to unlawful reasons or at an inappropriate time.

12.13.21 Board Meetings

The Board of Directors shall be convened at least two times per year upon a written invitation given by the Chairman. The Chairman shall call a meeting of the Board by written invitation, delivered personally, by mail, fax or e-mail, one week prior to the set meeting date, unless agreed otherwise by the Directors. The Chairman must call a meeting of the Board if so requested by any two Directors.

12.13.22 Quorum and Representation

A meeting of the Board shall be duly convened only if attended by at least four of the Directors, in person or by proxy. In the event that a Director appoints another Director to attend a Board meeting as his/her proxy, then such proxy shall be appointed in accordance with the following guidelines:

(a) a Director may not act as proxy for more than one other Director in attending the same meeting;

(b) a proxy shall be appointed in writing; and

(c) a Director acting by proxy may not vote on resolutions on which his/her principal is prohibited from voting.

Board resolutions shall be adopted with the approval of the majority of the Directors represented or in attendance. In the event of a tie, the chairman of the meeting, the Board Chairman or, in his/her absence, his/her delegate shall have a casting vote. It is for the Board of Directors to issue resolutions to pass, by presenting them to all the Directors separately, as long as a Director does not request a Board meeting for deliberations. These resolutions are presented to the Board in the first following meeting.

12.13.23 Deliberations of the Board

Deliberations and resolutions of the Board shall be recorded in minutes to be signed by the Chairman, the present Directors and the Secretary. Such minutes shall be entered in a special register signed by the Chairman and the Secretary. The Directors may request that their objections are included in the minutes of the meeting, while attendance shall be documented by signing an attendance sheet.

12.13.24 Shareholders' Assemblies

Any shareholder, regardless of the number of his Shares, shall have the right to attend the conversion General Assembly or any General Assembly personally or by proxy, provided that the Directors or Company employees may not act as proxies.

(a) Conversion General Assembly

The founders shall invite all Shareholders to a conversion General Assembly, within 45 days from the date of the decision of the Ministry of Commerce to authorize the conversion of the Company. To be validly constituted, the conversion General Assembly must be attended by Shareholders representing at least half (1/2) of the Company's capital. If such majority is not achieved, an invitation shall be sent for a second meeting after one hour from the end of the first meeting, provided that the invitation for the first meeting mentioned the possibility of having a second meeting. In any event, this second meeting shall be valid regardless of the number of Shareholders represented therein.

(b) Ordinary General Assembly

Except for matters falling within the jurisdiction of the Extraordinary General Assembly, the Ordinary General Assembly shall be competent to deal with all other matters related to the Company and shall be convened at least once a year during the first six months following the end of the Company's financial year. Other Ordinary General Assembly meetings may be called upon when necessary.

(c) Extraordinary General Assembly

The Extraordinary General Assembly shall be competent to amend the provisions of the Bylaws, to the extent permitted under the law. Furthermore, the Extraordinary General Assembly shall be empowered to adopt resolutions in matters within the jurisdiction of the Ordinary General Assembly under the same conditions and manners as prescribed for the latter.

(d) Manner of Convening Assemblies

Public and private assemblies convene at the invitation of the Board in accordance to the Companies Law and its implementing regulations, and if requested to do so by the Company's external auditors, the Audit Committee or by a number of Shareholders representing at least 5% of the Company's capital. The external auditors may convene the General Assembly if the Board did not convene the General Assembly within 30 days from the date of the external auditors request to do so.

The call for General Assembly meeting shall be published in a daily newspaper distributed in the locality of the head office of the Company, at least 21 days prior to the date set for such meeting. Nevertheless, a notice sent by registered mail to all Shareholders on the mentioned date shall suffice. A copy of both the invitation and the agenda shall be sent to the Ministry of commerce as well as to the CMA for companies listed on the Exchange, within the period set for publication.

(e) Record of Attendance

Shareholders who wish to attend a General Assembly shall register their names at the Company's head office before the time specified for the General Assembly.

(f) Quorum for the Ordinary General Assembly

A meeting of the Ordinary General Assembly shall not be valid unless attended by the Shareholders representing at least 25% of the Company's share capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened after one hour from the end of the first meeting, provided that the invitation for the first meeting mentioned the possibility of having a second meeting. And, if the invitation did not mention the possibility of having a second meeting, a notice shall be published in the manner prescribed in Article 30 of the Bylaws to convene a second meeting within 30 days from the date of the last convened meeting. In any case, the second meeting shall be deemed valid irrespective of the number of Shares represented therein.

(g) Quorum for the Extraordinary General Assembly

A meeting of the Extraordinary General Assembly shall not be valid unless attended by the Shareholders representing at least 50% of the Company's share capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened after one hour from the end of the first meeting, provided that the invitation for the first meeting mentioned the possibility of having a second meeting. Otherwise, a notice shall be published in the manner prescribed in Article 30 of the Bylaws, and the second meeting shall be deemed valid if attended by Shareholders representing at least 25% of the Company's share capital. If the required quorum has not been provided in the second meeting, there shall be an invitation for a third meeting in accordance with Article 30 of the Company's Bylaws and the third meeting shall be deemed valid irrespective of the number of Shares represented therein.

(h) Voting Rights

Each Subscriber shall have one vote for each Share he represents at the constituent General Assembly meeting, and each Shareholder shall have one vote for every Share he represents at the General Assemblies. Cumulative voting shall be used in electing the Board of Directors.

(i) Resolutions

Resolutions of the constituent General Assembly and the Ordinary General Assembly shall be adopted by an absolute majority of the Shares represented at the meeting. Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two thirds (2/3) of the Shares represented at the meeting, unless the resolution to be adopted is related to increasing or reducing the capital, extending the Company's term, dissolving the Company prior to the expiry of the term specified under the Bylaws or merging the Company with another company, then such resolution shall be valid only if adopted by a majority vote of three quarters (3/4) of the Shares represented at the meeting.

(j) Discussion of Agenda

Each Shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the Directors and the external auditors. The Directors or the external auditors shall answer the Shareholders' questions in a manner that does not prejudice the Company's interest. If a Shareholder deems the answer to the question unsatisfactory, then such Shareholder may refer the issue to the General Assembly and its resolution in this regard shall be conclusive.

(k) Proceedings of the General Assembly

The General Assembly shall be presided over by the Chairman, or in his/her absence, his/her delegate. The Chairman shall appoint a secretary for the meeting and a vote counter. Minutes shall be written for the meeting which shall include the names of the Shareholders present, in person or represented by proxy, the number of Shares held by each Shareholder, the number of votes attached to such Shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place during the meeting. Such minutes shall be regularly recorded after each meeting in a special register that shall be signed by the Chairman, the Secretary and the vote counter.

12.13.25 Establishment of Committees

The Board of Directors may form committees as dictated by the needs of the Company, with members from the Board of Directors or otherwise beyond it. The Board of Directors shall also appoint a head of committee, and shall regulate the processes and specialty of each committee, as well as the number of members and the required quorum for meetings.

12.13.26 Audit Committee

The Audit Committee shall be formed by a resolution of the Company's Ordinary General Assembly and shall consist of three (3) members, provided that the members are not executive Directors, whether Shareholders or otherwise. The resolution shall also determine the Audit Committee's composition rules, mandate and procedures, as well as the remuneration of its members. The meetings of the Audit Committee shall be valid if attended by the majority of its members. All its resolutions shall be made by the majority of votes of the present members. In case of a tie vote, the chairman of the meeting shall have the casting vote.

The Audit Committee shall oversee the affairs of the Company. For such purpose, the committee has the right to review all the Company's records and documents, require any explanations or statements from the members of the Board of Directors or the Executive Management. The committee may request the Board of Directors to call the General Meeting to convene if the Board of Directors obstructs its course of work or the Company suffers serious damage or losses.

The Audit Committee shall check the Company's financial statements, and the reports and notes to be provided by the external auditors. It shall express its opinion on the same, if any. It shall also prepare a report on its opinion with respect to the sufficiency of the internal control system in the Company, along with other activities within its competence. The Board of Directors shall deposit enough copies of this report in the Company's head office at least 21 days prior to the date of convening the General Assembly, in order to provide it to any Shareholder wishing to have a copy of the report. The report shall be read out at the meeting.

12.13.27 External Auditors

The Company shall have one or more external auditors licenced to practice in the Kingdom. The Ordinary General Assembly may appoint the external auditors annually and may also determine their remuneration and the duration of work. The Ordinary General Assembly may change the external auditors at any time without prejudice to their right to compensation if such change was due to unlawful reasons or at an inappropriate time.

The external auditors shall have access at all times to the Company's books, records and any other documents, and may request information and clarifications as they deem necessary. They may further verify the Company's assets and liabilities. The Chairman shall enable the external auditors to perform their duties specified in the preceding paragraph. If the external auditors encountered a difficulty in this regard, they shall record that in a report submitted to the Board of Directors. If the Board does not facilitate the work of the external auditors, they shall call the Ordinary General Assembly to consider the matter

12.13.28 Financial Year

The Company's financial year shall commence on 1 January and expire on 31 December each year, provided that the first financial year shall commence on the date of its registration in the commercial register and expire on 31st of December of the following year.

12.13.29 Financial Documents

At the end of each financial year, the Board of Directors shall prepare the financial statements of the Company and a report of its activities and financial position for such financial year, including the proposed method of distributing the net profits. The Board of Directors shall put these documents at the disposal of the external auditors at least 45 days prior to the date specified for the General Assembly.

The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Financial Officer shall sign the documents set forth in the above paragraph, and copies thereof shall be deposited at the Company's head office at the disposal of the Shareholders at least 21 days before the date specified for the General Assembly.

The Chairman of the Board of Directors shall provide the Shareholders with the financial statements of the Company, the Board of Directors' report and the external auditors' report, unless they are published in a daily newspaper distributed in the city where the head office of the Company is located. The Chairman shall also send a copy of these documents to the Ministry of Commerce and the CMA at least 15 days before the date specified for the General Assembly.

12.13.30 Distribution of Dividends

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

(a) 10% of the net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when such statutory reserve totals 30% of the Company's paid-up capital;

(b) the Ordinary General Assembly, upon a proposal by the Board of Directors, may set aside 5% of the net profits to form a voluntary reserve to support the financial position of the Company;

(c) the Ordinary General Assembly may resolve to form other reserves to the extent they serve the Company's interests, or to ensure the distribution of fixed dividends – so far as possible – to the Shareholders. The Ordinary General Assembly may also deduct amounts from the net profits to create social institutions for the Company's employees, or to support existing institutions of such kind; and

(d) all remaining net profits shall be distributed to the shareholders unless otherwise decided by the Ordinary General Assembly.

Dividend will be distributed in cash or bonus shares or both.

The Board shall include in its annual report submitted to the General Assembly of the Company the amount of dividend distributed to Shareholders during the different periods of the year, and the amount of dividend recommended for distribution at the end of the year in addition to the total amount of such dividends.

The Company may distribute interim dividends to its Shareholders on a quarterly or semi-annual basis provided the following requirements are satisfied:

(a) the General Assembly shall authorize the Board to distribute interim dividends under an annually-renewed resolution;

(b) the Company realized good and regular profits;

(c) the Company has reasonable liquidity along with the ability to reasonably predict the level of its profits; and

(d) the Company shall have such dividends distributable as per the latest audited financial statements as may be sufficient to cover the proposed dividends after deducting dividends distributed and capitalized following the date of such statements.

12.13.31 Disputes

Where the Directors have committed an act that has caused a particular damage to a Shareholder, such Shareholder shall have the right to sue the Directors for liability, provided that the Company still has the right to bring such action. The Shareholder shall notify the Company of his intention to file such an action.

12.13.32 Company's Losses

If the Company's losses amount to half (1/2) of the paid-up capital, at any time during the financial year, then any officer of the Company or the external auditors upon becoming aware of such losses shall notify the Chairman of the Board of Directors, who shall immediately inform the Directors. The Board of Directors shall, within 15 days of such notification, convene an Extraordinary General Assembly to meet within 45 days from the date on which the Board of Directors was notified of the losses, to resolve whether to increase or reduce the capital of the Company pursuant to the provisions of the Companies Law, in order to render the losses equal to less than half (1/2) of the Company's paid-up capital, or dissolve the Company before the end of its term as stated in the Bylaws.

The Company shall be deemed dissolved by operation of law if the General Assembly is not convened during the term specified in the above paragraph, or if the General Assembly is convened but is unable to adopt a resolution on the matter, or if the General Assembly resolves to increase the capital in accordance with the conditions specified in the above paragraph but the capital increase is not fully subscribed to within 90 days from the date on which the General Assembly adopted the resolution to increase the capital.

12.13.33 Dissolution and Liquidation of the Company

The Company, upon its dissolution, shall enter a liquidation phase during which it shall retain its legal personality to the extent necessary for the liquidation. The Extraordinary General Assembly shall issue a resolution for the voluntary liquidation of the Company, which must include the appointment of a liquidator and specify his powers, fees, any restrictions on his powers and the period required for the liquidation process. The period of a voluntary liquidation process shall not exceed five years and may not be further extended without a court order. The authority of the Board of Directors shall cease upon the dissolution of the Company. However, the Board of Directors shall remain responsible for the management of the Company and shall be deemed as liquidators towards third parties, until a liquidator is appointed. General Assemblies shall continue throughout the duration of the liquidation process, but their role shall be limited to exercising their competencies as far as they do not conflict with those of the liquidator.

12.14 Description of Shares

12.14.1 Company's Share Capital

The Company's current capital is two hundred fifty million Saudi riyals (SAR 250,000,000), divided into twenty-five million 25,000,000 ordinary Shares with a fully-paid nominal value of ten (10) Saudi riyals per share.

12.14.2 Ordinary Shares

The Shares shall be nominal Shares and may not be issued at less than their nominal value. However, the Shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the statutory reserve, even if such reserve has reached its maximum limit. Each share shall be indivisible vis-à-vis the Company. In the event that a Share is owned by several persons, they shall select one person from amongst themselves to exercise, on their behalf, the rights pertaining to such Share, and they shall be jointly responsible for the obligations arising from the ownership of such Share.

12.14.3 Repurchase of Shares

According to Article 112 of the Companies Law, which stipulates that the Company may buy its Shares in accordance with the rules set by the competent authority, provided that the Shares purchased by the Company shall not entitle it to votes in the Shareholders' assemblies.

12.14.4 Rights of Holders of Ordinary Share

Pursuant to Article 110 of the Companies Law, Shares confer on the Shareholder all the rights attached to the Shares, in particular the right to receive a share of the profits to be distributed, to receive a share of the Company's assets surplus upon liquidation, to attend the General Assemblies, to participate in its deliberations, to vote on its resolutions, to dispose of the shares, to request access to the Company's books and documents, to monitor the work of the Board of Directors, to file a claim of responsibility against the Directors, and to challenge the validity of the resolutions of the General Assembly in accordance with the conditions and restrictions contained in the Companies Law and the Bylaws.Each Shareholder shall have the right to discuss the matters stated in the agenda of the General Assembly and direct questions thereon to the Directors and the external auditors. The Board of Directors or the external auditors shall answer the questions of the Shareholders to the extent that it does not put the interest of the Company at risk. If a Shareholder is not satisfied with the answer, such Shareholder may refer the issue to the General Assembly whose resolution shall be conclusive and binding in this regard.

12.14.5 General Assemblies

A General Assembly duly convened shall be deemed to represent all the Shareholders, and shall be held in the city where the Company's head office is located. Except for the matters pertaining to the Extraordinary General Assembly, the Ordinary General Assembly shall be competent to deal with all the matters related to the Company, and shall be convened at least once a year during the six (6) months following the end of the Company's financial year. Other Ordinary General Assemblies may be convened whenever the need arises.

An Extraordinary General Assembly shall be competent to amend the Company's Bylaws, to the extent permitted under the law. Furthermore, an Extraordinary General Assembly shall be entitled to adopt resolutions in matters within the jurisdictions of the Ordinary General Assembly under the same conditions and manners as prescribed for the latter.

The invitation for the General Ordinary Assembly shall be published in a daily newspaper distributed in the locality of the head office of the Company, at least twenty (21) days prior to the date set for the meeting. A copy of the call and agenda shall be sent to the Ministry of Commerce during the period stipulated for publication. The Ordinary General Assembly shall be valid only if attended by Shareholders representing at least a quarter of the Company's capital. If such quorum cannot be attained in the first meeting, a second meeting shall be convened one hour after the end of the period specified for the first meeting. The invitation to first meeting shall specify the possibility of holding a second meeting at such time or within the thirty (30) days following the previous meeting. In all cases, the second meeting shall be valid regardless of the number of Shares represented therein. The Extraordinary General Assembly shall be valid only if attended by Shareholders representing at least a half of the Company's capital. If such quorum cannot be attained in the first meeting, a second meeting shall be convened one hour after the end of the period specified for the first meeting. The invitation to first meeting shall specify the possibility of holding a second meeting at such time or within the thirty (30) days following the previous meeting. The second meeting shall be deemed valid if attended by Shareholders representing at least one quarter of the Company's capital. If this quorum cannot be attained in such second meeting, a third meeting shall be convened. The third meeting shall be valid regardless of the number of Shares represented therein, after the competent authority's approval. The General Assemblies of the Shareholders shall be chaired by the Chairman or the Vice Chairman in his/her absence. Minutes shall be kept for every General Assembly, stating the names of Shareholders present or represented therein, the number of Shares held by each of them, the number of votes allotted thereto, the resolutions adopted, the number of affirmative and negative votes, and a comprehensive summary of the debate conducted at the meetings. Following every meeting, the minutes shall be regularly entered in a special book, which shall be signed by the Chairman, the Secretary, and the vote counter.

12.14.6 Voting Rights

Any Shareholder, regardless of the number of his Shares, shall have the right to attend the constituent General Assembly or any General Assembly, which are to be held in the city where the Company's head office is located. A Shareholder may appoint another person who is not a Director or an employee of the Company to attend a General Assembly on his behalf.

Each Shareholder shall have a vote for every Share represented by him in the constituent General Assembly, and each Shareholder shall have a vote for every share represented by him in the General Assemblies. The cumulative voting method shall be used in electing the Directors in accordance with the Corporate Governance Regulations issued by the CMA and any amendments thereto made from time to time.

12.14.7 Term of the Company

The term of the Company shall be ninety-nine (99) years commencing from the date of its registration in the commercial register as a joint stock company. The term of the Company may always be extended by a resolution issued by the Extraordinary General Assembly at least one year prior to the expiration of its term.

12.14.8 Dissolution and Liquidation of the Company.

The Company, upon its dissolution, shall enter a liquidation phase during which it shall retain its legal personality to the extent necessary for the liquidation. The Extraordinary General Assembly shall issue a resolution for the voluntary liquidation of the Company, which must include the appointment of a liquidator and specify his powers, fees, any restrictions on his powers and the period required for the liquidation process. The period of a voluntary liquidation process shall not exceed five years and may not be further extended without a court order. The authority of the Board of Directors shall cease upon the dissolution of the Company. However, the Board of Directors shall remain responsible for the management of the Company and shall be deemed as liquidators towards third parties, until a liquidator is appointed. General Assemblies shall continue throughout the duration of the liquidation process, but their role shall be limited to exercising their competencies as far as they do not conflict with those of the liquidator.

12.14.9 Amendment to the Rights of Shareholders

The Shareholders' rights to obtain a share of the profits to be distributed, to receive a share of the Company's assets surplus upon liquidation, to attend the General Assemblies, to participate in its deliberations, to vote on its resolutions, to dispose of the Shares, to request access to the Company's books and documents, to monitor the work of the Board of Directors, to file a claim of responsibility against the Directors, and to challenge the validity of the resolutions of the General Assembly (in accordance the conditions and restrictions set out in the Companies Law and the Bylaws) are granted pursuant to the Companies Law and therefore may not be amended.

12.14.10 Representations Related to Legal Information

The Directors declare the following:

(a) the issue does not violate the relevant laws and regulations of the Kingdom;

(b) the issue does not violate any of the contracts or agreements to which the Company is a party;

(c) all material legal information relating to the Company has been disclosed in this Prospectus;

(d) the Company is not a party to any existing disputes, claims, issues or investigation procedures that may have a material effect on the Company's operations or financial position; and

(e) the Directors are not subject to any legal proceedings or actions that may, individually or collectively, have a material effect on the Company's business or financial position.

13. UNDERWRITING

The Company, the Selling Shareholder and the Underwriter (collectively, Saudi Fransi Capital and EFG Hermes KSA) entered into an underwriting agreement on 02/07/1442H corresponding to 14/02/2021G, whereby the Underwriter has agreed to fully underwrite the Offering of seven million five hundred thousand (7,500,000) Offer Shares under an underwriting agreement (the "Underwriting Agreement") entered into with the Company, subject to certain conditions. The name and address of the Underwriter are set out below:

13.1 Underwriter

Saudi Fransi Capital King Fahad Road 8092 Riyadh 12312-3735 Kingdom of Saudi Arabia Tel: +966 (11) 282 6666 Fax: +966 (11) 282 6823 Website: www.sfc.sa E-mail: project.flow@fransicapital.com.sa	
EFG Hermes KSA Third floor, Northern Tower Sky Tower, King Fahd Road Olaya, Riyadh Kingdom of Saudi Arabia Tel: + 966 (11) 293 8048 Fax: + 966 (11) 293 8032 Website: www.efghermes.com Email: EFG_Hermes_IPO@efg-hermes.com	

The principal terms of the Underwriting Agreement are set out below:

13.2 Summary of Underwriting Arrangements

Under the terms and subject to the conditions contained in the Underwriting Agreement:

(a) The Selling Shareholder undertakes to the Underwriter that, on the first Business Day after allocation of the Offer Shares following the end of the Offering Period, it shall:

(i) sell and allocate the Offer Shares to any Individual Investor or Participating Party whose application for Offer Shares has been accepted by the Receiving Agents; and

(ii) sell and allocate to the Underwriter the Offer Shares that are not subscribed by Individual Investors or Participating Parties pursuant to the Offering.

(b) The Underwriter undertakes to the Company and the Selling Shareholder that it will purchase any Offer Shares that are not subscribed for by Individual Investors or Participating Parties, as stated below:

Table 13.1: Underwritten Shares

Underwriter	Number of Offer Shares to be Underwritten	Percentage of Offer Shares Underwritten
Saudi Fransi Capital	6,750,000	90%
EFG Hermes KSA	750,000	10%
Total	**7,500,000**	**100%**

13.3 Underwriting Costs

The Selling Shareholder will pay to the Underwriter an underwriting fee based on the total value of the Offering. Moreover, the Selling Shareholder agreed on behalf of the Company to pay the Underwriter's costs and expenses in connection with the Offering.

14. EXPENSES

The Selling Shareholder will be responsible for all costs and expenses associated with the Offering, which are estimated at approximately SAR 19,000,000. This figure includes the fees of each of the Financial Advisor, the Underwriter, the Lead Manager, the Bookrunner, the Legal Advisor, the Financial Due Diligence Advisor, the Market Study Consultant, in addition to Receiving Agents, marketing, printing and distribution expenses and other relevant costs. The Offering expenses will be deducted from the Offering Proceeds. The Company will not be responsible for payment of the Offering expenses.

15. UNDERTAKINGS FOLLOWING Admission

Following the Admission, the Company undertakes to:

(a) complete Form 8 (relating to compliance with the Corporate Governance Regulations) and, in the event the Company does not comply with any of the requirements of the Corporate Governance Regulations, to explain the reasons for such non-compliance;

(b) inform the CMA of the date on which the first General Assembly will be held following the Admission so that a representative may attend the same;

(c) submit transactions and contracts in which a Director has a direct or indirect interest for authorization by General Assembly (in accordance with the Companies Law and Corporate Governance Regulations) and renew such authorization on an annual basis, provided that the interested Director shall be prohibited from voting on the relevant resolution (whether in the Board or the General Assembly) (for further details regarding Related Party contracts and transactions, see Section 12.9 (**Related Party Contracts and Transactions**));

(d) disclose material developments related to the projects set out in Section 4.7 (**Future Plans and Initiatives**); and

(e) comply with all the mandatory provisions of the Rules on the Offer of Securities and Continuing Obligations, Listing Rules, and the Corporate Governance Regulations immediately upon Admission.

Similarly, following the Admission, the Directors undertake to:

(a) record all Board of Directors resolutions by means of written minutes of meetings, which shall be signed by the Chairman and the Secretary; and

(b) disclose the details of any Related Party transactions in accordance with the Companies Law and the Corporate Governance Regulations.

16. WAIVERS

The Company has not applied to the CMA for any waivers from any of its regulatory requirements.

17. SUBSCRIPTION TERMS AND CONDITIONS

The Company has made an application to the CMA for the registration and offer of Shares in compliance with the Rules on the Offer of Securities and Continuing Obligations, and an application for Admission of Shares on the Exchange in compliance with the Listing Rules.

All Subscribers must carefully read the subscription terms and conditions before completing the Subscription Application Form. Signing the Subscription Application Form and delivering it to a Receiving Agent is deemed as acceptance and approval of the subscription terms and conditions.

17.1 Subscription to Offer Shares

The Offering will consist of seven million five hundred thousand (7,500,000) Shares, representing thirty percent (30%) of the Company's share capital, with a fully paid nominal value of ten Saudi riyals (SAR 10) per Share, at an Offer Price of 72. Note that the offering to Individual Investors and subsequent listing of the Company's shares are contingent on the success of the Participating Entities' subscription to all the Offer Shares. The Offering will be cancelled if it is not covered during this period. The CMA has also the right to suspend the Offering if, at any time after its approval of this Prospectus and before registration and admission to listing of the Shares on the Exchange, a material adverse change has occurred in respect of the Company's operations.

The Offering is restricted to the following groups of Investors:

17.1.1 Tranche (A): Participating Parties

Comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions (for further details, see Section 1 (**Definitions and Abbreviations**)). Participating Entities will provisionally be allocated seven million five hundred thousand (7,500,000) Offer Shares, representing 100% of Offer Shares. Final allocation for the Participating Entities will be made upon the expiry of Individual Investors' subscription period. In the event that there is sufficient demand by Individual Investors, the Bookrunner shall have the right to reduce the previously allocated Offer Shares to Participating Entities to six million seven hundred and fifty thousand (6,750,000) Offer Shares, representing 90% of the total Offer Shares.

17.1.2 Tranche (B): Individual Investors

Comprising Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, as well as non-Saudi resident natural persons and GCC citizens holding a bank account in one of the Receiving Agents and being entitled to open an investment account. Subscription by a person in the name of his divorced wife shall be deemed invalid, and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of seven hundred and fifty thousand (750,000) Offer Shares representing ten percent (10%) of the total Offer Shares shall be allocated to Individual Investors. In the event that the Individual Investors do not subscribe in full to the Offer Shares allocated to them, the Bookunner may reduce the number of Offer Shares allocated to them in proportion to the number of Offer Shares subscribed by them

17.2 Book-building and Subscription by Participating Parties

(a) The Company and the Financial Advisor determine the price range for the purposes of book-building, which will be made available to all Participating Parties, without restriction.

(b) Each of the Participating Parties shall submit a Bidding Participation Application for the Offer Shares during the book-building period. The Participating Entities may change or cancel their Bidding Participation Application at any time during the book-building process, provided that such change shall be made through submitting an amended or additional Bidding Participation Application (where applicable) prior to the conclusion of fixing the Offer Price, which precedes commencement of the Offering Period. The number of Offer Shares to be subscribed by each Participating Entity shall neither be less than One hundred thousand (100,000) Offer Shares nor more than one million two hundred and forty-nine thousand nine hundred and ninety-nine (1,249,999) Offer Shares, and in relation only to public investment funds, without exceeding the maximum amount specified for each participating fund that is determined in accordance with Book-Building Instructions. The number of requested shares shall be subject to allocation. The Bookrunner will inform the Participating Entities of the Offer Price and the number of Offer Shares provisionally allocated to them. Subscriptions by the Participating Entities shall commence during the Offering Period, which also includes the Individual Investors, according to the subscription terms and conditions detailed in the Subscription Application Forms.

(c) After book-building for the Participating Entities, the Bookrunner will announce the coverage percentage for the Participating Entities.

(d) The Bookrunner and the Company will have the power to determine the Offer Price based on the supply and demand for the Offer Shares, provided that it does not exceed the price set out in the Underwriting Agreement.

17.3 Subscription by Individual Investors

Each Individual Investor shall subscribe for a minimum of ten (10) Offer Shares and a maximum of two hundred and fifty thousand (250,000) Offer Shares. Changes to or withdrawal of the subscription application shall not be permitted once the Subscription Application Form has been submitted.

Subscription Application Forms will be available during the Offering Period at all Receiving Agents' branches. Subscription Application Forms shall be completed in accordance with the instructions mentioned below. Individual Investors who have recently participated in recent initial public offerings can also subscribe through the Internet, banking telephone or ATMs of any of the Receiving Agents' branches that offer any or all such services to its customers, provided that, the following requirements are satisfied:

(a) the Individual Investor shall have a bank account at a Receiving Agent, which offers such services; and

(b) there should have been no changes to the personal information or data of the Individual Investor since his/her subscription in a recent initial public offering.

A signed Subscription Application Form must be submitted to any branch of the Receiving Agents representing a legally binding agreement between the Selling Shareholder and the relevant Individual Investor submitting it.

The Individual Investor may obtain a copy of this Prospectus from the websites of the Company (www.awpt.com.sa), the CMA (www.cma.org.sa) or the Financial Advisor (www.sfc.sa), and the Subscription Application Forms from the branches of the following Receiving Agents (or the websites for the Receiving Agents providing such service):

Banque Saudi Fransi King Saud Road P.O. Box 56006, Riyadh 11554 Kingdom of Saudi Arabia Tel: +966 920000576 Fax: +966 (11) 402 7261 Website: www.alfransi.com.sa E-mail: fransiplusadmin@alfransi.com.sa	البنك السعودي الفرنسي Banque Saudi Fransi
Riyad Bank Eastern Ring Road P.O. Box 22622, Riyadh 11614 Kingdom of Saudi Arabia Tel: +966 (11) 401 3030 Fax: +966 (11) 403 0016 Website: www.riyadbank.com E-mail: customercare@riyadbank.com	بنك الرياض riyad bank
Saudi British Bank (SABB) Prince Abdulaziz bin Mosaad bin Jelwi Street P.O. Box 9084, Riyadh 11413 Kingdom of Saudi Arabia Tel: +966 (11) 440 8440 Fax: +966 (11) 276 3414 Website: www.sabb.com E-mail: sabb@sabb.com	SABB ساب

The Receiving Agents will commence receiving Subscription Application Forms for Individual Investors at their branches throughout the Kingdom beginning on Tuesday, 04/07/1442H (corresponding to 16/02/2021G) until Wednesday, 05/07/1442H (corresponding to 17/02/2021G). Once the Subscription Application Form is signed and submitted, the relevant Receiving Agent receiving it will stamp it and provide the Individual Investor with a copy of the completed Subscription Application Form. In the event that the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Receiving Agent, the Subscription Application Form will be considered void. The Individual Investors do not have the right to claim any compensation for the damages incurred due to such cancellation.

Each Individual Investor is required to specify the number of Offer Shares applied for in the Subscription Application Form, and the total subscription amount will be equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR 72 per Offer Share.

Subscriptions by Individual Investors for less than ten (10) Offer Shares or fractional Shares will not be accepted. Increments are to be made in multiples of such minimum number, while the maximum number of Offer Shares to be applied for is two hundred and fifty thousand (250,000) Offer Shares.

Subscription Application Forms for Individual Investors should be submitted during the Offering Period and accompanied (where applicable) with the following documents (the Receiving Agents will verify all copies against the originals and will return the originals to the relevant Individual Investor):

(a) the original and copy of the Individual Investor's national civil identification card (in case of individuals, including Saudi and other GCC nationals);

(b) the original and copy of the family civil identification card (when subscribing on behalf of family members);

(c) the original and copy of a power of attorney (when subscribing on behalf of others);

(d) the original and copy of certificate of guardianship (when subscribing on behalf of orphans);

(e) the original and copy of the divorce certificate (when subscribing on behalf of the children of a divorced Saudi woman);

(f) the original and copy of the death certificate (when subscribing on behalf of the children of a widowed Saudi woman); and

(g) the original and copy of the birth certificate (when subscribing on behalf of the children of a divorced or widowed Saudi woman).

In the event an application is made on behalf of an Individual Investor (parents and children only), the name of the person signing on behalf of the Individual Investor should be stated in the Subscription Application Form, accompanied by a valid original and a copy of the power of attorney. The power of attorney must be notarized by a notary public for the Individual Investors residing in the Kingdom and must be legalized through a Saudi embassy or consulate in the relevant country for the Individual Investors residing outside the Kingdom. The concerned official of the Receiving Agent shall match the copy with the original version and return the original version to the Individual Investor.

One Subscription Application Form should be completed for each primary Individual Investor applying for himself and members appearing on his family identification card if the family members apply for the same number of Offer Shares as the primary Individual Investor. In this case:

(a) all Offer Shares allocated to the primary Individual Investor and dependent Individual Investors will be registered in the primary Individual Investor's name;

(b) the primary Individual Investor will receive any refund in respect of amounts not allocated and paid for by himself or dependent Individual Investors; and

(c) the primary Individual Investor will receive all dividends distributed in respect of the Offer Shares allocated to himself and dependent Individual Investors (in the event the Shares are not sold or transferred).

Separate Subscription Application Forms must be used if:

(a) the Offer Shares to be allocated are to be registered in a name other than the name of the primary Individual Investor;

(b) dependent Individual Investors intend to apply for a different number of Offer Shares than the primary Individual Investor; or

(c) the wife subscribes in her name, adding allocated Offer Shares to her account (she must complete a separate Subscription Application Form from the Subscription Application Form completed by the relevant primary Individual

Investor). In the latter case, applications made by husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Receiving Agent.

A Saudi female divorcee or widow who has minor children from a marriage to a non-Saudi husband can subscribe on behalf of those children provided she submits proof of motherhood. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. In the event that a principal investor subscribes for himself and his family members who are registered in the family registry, and then a member of that family subscribes under a separate application, only the application of the family member who submitted a separate application from that of the principal subscriber will be cancelled.

During the Offering Period, only a valid Iqama will be an acceptable form of identification for non-Saudi dependents. Passports or birth certificates will not be accepted. Non-Saudi dependents can only be included as dependents with their mother and cannot subscribe as primary Individual Investors. The maximum age for non-Saudi dependents to be included with their mother is 18. Any documents issued by a foreign government must be legalized through a Saudi embassy or consulate in the relevant country.

Each Individual Investor agrees to subscribe for and purchase the number of Offer Shares specified in his/her Subscription Application Form for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR 72 per Offer Share. Each Individual Investor shall acquire the number of Offer Shares allocated to him/her upon:

(a) delivery by the Individual Investor of the Subscription Application Form to any of the Receiving Agents;

(b) payment in full by the Individual Investor to the Receiving Agent of the total value of the Offer Shares subscribed for; and

(c) delivery to the Individual Investor by the Receiving Agent of the allotment letter specifying the number of Offer Shares allotted to him/her.

The total value of the Offer Shares subscribed for must be paid in full at a branch of the Receiving Agents by authorizing a debit of the Individual Investor's account held with the Receiving Agent to whom the Subscription Application Form is being submitted.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offer, the Company shall have the right to reject, in full or in part, such an application. The Individual Investor shall accept any number of Offer Shares allocated to him/her unless the allocated shares exceed the number of Offer Shares he /she has applied for.

17.4 Allocation and Refunds

The Lead Manager and the Receiving Agents shall open and operate escrow accounts named ("Alkorayef Water & Power Technologies IPO"). Each of the Receiving Agents shall deposit all amounts received from the Subscribers into the escrow accounts mentioned above.

The Lead Manager and Receiving Agents, as applicable, will send notification letters to the Subscribers informing them of the final number of Offer Shares allocated together with the amounts to be refunded. Excess subscription monies, if any, will be refunded to the Subscribers in whole without any deductions or fees and will be deposited in the Subscribers' accounts specified in the Subscription Application Forms. The announcement of the final allocation shall be made on Monday, 10/07/1442H (corresponding to 22/02/2021G) and refunds process shall be made no later than Monday, 10/07/1442H (corresponding to 22/02/2021G) (for further details, see (**Key Dates and Subscription Procedures**) Section on page (xv), and Section 17 (**Subscription Terms and Conditions**)). Subscribers should communicate with the Lead Manager or the branch of the Receiving Agent where they submitted their Subscription Application Form, as applicable, for any further information.

17.4.1 Allocation of Offer Shares to Participating Entities

The allocation of the Offer Shares to Participating Entities will, after completion of the allocation of the Offer Shares to Individual Investors, be determined by the Financial Advisor in coordination with the Company at their discretion, provided that the Offer Shares provisionally allocated to Participating Entities shall not be less than seven million five hundred thousand (7,500,000) Offer Shares representing 100% of the Offer Shares, and provided that the final allocation for the Participating Entities shall not be less than six million seven hundred and fifty thousand (6,750,000) Offer Shares, representing 90% of the Offer Shares.

17.4.2 Allocation of Offer Shares to Individual Investors

There will be an allocation of a maximum of seven million five hundred thousand (7,500,000) Offer Shares, representing 10% of the Offer Shares, to the Individual Investors. The minimum allocation per Individual Investor is ten (10) Offer Shares, and the maximum allocation per Individual Investor is two hundred fifty thousand (250,000) Offer Shares. The balance of the Offer Shares (if available) will be allocated based on the Company and Financial Advisor's recommendation. In the event that the number of Individual Investors exceeds seventy five thousand (75,000) Individual Investors, the Company will not guarantee the minimum allocation. The Offer Shares will be allocated in accordance with the proposals made by the Company and the Bookrunner. Excess subscription monies, if any, will be refunded to the Individual Investors without any charge or withholding by the Receiving Agents.

17.5 Circumstances Where Trading and Listing May be Suspended or Cancelled

17.5.1 Power to Suspend or Cancel Admission

(a) The CMA may suspend trading in listed securities or cancel the listing at any time as it deems fit, in any of the following circumstances:

  (i) the CMA considers it necessary for the protection of investors or the maintenance of an orderly market;

  (ii) the issuer fails, in a manner which the CMA considers material, to comply with the CML, its implementing regulations or the Listing Rules;

  (iii) the issuer fails to pay on time any fees due to the CMA or the Exchange or any fines due to the CMA;

  (iv) if it considers that the issuer or its business, the level of its operations or its assets are no longer suitable for the continued listing of its securities on the Exchange;

  (v) when a reverse takeover announcement does not contain sufficient information about the proposed transaction. If the issuer announces sufficient information regarding the target and the CMA is satisfied, following the issuer's announcement, that there will be sufficient information available for the public about the proposed transaction of the reverse takeover, the CMA may decide not to suspend trading at this stage;

  (vi) when information about the proposed transaction of reverse takeover is leaked and the issuer cannot accurately assess its financial position and the Exchange cannot be informed accordingly;

  (vii) when an application for financial restructuring of the issuer in case of its accumulated losses reaching 50% or more of its capital is registered with the court under the Bankruptcy Law;

  (viii) when the request for liquidation procedure or the administrative liquidation of the issuer is registered with the court under the Bankruptcy Law;

  (ix) upon issuance of a final judgment closing the financial restructuring and initiating the liquidation procedure or the administrative liquidation procedure of the issuer in the court under the Bankruptcy Law; or

  (x) upon issuance of a final judgment initiating the liquidation procedure or the administrative liquidation procedure of the issuer in the court under the Bankruptcy Law.

(b) Lifting of trading suspension under Paragraph (a) above is subject to the following:

  (i) the issuer adequately addressing the conditions that led to the suspension and the lack of the need to continue the suspension for the protection of investors;

  (ii) that lifting the suspension is unlikely to affect the normal activity of the Exchange;

  (iii) the issuer complies with any other conditions that the CMA may require;

  (iv) upon issuance of a final judgment initiating financial restructuring for the issuer under the Bankruptcy Law, unless it was suspended from its activities by the relevant competent authority, in the event that the suspension is made in accordance with paragraph (a)(vii) above; and

  (v) upon issuance of a final judgment initiating the liquidation procedure of the issuer under the Bankruptcy Law, unless it was suspended from its activities by the relevant competent authority, in the event that the suspension is made in accordance with paragraph (a)(viii) above.

(c) The Exchange shall suspend the trading of securities of the issuer in any of the following cases:

(i) when the issuer does not comply with the deadlines for the disclosure of its periodic financial information within the periods specified in the applicable implementing regulations;

(ii) when the external auditors' report on the financial statements of the issuer contains an adverse opinion or an abstention from expressing opinion;

(iii) if the liquidity requirements in Part 2 of the Listing Rules are not satisfied after listing after the time limit set by the Exchange for the issuer to rectify its conditions, unless the CMA agrees otherwise; or

(iv) upon the issuance of a resolution by an Extraordinary General Assembly of the issuer to reduce its capital for the two trading days following the issuance of such resolution.

(d) The Exchange removes the suspension referred to in subparagraphs (i) and (ii) of paragraph (c) above, after one trading session has passed after the cause of suspension ceases to exist. In case that the issuer's shares are available for trading outside the platform, the Exchange removes the suspension within a period of not more than five trading sessions after the cause of suspension ceases to exist.

(e) The Exchange may at any time propose to the CMA to suspend the trading of any listed security or cancel its listing where, in its opinion, it is likely that any of the above circumstances of paragraph (a) of this Article above are to occur.

(f) The issuer whose securities are subject to a trading suspension must continue to comply with the Capital Market Law, its implementing regulations and the Listing Rules.

(g) In the event that the listing suspension continues for six (6) months with no appropriate procedure made by the issuer to correct such suspension, the CMA may cancel the listing of issuer.

(h) Upon the issuer's completion of a reverse takeover, the issuer's shares are de-listed. If the issuer wishes to re-list its shares, it shall submit a new application for registration and admission to listing in accordance with the requirements stipulated in the Rules on the Offer of Securities and Continuing Obligations.

(i) This paragraph shall not prejudice the suspension of trading and cancellation of listing resulting from the losses of the issuer pursuant to relevant implementing regulations of the CML and Listing Rules.

17.5.2 Voluntary Cancellation of Listing

(a) After its shares have been listed on the Exchange, the issuer may not cancel the listing of its securities without the prior approval of the CMA. To obtain the CMA's approval, the issuer must provide the cancellation application to the CMA along with a simultaneous notice to the Exchange. The application has to include the following:

(i) specific reasons for the request for cancellation;

(ii) a copy of the disclosure described in the fourth paragraph below;

(iii) a copy of the relevant documentation and a copy of all related communication to shareholders if the cancellation is to take place as a result of a takeover or other corporate action by the issuer; and

(iv) names and contact information of the Financial Advisor and Legal Advisor appointed according to the applicable implementing regulations.

(b) The CMA may, at its discretion, approve or reject the cancellation request.

(c) The issuer must obtain the consent of the Extraordinary General Assembly on the cancellation of the listing after obtaining the CMA approval.

(d) Where cancellation is made at the issuer's request, the issuer must disclose it to the public as soon as possible. The disclosure must include the reason for the cancellation, the nature of the event resulting in the cancellation, and the extent to which it affects the issuer's activities.

17.5.3 Temporary Trading Suspension

(a) An issuer may request from the Exchange a temporary trading suspension of its securities upon the occurrence of an event that occurs during trading hours which requires immediate disclosure under the CML, its implementing regulations or the Listing Rules, where the issuer cannot maintain the confidentiality of this information until the end of the trading period. The Exchange suspends trading of the securities of that issuer immediately upon receiving such request.

(b) When trading is temporarily suspended at the issuer's request, the issuer must disclose to the public as soon as possible the reason for the suspension, its anticipated period and the nature of the event that caused it, and the extent to which it affects the issuer's activities.

(c) The CMA may impose a temporary trading suspension without a request from the issuer where the CMA becomes aware of information or circumstances affecting the issuer's activities which the CMA considers would be likely to interrupt the operation of the Exchange or the protection of investors. If its securities are subject to temporary trading suspension, the issuer must continue to comply with the CML, its implementing regulations and Listing Rules.

(d) A temporary trading suspension will be lifted following the elapse of the period referred to in the disclosure specified in Paragraph (b) above in this Section, unless the CMA or the Exchange decided otherwise.

(e) The Exchange may propose to the CMA to exercise its powers in accordance with Paragraph (c) above in case it discovers that there are information or circumstances that may affect the issuer's activities and that are likely to interrupt the operation of the Exchange or the protection of investors.

17.5.4 Re-Registering and Listing of Cancelled Securities

The issuer is required to submit a new application in accordance with the procedures set out in Rules on the Offer of Securities and Continuing Obligations and Listing Rules.

17.6 Approvals and Decisions Under Which the Shares are Offered and Listed

The following are the decisions and approvals under which the Offer Shares are publicly offered:

(a) the Company's Board of Directors' resolution recommending the Offering issued on 15/10/1441H (corresponding to 7 June 2020G);

(b) the Company's General Assembly resolution approving the Offering on 16/10/1441H (corresponding to 8 June 2020G);

(c) the CMA's approval of the Offering for admission, listing, and offer of the Shares on CMA website on 02/06/1442H (corresponding to 31/12/2020G) and a copy of CMA's announcement regarding its approval of the Offering; and

(d) the conditional approval of the Exchange to list the Shares.

17.7 Lock-up Period

The Substantial Shareholders specified on page (xi) of this Prospectus may not dispose of any of their Shares for a period of (6) six months from the date on which trading of the Shares commences on the Exchange. Following the end of the Lock-up Period, the Selling Shareholders may dispose of their Shares without obtaining prior approval of the CMA. The Company may not list shares of the same class of the listed shares for a period of six (6) months from the date of commencement of trading the Shares on the Exchange.

17.8 Acknowledgments by Subscribers

By completing and delivering the Subscription Application Form, each Subscriber:

(a) agrees to subscribe to the number of Offer Shares specified in the Subscription Application Form;

(b) warrants that he/she has read this Prospectus and understood all its content;

(c) accepts the Bylaws and all Offering instructions and terms mentioned in this Prospectus and the Subscription Application Form, and subscribes to the Offer Shares accordingly;

(d) declares that neither himself nor any of his/her family members included in the Subscription Application Form have previously subscribed for any Shares and that the Company has the right to reject any or all duplicate applications;

(e) accepts the number of Offer Shares allocated to him/her (to the maximum of the amount subscribed for) as per the Subscription Application Form; and

(f) warrants not to cancel or amend the Subscription Application Form after submitting it to the Lead Manager or the Receiving Agent.

17.9 Shares' Record and Trading Arrangements

Tadawul shall keep a Shareholders' Register containing their names, nationalities, addresses, professions, the Shares held by them and the amounts paid for these Shares.

17.9.1 Saudi Stock Exchange (Tadawul)

In 1990G, full electronic trading in the Kingdom equities was introduced. Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. Trading in shares occurs on the "Tadawul" system through a fully integrated trading system covering the entire trading process from execution of the trade transaction through settlement thereof. Trading occurs on each Business Day of the week between 10:00 a.m. and 3:00 p.m. from Sunday to Thursday, during which orders are executed. However, during other than those times, orders can be entered, amended or cancelled from 9:30 a.m. to 10:00 a.m. The said times change during the month of Ramadan and they are announced by the Tadawul Management. Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit), provided that, if several orders are generated at the same price, they are executed according to the time of entry. Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website and Tadawul Information Link, which supplies trading data in real time to the information providers such as Reuters. Exchange transactions are settled automatically within two days, meaning that shares ownership transfer takes two Business Days after the trade transaction is executed.

Listed companies are required to disclose all material decisions and information that are important for the investors via Tadawul. Surveillance and monitoring is the responsibility of Tadawul as the operator of the market to ensure fair trading and an orderly market.

17.10 Trading of Company's Shares

Trading of the Shares is expected to commence on Tadawul after finalization of the allocation process and the announcement of the start date of trading by Tadawul. Following the Admission, Saudi nationals, non-Saudi nationals holding valid residency permits in the Kingdom, GCC nationals, companies, banks, and investment funds will be permitted to trade in the Offer Shares once they are traded on the Exchange. Moreover, Qualified Foreign Investors will be permitted to trade in the Shares in accordance with QFI Rules. Non-Saudi nationals living outside the Kingdom and institutions registered outside the Kingdom will also have the right to invest indirectly to acquire economic benefits in the Shares by entering into SWAP agreements with Authorized Persons to acquire, hold and trade in the Shares on the Exchange on behalf of a foreign non-GCC investor. It should be noted that Authorized Persons shall be deemed the legal owners of the Shares under the SWAP agreements.

Furthermore, Shares can only be traded after allocated Offer Shares have been credited to Subscribers' accounts at Tadawul, the Company has been registered on the Main Market and its Shares listed on the Exchange. Pre-trading in Shares is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company and the Selling Shareholder shall have no legal responsibility in connection with pre-trading activities.

17.11 Miscellaneous

The Subscription Application Form and all related terms, conditions, provisions, covenants and undertakings shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned and delegated by any of the parties to the subscription without the prior written consent of the other party.

These instructions, the conditions and the receipt of any Subscription Application Forms or related contracts shall be governed, construed and enforced in accordance with the laws of the Kingdom.

This Prospectus has been released in both Arabic and English languages and the Arabic version is the only one approved by the CMA. In the event of a discrepancy between the English and the Arabic text, the Arabic text of this Prospectus shall prevail.

The distribution of this Prospectus and the sale of the Offer Shares to any person in any country other than the Kingdom are expressly prohibited, except for the investing foreign institutions, taking into account the relevant rules and instructions. All recipients of this Prospectus must inform themselves of any regulatory restrictions relevant to the Offering and the sale of Offer Shares and to observe all such restrictions.

18. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the Company's head office in Riyadh, P.O. Box: 62637, an-Nafal District, Riyadh, 11595, Kingdom of Saudi Rabia between 9:00 a.m. and 5:00 p.m. from 06/06/1442H (corresponding to 19/01/2021G) until 05/07/1442H (corresponding to 17/02/2021G)for a period of not less than 20 days prior to the end of the Offering Period:

(a) the CMA announcement of the approval of the Offering;

(b) the General Assembly's approval of the Offering, dated 16/10/1441H (corresponding to 8 June 2020G);

(c) the Company's Bylaws;

(d) the Company's articles of association, and the amendments made thereto;

(e) the Company's commercial registration certificate issued by the Ministry of Commerce;

(f) the audited financial statements of the Company for the financial years ended 31 December 2017G, 2018G and 2019G;

(g) the reviewed interim financial statements of the Company for the period ended 30 June 2020G;

(h) the valuation report prepared by the Financial Advisor;

(i) the market study report prepared by the Market Study Consultant;

(j) all other reports, letters, documents, value and data assessments prepared by any expert, including any part thereof mentioned in this Prospectus;

(k) the contracts and agreements disclosed in Section 12.9 (**Related Party Contracts and Transactions**);

(l) the letters of consent from each of:

  (i) the Financial Advisor, Lead Bookrunner, and Lead Underwriter (Saudi Fransi Capital) for the inclusion of its name, logo, and statements in this Prospectus;

  (ii) the Bookrunner and Underwriter (EFG Hermes KSA) to include its name, logo and statements in this Prospectus;

  (iii) the Auditor (Ernst & Young & Co. (Certified Public Accountants)) for the inclusion herein of its names and logos, along with the audit reports on the audited financial statements of the Company for the financial years ended 31 December 2017G, 2018G and 2019G and the reviewed interim financial statements for the six-month period ended 30 June 2020G in this Prospectus;

  (iv) the Financial Due Diligence Advisor (KPMG Al Fozan & Partners) for the inclusion of its name, logo and statements, if any, in this Prospectus;

  (v) the Market Study Consultant (A.T. Kearney Saudi Limited) for the inclusion of its name, logo and statements, in this Prospectus; and

  (vi) the Legal Advisor (Zeyad Yousef Alsalloum and Yazeed Abdulrahman Altoaimi Company for Legal Services and Consultation), for the inclusion of its name, logo, and statements, in this Prospectus;

(m) the Underwriting Agreement.

19. FINANCIAL STATEMENTS AND AUDITOR'S REPORT

This Section contains the audited financial statements of the Company for the financial year ended 31 December 2017G, and the accompanying notes thereto, which have been prepared in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA), and audited by the Auditor. This Section also contains the audited financial statements of the Company for the financial years ended 31 December 2018G and 2019G, and the accompanying notes thereto, which have been prepared in accordance with the IFRS endorsed by SOCPA and other standards and pronouncements endorsed by SOCPA, and audited by the Auditor, as well as the reviewed interim financial statements for the six-month period ended 30 June 2020G, and the accompanying notes thereto, which have been prepared in accordance with the IFRS endorsed by SOCPA and other standards and pronouncements endorsed by SOCPA.

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

EY
Building a better working world

Ernst & Young & Co. (Certified Public Accountants)
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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)

شركة إرنست ويونغ وشركاهم محاسبون قانونيون
EY
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

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)*
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	7	**65,970,914**	62,680,145
Right-of-use assets		**4,008,827**	4,168,542
TOTAL NON-CURRENT ASSETS		**69,979,741**	66,848,687
CURRENT ASSETS			
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
TOTAL CURRENT ASSETS		**507,734,277**	339,081,937
TOTAL ASSETS		**577,714,018**	405,930,624
EQUITY AND LIABILITIES			
EQUITY			
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)
TOTAL EQUITY		**257,066,875**	215,274,294
NON-CURRENT LIABILITIES			
Employee defined benefit liabilities		**34,822,420**	32,268,879
Lease liabilities		**3,817,371**	3,902,371
Term loans	13	**71,785,714**	-
TOTAL NON-CURRENT LIABILITIES		**110,425,505**	36,171,250
CURRENT LIABILITIES			
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**	-
TOTAL CURRENT LIABILITIES		**210,221,638**	154,485,080
TOTAL LIABILITIES		**320,647,143**	190,656,330
TOTAL EQUITY AND LIABILITIES		**577,714,018**	405,930,624

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

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

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2020

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

	30 June 2020 SR (Unaudited)	*30 June 2019 SR (Unaudited)*
OPERATING ACTIVITIES		
Profit for the period before zakat	**57,665,586**	43,263,286
Adjustments to reconcile profit before zakat and income tax to net cash flows:		
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
	71,633,772	55,599,901
Working capital adjustments:		
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)
Cash flows used in operations	**(178,369,125)**	12,152,485
Finance costs paid	**(1,901,719)**	(2,976,603)
Employees' benefits plan paid	**(927,350)**	(841,657)
Net cash flows (used in) from operating activities	**(181,198,194)**	8,334,225
INVESTING ACTIVITIES		
Purchase of property and equipment	**(11,796,927)**	(6,607,381)
Proceeds from sale of property and equipment	**80,297**	91,010
Net cash flows used in investing activities	**(11,716,630)**	(6,516,371)
FINANCING ACTIVITIES		
Payment of lease liability	**(4,203)**	(769,732)
Proceeds from loans	**202,968,802**	-
Payment of loans	**(10,892,858)**	(13,333,334)
Net cash flows from financing activities	**192,071,741**	(14,103,066)
Increase /(decrease) in cash and bank balances	**(843,083)**	(12,285,212)
Cash and bank balances at the beginning of the period	**17,059,045**	36,949,745
Cash and bank balances at the end of the period	**16,215,962**	24,664,533

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 SHAREHOLDERSS EQUITY
For the six-month period ended 30 June 2020

	Share capital *SR*	*Statutory Reserve* *SR*	*Retained earnings* *SR*	*Re-measurement of employee defined benefit liabilities* *SR*	*Total* *SR*
For the six-month period ended 30 June 2019					
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)	80,000,000	9,892,572	77,516,350	(924,570)	77,516,350
For the six-month period ended 30 June 2020					
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)	**250,000,000**	-	**7,665,586**	**(598,711)**	**257,066,875**

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

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:

	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*
Types of services				
Water (see note "a" below)	**54,681,683**	49,863,042	**116,840,860**	98,108,939
Waste Water (see note "b" below)	**43,691,151**	30,935,848	**89,933,511**	54,980,680
Integrated Water Solutions (see note "c" below)	**19,655,765**	16,986,562	**43,992,644**	31,715,641
	118,028,599	97,785,452	**250,767,015**	184,805,260

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"), formely 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.

3. REVENUE (continued)

3.1 Disaggregated revenue information (continued)

Revenue per type of customer:

	For the three-month period ended 30 June 2020 SR				*For the six-month period ended 30 June 2020 SR*			
	Water SR	***Waste Water SR***	***Integrated Water Solutions SR***	***Total SR***	***Water SR***	***Waste Water SR***	***Integrated Water Solutions SR***	***Total SR***
Revenue								
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**
	54,681,683	**43,691,151**	**19,655,765**	**118,028,599**	**116,840,860**	**89,933,511**	**43,992,644**	**250,767,015**

	For the three-month period ended 30 June 2019 SR				*For the six-month period ended 30 June 2019 SR*			
	Water SR	*Waste Water SR*	*Integrated Water Solutions SR*	*Total SR*	*Water SR*	*Waste Water SR*	*Integrated Water Solutions SR*	*Total SR*
Revenue								
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
	49,863,042	30,935,848	16,986,562	97,785,452	98,108,939	54,980,680	31,715,641	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*
a) Services of segments (Water)				
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
	54,681,683	49,863,042	**116,840,860**	98,108,939

	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*
b) Services of segments (Waste Water)				
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
	43,691,151	30,935,848	**89,933,511**	54,980,680

	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*
c) Services of segments (Integrated Water Solutions)				
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
	19,655,765	16,986,562	**43,992,644**	31,715,641

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

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

	Buildings *SR*	*Machines* *SR*	*Furniture and fixture* *SR*	*Motor Vehicles* *SR*	***Total 30 June 2020 (Unaudited) SR***	*Total 31 December 2019 (Audited) SR*
Cost						
At the beginning of the year	2,648,420	115,822,622	12,649,910	74,246,228	**205,367,180**	180,689,748
Additions	21,200	7,326,806	258,621	4,190,300	**11,796,927**	28,823,210
Disposals	-	(319,899)	(43,232)	(35,500)	**(398,631)**	(4,717,579)
Acquisition of a division	-	-	-	-	**-**	571,801
At the end of the period	2,669,620	122,829,529	12,865,299	78,401,028	**216,765,476**	205,367,180
Accumulated Depreciation						
At the beginning of the period	1,832,401	86,221,401	7,765,650	46,867,583	**142,687,035**	131,534,231
Charge for the period	64,951	3,450,113	604,673	4,330,183	**8,449,920**	14,410,840
Disposal	-	(310,185)	(18,008)	(14,200)	**(342,393)**	(3,715,902)
Acquisition of a division	-	-	-	-	**-**	457,866
At the end of the period	1,897,352	89,361,329	8,352,315	51,183,566	**150,794,562**	142,687035
Net book value **30 June 2020 (Unaudited)**	**772,268**	**33,468,200**	**4,512,984**	**27,217,462**	**65,970,914**	
31 December 2019 (Audited)	816,019	29,601,221	4,884,260	27,378,645		62,680,145

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

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

5. OTHER INCOME

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

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.

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

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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 30 June 2020

8. CONTRACT ASSET

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

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

	30 June 2020 SR (Unaudited)	*31 December 2019 SR (Audited)*
Trade receivables	**172,812,506**	144,038,290
Retention receivables	**8,663,060**	7,700,533
Less: provision for expected credit losses	**(4,526,301)**	(4,526,301)
	176,949,265	147,212,522
Prepaid expenses	**38,338,894**	28,008,996
Advance to suppliers	**8,728,501**	5,395,660
Other receivables	**4,320,358**	1,734,247
	228,337,018	182,351,425

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).

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	**120,150**	120,150	**240,300**	240,300
		Proposed increase in capital (note 10)	**-**	-	**34,126,995**	-
		Financing*	**123,257,093**	75,067,291	**233,454,393**	157,965,836
Alkhorayef Commercial Company	Affiliate	Revenue	**6,600**	38,675	**97,400**	110,220
Key management personnel		Short-term benefits	**645,098**	457,390	**1,268,259**	960,095
		Post-employment benefits	**51,422**	34,880	**75,228**	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 December2019 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 December2019 SR (Audited)*
Alkhorayef Group Company (Shareholder / Owner)	**106,124,468**	-
	106,124,468	-

Alkhorayef for Water and Power Technologies Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2020

12. EARNINGS PER SHARE (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*
Operating profit for the period (SR)	**27,016,955**	23,591,979	**59,337,176**	43,738,410
Profit for the period (SR)	**26,173,343**	22,038,795	**57,665,586**	43,263,286
Weighted number of shares used as the denominator in calculating basic and diluted earnings per share (note 10)	**25,000,000**	25,000,000	**25,000,000**	25,000,000
Basic and diluted earnings per share of operating profit for the period (SR)	**1.08**	0.94	**2.37**	1.75
Basic and diluted earnings per share of profit for the period	**0.99**	0.88	**2.31**	1.73

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

13. LOANS AND BORROWINGS

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

Below is the movement of the loans and borrowings:

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

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.

15. CONTIGENT 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).

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2019

EY
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INDEPENDENT AUDITOR'S REPORT
To the Owner of Alkhorayef for Water and Power Technologies Company (Owned by One Person)
(A Limited Liability Company)

Opinion
We have audited the financial statements of Alkhorayef for Water and Power Technologies Company (Owned by One Person) - (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and the Company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Management is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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INDEPENDENT AUDITOR'S REPORT
To the Owner of Alkhorayef for Water and Power Technologies Company (Owned by One Person)
(A Limited Liability Company) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)
As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young

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

Riyadh: 13 Rajab 1441H
(8 March 2020)

شركة ارنست ويونغ وشركاهم محاسبون قانونيون
EY
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	*2019* *SR*	*2018* *SR*
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	7	**62,680,145**	49,155,517
Right-of-use assets	8	**4,168,542**	-
TOTAL NON-CURRENT ASSETS		**66,848,687**	49,155,517
CURRENT ASSETS			
Inventories	9	**26,955,266**	9,989,199
Prepayments and other assets	10	**35,138,903**	16,299,758
Contract asset	11	**112,716,201**	75,447,439
Trade and other receivables	12	**147,212,522**	205,686,417
Cash and bank balances	13	**17,059,045**	36,949,745
TOTAL CURRENT ASSETS		**339,081,937**	344,372,558
TOTAL ASSETS		**405,930,624**	393,528,075
EQUITY AND LIABILITIES			
EQUITY			
Issued capital	14	**80,000,000**	80,000,000
Statutory reserve	15	**19,065,309**	9,892,572
Retained earnings		**116,807,696**	34,253,064
Re-measurement of employee defined benefit liabilities	16	**(598,711)**	(924,570)
TOTAL EQUITY		**215,274,294**	123,221,066
NON-CURRENT LIABILITIES			
Employee defined benefit liabilities	16	**32,268,879**	27,742,894
Lease liabilities	8	**3,902,371**	-
Term loans	17	**-**	13,333,332
TOTAL NON-CURRENT LIABILITIES		**36,171,250**	41,076,226
CURRENT LIABILITIES			
Trade payables		**58,442,389**	48,870,767
Term loans	17	**-**	26,666,668
Lease liabilities	8	**246,164**	-
Obligations under capital lease contracts	18	**-**	769,732
Due to related parties	20	**55,729,085**	117,039,232
Accruals and other liabilities	19	**40,067,442**	35,884,384
TOTAL CURRENT LIABILITIES		**154,485,080**	229,230,783
TOTAL LIABILITIES		**190,656,330**	270,307,009
TOTAL EQUITY AND LIABILITIES		**405,930,624**	393,528,075

The attached notes 1 to 33 form an integral part of these financial statements

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

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	***2019*** ***SR***	*2018* *SR*
Revenues	21	**423,228,466**	356,265,039
Cost of revenues	22	**(304,074,003)**	(280,334,043)
GROSS PROFIT		**119,154,463**	75,930,996
Selling and distribution expenses	23	**(1,446,409)**	(4,663,821)
Administrative expenses	24	**(23,538,831)**	(13,292,427)
OPERATING PROFIT		**94,169,223**	57,974,748
Finance costs	25	**(6,375,085)**	(5,530,080)
Other income	26	**4,439,903**	-
Foreign exchange loss, net		**(64,181)**	(1,347,453)
(Loss) gain on sale of property and equipment		**(442,491)**	50,504
NET PROFIT FOR THE YEAR		**91,727,369**	51,147,719

The attached notes 1 to 33 form an integral part of these financial statements

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

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	***2019 SR***	*2018 SR*
PROFIT FOR THE YEAR		**91,727,369**	51,147,719
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified subsequently to the statement of profit or loss in subsequent periods:			
Re-measurement gain (losses) on defined benefits liability	16	**325,859**	(6,141,176)
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods		**325,859**	(6,141,176)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**92,053,228**	45,006,543

The attached notes 1 to 33 form an integral part of these financial statements

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Capital *SR*	*Statutory reserve* *SR*	*Retained earnings (accumulated loss)* *SR*	*Re-measurement of employee defined benefit liabilities* *SR*	*Total* *SR*
As at 1 January 2018	80,000,000	4,777,800	(11,779,883)	5,216,606	78,214,523
Profit for the year	-	-	51,147,719	-	51,147,719
Other comprehensive loss for the year	-	-	-	(6,141,176)	(6,141,176)
Total comprehensive income for the year	-	-	51,147,719	(6,141,176)	45,006,543
Transfer to statutory reserve	-	5,114,772	(5,114,772)	-	-
At 31 December 2018	80,000,000	9,892,572	34,253,064	(924,570)	123,221,066
Profit for the year	-	-	**91,727,369**	-	**91,727,369**
Other comprehensive income for the year	-	-	-	**325,859**	**325,859**
Total comprehensive income for the year	-	-	**91,727,369**	**325,859**	**92,053,228**
Transfer to statutory reserve	-	**9,172,737**	**(9,172,737)**	-	-
At 31 December 2019	**80,000,000**	**19,065,309**	**116,807,696**	**(598,711)**	**215,274,294**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	*2019* *SR*	*2018* *SR*
OPERATING ACTIVITIES			
Profit for the year before zakat		**91,727,369**	51,147,719
Adjustments to reconcile profit before zakat to net cash flows:			
Provision for expected credit losses of trade receivables		**-**	1,869,340
Depreciation of property and equipment	7	**14,410,840**	11,646,906
Depreciation of right-of-use assets	8	**315,205**	-
Gain on sale of property and equipment		**442,491**	(50,504)
Charge for the year of employee defined benefits	16	**6,715,026**	4,374,472
Finance costs		**6,375,085**	5,530,080
		119,986,016	74,518,013
Working capital adjustments:			
Trade receivables, prepayments and others assets		**38,656,671**	(71,705,671)
Inventories		**(18,966,067)**	(2,380,562)
Accounts payable, accruals and other liabilities		**16,635,447**	(13,323,621)
Amounts due from/to related parties		**(60,772,755)**	55,004,198
Contract asset		**(37,268,762)**	(19,650,936)
Cash flows from operations		**58,270,550**	22,461,421
Employees' benefits plan paid	16	**(2,417,197)**	(1,703,533)
Finance cost		**(6,375,085)**	(5,105,080)
Net cash flows from operating activities		**49,478,268**	15,652,808
INVESTING ACTIVITIES			
Purchase of property and equipment		**(28,823,210)**	(24,798,324)
Proceeds from sale of property and equipment		**559,186**	346,372
Net cash flows used in investing activities		**(28,264,024)**	(24,451,952)
FINANCING ACTIVITIES			
Proceeds from loans and borrowings		**-**	40,000,000
Payment of obligations under capital lease contracts, net		**(769,732)**	(2,857,034)
Repayment of loans and borrowings		**(40,000,000)**	-
Payment of lease liability, net		**(335,212)**	-
Net cash flows (used in) from financing activities		**(41,104,944)**	37,142,966
Net (decrease) / increase in cash and bank balances		**(19,890,700)**	28,343,822
Cash and bank balances at 1 January		**36,949,745**	8,605,923
Cash and bank balances at 31 December		**17,059,045**	36,949,745
Significant non-cash transactions:			
Acquisition of a division from a related party	5	**11,132,731**	-
Recognition of right of use assets at 1 January in payment of lease liability	8	**4,483,747**	-
Reclassification from employees defined liabilities transferred to accounts payable and accruals	16	**554,015**	(274,953)

The attached notes 1 to 33 form an integral part of these financial statements

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

1 CORPORATE INFORMATION

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

The Company is engaged in contracting for buildings, roads, industrial, mechanical, marine and electrical works, cleaning of buildings and cities, operation and maintenance of medical centers, hospitals, airports, and waste disposal, and environmental pollution control.

During 2015 and 2017, the Company participated in certain projects (undertaken through an unincorporated joint venture) whereby the Company and the other venturer assumed an economic activity subject to joint control. Such unincorporated joint arrangements, whereby the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement, are classified as joint operations. In the accompanying financial statements, the Company reports its assets, including its share of any assets held jointly, its liabilities, including its share of any liabilities incurred jointly, its revenue including its share of the revenue from the sale of the output by the joint operation and its expenses, including its share of any expenses incurred jointly.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRSs as endorsed in KSA").

These financial statements have been prepared under the historical cost basis, except otherwise indicated. The financial statements are presented in Saudi Riyals, which is also the Company's functional currency and presentation currency.

2.2 Summary of significant accounting policies

a) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

a) Business combinations (continued)
Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

b) Investments in joint arrangements
Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Joint operations
A joint operation is an arrangement whereby the parties that have joint control on the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Company recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held assets or incurred liabilities, revenues and expenses for its joint operations.

c) Current versus non-current classification
The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2019

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

c) Current versus non-current classification (continued)

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

d) Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

a) In the principal market for the asset or liability, or
b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

e) Revenue from contract with customers

The Company is in the business of contracting for waste water treatment plant, sewage station and drainage system, and operations and maintenance of water distribution network and sewage station. Revenue from contracts with customers is recognised by reference to the stage of completion of the contract activity at year end (the performance completed to date method), and the revenue relating to a contract of service can be measured over the contractual period or as and when services are rendered to customers. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

e) Revenue from contract with customers (continued)

Specific revenue recognition criteria
Contract Revenue
The Company principally operates fixed price contracts that cover the contracting for waste water treatment plant, sewage station and drainage system, and operations and maintenance of water distribution network and sewage station. If the outcome of such a contract can be reliably measured, revenue associated with the contract is recognised by reference to the stage of completion of the contract activity at year end (the performance completed to date method).

The outcome of a contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognized contract to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the year in which they are incurred.

In applying the performance completed to date method, revenue recognized on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the total goods or services promised under the contract, except where this would not be representative of the stage of completion in which it measured by the completion of physical proportion of the contract work.

Contract revenue — Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue, and they can be reliably measured.

Revenue from contracting for waste water treatment plant, sewage station and drainage system
Revenue is recognised on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the total goods or services promised under the contract.

Revenue from operations and maintenance of water distribution network and sewage stations
Revenue is recognised on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the total goods or services promised under the contract.

Contract balances
Contract assets - a contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities - a contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Trade receivable - a receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

e) Revenue from contract with customers (continued)

Cost of revenue
Contract costs — Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labor costs (including site supervision); costs of materials used; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Provisions for estimated losses on uncompleted contracts are recognized in the year in which they are determined and are classified under current liabilities as provisions.

f) Taxes
Zakat
Zakat is calculated and provided for by Abdullah Ibrahim Alkhorayef Sons Company (the "Ultimate Parent Company") on a consolidated basis including its effectively wholly owned subsidiaries in accordance with Saudi Arabian fiscal regulations. This provision is reflected in the Ultimate Parent Company's consolidated financial statements. The Company's share of this provision is charged to its statement of profit or loss based on allocation by the Ultimate Parent Company.

Value added tax "VAT"
Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of sales tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

g) Foreign currencies
The Company's financial statements are presented in Saudi Riyals (SR), which is also the Company's functional currency and all values are rounded to the nearest SR except when otherwise indicated.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Company at the functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

h) Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings 20 years
- Heavy Machines 7 years
- Furniture and fixtures 7 years
- Motor Vehicles 5 years

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

i) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are amortized on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

i) Leases (continued)

Lease liabilities (continued)
In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below SR 50,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

j) Borrowing costs
Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

k) Financial instruments – initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair valuethrough other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price as disclosed in note 2.2e *Revenue from contracts with customers.*

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

k) Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in following categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)
This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Subsequent measurement (continued)
Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in statement of profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes trade receivables, cash and cash equivalents and due from related parties.

Impairment
The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

k) Financial instruments – initial recognition and subsequent measurement (continued)

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade payables, due to related parties, dividend payable and due to employees.

The Company's financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement
Financial liabilities at amortised cost (loans and borrowings)
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Financial liabilities at amortised cost (loans and borrowings) (continued)
Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

iii) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

l) Inventories
Inventories are measured at the lower of cost and net realisable value with due allowance for any obsolete or slow moving items. Cost is determined using the weighted average method.

Cost includes expenditure incurred in acquiring the inventories and costs incurred in bringing them to their existing location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal. Cost of finished goods and goods for resale is determined based on the purchase cost on a weighted average basis.

m) Impairment of non-financial assets
The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The fair value less costs of disposal is determined by taking into account recent market transactions. If no such transactions can be identified, an appropriate valuation model is used. The value in use is assessed by discounting the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

m) Impairment of non-financial assets (continued)

Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

n) Cash and bank balances

Cash and bank balances in the statement of financial position comprise cash at banks and on hand.

o) Provisions

General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as finance cost.

Onerous contracts

If the Company has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Company recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

Contingent liabilities recognised in a business combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognized in accordance with the requirements for revenue recognition.

p) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined benefit plans

In addition to the above, employees' terminal benefits are provided for in accordance with the requirements of the Saudi Labor Law and the Company's policies. These employees' terminal benefits represent a defined benefit obligation plan. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net pension liability recognized in the statement of financial position in respect of defined benefit post-employment plans is the present value of the projected defined benefit obligation (DBO) at the statement of financial position date. The defined benefit obligation is calculated annually by qualified actuaries using projected credit unit method. Re-measurement amounts, if any, are recognized and reported within equity under the statement of changes in equity with corresponding debit or credit to OCI that comprises of actuarial gains and losses on the defined benefits obligation.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted and methods of computation followed are consistent with those of the previous financial year, except for items discussed below. Specifically, the Company applied IFRS 16 for the first time. The nature and effect of the changes in result of adoption of this new accounting standard is described below.

There were several new and amendments to standards and interpretations which are applicable for the first time in 2019, but either not relevant or do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. See note 4.

IFRS 16 Leases
IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified simplified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adopting IFRS 16 is, as follows:

Impact on the statement of financial position as at 1 January 2019 (increase/(decrease)) is as follows:

Assets	***SR***
Right-of-use-assets	4,483,747
Prepayments	(12,500)
Total Assets	**4,471,247**
Liabilities	
Lease liabilities	4,471,247
Total liabilities	**4,471,247**

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 16 Leases (continued)

Impact on the statement of profit or loss as at 31 December 2019 (increase/(decrease)) is as follows:

	SR
Cost of sales	414,667
Administrative expenses	(315,205)
Operating profit	**99,462**
Finance costs	(85,288)
Profit for the year	**14,174**

Impact on the statement of cash flows as at 31 December 2019 (increase/(decrease)) is as follows:

	SR
Operating lease payments	414,667
Interest paid	(85,288)
Net cash flows from operating activities	**329,379**
Payment of principal portion of lease liabilities	(408,000)
Net cash flows used in financing activities	**(408,000)**

There is no material impact on other comprehensive income during the year.

Nature of the effect of adoption of IFRS 16
The Company has lease contracts for buildings. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 16 Leases (continued)

Leases previously accounted for as operating leases
The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- Restoration costs for the leases were considered to be negligible, except where reasonable information was available to assess and include such costs in determining lease liabilities.

Based on the foregoing, as at 1 January 2019:
- Right-of-use assets of SR 4,483,747 were recognized and presented separately in the statement of financial position.
- Additional lease liabilities of SR 5,976,000 million were recognized and presented separately in the statement of financial position.
- Prepayments of SR 12,500 million related to previous operating leases were derecognized.

For the year ended 31 December 2019:
- Contract cost increased by SR 315,205 million because of the amortization of additional assets recognized (i.e., increase in right-of-use assets).
- Rent expense decreased by SR 414,667 million relating to previous operating leases.
- Finance costs increased by SR 85,288 million relating to the interest expense on additional lease liabilities recognized.

The new accounting policies for right-of-use assets and lease liabilities applied from the date of initial application IFRS 16 are stated in note 2.2. The key judgments applied by the management in application of IFRS 16 (right-of-use assets and lease liabilities) are stated in note 3.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Annual Improvements 2015-2017 Cycle

• **IFRS 3 *Business Combinations***
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the financial statements of the Company as there is no transaction where joint control is obtained.

• **IFRS 11 *Joint Arrangements***
An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the financial statements of the Company as there is no transaction where a joint control is obtained.

• **IAS 23 *Borrowing Costs***
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosure relating to the Company's exposure to risks and uncertainties include:

- Capital management
- Financial instruments risk management objectives and policies
- Sensitivity analysis disclosures

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.1 Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

3.1.1 Significant judgment in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Company included the renewal period as part of the lease term for leases of office spaces due to the significance of these assets to its operations. These leases are reviewed after one year based on the Company's operational requirements and leased area is adjusted accordingly.

3.1.2 Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Satisfaction of performance obligations for contracting, and operations and maintenance

The Company is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue. The Company has assessed that performance obligation relating to a contract for contracting and operations and maintenance can be reliably measured, by reference to the stage of completion of the contract activity at year end (the performance completed to date method), and the performance obligation relating to a contract of service can be reliably measured over the contractual period or as and when services are rendered to customers.

Variable consideration

Certain contracts with customers include provision that give rise to variable consideration. In estimating the variable consideration, the Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Company had determined that in its contract with customers there is no element of variable consideration involved

3.1.3 Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3.2 Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur. Information about the assumption and estimation uncertainties is included in the following areas:

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2.1 Useful life of property, and equipment

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

3.2.2 Impairment of inventories

The Company recognises an allowance for inventory losses due to factors such as obsolescence, physical damage etc. The estimation of such losses includes the consideration of factors including but not limited to introduction of new models or technology by the manufacturer, past trends and both existing and emerging market conditions.

3.2.3 Provision for expected credit losses (ECLs) of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Company historical observed default rates. The company calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic condition may also may not be representative of customers actual default in future. The information about the ECLs on the Company trade receivables is disclose in note 12.

3.2.4 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is arrived based on available data from binding sales transactions at arm's length, for similar assets. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

3.2.5 Defined benefit plan

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employee turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The most sensitive parameters are discount rate and future salary increase. In determining the appropriate discount rate, management considers the market yield on high quality Corporate/Government bonds. Future salary increases are based on expected future inflation rates, seniority, promotion, demand and supply in employment market. The mortality rate is based on publicly available mortality tables for the Country. Those mortality tables tend to change only at intervals in response to demographic changes. Further details about employee benefit obligations are provides in note 16.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Based on the Company's assessment, the below standards are not expected to have potential impacts on the reported numbers and disclosures.

Standards	**Description**	**Mandatory effective date**
IFRS 3	Definition of a Business (amendments)	1 January 2020
IAS 1 and IAS 8	Definition of Material (amendments)	1 January 2020
Conceptual Framework	Amendments to References to Conceptual Framework in IFRS standards	1 January 2020
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	Not yet set
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

5 BUSINESS COMBINATIONS

On 1 October 2019, the Company acquired Water Works Division of Alkhorayef Commercial Company, an affiliate. Water Works Division is a division of Alkhorayef Commercial Company engaged in retail of water related products and materials. The strategic management and associated processes were acquired with the property and, as such, the management considered this transaction as a business combination, rather than an asset acquisition.

The carrying value of assets and liabilities acquired by the Company is set out below:

	2019 ***SR***	*2018* *SR*
Trade receivables	**2,732,109**	-
Inventories, net	**8,830,021**	-
Property and equipment, net	**113,935**	-
Accruals	**(264,273)**	-
Employee defined benefit liabilities	**(279,061)**	-
Net assets acquired	**11,132,731**	-
Purchase consideration	**(11,132,731)**	-
Gain/(loss)	**-**	-

6 INVESTMENT IN JOINT ARRANGEMENTS

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

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

Entity name	*Location*	*Principal activities*	*Percentage ownership*	
			2019	*2018*
Operation and Maintenance for Hadda and Arana Waste Water Treatment Plants in Mecca	Kingdom of Saudi Arabia	Operations and maintenance	**49%**	49%
Operation and Maintenance of Conveyance and Transportation of TSE to Riyadh Region and Suburbs	Kingdom of Saudi Arabia	Operations and maintenance	**49%**	49%

6.1 Summarised financial statements of the joint operations

2019	*Operation and Maintenance for Hadda and Arana Waste Water Treatment Plants in Mecca* SR	*Operation and Maintenance of Conveyance and Transportation of TSE to Riyadh Region and Suburbs* SR	*Total* SR
Total current assets	**9,008,544**	**5,915,321**	**14,923,865**
Total current liabilities	**(6,566,685)**	**(4,087,541)**	**(10,654,226)**
Net assets	**2,441,859**	**1,827,780**	**4,269,639**
For the year ended 2019			
Revenue	**1,546,211**	**5,886,844**	**7,433,055**
Cost of revenue	**(2,236,325)**	**(5,201,465)**	**(7,437,790)**
General and administrative expenses	**(29,713)**	**(36,034)**	**(65,747)**
Other income	**103,756**	**-**	**103,756**
(Loss) / profit for the year	**(616,071)**	**649,345**	**33,274**

6 INVESTMENT IN JOINT ARRANGEMENTS (continued)

6.1 Summarised financial statements of the joint operations (continued)

2018	*Operation and Maintenance for Hadda and Arana Waste Water Treatment Plants in Mecca* *SR*	*Operation and Maintenance of Conveyance and Transportation of TSE to Riyadh Region and Suburbs* *SR*	*Total* *SR*
Total current assets	15,285,623	6,524,736	21,810,359
Total non-current assets	1,183	-	1,183
Total current liabilities	(12,228,876)	(5,346,301)	(17,575,177)
Net assets	3,057,930	1,178,435	4,236,365
For the year ended 2018			
Revenue	22,852,231	6,155,932	29,008,163
Cost of revenue	(21,517,521)	(4,942,497)	(26,460,018)
General and administrative expenses	(577,307)	(35,000)	(612,307)
Profit for the year	757,403	1,178,435	1,935,838

7 PROPERTY AND EQUIPMENT

The estimated useful lives of 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 SR	*Heavy Machines SR*	*Furniture and fixtures SR*	*Motor vehicles SR*	*Total SR*
Cost					
At 31 December 2018	2,698,839	105,844,451	12,238,125	59,908,333	180,689,748
Additions	24,881	12,274,907	1,961,404	14,562,018	28,823,210
Disposals	(75,300)	(2,308,151)	(1,589,678)	(744,450)	(4,717,579)
Acquisition of a division (Note 5)	-	11,415	40,059	520,327	571,801
At 31 December 2019	2,648,420	115,822,622	12,649,910	74,246,228	205,367,180
Depreciation					
At 31 December 2018	1,727,529	81,767,583	7,817,197	40,221,922	131,534,231
Depreciation charge for	149,506	6,174,643	1,177,480	6,909,211	14,410,840
Disposals	(44,634)	(1,732,240)	(1,257,628)	(681,400)	(3,715,902)
Acquisition of a division (Note 5)	-	11,415	28,601	417,850	457,866
At 31 December 2019	1,832,401	86,221,401	7,765,650	46,867,583	142,687,035
Net book value					
At 31 December 2019	**816,019**	**29,601,221**	**4,884,260**	**27,378,645**	**62,680,145**
At 31 December 2018	971,310	24,076,868	4,420,928	19,686,411	49,155,517

The land in which the buildings are situated on, are registered under the name of the Alkhorayef Group Company, (the "Parent Company"), which is leased to the Company for 20 years (note 20).

Depreciation charge for the year was allocated as follows:

	2019 SR	*2018 SR*
Cost of sales (note 22)	**13,607,356**	11,171,983
Administrative expenses (note 24)	**803,484**	474,923
	14,410,840	11,646,906

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2019

8 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company adopted IFRS 16 using the modified simplified retrospective method of adoption with the date of initial application of 1 January 2019. For details refer to note 2.3.

8.1 Right-of-use assets

	Land SR
Cost:	
Recognised on 1 January 2019	**4,483,747**
At the end of the year	**4,483,747**
Accumulated amortization:	
Charge for the year	**(315,205)**
At the end of the year	**(315,205)**
Net book value:	
As at 31 December 2019	**4,168,542**

8.2 Lease liabilities

	Land SR
As at 31 December 2019:	
Future minimum lease payments	**5,568,000**
Finance charges	**(1,419,465)**
Present value of minimum lease payments	**4,148,535**
As at 1 January 2019:	
Future minimum lease payments	**5,976,000**
Finance charges	**(1,504,753)**
Present value of minimum lease payments	**4,471,247**

As at 31 December 2019, the lease liabilities are presented in the statement of financial position as follows:

	2019 SR	*2018 SR*
Current portion	**246,164**	-
Non-current portion	**3,902,371**	-
	4,148,535	-

8 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

8.3 Minimum lease payments

The future minimum lease payments together with the present value of minimum lease payments are as follows:

	31 December 2019		*1 January 2019*	
	Minimum lease payments	***Present value of minimum lease payments***	*Minimum lease payments*	*Present value of minimum lease payments*
	SR	***SR***	*SR*	*SR*
Within one year	**408,000**	**246,164**	408,000	321,995
Two to five years	**5,160,000**	**3,902,371**	5,568,000	4,149,252
Total minimum lease payments	**5,568,000**	**4,148,535**	5,976,000	4,471,247
Less: finance charges	**(1,419,465)**	**-**	(1,504,753)	-
Present value of minimum lease payments	**4,148,535**	**4,148,535**	4,471,247	4,471,247

9 INVENTORIES

	2019	*2018*
	SR	*SR*
Finished goods	**31,188,272**	13,014,379
Less: Provision for slow moving inventories	**(4,233,006)**	(3,025,180)
	26,955,266	9,989,199

Below is the movement of provision for slow moving inventories:

	2019	*2018*
	SR	*SR*
At 1 January	**3,025,180**	3,025,180
Acquisition of a division (note 5)	**2,000,000**	-
Written off during the year	**(792,174)**	-
	4,233,006	3,025,180

10 PREPAYMENTS AND OTHER ASSETS

	2019	*2018*
	SR	*SR*
Prepaid expenses	**28,008,997**	9,693,885
Advances to suppliers	**5,395,660**	3,697,401
Other receivables	**1,734,246**	2,908,472
	35,138,903	16,299,758

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2019

11 CONTRACT ASSETS

	2019	*2018*
	SR	*SR*
Value of work performed	**423,228,466**	356,265,039
Progress billings	**(310,512,265)**	(280,817,600)
	112,716,201	75,447,439

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 three months or less.

12 TRADE AND OTHER RECEIVABLES

	2019	*2018*
	SR	*SR*
Trade receivables	**144,038,290**	202,093,072
Retention receivables	**7,700,533**	8,119,646
Less: provision for expected credit losses	**(4,526,301)**	(4,526,301)
	147,212,522	205,686,417

Movement of provisions for expected credit losses on trade receivables:

	2019	*2018*
	SR	*SR*
Opening balance	**4,526,301**	2,656,961
Charge for the year (Note 23)	**-**	1,869,340
	4,526,301	4,526,301

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. The receivables include amounts totaling SR 127 million which is due from Government and quasi-Government institutions (31 December 2018: SR 199 million).

12 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.

Set out below is the information about the credit risk exposure on trade receivables. See note 28.5 on credit risk on trade receivables, which explains how the Company manages and measures credit risk quality receivables that are neither past due nor impaired.

	2019										
	Not past due	***0-90 days***	***91–180 days***	***181-270 days***	***271-360 days***	***361–450 days***	***451-540 days***	***541-630 days***	***631-720 days***	***Over 720 days***	***Total***
Expected credit loss rate	1.90%	2.21%	4.79%	8.05%	12.33%	0.54%	2.15%	12.36%	1.95%	0.66%	
	SR	***SR***	***SR***	***SR***	***SR***	***SR***	***SR***	***SR***	***SR***	***SR***	***SR***
Estimated total gross carrying amount at default	81,748,017	28,863,687	4,567,304	3,569,220	12,362,956	1,892,026	2,545,873	1,308,165	2,595,432	4,585,610	144,038,290
Expected credit loss	**1,549,572**	**638,689**	**218,894**	**287,284**	**1,524,333**	**10,214**	**54,689**	**161,656**	**50,578**	**30,392**	**4,526,301**

	2018										
	Not past due	*0-90 days*	*91–180 days*	*181-270 days*	*271-360 days*	*361–450 days*	*451-540 days*	*541-630 days*	*631-720 days*	*Over 720 days*	*Total*
Expected credit loss rate	0.69%	0.00%	0.20%	1.90%	2.27%	11.55%	12.07%	18.30%	78.70%	70.09%	
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Estimated total gross carrying amount at default	132,572,567	17,561,904	15,377,416	10,515,427	12,593,887	2,715,157	4,624,992	4,048,010	285,225	1,798,487	202,093,072
Expected credit loss	912,441	-	31,156	199,695	285,583	313,499	558,205	740,717	224,459	1,260,546	4,526,301

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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2019

13 CASH AND BANK BALANCES

	2019	*2018*
	SR	*SR*
Bank balances	**17,057,460**	36,948,392
Cash in hand	**1,585**	1,353
	17,059,045	36,949,745

14 ISSUED CAPITAL

Capital is divided into 80,000 share (2018: 80,000 shares) of SR 1,000 each. Capital is 100% owned by Alkhorayef Group Company.

15 STATUTORY RESERVE

In accordance with Companies Law and the Company's articles of association, the Company transfers 10% of its net profit for the year to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of its capital.

16 EMPLOYEE DEFINED BENEFIT LIABILITIES

16.1 General description

General description of the type of employees' defined benefits liabilities plan and accounting policy for recognising actuarial gains and losses is disclosed in note 2.2 to the financial statements.

	2019	*2018*
	SR	*SR*
Net benefit expense		
Included in profit or loss		
Current service cost	**5,562,228**	3,695,374
Interest cost	**1,152,798**	679,097
	6,715,026	4,374,471
Included in other comprehensive income		
Remeasurement losses / (gains):		
Actuarial gain / loss due to:		
- financial assumptions	**(325,859)**	6,141,176
	(325,859)	6,141,176
Net benefit expense	**6,389,167**	10,515,647

Movement of re-measurement of employee defined benefit liabilities

At 1 January	**(924,570)**	5,216,606
Gains (losses) during the year	**325,859**	(6,141,176)
At 31 December	**(598,711)**	(924,570)

16 EMPLOYEE DEFINED BENEFIT LIABILITIES (continued)

16.2 Changes in the present value of the defined benefit obligation:

	2019	*2018*
	SR	*SR*
At 1 January - present value of defined benefit obligation	**27,742,894**	19,205,733
Interest cost	**1,152,798**	679,097
Current service cost	**5,562,228**	3,695,374
Benefits paid	**(2,417,197)**	(1,703,533)
Remeasurement gains / (losses) in OCI	**(325,859)**	6,141,176
Amounts transferred to accrual as current liabilities	**554,015**	(274,953)
At 31 December - present value of defined obligation	**32,268,879**	27,742,894

16.3 Key assumptions and quantitative sensitivity analyses

The principal assumptions used in determining end of service benefit obligations for the Company's plan are shown below:

	2019	*2018*
	SR	*SR*
Discount rate	**2.5%**	4.3%
Salary increase rate	**2.2%**	4.0%

16.4 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	2019	*2019*
	SR	*SR*
Discount rate		
1 % increase	**30,205,171**	25,668,799
1% decrease	**35,235,394**	30,796,235
Salary increase rate		
1 % increase	**35,235,394**	30,910,386
1% decrease	**30,015,107**	25,506,549
Withdrawal rates		
10 % increase	**32,354,562**	27,891,786
10 % decrease	**32,743,455**	28,150,344
1 year mortality age set back	**32,540,681**	28,021,340
1 year mortality age set forward	**32,546,992**	28,014,368

16 EMPLOYEE DEFINED BENEFIT LIABILITIES (continued)

16.5 Sensitivity analysis

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. It is based on a change in a significant assumption, keeping all other assumptions constant and may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

17 LOANS AND BORROWINGS

	2019 ***SR***	*2018* *SR*
Term loan non-current portion	-	13,333,332
Term loan current portion	-	26,666,668
Total loans	-	40,000,000

The Company has obtained term loan from a local bank, which is repayable in instalments at varying interest rates in conformity with the applicable loan agreements. Such loans are secured by personal guarantees of the owner and carry commissions at normal commercial rates. The Company settled the total loan balance before its maturity.

18 OBLIGATIONS UNDER CAPITAL LEASE CONTRACTS

	31 December 2019 SR	*31 December 2018 SR*
Minimum annual rentals under capital lease contracts due in:		
- 2019	-	863,482
- 2020	-	-
Minimum lease payments under capital leases contracts	-	863,482
Less: estimated amounts representing future financial charges	-	(93,750)
Present value of minimum lease rental payments	-	769,732
Less: current portion	-	(769,732)
	-	-

19 ACCRUED AND OTHER LIABILITIES

	2019 ***SR***	*2018* *SR*
Accrued expenses	**18,445,567**	14,634,010
Contract liabilities (note 2.2e)	**16,249,276**	13,070,579
Provision for onerous contracts (see note "a" below)	**4,010,000**	2,188,731
Provision for penalties (see note "b" below)	**952,181**	3,155,292
Zakat payable (note 27)	**59,697**	148,576
Other liabilities	**350,721**	2,687,196
	40,067,442	35,884,384

a. Provision for onerous contracts is made for contracts under which unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Movement during the year is as follows:

	2019 ***SR***	*2018* *SR*
At 1 January	**2,188,731**	2,964,921
Transferred from accounts payable	**4,010,000**	-
Utilised during the year (note 22)	**(2,188,731)**	(776,190)
At 31 December	**4,010,000**	2,188,731

b. Provision for penalties is made for anticipated minor cost to be incurred by management in executing the contracted work and certain provisions for claims from the customers.

	2019 ***SR***	*2018* *SR*
At 1 January	**3,155,292**	5,982,231
Charge during the year (note 22)	**369,026**	3,290,968
Utilised during the year (note 22)	**(2,498,037)**	(217,170)
Transferred to accounts payable	**(74,100)**	(5,900,737)
At 31 December	**952,181**	3,155,292

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20 RELATED PARTY TRANSACTIONS AND BALANCES

Name of company	*Related party*	*Nature of transaction*	*Amount of transactions*	
			2019 SR	*2018 SR*
Alkhorayef Group company	Owner	Financing	**158,346,744**	149,339,000
		Shares service cost (note 24)	**480,600**	480,600
		Land rental	**288,000**	288,000
Alkhorayef Commercial Company	Affiliates	Purchases	**1,937,156**	3,791,428
		Sales (note 21)	**169,380**	205,216
		Acquisition of a division (note 5)	**11,132,731**	-
Abdullah Ibrahim Alkhorayef Sons Company	Ultimate Parent	Land rental	**120,000**	150,000
Alkhorayef Company for Printing Solutions	Affiliates	Purchases	**232,640**	247,793
Alkhorayef Petroleum Company	Affiliates	Purchases	**381,110**	757,715
		Sales (note 21)	**18,590**	605,000
Key management personnel		Short-term benefits	**1,967,600**	1,767,960
		Post-employment benefits	**142,685**	114,353

Funds in excess of the Company's requirements are placed with the Parent Company which also provides funds for day to day operations of the Company.

Amount due to the Parent Company, as shown in the table below, carries interest based on the average bank prevailing rates and are repayable by the Company upon demand from the Parent Company while amounts due to other related parties are interest free and payable upon demand from the lenders.

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

	2019 SR	*2018 SR*
Alkhorayef Group Company (Parent Company)	**55,729,085**	116,914,217
Alkhorayef Company for Printing Solutions	**-**	112,515
Abdullah Ibrahim Alkhorayef Sons Company, (Ultimate Parent Company)	**-**	12,500
	55,729,085	117,039,232

21 REVENUE

21.1 Disaggregated revenue information

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

	2019 ***SR***	*2018* *SR*
Types of services		
Water (see note "a" below)	**215,732,217**	160,669,677
Waste Water (see note "b" below)	**131,431,437**	147,992,556
Integrated Water Solutions (see note "c" below)	**76,064,812**	47,602,806
	423,228,466	356,265,039

	2019 ***SR***	*2018* *SR*
a) Categories of services (Water)		
Deep Water Wells and Treatment Plants	**102,716,654**	66,072,451
Water Network and Pumping Stations	**73,166,109**	59,952,514
Brakish Water RO Plant	**36,439,190**	32,143,441
Fire Water Network	**3,410,264**	2,501,271
	215,732,217	160,669,677

	2019 ***SR***	*2018* *SR*
b) Categories of services (Waste Water)		
Waste Water Network and Lifting Stations	**72,263,146**	101,453,013
Waste Water Treatment Plant	**51,602,017**	39,293,919
Treated Sewage Effluent Network	**5,289,220**	6,448,590
Industrial Waste Water Treatment Plant	**2,277,054**	797,034
	131,431,437	147,992,556

	2019 ***SR***	*2018* *SR*
c) Categories of services (Integrated Water Solutions)		
Storm Water Network and Lifting Stations	**34,659,595**	9,309,360
City Management	**30,672,367**	31,465,046
Asset Management	**3,913,333**	-
Laboratories	**3,094,651**	2,967,261
Leak Detection	**2,407,175**	2,402,735
Fabrication	**1,317,691**	1,458,404
	76,064,812	47,602,806

Geographical markets

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

21 REVENUE (continued)

21.1 Disaggregated revenue information (continued)

Timing of revenue recognition

	2019 SR	*2018 SR*
Revenue recognized over time	**423,228,466**	356,265,039

Revenue per type of customer:

	2019 SR				*2018 SR*			
	Water SR	***Waste Water SR***	***Integrated Water Solutions SR***	***Total SR***	*Water SR*	*Waste Water SR*	*Integrated Water Solutions SR*	*Total SR*
Revenue								
Government	**197,674,960**	**128,680,447**	**65,948,557**	**392,303,964**	153,366,266	132,428,889	46,144,403	331,939,558
Private customers	**18,057,257**	**2,750,990**	**9,928,285**	**30,736,532**	7,303,411	15,563,667	648,187	23,515,265
Related party (note 20)	**-**	**-**	**187,970**	**187,970**	-	-	810,216	810,216
	215,732,217	**131,431,437**	**76,064,812**	**423,228,466**	160,669,677	147,992,556	47,602,806	356,265,039

21.2 Contract balances

	2019	*2018*
	SR	*SR*
Trade receivables (note 12)	**144,038,290**	202,093,072
Contract assets (note 11)	**112,656,971**	75,447,439
Contract liabilities (note 19)	**(16,249,276)**	(13,070,579)
	240,445,985	264,469,932

21.3 Performance obligations

Refer to note 2.2 for the specific revenue recognition policy of the Company.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	2019	*2018*
	SR	*SR*
Remaining performance obligations	**909,332,216**	714,275,717

22 COST OF REVENUE

	2019	*2018*
	SR	*SR*
Salaries and wages	**148,029,525**	116,527,477
Materials consumed	**76,963,517**	81,704,057
Repair and maintenance	**29,114,258**	37,234,812
Depreciation (note 7 and 8)	**13,921,035**	11,171,983
Utilities	**12,306,891**	11,280,489
Rent	**7,194,956**	4,948,745
Professional fees	**4,463,156**	3,267,865
Insurance	**3,907,404**	3,480,009
Penalties without provision	**2,223,021**	1,137,900
(Utilised) / additional provision for penalties	**(2,129,011)**	3,290,968
Utilised provision for onerous contracts (note 19)	**(2,188,731)**	(776,190)
Travel	**2,177,742**	1,385,551
Others	**8,090,240**	5,680,377
	304,074,003	280,334,043

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23 SELLING AND DISTRIBUTION EXPENSES

	2019 ***SR***	*2018* *SR*
Tender fees	**898,250**	1,803,941
Advertisement expense	**192,162**	84,300
Business development expense	**190,310**	791,751
Salaries	**145,527**	-
Sales commission	**20,160**	114,489
Provision for expected credit losses	**-**	1,869,340
	1,446,409	4,663,821

24 ADMINISTRATIVE EXPENSES

	2019 ***SR***	*2018* *SR*
Salaries and related costs	**16,697,019**	8,664,849
Professional fees	**1,613,807**	820,944
Bank charges	**1,574,617**	633,740
Depreciation (note 7 and 8)	**803,484**	474,925
Rent expense	**595,032**	571,825
Shared service costs (note 20)	**480,600**	480,600
Postage, telephone and telex expense	**459,554**	678,606
Subscription fees	**385,305**	230,273
Repair and maintenance expense	**221,854**	167,932
Utilities expense	**113,151**	103,519
Insurance expense	**66,778**	52,368
Other	**527,630**	412,846
	23,538,831	13,292,427

25 FINANCE COSTS

	2019 ***SR***	*2018* *SR*
Finance costs from borrowings	**7,128,280**	4,682,623
Finance (income) / costs from Parent Company	**(838,483)**	847,457
Finance costs from leases	**85,288**	-
	6,375,085	5,530,080

26 OTHE INCOME

	2019 ***SR***	*2018* *SR*
Incentives from government (see note below)	**4,389,063**	-
Others	**50,840**	-
	4,439,903	-

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

27 ZAKAT PAYABLE

During the year ended 31 December 2019, the Company's share in the zakat charge was SR Nil (31 December 2018: same).

The movement in the zakat provision for the year was as follows:

	2019 ***SR***	*2018* *SR*
At the beginning of the year	**148,576**	173,172
Payments during the year	**(88,879)**	(24,596)
At the end of the year	**59,697**	148,576

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company principal liabilities comprise borrowing, amounts due to related parties, trade and other payables. The main purpose of these financial liabilities is to finance the Company operations and to provide guarantees to support its operations. The Company principal financial assets include trade and other receivables and cash and cash in bank and due from related parties that arise directly from its operations.

The Company's activities expose it to a variety of financial risks: market risk (including interest risk, currency risk an price risk), credit risk and liquidity risk. The Company overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Company financial performance.

28.1 Market rate risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk comprise three types risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowings.

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

28.2 Interest rate risk

Interest risk is exposure to various risks associated with the effect of fluctuation in the prevailing interest rates on the Company's financial position and cash flows. The Company manages the interest rate risk by regularly monitoring the interest rate profiles of its interest bearing financial instruments.

28.3 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchanges rates. The Company's transactions are principally in Saudi Riyals.

28.4 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market. The Company does not have any financial instruments which are subject to other price risk.

28.5 Credit Risk

Credit risk is the risk that a financial loss may arise if counterparty is unable or unwilling to fulfill its contractual payment obligations. The maximum credit risk comprises the carrying amounts of the financial assets.

The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. At the balance sheet date, five major customer represents 30% (2018:38%) of the gross outstanding account receivable. This exposed the Company to concentration of credit risk. As these customers are high profile and government entities, management believe that risk of default is minimal. The credit risk related to other financial assets approximate to their carrying value. However, management do not anticipate material impairments in the carrying balances.

An impairment analysis is performed at reporting date using a provision matrix to measure expected credit losses. 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. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity if the cost of such activity is expected to be higher than the benefit of doing so. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

The Company does not hold collateral as security. The letters of credit and other forms of security, if any, are considered integral part of trade receivables and considered in the calculation of impairment.

Set out in note 12 is the information about the credit risk exposure on the Company's trade receivables using a provision matrix.

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's executive management on a regular basis, and may be updated throughout the year. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments.

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

28.6 Liquidity risk

Liquidity risk is the risk that enterprise will encounter difficulty in rising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

31 December 2019	*Less than 1 year SR*	*More than 1 year SR*	*Total*
Trade payables	**42,644,285**	**-**	**42,644,285**
Lease liabilities	**408,000**	**5,160,000**	**5,568,000**
	43,052,285	**5,160,000**	**48,212,285**

31 December 2018	*Less than 1 year SR*	*More than 1 year SR*	*Total*
Trade payables	48,870,767	-	48,870,767
Term loans	27,625,001	13,562,499	41,187,500
Obligation under lease capital	769,732	-	769,732
	77,265,500	13,562,499	90,827,999

29 CAPITAL MANAGEMENT

For the purpose of the Company's capital management, capital includes issued capital, and all other equity reserves attributable to the equity of the parent.

The primary objective of the Company's capital management is to maximise the equity value. The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to equity, return capital to equity or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits, excluding discontinued operations.

	2019 SR	*2018 SR*
Term loans	-	40,000,000
Trade and other payables	101,297,788	84,755,151
Less: cash and cash in bank	(17,059,045)	(36,949,745)
Net debt	84,238,743	87,805,406
Equity	215,274,294	123,221,066
Capital and net debt	299,513,037	211,026,472
Gearing ratio (%)	28%	42%

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30 CONTINGENCIES

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

	2019 ***SR***	*2018* *SR*
Letters of guarantee	**226,442,422**	178,471,108
Letters of credit	**12,284,044**	7,330,650
	238,726,466	185,801,758

31 EVENTS AFTER THE REPORTING PERIOD

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

32 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorized to issue by the Management on 13 Rajab 1441H (corresponding to 8 March 2020).

33 COMPARATIVE AMOUNTS

The certain comparative figures have been rearranged and reclassified, wherever considered necessary for the purposes of comparison and better presentation.

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

(A Limited Liability Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
31 DECEMBER 2018

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Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF ALKHORAYEF WATER AND POWER TECHNOLOGIES COMPANY (OWNED BY ONE PERSON) (A LIMITED LIABILITY COMPANY)

Opinion

We have audited the financial statements of Alkhorayef Water and Power Technologies Company - Owned by one Person - (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the statement profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and the Company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF ALKHORAYEF WATER AND POWER TECHNOLOGIES COMPANY (OWNED BY ONE PERSON) (A LIMITED LIABILITY COMPANY) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF
ALKHORAYEF WATER AND POWER TECHNOLOGIES COMPANY (OWNED BY ONE PERSON)
(A LIMITED LIABILITY COMPANY) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young

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

ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS
PROFESSIONAL LICENCE No. 45

Riyadh: 30 Sha'ban 1440H
(5 May 2019)

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(OWNED BY ONE PERSON)
(A Limited Liability Company)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	31 December 2018 SR	31 December 2017 SR (Note6)	1 January 2017 SR (Note6)
ASSETS				
NON-CURRENT ASSETS				
Property and equipment	7	**49,155,517**	36,299,969	38,553,419
TOTAL NON-CURRENT ASSETS		**49,155,517**	36,299,969	38,553,419
CURRENT ASSETS				
Inventories	8	**9,989,199**	7,608,637	12,767,968
Trade receivables	9	**197,566,771**	137,837,918	107,516,820
Prepayments and other receivables	10	**24,419,404**	14,311,926	12,982,245
Contract asset		**75,447,439**	55,796,503	69,863,345
Cash and bank balances	11	**36,949,745**	8,605,923	3,035,828
TOTAL CURRENT ASSETS		**344,372,558**	224,160,907	206,166,206
TOTAL ASSETS		**393,528,075**	260,460,876	244,719,625
EQUITY AND LIABILITIES				
EQUITY				
Capital	12	**80,000,000**	80,000,000	80,000,000
Statutory reserve	13	**9,892,572**	4,777,800	4,777,800
Retained earnings (accumulated loss)		**33,328,494**	(6,563,277)	(30,412,675)
TOTAL EQUITY		**123,221,066**	78,214,523	54,365,125
NON-CURRENT LIABILITIES				
Obligations under capital lease contracts - non-current portion	14	-	769,732	2,963,930
Employee defined benefit liabilities	16	**27,742,894**	19,205,733	18,610,806
Long term loan – noncurrent portion	15	**13,333,332**	-	-
TOTAL NON-CURRENT LIABILITIES		**41,076,226**	19,975,465	21,574,736
CURRENT LIABILITIES				
Trade payables		**48,870,767**	55,830,366	60,382,586
Long term loans – current portion	15	**26,666,668**	-	-
Obligations under capital lease contracts – current portion	14	**769,732**	2,857,034	4,594,823
Due to related parties	18	**117,039,232**	62,035,034	60,525,867
Accruals and other liabilities	17	**35,884,384**	41,548,454	43,276,488
TOTAL CURRENT LIABILITIES		**229,230,783**	162,270,888	168,779,764
TOTAL LIABILITIES		**270,307,009**	182,246,353	190,354,500
TOTAL EQUITY AND LIABILITIES		**393,528,075**	260,460,876	244,719,625

The attached notes 1 to 25 form an integral part of these financial statements

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(OWNED BY ONE PERSON)
(A Limited Liability Company)

STATEMENT OF POFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 ***SR***	2017 *SR* *(Note 6)*
Revenues	19	**356,265,039**	249,635,666
Cost of revenues	20	**(280,334,043)**	(208,994,187)
GROSS PROFIT		**75,930,996**	40,641,479
Selling and distribution expenses	21	**(4,663,821)**	(1,761,998)
Administrative expenses	22	**(13,292,427)**	(15,460,299)
OPERATING PROFIT		**57,974,748**	23,419,182
Finance costs		**(5,530,080)**	(2,656,759)
Foreign exchange (loss) gain, net		**(1,347,453)**	574,253
Gain on sale of property and equipment		**50,504**	750,497
NET PROFIT FOR THE YEAR		**51,147,719**	22,087,173

The attached notes 1 to 25 form an integral part of these financial statements

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(OWNED BY ONE PERSON)
(A Limited Liability Company)

STATEMENT OF COMPERHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017 (Note 6)
NET PROFIT FOR THE YEAR		**51,147,719**	22,087,173
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified subsequently to the statement of profit or loss in subsequent periods:			
Re-measurement (losses) gain on defined benefits liability	16	**(6,141,176)**	1,762,225
Net other comprehensive (loss) income not to be reclassified to profit or loss in subsequent periods		**(6,141,176)**	1,762,225
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**45,006,543**	23,849,398

The attached notes 1 to 25 form an integral part of these financial statements

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(OWNED BY ONE PERSON)
(A Limited Liability Company)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	capital *SR*	*Statutory reserve* *SR*	Retained earnings (accumulated loss) *SR*	*Total* *SR*
As at 1 January 2017 (Note 6)	80,000,000	4,777,800	(30,412,675)	54,365,125
Profit for the year	-	-	22,087,173	22,087,173
Other comprehensive income for the year	-	-	1,762,225	1,762,225
Total comprehensive income for the year	-	-	23,849,398	23,849,398
At 31 December 2017 (Note 6)	80,000,000	4,777,800	(6,563,277)	78,214,523
Profit for the year	-	-	51,147,719	51,147,719
Other comprehensive losses for the year	-	-	(6,141,176)	(6,141,176)
Total comprehensive income for the year	-	-	45,006,543	45,006,543
Transfer to statutory reserve	-	5,114,772	(5,114,772)	-
At 31 December 2018	**80,000,000**	**9,892,572**	**33,328,494**	**123,221,066**

The attached notes 1 to 25 form an integral part of these financial statements

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(OWNED BY ONE PERSON)
(A Limited Liability Company)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 SR	2017 SR
OPERATING ACTIVITIES		
Profit for the year	**51,147,719**	22,087,173
Adjustments to reconcile profit before zakat to net cash flows:		
Charge of the year of doubtful debts allowance	**1,869,340**	326,110
Provision for expected losses - onerous contract	**-**	2,964,921
Depreciation of property and equipment	**11,646,906**	13,178,279
gain on sale of property and equipment	**(50,504)**	(750,497)
Charge of the year of employee defined benefits	**4,374,472**	4,246,478
Finance costs	**5,530,080**	2,656,759
	74,518,013	44,709,223
Working capital adjustments:		
Accounts receivable, prepayments and others assets	**(71,705,671)**	(31,976,889)
Inventories	**(2,380,562)**	5,159,331
Accounts payable, accruals and other liabilities	**(13,323,621)**	(9,245,175)
Amounts due from/to related parties	**55,004,198**	1,509,167
Contract asset	**(19,650,936)**	14,066,842
Cash flows from operations	**22,461,421**	24,222,499
Employees' benefits paid	**(1,703,533)**	(1,889,326)
Finance cost	**(5,105,080)**	(2,656,759)
Net cash flows from operating activities	**15,652,808**	19,676,414
INVESTING ACTIVITIES		
Purchase of property and equipment	**(24,798,324)**	(11,552,681)
Proceeds from sale of property and equipment	**346,372**	1,378,349
Net cash flows used in investing activities	**(24,451,952)**	(10,174,332)
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	**40,000,000**	-
Payment of obligations under capital lease contracts, net	**(2,857,034)**	(3,931,987)
Net cash flows from (used in) financing activities	**37,142,966**	(3,931,987)
Net increase in cash and bank balances	**28,343,822**	5,570,095
Cash and bank balances at 1 January	**8,605,923**	3,035,828
Cash and bank balances at 31 December	**36,949,745**	8,605,923
Significant non-cash transactions:		
Reclassification from employees defined liabilities transferred to accounts payable and accruals.	**(274,953)**	(634,712)

The attached notes 1 to 24 form an integral part of these financial statements

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY OWNED BY ONE PERSON
(A Limited Liability Company)
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

1 CORPORATE INFORMATION

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

The Company is engaged in contracting for buildings, roads, industrial, mechanical, marine and electrical works, cleaning of buildings and cities, operation and maintenance of medical centers, hospitals, airports, and waste disposal, and environmental pollution control.

During 2015 and 2017, the Company participated in certain projects (undertaken through an unincorporated joint venture) whereby the Company and the other venturer assumed an economic activity subject to joint control. Such unincorporated joint arrangements, whereby the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement, are classified as joint operations. In the accompanying financial statements, the Company reports its assets, including its share of any assets held jointly, its liabilities, including its share of any liabilities incurred jointly, its revenue including its share of the revenue from the sale of the output by the joint operation and its expenses, including its share of any expenses incurred jointly.

2 BASIS OF PRPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRSs as endorsed in KSA"). For all periods up to and including the year ended 31 December 2017, the Company prepared its financial statements in accordance with accounting standards generally accepted in KSA. These financial statements for the year ended 31 December 2018 are the first annual financial statements of the Company, prepared in accordance with IFRSs as endorsed in KSA.

Accordingly, IFRS 1, "First-time Adoption of International Financial Reporting Standards", as endorsed in KSA has been applied. Refer to note 6 for information on the first-time adoption of IFRSs as endorsed in KSA by the Company. These financial statements have been prepared solely for the internal use of the Company's management, in accordance with the accounting policies set out in note 3, and are not intended for filing with any regulatory or government agencies, or for any other purpose.

2.1 Basis of Measurement

These financial statements have been prepared under the historical cost convention, except defined benefit obligation which is recognised at the present value of future obligations under the Projected Unit Credit method (PUC).

These financial statements are presented in Saudi Riyals, which is also the Company's functional currency and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing its financial statement.

3.1 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

3.2 Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

3.3 Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

• Buildings	20 years
• Heavy Machines	7 years
• Furniture and fixtures	7 years
• Motor Vehicles	5 years

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Inventories

Inventories are measured at the lower of cost and net realisable value with due allowance for any obsolete or slow moving items. Cost is determined using the weighted average method.

Cost includes expenditure incurred in acquiring the inventories and costs incurred in bringing them to their existing location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal. Cost of finished goods and goods for resale is determined based on the purchase cost on a weighted average basis.

3.5 Trade Receivables

Accounts receivable are amounts due from customers in the ordinary course of business. Accounts receivable are recorded at their transaction price on initial recognition. Subsequent on each reporting date, accounts receivable are shown net of allowance for doubtful debt. The Company applies the simplified approach to provide expected credit losses, which requires the use of the lifetime expected loss provision for all accounts receivables

3.6 Contract Asset

Contract asset represents revenue earned and recognised for services provided but not billed to the customer at the year end.

3.7 Trade Payable

Trade Payable represent liabilities for goods and services provided to the Company prior to the end of financial period which are unpaid. The amounts are unsecured. Trade payables and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

3.8 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, even if that asset is not explicitly specified in an arrangement.

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Leases (contained)

Company as a lessor
Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.9 Revenue recognition

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers.

IFRS 15 establishes a new five-step, model that will apply to revenue arising from contracts with customers as below:

Revenue from contracts with customers

Step 1: Identify the contract(s) with a customer:

Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify the performance obligations in the contract:

A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract:

For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

a) The Company's performance does not create an asset with an alternate use to the Company and the Company has an enforceable right to payment for performance completed to date.
b) The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
c) The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Company satisfies a performance obligation by delivering the promised services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Revenue recognition (continued)

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably.

Specific recognition criteria

Measuring progress towards complete satisfaction of a performance obligation
For each performance obligation that is satisfied over time, the Company applies a single method of measuring progress toward complete satisfaction of the obligation. The Company selects an appropriate output or input method and then consistently applies it to similar performance obligations and in similar circumstances.

Variable considerations
If the consideration promised in a contract includes a variable amount, the Company estimates the amount of consideration to which the Company is entitled in exchange for transferring the promised goods or services to a customer. The Company estimates the transaction price on contracts with variable consideration using the expected value or most likely amount method. The method is applied consistently throughout the contract and to similar types of contracts.

Contract costs
Any incremental cost of obtaining a contract is recognised as an expense unless the Company has a reasonable expectation to recover these costs from its customers and in cases where these costs are explicitly chargeable to the customers.

Rendering of services
Revenue from providing services is recognised over a period of time as the related services are performed. For fixed-price contracts, revenue is recognised based on the 'percentage of completion' method which measures actual service provided to the end of the reporting period as a proportion of the total services to be provided. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

3.10 Contract cost and expenses

Cost of revenue
Any incremental cost of obtaining a contract is recognised as an expense unless the Company has a reasonable expectation to recover these costs from its customers and in cases where these costs are explicitly chargeable to the customers.

Selling, marketing and administrative expenses
Selling, marketing expenses are cost arising from the Company's efforts marketing and function. All other expenses are classified as administrative expenses. Allocation of common expenses between cost of revenue, selling and marketing and administrative expenses, where required, is made on a reasonable basis with regards to the nature and circumstances of the common expenses.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of finance cost and other costs that an entity incurs in connection with the borrowing of funds.

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(OWNED BY ONE PERSON)
(A Limited Liability Company)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Financial Statement Line	***IFRS 9 Classification***
Trade and other receivables	*Amortised cost*
Cash and bank balances	*Amortised cost*
Loans and borrowings	*Amortised cost*
Accrued expenses and other payables	*Other financial liabilities*

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments).
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Financial instruments (continued)

i) Financial assets (continued)

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through OCI (debt instruments)
The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to the statement of profit or loss.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Effective interest method
The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period to net the carrying amount on initial recognition.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Financial instruments (continued)

i) Financial assets (continued)

Derecognition
A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either the Company has transferred substantially all the risks and rewards of the asset or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

Impairment
The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a company of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated.

For trade receivables only, the Company recognizes expected credit losses for trade receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in profit or principal payments. The probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Trade receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the condensed statement of profit or loss and other comprehensive income. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is credited to finance costs in the statement of profit or loss and other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Financial instruments (continued)

ii) Financial liabilities

Initial recognition
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accrued expenses and other payables and loans and borrowings.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Financial instruments (continued)

ii) Financial liabilities (continued)

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as finance cost.

3.12 Zakat
Zakat is calculated and provided for by Abdullah Ibrahim Alkhorayef Sons Company (the “Ultimate Parent Company”) on a consolidated basis including its effectively wholly owned subsidiaries in accordance with Saudi Arabian fiscal regulations. This provision is reflected in the Parent Company’s consolidated financial statements. The Company’s share of this provision is charged to its statement of profit or loss based on allocation by the Parent Company.

3.13 Foreign currencies transactions
The Company’s financial statements are presented in Saudi Riyals (SR), which is also the Company’s functional currency and all values are rounded to the nearest SR except when otherwise indicated.

3.14 Transactions and balances
Transactions in foreign currencies are initially recorded by the Company at the functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

4.1 Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards required management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

4.2 Estimation uncertainty and assumptions

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future year if the changed estimates affect both current and future years.

4.3 Revenue recognition

The application of IFRS 15 has required management to make the following judgements:

Satisfaction of performance obligations

The Company is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Company has assessed that based on the agreements entered into with the customers, the Company does not create an asset with an alternative use to the Company and usually has an enforceable right to payment for performance completed to date. In these circumstances the Company recognises revenue over time. Where this is not the case revenue is recognised at a point in time.

4.4 Useful lives and residual values of property and equipment and intangible assets

An estimate of the useful lives and residual values of property and equipment and intangible assets is made for the purposes of calculating depreciation and amortization respectively. These estimates are made based on expected usage for useful lives. Residual value is determined based on experience and observable data where available.

4.5 Employees' defined benefit liabilities

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employee turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

4.6 Provision for expected credit losses (ECLs) of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Company historical observed default rates. The company calibrate the matrix to to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic condition may also may not be representative of customers actual default in future. The information about the ECLs on the Company trade receivables is disclose in note 24.5.

4.7 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets (CGU). When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost of disposal, recent market transactions are taken into account. If such transactions cannot be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment loss are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited to that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

4.8 Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

5.1 IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Determining whether an arrangement contains a lease
On transition to IFRS 16, the Company can choose whether to:

- Apply the IFRS 16 definition of a lease to all its contracts; or
- Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

Transition
As a lessee, the Company can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Company currently plans to apply IFRS 16 initially on 1 January 2019. The Company has not yet determined which transition approach to apply. As a lessor, the Company is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. As of this year end, the Company is in the process of completing its evaluation of impact of IFRS 16 on its accounting policy.

5.2 Amendments to IFR 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income provided that contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding '(the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendment should be applied retrospectively and are effective from 1 January 2019.

5.3 Amendments to IAS 19: Plan Amendment, Curtailment or Settlements

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify required to:

- Determine current service cost for remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity fist determines any past service cost, or gain or loss on settlement, without considering the effect of asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment. Any changes in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income. The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after I January 2019.

6 FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

These financial statements, for the year ended 31 December 2018, are the first the Company has prepared in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA. For the years up to and including the year ended 31 December 2017, the Company prepared its financial statements in accordance with the accounting principles generally accepted in the Kingdom of Saudi Arabia.

Accordingly, the Company has prepared financial statements that comply with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA that are applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. In preparing the financial statements, the Company's opening statement of financial position was prepared as at 1 January 2017, the Company's date of transition to IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA.

This note explains the principal adjustments made by the Company in restating its financial statements prepared in accordance with the accounting principles generally accepted in the Kingdom of Saudi Arabia ("SOCPA GAAP"), including the statement of financial position as at 1 January 2017 and the financial statements for the year ended 31 December 2017.

6.1 Exemptions Applied

IFRS 1 allows first-time adopters certain mandatory and optional exemptions from the retrospective application of certain requirements under IFRS.

The Company has applied the following exemptions:

(A) Accounting estimates

Estimates at 1 January 2017 and 31 December 2017 are consistent with those made for the same dates in accordance with SOCPA GAAP (after adjustments to reflect any differences in accounting policies) apart from Employees' terminal benefits liabilities where application of SOCPA GAAP did not require estimation. Estimates used by the Company to present these amounts in accordance with IFRS reflect conditions at 1 January 2017, the date of transition to IFRS and as at 31 December 2017.

In preparing its opening statement of financial position as at 1 January 2017 in accordance with IFRS as endorsed in KSA and the financial statements for the year ended 31 December 2017, the Company has analyzed the impact and noted the following adjustments are required to the amounts reported previously in the statement of financial position as at 1 January 2017 and as at 31 December 2017 and statement of comprehensive income for the year ended 31 December 2017 that were prepared in accordance with SOCPA GAAP.

6.2 Reconciliation of retained earnings as at 1 January 2017 and 31 December 2017 is as follows:

	Note	31 December 2017 SAR	1 January 2017 SAR
Total equity under SOCPA standards		79,797,904	56,067,419
Recognition of loss allowance on trade receivables	6.4A	(829,627)	(503,517)
Restatement of employees' defined benefits liabilities	6.4B	(753,754)	(1,198,777)
Total equity under IFRS as endorsed in KSA		78,214,523	54,365,125

6 FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (contained)

6.3 Reconciliation of the statement of profit or loss for the year ended 31 December 2017 is as follows:

	Note	31 Decemebr 2017 SR
Net profit for the year under SOCPA standards		23,730,485
Additional allowance on trade receivables	6.4A	(326,110)
Restatement of employees' defined benefits liabilities	6.5B	(1,317,202)
Profit reported under IFRS as endorsed in KSA		22,087,173
Other comprehensive income		1,762,225
Total comprehensive income for the year under IFRS as endorsed in KSA		23,849,398

6.4 NOTES ON KEY IMPACTS ON THE FINANCIAL STATEMENTS ON TRANSITION TO IFRS

A Loss allowance on trade receivables

Under SOCPA Standards, the Company was recognizing provision for doubtful debts (loss allowance) on its outstanding trade receivables based on loss incurred approach. Under IFRS, the Company is required to follow the expected credit loss model. At the date of transition, the Company used its historical credit loss experience and recognized a further loss allowance representing life time expected credit loss on trade receivables. The adjustment of additional provision was charged against the retained earnings.

B Defined benefit obligation

Under SOCPA Standards, the Company recognized costs related to employees' end of service benefits (gratuity) on accrual basis. Under IFRS, gratuity liabilities are recognized on an actuarial basis. At the date of transition, the gratuity liability has been recognized in full against the retained earnings based on actuarial valuation.

7 PROPERTY AND EQUIPMENT

The estimated useful lives of 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 SR	*Heavy machines* SR	*Furniture and fixtures* SR	*Motor vehicles* SR	***Total*** SR
Cost					
At 1 January 2017	2,702,097	95,909,603	11,470,403	47,299,773	157,381,876
Additions	114,800	4,122,936	1,271,545	6,043,400	11,552,681
Disposals	(9,000)	(3,476,686)	(809,776)	(3,404,836)	(7,700,298)
At 31 December 2017	2,807,897	96,555,853	11,932,172	49,938,337	161,234,259
Additions	6,900	11,664,976	1,079,734	12,046,714	24,798,324
Disposals	(115,958)	(2,376,378)	(773,781)	(2,076,718)	(5,342,835)
At 31 December 2018	2,698,839	105,844,451	12,238,125	59,908,333	180,689,748
Depreciation					
At 1 January 2017	1,524,451	75,457,224	7,073,296	34,773,486	118,828,457
Depreciation charge for	175,373	7,012,330	1,083,757	4,906,819	13,178,279
Disposals	(9,000)	(3,242,652)	(664,368)	(3,156,426)	(7,072,446)
At 31 December 2017	1,690,824	79,226,902	7,492,685	36,523,879	124,934,290
Depreciation charge for	152,663	4,853,034	1,012,217	5,628,994	11,646,908
Disposals	(115,958)	(2,312,353)	(687,705)	(1,930,951)	(5,046,967)
At 31 December 2018	1,727,529	81,767,583	7,817,197	40,221,922	131,534,231
Net book value					
At 31 December 2018	**971,310**	**24,076,868**	**4,420,928**	**19,686,411**	**49,155,517**
At 31 December 2017	1,117,073	17,328,951	4,439,487	13,414,458	36,299,969
At 1 January 2017	1,177,646	20,452,379	4,397,107	12,526,287	38,553,419

8 INVENTORIES

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Finished goods	**13,014,379**	10,633,817	12,329,438
Work in process	-	-	3,463,710
Less: Provision for slow moving inventories	**(3,025,180)**	(3,025,180)	(3,025,180)
	9,989,199	7,608,637	12,767,968

9 TRADE RECEIVABLES

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Trade receivables	**202,093,072**	140,494,879	109,847,671
Less: provision for impairment of receivables	**(4,526,301)**	(2,656,961)	(2,330,851)
	197,566,771	137,837,918	107,516,820

Movement of provisions for impairment of account receivables:

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Opening balance	**2,656,961**	2,330,851	24,755,978
Charge for the year	**1,869,340**	326,110	503,517
Less: write-offs	**-**	-	(11,850,567)
Less: reversals	**-**	-	(11,078,077)
	4,526,301	2,656,961	2,330,851

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. The receivables include amounts totaling SR 199 million which is due from Government and quasi-Government institutions (31 December 2017: SR 139 million, 1 January 2017: SR 101 million).

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(OWNED BY ONE PERSON)
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2018

9 TRADE 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. As at 31 December, the ageing analysis of trade receivables and loss allowance provision is as follows.

	As at 31 December 2018 SR	*As at 31 December 2017 SR*	*As at 1 January 2017 SR*
Not Due	**130,676,963**	93,505,498	70,800,304
0-90 days past due	**17,725,764**	10,927,005	14,525,461
91-180 days past due	**15,510,120**	13,975,854	10,868,262
181-270 days past due	**10,479,592**	8,646,785	5,213,344
271-360 days past due	**12,472,164**	9,197,655	6,028,765
361-450 days past due	**2,565,518**	432,729	7,692
451-540 days past due	**4,230,647**	435,741	72,992
541-630 days past due	**3,307,293**	716,651	-
631-720 days past due	**60,767**	-	-
More than 721 days past due	**537,943**	-	-
	197,566,771	137,837,918	107,516,820

Please refer to (note 24.5) on credit risk of trade receivables, which explain how the Company manages and measure credit quality of trade receivables that are neither past due nor impaired.

10 PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Prepaid expenses	**9,693,885**	2,193,760	2,328,207
Retention Receivables	**8,119,646**	7,380,379	6,818,425
Advances to suppliers	**3,697,401**	4,534,569	3,658,421
Amounts due from related parties (note 18)	**-**	7,900	-
Other Receivables	**2,908,472**	195,318	177,192
	24,419,404	14,311,926	12,982,245

11 CASH AND BANK BALANCES

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Bank balances	**36,948,392**	8,605,923	2,971,600
Cash in hand	**1,353**	-	64,228
	36,949,745	8,605,923	3,035,828

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12 CAPITAL

On 14 Rabi' al-Thani 1439H (corresponding to 1 January 2018) Abdullah Ibrahim Alkhorayef sons Company (AIA) decided to transfer its share totalling 80,000 share amounting to SR 80,000,000 representing 100% ownership to Alkhorayef Group Company ("AGC" or the "Parent").

Capital is divided into 80,000 share (31 December 2017: 80,000 shares, 1 January 2017: 80,000 shares) of SR 1,000 each. Capital is distributed to the partners as follows:

	Number of Shares					
	31 December 2018	*31 December 2017*	*1 January 2017*	***31 December 2018***	*31 December 2017*	*1 January 2017*
				SR	*SR*	*SR*
Alkhorayef Group Company (the "Parent Company)	**80,000**	-	-	**80,000,000**	-	-
Abdullah Ibrahim Alkhorayef Sons Company (the "Ultimate Parent Company")	-	80,000	79,200	-	80,000,000	79,200,000
Alkorayef International Company	-	-	800	-	-	800,000
	80,000	**80,000**	**80,000**	**80,000,000**	**80,000,000**	**80,000,000**

13 STATUTORY RESERVE

In accordance with Saudi Arabian Regulations for Companies and the Company's articles of association, the Company transfers 10% of its net profit for the year to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of its capital.

14 OBLIGATIONS UNDER CAPITAL LEASES CONTRACTS

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Minimum annual rentals under capital lease contracts due in:			
- 2017	-	-	5,205,382
- 2018	-	3,307,597	2,956,706
- 2019	**863,482**	863,482	509,611
Minimum lease payments under capital leases contracts	**863,482**	4,171,079	8,671,699
Less: estimated amounts representing future financial charges	**(93,750)**	(544,313)	(1,112,946)
Present value of minimum lease rental payments	**769,732**	3,626,766	7,558,753
Less: current portion	**(769,732)**	(2,857,034)	(4,594,823)
	-	769,732	2,963,930

15 LOANS AND BORROWINGS

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Current loans and borrowings			
Long term loans non-current portion	**13,333,332**	-	-
Long term loans current portion	**26,666,668**	-	-
Total loans	**40,000,000**	-	-

16 EMPLOYEE DEFINED BENEFIT LIABILITIES

16.1 General description

General description of the type of employees' defined benefits liabilities plan and accounting policy for recognising actuarial gains and losses is disclosed in note 2.2.15 to the financial statements.

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Net benefit expense			
Included in profit or loss			
Current service cost	**3,695,374**	3,522,166	3,759,982
Interest cost	**679,097**	724,312	740,377
	4,374,471	4,246,478	4,500,359
Included in other comprehensive income			
Remeasurement losses / (gains):			
Actuarial loss / (gains) due to:			
- financial assumptions	**(1,703,533)**	(1,889,326)	(1,889,171)
	(1,703,533)	(1,889,326)	(1,889,171)
Net benefit expense	**2,670,938**	2,357,152	2,611,188

16 EMPLOYEE DEFINED BENEFIT LIABILITIES (continued)

16.2 Changes in the present value of the defined benefit obligation:

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Opening balance - present value of defined benefit obligation	**19,205,733**	18,610,806	19,453,999
Interest cost	**679,097**	724,312	740,377
Current service cost	**3,695,374**	3,522,166	3,759,982
Benefits paid	**(1,703,533)**	(1,889,326)	(1,889,171)
Remeasurement losses / (gains) in OCI	**6,141,176**	(1,762,225)	(3,454,381)
Amounts transferred to accrual as current liabilities	**(274,953)**	-	-
Closing balance - present value of defined obligation	**27,742,894**	19,205,733	18,610,806

16.3 Key assumptions and quantitative sensitivity analyses

The principal assumptions used in determining end of service benefit obligations for the Company's plan are shown below:

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Discount rate	**4.3%**	3.7%	4.1%
Saudi employees short term salary increase rate for 1 year	**2.0%**	2.0%	2.00%
Non-Saudi employees short term salary increase rate for 1 year	**2.0%**	2.0%	2.00%
Saudi employees long term salary increase rate for 1 year	**4.0%**	2.0%	2.00%
Non-Saudi employees long term salary increase rate for 1 year	**4.0%**	2.0%	2.00%

16 EMPLOYEE DEFINED BENEFIT LIABILITIES (continued)

16.4 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Discount rate			
1 % increase	**25,668,799**	17,682,309	17,258,976
1% decrease	**30,796,235**	20,980,018	20,182,166
Salary increase rate			
1 % increase	**30,910,386**	20,958,545	20,016,091
1% decrease	**25,506,549**	17,678,978	17,379,195
Withdrawal rates			
10 % increase	**27,891,786**	19,269,509	18,702,014
10 % decrease	**28,150,344**	19,129,207	18,504,299
1 year mortality age set back	**28,021,340**	19,199,064	18,602,996
1 year mortality age set forward	**28,014,368**	19,212,344	18,618,551

16.5 Sensitivity analysis

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. It is based on a change in a significant assumption, keeping all other assumptions constant and may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

17 ACCRUED AND OTHER LIABILITIES

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Accrued expenses	**14,634,010**	11,930,166	10,785,502
Advance from a customers	**13,070,579**	19,246,185	27,500,089
Provision for onerous contracts	**2,188,731**	2,964,921	-
Provision for penalty	**3,155,293**	5,982,231	3,732,688
Zakat payable (note 23)	**148,576**	173,172	249,014
Other liabilities	**2,687,195**	1,251,779	1,009,195
	35,884,384	41,548,454	43,276,488

18 RELATED PARTY TRANSACTIONS AND BALANCES

Name of company	*Related party*	*Nature of transaction*	*Amount of transactions* ***2018*** **SR**	***2017*** **SR**
Alkhorayef Group company	Partner	Financing	**149,339,000**	-
Alkhorayef Commercial Company	Affiliates	Purchases	**3,791,428**	2,386,844
		Sales	**205,216**	-
Abdullah Ibrahim Alkhorayef Sons Company	Ultimate Parent	Land rental	**150,000**	403,725
Alkhorayef Company for Printing Solutions	Affiliates	Purchases	**247,793**	970,724
Alkhorayef Petroleum Company	Affiliates	Shared service cost (note 22)	**480,600**	480,600
		Purchases	**757,715**	
		Lease of land	**70,000**	70,000
		Sales	**605,000**	-

Funds in excess of the Company's requirements are placed with the Parent Company which also provides funds for day to day operations of the Company.

Amount due to the Parent Company, as shown in the table below, carries interest based on the average bank prevailing rates and are repayable by the Company upon demand from the Parent Company while amounts due to other related parties are interest free and payable upon demand from the lenders.

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

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Alkhorayef Commercial Company	-	**7,900**	-
	-	**7,900**	-

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

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Alkhorayef Group Company (Parent Company)	**116,914,217**	-	-
Alkhorayef Company for Printing Solutions	**112,515**	**215,505**	54,046
Abdullah Ibrahim Alkhorayef Sons Company, (Ultimate Parent Company)	**12,500**	**61,735,509**	59,780,846
Alkhorayef Petroleum Company	-	**84,020**	478,725
Alkhorayef Commercial Company	-	-	212,250
	117,039,232	**62,035,034**	60,525,867

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(OWNED BY ONE PERSON)
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2018

19 REVENUE

	2018 SR	2017 SR
Operations and maintenance	**250,398,861**	196,802,707
Contracting	**105,866,178**	52,832,959
	356,265,039	249,635,666

20 COST OF REVENUE

	2018 SR	2017 SR
Salaries and wages	**116,527,477**	**82,828,239**
Materials consumed	**81,704,057**	**51,532,525**
Repair and maintenance	**37,234,812**	**28,048,496**
Depreciation (note 7)	**11,171,983**	**12,692,773**
Penalties	**4,428,868**	**6,660,563**
Provision for foreseeable contracts losses	**-**	**2,964,921**
Others	**29,266,846**	**24,266,670**
	280,334,043	**208,994,187**

21 SELLING AND DISTRIBUTION EXPENSES

	2018 SR	2017 SR
Charge of doubtful debts	**1,869,340**	326,110
Tender fees	**1,803,941**	935,500
Business development expense	**791,751**	193,535
Sales commission	**114,489**	212,991
Advertisement expense	**84,300**	93,862
	4,663,821	1,761,998

22 ADMINISTRATIVE EXPENSES

	2018 SR	2017 SR
Salaries and related costs	**8,664,849**	10,877,296
Professional fees	**820,944**	983,924
Postage, telephone and telex expense	**678,606**	407,029
Bank charges	**633,740**	536,450
Rent expense	**571,825**	740,423
Shared service costs (note 18)	**480,600**	480,600
Depreciation (note 7)	**474,925**	485,506
Subscription fees	**230,273**	164,977
Repair and maintenance expense	**167,932**	218,694
Utilities expense	**103,519**	69,722
Insurance expense	**52,368**	59,220
Other	**412,846**	436,458
	13,292,427	15,460,299

23 ZAKAT PAYABLE

During the year ended 31 December 2018, the Company's share in the zakat charge was SR nil (31 December 2017: SR nil, 1 January 2017: nil).

The movement in the zakat provision for the year was as follows:

	31 December 2018 SR	31 December 2017 SR	31 December 2016 SR
At the beginning of the year	**173,172**	249,014	257,774
Payments during the year	**(24,596)**	(75,842)	(8,760)
At the end of the year	**148,576**	173,172	249,014

24 FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Company principal liabilities comprise borrowing, trade and other payables. The main purpose of these financial liabilities is to finance the Company operations and to provide guarantees to support its operations. The Company principal financial assets include trade and other receivables and cash and cash in bank.

The Company's activities expose it to a variety of financial risks: market risk (including interest risk, currency risk an price risk), credit risk and liquidity risk. The Company overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Company financial performance.

24.1 Market rate risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk comprise three types risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowings.

24.2 Interest rate risk

Interest risk is exposure to various risks associated with the effect of fluctuation in the prevailing interest rates on the Company's financial position and cash flows. The Company manages the interest rate risk by regularly monitoring the interest rate profiles of its interest bearing financial instruments.

24.3 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchanges rates. The Company's transactions are principally in Saudi Riyals.

24.4 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market. The Company does not have any financial instruments which are subject to other price risk.

24 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

24.5 Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

To reduce exposure to credit risk, the Company has an approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery which is based on customer profile and payments history. Outstanding customer receivables are regularly monitored .

Expected credit loss "ECL" assessment for customer
The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of loss. Exposures within each credit risk grade are segmented by geographic region classification and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past two years.

The Company held cash and cash in bank of SAR 17.6 million at 31 December 2018. The Company considers that its cash and cash in bank have low credit risk.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Trade receivables	**197,566,771**	137,837,918	107,516,820
Prepayments and other receivables	**23,735,298**	14,311,926	12,982,245
	221,302,069	152,149,844	120,499,065

The following table provides information about the exposure to credit risk and ECLs for account receivables from individual customers:

Follows is Expected credit loss assessment

31 December 2018	**Gross carrying amount**	**Loss allowance**
Not Due	**131,589,404**	**912,441**
0-90 days past due	**17,725,764**	**-**
91-180 days past due	**15,541,276**	**31,156**
181-270 days past due	**10,679,287**	**199,695**
271-360 days past due	**12,757,747**	**285,583**
361-450 days past due	**2,879,017**	**313,499**
451-540 days past due	**4,788,852**	**558,205**
541-630 days past due	**4,048,010**	**740,717**
631-720 days past due	**285,226**	**224,459**
More than 721 days past due	**1,798,489**	**1,260,546**
	202,093,072	**4,526,301**

24 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

24.5 Credit Risk (continued)

31 December 2017	**Gross carrying amount**	**Loss allowance**
Not Due	93,700,981	195,483
0-90 days past due	10,969,365	42,360
91-180 days past due	14,070,635	94,781
181-270 days past due	8,751,513	104,728
271-360 days past due	9,440,263	242,608
361-450 days past due	457,928	25,199
451-540 days past due	508,815	73,073
541-630 days past due	716,650	-
631-720 days past due	31,156	31,156
More than 721 days past due	1,847,573	1,847,573
	140,494,879	2,656,961

1 January 2017	**Gross carrying amount**	**Loss allowance**
Not Due	70,886,513	86,209
0-90 days past due	14,562,573	37,112
91-180 days past due	10,920,232	51,970
181-270 days past due	5,246,677	33,333
271-360 days past due	6,152,049	123,284
361-450 days past due	8,114	422
451-540 days past due	80,240	7,248
541-630 days past due	-	-
631-720 days past due	223,940	223,940
More than 721 days past due	1,767,333	1,767,333
	109,847,671	2,330,851

24 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

24.6 Capital Management

For the purpose of the Company's capital management, capital includes issued capital, and all other equity reserves attributable to the equity of the parent.

The primary objective of the Company's capital management is to maximise the equity value. The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to equity, return capital to equity or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits, excluding discontinued operations.

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Long term loans	**40,000,000**	-	-
Trade and other payables	**84,755,151**	97,378,820	103,659,074
Less: cash and cash in bank	**(36,949,745)**	(8,605,923)	(3,035,828)
Net debt	**87,805,406**	88,772,897	100,623,246
Equity	**123,221,066**	78,214,523	54,365,125
Capital and net debt	**211,026,472**	166,987,420	154,988,371
Gearing ratio (%)	**42%**	53%	65%

24.7 Liquidity risk

Liquidity risk is the risk that enterprise will encounter difficulty in rising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

31 December 2018	*Less than 1 year SR*	*More than 1 - 5 years SR*	*More than 5 years SR*	***Total***
Trade payables	**48,870,767**	-	-	**48,870,767**
Term loans	**27,625,001**	**13,562,499**	-	**41,187,500**
Capital lease contracts	**769,732**	-	-	**769,732**
	77,265,500	**13,562,499**	-	**90,827,999**

31 December 2017	*Less than 1 year SR*	*More than 1 - 5 years SR*	*More than 5 years SR*	***Total***
Trade payables	55,830,366	-	-	55,830,366
Term Loans	-	-	-	-
Capital lease contracts	2,963,930	769,732		3,733,662
	58,794,296	769,732	-	59,564,028

23 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

24.7 Liquidity risk (continued)

1 January 2017	*Less than 1 year* *SR*	*More than 1 - 5 years* *SR*	*More than 5 years* *SR*	***Total***
Trade payables	163,935,927	-	-	163,935,927
Term Loans	-	-	-	-
Capital lease contracts	4,594,823	2,963,930	-	7,558,753
	168,530,750	2,963,930	-	171,494,680

25 Contingencies

The Company's contingencies as of reporting date are as follows:

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Letters of guarantee	**178,471,108**	145,027,394	146,226,748
Letters of credit	**7,330,650**	18,393,154	17,680,426
	185,801,758	163,420,548	163,907,174

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

FINANCIAL STATEMENTS

31 DECEMBER 2017

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY OWNED BY ONE PERSON (A LIMITED LIABILITY COMPANY)

Opinion

We have audited the financial statements of Alkhorayef for Water and Power Technologies Company Owned by One Person - A Limited Liability Company (the "Company"), which comprise the balance sheet as at 31 December 2017 and the related statements of income, cash flows and changes in owner's equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia and the provisions of Companies' Law and Company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The management is responsible for overseeing the Company's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF
ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY OWNED BY ONE PERSON
(A LIMITED LIABILITY COMPANY) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF
ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY OWNED BY ONE PERSON
(A LIMITED LIABILITY COMPANY) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young

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

Riyadh: 14 Sha'aban 1439H
(30 April 2018)

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

BALANCE SHEET
As at 31 December 2017

	Notes	2017 SR	2016 SR
ASSETS			
CURRENT ASSETS			
Bank balances and cash		8,605,923	3,035,828
Accounts receivable, prepayments and other assets	3	152,929,471	120,952,582
Unbilled revenue	4	55,796,503	69,863,345
Inventories	5	7,608,637	12,767,968
TOTAL CURRENT ASSETS		224,940,534	206,619,723
NON-CURRENT ASSETS			
Available-for-sale investment	6	50,000	50,000
Property and equipment	7	36,299,969	38,553,419
TOTAL NON-CURRENT ASSETS		36,349,969	38,603,419
TOTAL ASSETS		261,290,503	245,223,142
LIABILITIES AND OWNER'S EQUITY			
CURRENT LIABILITIES			
Accounts payable, accruals and other liabilities	8	97,205,648	103,410,060
Amounts due to related parties	10	62,035,034	60,525,867
Obligations under capital lease contracts – current portion	9	2,857,034	4,594,823
Zakat payable	12	173,172	249,014
TOTAL CURRENT LIABILITIES		162,270,888	168,779,764
NON–CURRENT LIABILITIES			
Obligations under capital lease contracts – non-current portion	9	769,732	2,963,930
Employees' terminal benefits		18,451,979	17,412,029
TOTAL NON–CURRENT LIABILITIES		19,221,711	20,375,959
TOTAL LIABILITIES		181,492,599	189,155,723
OWNER'S EQUITY			
Capital	11	80,000,000	80,000,000
Statutory reserve		4,777,800	4,777,800
Accumulated losses		(4,979,896)	(28,710,381)
TOTAL OWNER'S EQUITY		79,797,904	56,067,419
TOTAL LIABILITIES AND OWNER'S EQUITY		261,290,503	245,223,142

The attached notes 1 to 21 form part of these financial statements.

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

STATEMENT OF INCOME
Year ended 31 December 2017

	Notes	2017 SR	2016 SR
Revenue	13	249,635,666	264,841,564
Cost of revenue	14	(208,994,187)	(236,971,435)
GROSS PROFIT		40,641,479	27,870,129
EXPENSES			
Selling and marketing expenses	15	(1,435,888)	(1,180,512)
General and administration expenses	16	(14,143,097)	(17,612,496)
Reversal of provision for doubtful debts	3	-	11,850,567
TOTAL EXPENSES		(15,578,985)	(6,942,441)
INCOME FROM MAIN OPERATIONS		25,062,494	20,927,688
Financial charges		(2,656,759)	(3,790,936)
Other income, net	17	1,324,750	1,304,491
NET INCOME FOR THE YEAR		23,730,485	18,441,243

The attached notes 1 to 21 form part of these financial statements.

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

STATEMENT OF CASH FLOWS
Year ended 31 December 2017

	2017 *SR*	*2016* *SR*
OPERATING ACTIVITIES		
Net income for the year	23,730,485	18,441,243
Adjustments for:		
Depreciation	13,178,279	14,044,304
Reversal for doubtful debts	-	(11,850,567)
Provision for employees terminal benefits	2,929,276	3,078,473
Provision for foreseeable contracts losses	2,964,921	-
Gain on sale of property and equipment	(750,497)	(1,360,275)
Financial charges	2,656,759	3,790,936
	44,709,223	26,144,114
Changes in operating assets and liabilities:		
Accounts receivable, prepayments and other assets	(31,976,889)	(27,260,922)
Unbilled revenue	14,058,942	(17,837,020)
Inventories	5,159,331	9,840,190
Net of due to/from relayed parties	1,517,067	14,932,148
Accounts payable, accruals and other liabilities	(9,169,333)	5,362,669
Net cash from operations	24,298,341	11,181,179
Zakat paid	(75,842)	(8,760)
Employees' terminal benefits paid	(1,889,326)	(1,702,509)
Net cash from operating activities	22,333,173	9,469,910
INVESTING ACTIVITIES		
Purchase of property and equipment	(11,552,681)	(10,671,868)
Proceeds from sale of property and equipment	1,378,349	2,276,640
Net cash used in investing activities	(10,174,332)	(8,395,228)
FINANCING ACTIVITIES		
Financial charges paid	(2,656,759)	(3,790,936)
Obligations under capital lease contracts, net	(3,931,987)	814,657
Net cash used in financing activities	(6,588,746)	(2,976,279)
INCREASE (DECREASE) IN BANK BALANCES AND CASH DURING THE YEAR	5,570,095	(1,901,597)
Bank balances and cash at the beginning of the year	3,035,828	4,937,425
BANK BALANCES AND CASH AT THE END OF THE YEAR	8,605,923	3,035,828
Non-cash transactions		
Reclassification from employees' terminal benefits paid to accounts payable and accruals.	(634,712)	(479,622)

The attached notes 1 to 21 form part of these financial statements.

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

STATEMENT OF CHANGES IN OWNER'S EQUITY
Year ended 31 December 2017

	Capital *SR*	*Statutory reserve* *SR*	*Accumulated losses* *SR*	*Total* *SR*
Balance at 31 December 2015	80,000,000	4,777,800	(47,151,624)	37,626,176
Net income for the year	-	-	18,441,243	18,441,243
Balance at 31 December 2016	80,000,000	4,777,800	(28,710,381)	56,067,419
Net income for the year	-	-	23,730,485	23,730,485
Balance at 31 December 2017	**80,000,000**	**4,777,800**	**(4,979,896)**	**79,797,904**

The attached notes 1 to 21 form part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2017

1 ACTIVITIES

Alkhorayef for Water and Power Technologies Company Owned by one Person (the "Company") is a limited liability company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010085982 dated 22 Safar 1412H (corresponding to 1 September 1991).

The 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.

During 2015, the Company participated in certain projects (undertaken through an unincorporated joint venture) whereby the Company and the other venturer assumed an economic activity subject to joint control. Such unincorporated joint arrangements, whereby the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement, are classified as joint operations. In the accompanying financial statements, the Company reports its assets, including its share of any assets held jointly, its liabilities, including its share of any liabilities incurred jointly, its revenue including its share of the revenue from the sale of the output by the joint operation and its expenses, including its share of any expenses incurred jointly.

2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

According to the transition plan to International Accounting Standards approved by the board of Saudi Organization for Certified Public Accountants (SOCPA), effective 1 January 2018, the Company's financial statements will be prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements that are issued by SOCPA. Upon IFRS adoption, the Company will be required to comply with the requirements of IFRS 1 - First-time Adoption of International Financial Reporting Standards which require the Company to analyze the impacts and incorporate certain adjustments on the comparative figures and its opening balances

The significant accounting policies adopted are as follows:

Accounting convention
The financial statements are prepared under the historical cost convention.

Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

Accounts receivable
Accounts receivable are stated at original invoice amount less provision for any uncollectible amounts. An estimate of provision for doubtful accounts is made when collection of the full amount is no longer probable. Bad debts are written off when a debt is considered uncollectible.

Unbilled revenue
Unbilled revenue represents revenue earned and recognised for services provided but not billed to the customer at the year end.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost of finished goods and goods for resale is determined based on the purchase cost on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of necessary to make the sale.

Available-for-sale investment (AFS)
These represents investment which are neither bought with the intention of trading nor to be held until their maturities and are stated at fair value. Temporary changes in fair value are credited or charged to the statement of changes in partners' equity. Any decline in value considered to be other than temporary, is charged to the statement of income. Fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows and other relevant factors. If the fair value for an available-for-sale equity investment cannot be reliably determined it is carried at cost.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. The cost less estimated residual value of property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

Expenditure for repair and maintenance are charged to statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalised.

Impairment of non-financial assets
The Company periodically reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset it is reduced to its recoverable amount. Impairment is recognised in the statement of income.

A reversal of impairment is recognised immediately in the statement of income.

Impairment of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective special commission rate.

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions
Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2017

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat
Zakat is calculated and provided for by Abdullah Ibrahim Alkhorayef Sons Company (the "Parent Company") on a consolidated basis including its effectively wholly owned subsidiaries in accordance with Saudi Arabian fiscal regulations. This provision is reflected in the Parent Company's consolidated financial statements. The Company's share of this provision is charged to its statement of income based on allocation by the Parent Company.

Leases
Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Where the Company transfers substantially all the risks and benefits incidental to ownership of the leased item, the arrangement is considered as a finance lease. A finance lease is presented as net investment in finance lease and is recognised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments received are apportioned between finance income and the reduction of the net investment in finance lease so as to achieve a constant rate of commission on the remaining balance of the asset.

The amount of net investment in finance lease is recorded in the balance sheet as a financial asset at the gross amount receivable under the finance lease less unearned finance income. Provision is made against net investment in finance lease as soon as any receivable is considered doubtful by the management

Employees' terminal benefits
Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the balance sheet date.

Statutory reserve
In accordance with Saudi Arabian Regulations for Companies and the Company's Articles of Association, the Company must transfer 10% of its net income for the year (after deducting accumulated losses brought forward) to the statutory reserve. In accordance with Company's Articles of Association, the Company may resolve to discontinue such transfers when the reserve totals 30% of the capital. The reserve is not available for distribution. In view of the accumulated of the Company, no such transfer has been made in the current and prior year.

Revenue recognition
Revenue from rendering of services is recognised when contracted services are performed. Performance based income are recognised, when the Company meets present performance targets.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The component of billed revenue related to services not yet performed are deferred till the services are provided.

Expenses
Selling and marketing expenses are those that specifically relate to business development, tender fees, other related expenses as well as provision for doubtful debts. All other expenses are classified as general and administration expenses.

Foreign currencies
Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated in Saudi Riyal at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

3 ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER ASSETS

	2017 *SR*	*2016* *SR*
Trade accounts receivable	140,494,879	109,847,671
Provision for doubtful debts	(1,827,334)	(1,827,334)
	138,667,545	108,020,337
Retention receivables	7,380,379	6,818,425
Advances to suppliers	4,534,569	3,658,421
Prepaid expenses	2,193,760	2,328,207
Amounts due from related party (note 10)	7,900	-
Other receivables	145,318	127,192
	152,929,471	120,952,582

Included in the trade accounts receivable are amounts totaling SR 139 million (2016: SR 101 million) due from Government and quasi-Government institutions, of which approximately SR 13 million (2016: SR 6.9 million) is due for more than one year.

In addition, the largest five non-Government customers account for 1% of outstanding accounts receivable at 31 December 2017 (2016: 5%).

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majority are, therefore, unsecured.

Movements in the provision for doubtful debts were as follows:

	2017 *SR*	*2016* *SR*
At 1 January	1,827,334	24,755,978
Reversal for the year	-	(11,850,567)
Written off	-	(11,078,077)
At 31 December	1,827,334	1,827,334

*During 2016, the management reversed a provision for doubtful debts by SR 11.8 million related to collected receivables.

4 UNBILLED REVENUE

Unbilled revenue represents the value of work executed by the Company but not billed to the customer at the end of the year.

5 INVENTORIES

	2017 *SR*	*2016* *SR*
Inventories	10,633,817	12,329,438
Work in progress	-	3,463,710
Provision for slow moving and obsolete	(3,025,180)	(3,025,180)
	7,608,637	12,767,968

6 AVAILABLE-FOR-SALE INVESTMENT (AFS)

Available-for-sale investment represents 1% equity share in Alkhorayef Investment Company (an affiliate company) a limited liability company registered in the Kingdom of Saudi Arabia. This investment is carried at cost since the fair value cannot be reliably determined due to the unpredictable nature of future cash flows.

7 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 SR	*Heavy machines SR*	*Furniture and fixtures SR*	*Motor vehicles SR*	***Total 2017 SR***	*Total 2016 SR*
Cost:						
At the beginning of the year	2,702,097	95,909,603	11,470,403	47,299,773	**157,381,876**	159,199,222
Additions	114,800	4,122,936	1,271,545	6,043,400	**11,552,681**	10,671,868
Disposals	(9,000)	(3,476,686)	(809,776)	(3,404,836)	**(7,700,298)**	(12,489,214)
At the end of the year	2,807,897	96,555,853	11,932,172	49,938,337	**161,234,259**	157,381,876
Accumulated depreciation:						
At the beginning of the year	1,524,451	75,457,224	7,073,296	34,773,486	**118,828,457**	116,357,002
Depreciation charge for the year	175,373	7,012,330	1,083,757	4,906,819	**13,178,279**	14,044,304
Relating to disposals	(9,000)	(3,242,652)	(664,368)	(3,156,426)	**(7,072,446)**	(11,572,849)
At the end of the year	1,690,824	79,226,902	7,492,685	36,523,879	**124,934,290**	118,828,457
Net book amounts:						
At 31 December 2017	**1,117,073**	**17,328,951**	**4,439,487**	**13,414,458**	**36,299,969**	
At 31 December 2016	1,177,646	20,452,379	4,397,107	12,526,287		38,553,419

The carrying value of certain property and equipment held under capital leases at 31 December 2017 was SR 6.53 million (2016: SR 12.69 million). Leased assets are pledged as security for the related capital lease liability.

Certain buildings are situated on parcels of land leased from Abdullah Ibrahim Alkhorayef Sons Company (the "Parent Company").

Depreciation charge for the year is allocated as follows:

	2017 SR	*2016 SR*
Cost of revenue (note 14)	**12,692,773**	13,575,424
General and administration expenses (note 16)	**485,506**	468,880
	13,178,279	14,044,304

8 ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	2017 SR	2016 SR
Trade accounts payable	55,830,366	60,382,586
Advances from customers	19,246,185	27,500,089
Accrued expenses	11,930,166	10,785,502
Contract penalties provision	5,982,231	3,732,688
Provision for foreseeable contracts losses	2,964,921	-
Others	1,251,779	1,009,195
	97,205,648	103,410,060

9 OBLIGATIONS UNDER CAPITAL LEASES CONTRACTS

	2017 SR	2016 SR
Minimum annual rentals under capital lease contracts due in:		
- 2017	-	5,205,382
- 2018	3,307,597	2,956,706
- 2019	863,482	509,611
Minimum lease payments under capital leases contracts	4,171,079	8,671,699
Less: estimated amounts representing future financial charges	(544,313)	(1,112,946)
Present value of minimum lease rental payments	3,626,766	7,558,753
Less: current portion	(2,857,034)	(4,594,823)
	769,732	2,963,930

Finance charges on capital leases for the year ended 31 December 2017 amounting to SR 904,914 (2016: SR 1.5 million) are included in the statement of income under financial charges.

10 RELATED PARTY TRANSACTIONS AND BALANCES

The Company transacts, in the normal course of business, with related parties. Pricing policies and terms of payment for these transactions are approved by the management. The following are the details of the significant transactions with related parties during the year:

Name of company	*Related party*	*Nature of transaction*	*Amount of transactions* *2017* *SR*	 *2016* *SR*
Alkhorayef Commercial Company	Affiliates	Purchases (included in cost of revenue and inventory)	2,386,844	2,420,227
Abdullah Ibrahim Alkhorayef Sons Company, the Parent Company	Partner	Revenue	403,725	1,274,185
Alkhorayef Company for Printing Solutions	Affiliates	Special commission expense	970,724	964,832
Alkhorayef Petroleum Company	Affiliates	Shared service cost (note 16)	480,600	1,611,374
		Lease of land	70,000	70,000

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2017

10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Funds in excess of the Company's requirements are placed with the Parent Company which also provides funds for day to day operations of the Company.

Amount due to the Parent Company, as shown in the table below, carries interest based on the average bank prevailing rates and are repayable by the Company upon demand from the Parent Company while amounts due to other related parties are interest free and payable upon demand from the lenders.

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

	2017 SR	*2016 SR*
Alkhorayef Commercial Company	7,900	-
	7,900	-

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

	2017 SR	*2016 SR*
Abdullah Ibrahim Alkhorayef Sons Company, the Parent Company	61,735,509	59,780,846
Alkhorayef Company for Printing Solutions	215,505	54,046
Alkhorayef Petroleum Company	84,020	478,725
Alkhorayef Commercial Company	-	212,250
	62,035,034	60,525,867

11 CAPITAL

Capital is divided into 80,000 shares of SR 1,000 each (2016: 80,000 of SR 1,000 each) and distributed as follows at 31 December:

	2017		*2016*	
	Number of shares	*Capital SR*	*Number of shares*	*Capital SR*
Abdullah Ibrahim Alkhorayef Sons Company (the "Parent Company")	80,000	80,000,000	79,200	79,200,000
Alkhorayef Investment Company	-	-	800	800,000
	80,000	80,000,000	80,000	80,000,000

12 ZAKAT

Zakat liability is the responsibility of the Parent Company and is reflected in its consolidated financial statements in accordance with the Saudi Arabian fiscal regulations. The Company is charged with its share of the zakat liability. During the year ended 31 December 2017, zakat charge was SR Nil (2016: SR Nil).

Movements in provision during the year

The movement in the zakat provision for the year was as follows:

	2017 SR	*2016 SR*
At the beginning of the year	249,014	257,774
Payments during the year	(75,842)	(8,760)
At the end of the year	173,172	249,014

13 REVENUE

	2017 SR	2016 SR
Operations and maintenance	196,802,707	180,386,199
Contracting	52,832,959	84,455,365
	249,635,666	264,841,564

14 COST OF REVENUE

	2017 SR	2016 SR
Salaries and wages	82,828,239	85,596,253
Materials consumed	51,532,525	73,388,848
Repair and maintenance	28,048,496	29,600,980
Depreciation (note 7)	12,692,773	13,575,424
Penalties	6,660,563	11,323,148
Provision for foreseeable contracts losses	2,964,921	-
Others	24,266,670	23,486,782
	208,994,187	236,971,435

15 SELLING AND MARKETING EXPENSES

	2017 SR	2016 SR
Tender fees	935,500	792,340
Sales commission	212,991	197,865
Business development expense	193,535	121,355
Advertisement expense	93,862	68,952
	1,435,888	1,180,512

16 GENERAL AND ADMINISTRATION EXPENSES

	2017 SR	2016 SR
Salaries and related costs	9,560,094	11,188,430
Professional fees	983,924	508,993
Rent expense	740,423	752,365
Bank charges	536,450	1,811,998
Depreciation (note 7)	485,506	468,880
Shared service costs (note 10)	480,600	1,611,374
Postage, telephone and telex expense	407,029	168,595
Repair and maintenance expense	218,694	351,040
Subscription fees	164,977	-
Utilities expense	69,722	72,267
Insurance expense	59,220	60,362
Other	436,458	618,192
	14,143,097	17,612,496

17 OTHER INCOME, NET

	2017 *SR*	*2016* *SR*
Gain on sale of property and equipment	750,497	1,360,275
Exchange gain/(loss)	574,253	(55,784)
	1,324,750	1,304,491

18 RISK MANAGEMENT

Special commission rate risk
Special commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market special commission rates. The Company is subject to special commission rate risk on its special commission bearing liabilities. The sensitivity of the income is the effect of the assumed changes in special commission rates on the floating rate financial liabilities held at 31 December 2017.

Management monitors market special commission rates on a regular basis to mitigate special commission rate risk of the Company.

Credit risk
Credit risk is the risk that one party to the financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables and maintaining accounts with reputable, credit worthy banks.

With respect to credit risk arising from the other financial assets of the Company, including bank balances, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The table below shows the Company's maximum exposure to credit risk from the components of the balance sheet.

	2017 *SR*	*2016* *SR*
Bank balances	6,724,672	2,971,599
Accounts receivable and prepayments	150,727,811	118,624,375
	157,452,483	121,595,974

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company limits its liquidity risk by ensuring that bank facilities are available. The Company's terms of sales require amounts to be paid within 90 days of the date of sale. Trade payables are normally settled within 90 days of the date of purchase.

Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions and does not have significant monetary assets and liabilities in currencies other than Saudi Riyals and US Dollar. Since the Saudi Riyal is currently on a fixed parity with the US Dollar, management believes that currency risk exposure of the Company is not significant.

19 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Financial instruments comprise of financial assets and financial liabilities.

The Company's financial assets consist of bank balances and cash, accounts and other receivables and available for sale investment. Its financial liabilities consist of payables, accrued expenses, and obligation under capital lease contracts.

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

20 CONTINGENCIES AND CAPITAL COMMITMENTS

The Company's bankers have issued, on its behalf, bank guarantees amounting to SR 145,027,394 (2016: SR 146,226,748), which are outstanding at the balance sheet date.

The Company's bankers have issued, on its behalf, letters of credit amounting to SR 18,393,154 (2016: SR 17,680,426) in the normal course of business, which are outstanding at the balance sheet date.

21 COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year.

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