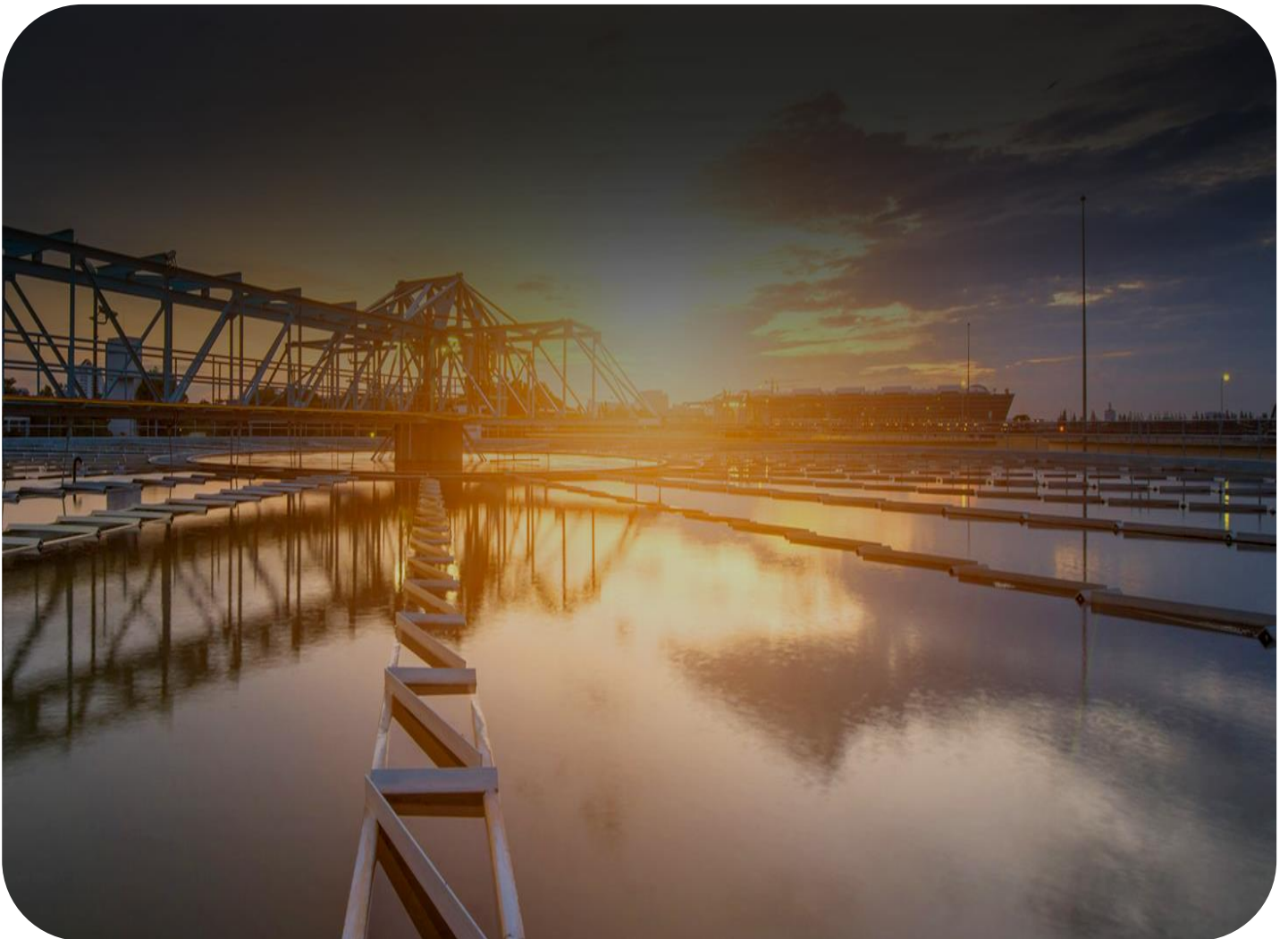




MIAHONA COMPANY
(A Saudi Joint Stock Company - Closed)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023
together with the
Independent Auditor's Report



MIAHONA COMPANY
(A Saudi Joint Stock Company - Closed)
Consolidated Financial Statements
For the year ended 31 December 2023

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KPMG Professional Services

Roshn Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

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

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Miahona Company

Opinion

We have audited the consolidated financial statements of Miahona Company ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Independent Auditor's Report

To the Shareholders of Miahona Company (Continued)

Revenue recognition under service concession arrangements	
Refer to note 4(k) to the consolidated financial statements for the accounting policy relating to revenue recognition under service concession arrangements and note 25 to the consolidated financial statements for the related disclosures	
The key audit matter	How the matter was addressed in our audit
<p>During the year ended 31 December 2023, the Group recognised revenue primarily from service concession arrangements amounting to SAR 298.62 million.</p> <p>The Group has service concession arrangements which are classified as intangible asset model or financial assets model as per the requirements of applicable accounting standards. During the concession periods, the Group is responsible for construction or rehabilitation and for operations and maintenance of the arrangements, and receives consideration as per the terms of the arrangements. The consideration received includes fixed and variable amounts.</p> <p>Revenue from service concession arrangements is recognized by the Group over a period of time as the related services are performed.</p> <p>We have determined revenue recognition from service concession arrangements to be a key audit matter because of its significance to the Group's total revenue and the underlying contractual arrangements based on which revenue is recognised by the Group.</p>	<p>Our audit procedures included amongst other the following:</p> <ul style="list-style-type: none">- Assessing the appropriateness of the Group's revenue recognition accounting policies by considering the requirement of applicable accounting standards.- Assessing the design and implementation and testing the operating effectiveness of key controls implemented by the Group relating to revenue recognition.- Testing, on a sample basis, the amount of revenue recognised for service concession arrangements considering service concession agreements with the customers and relevant documentation.- Performing cut off procedures to assess whether revenue is recognised in the correct period.- Assessing the adequacy of the disclosures in the consolidated financial statements considering the requirements of applicable accounting standards.



Independent Auditor's Report

To the Shareholders of Miahona Company (Continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e., Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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.

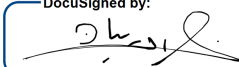
Miahona Company
(A Saudi Joint Stock Company - Closed)
Consolidated statement of financial position
As at 31 December 2023
(Amounts in Saudi Arabian Riyals)

ASSETS	<u>Notes</u>	2023	2022
NON-CURRENT ASSETS			
Property and equipment	5	8,413,083	8,445,830
Intangible assets	6	2,755	222,310
Intangible assets arising from service concession arrangements	7	345,824,800	359,494,047
Plant under construction		160,786	-
Right-of-use assets	8	11,680,901	7,760,046
Investment in associates	9	13,406,907	8,301,414
Concession contract receivables	10	270,411,073	263,967,200
Prepayments and advances	11	13,527,315	3,240,493
Non-current assets		663,427,620	651,431,340
CURRENT ASSETS			
Concession contract receivables	10	34,586,026	20,761,130
Inventories	12	5,772,457	4,499,892
Prepayments and advances	11	25,830,425	27,511,644
Derivative financial instruments	15	1,977,120	5,167,411
Trade and other receivables	13	62,921,487	122,430,022
Contract assets	14	38,082,881	22,629,006
Due from related parties	30.3	4,514,655	5,405,905
Term deposits	16	16,061,000	35,356,000
Cash and cash equivalents	17	136,166,214	67,821,386
Current assets		325,912,265	311,582,396
TOTAL ASSETS		989,339,885	963,013,736

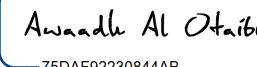
Miahona Company
(A Saudi Joint Stock Company - Closed)
Consolidated statement of financial position
As at 31 December 2023
(Amounts in Saudi Arabian Riyals)

	<i>Notes</i>	2023	2022
EQUITY AND LIABILITIES			
EQUITY			
Share capital	18.1	160,925,543	500,000
Additional capital contribution	18.2	-	160,425,543
Statutory reserve		250,000	250,000
Cash flow hedge reserve	15	1,705,695	4,362,751
Retained earnings		229,971,854	176,967,131
Sub-total		392,853,092	342,505,425
Non-controlling interest		385,268	-
Total equity		393,238,360	342,505,425
LIABILITIES			
Loans and borrowings	19	400,722,135	422,541,594
Lease liabilities	8	9,538,537	5,242,334
Fair value of derivative financial instruments	15	387,749	804,660
Defined employee benefits obligation	20	22,393,896	16,286,064
Other liabilities	21	-	5,892,326
Deferred revenue and contract liability	22	13,105,682	14,797,373
Non-current liabilities		446,147,999	465,564,351
Loans and borrowings	19	41,828,378	39,222,049
Lease liabilities	8	1,736,816	2,241,754
Trade and other payables	23	94,976,966	103,075,661
Other liabilities	21	5,892,326	5,055,254
Zakat payable	24	5,519,040	5,349,242
Current liabilities		149,953,526	154,943,960
Total liabilities		596,101,525	620,508,311
TOTAL EQUITY AND LIABILITIES		989,339,885	963,013,736

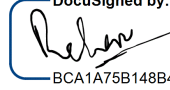
The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

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Chairman
Khalid Abunayyan

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Chief executive officer
Awaad Al Otaibi

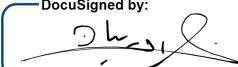
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Chief financial officer
Rehan Masood

Miahona Company
(A Saudi Joint Stock Company - Closed)
Consolidated statement of profit or loss
For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

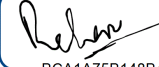
	<i>Notes</i>	2023	2022
Revenue	25	324,462,898	276,023,072
Cost of revenue	26	(215,055,671)	(189,164,297)
Gross profit		109,407,227	86,858,775
Other income	27	470,902	1,647,992
General and administrative expenses	28	(38,703,210)	(30,161,879)
(Allowance for) / reversal of expected credit losses on trade receivables, contract asset and concession contract receivables	10 / 13	(919,327)	244,127
Modification of concession contract receivable	10	-	(1,982,788)
Operating profit		70,255,592	56,606,227
Finance costs	29	(33,519,595)	(21,599,347)
Finance income	10	15,829,062	15,041,162
Income on term deposits		4,215,185	-
Share of profit of investment in equity accounted investees	9	6,476,468	5,411,247
Profit before Zakat		63,256,712	55,459,289
Zakat expense	24	(6,334,598)	(5,349,242)
Profit for the year		56,922,114	50,110,047
Profit for the year attributable to:			
Equity holders of the Group		56,718,308	50,110,047
Non-controlling interest		203,806	-
		56,922,114	50,110,047
Earnings per share			
Basic earnings per share	35	0.35	0.31
Diluted earnings per share	35	0.35	0.31

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

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Chairman
Khalid Abunayyan

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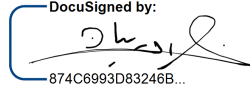
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Chief executive officer
Awaad Al Otaibi

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Chief financial officer
Rehan Masood

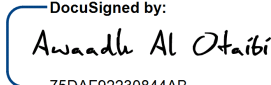
Miahona Company
(A Saudi Joint Stock Company - Closed)
Consolidated statement of other comprehensive income
For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

	<i>Notes</i>	2023	2022
Profit for the year		56,922,114	50,110,047
<i>Item that are or may be reclassified subsequently to profit or loss</i>			
Cash flow hedges – effective portion of changes in fair value	15	(2,773,380)	7,345,527
<i>Item that will not be reclassified to profit or loss</i>			
Actuarial (loss) / gain on defined employee benefits obligation	20	(3,715,799)	189,914
Other comprehensive (loss) / income for the year		(6,489,179)	7,535,441
Total comprehensive income for the year		50,432,935	57,645,488
Other comprehensive income for the year attributable to:			
Equity holders of the Group		(6,370,641)	7,535,441
Non-controlling interest		(118,538)	-
		(6,489,179)	7,535,441
Total comprehensive income for the year attributable to:			
Equity holders of the Group		50,347,667	57,645,488
Non-controlling interest		85,268	-
		50,432,935	57,645,488

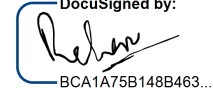
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Chief executive officer
Awaad Al Otaibi

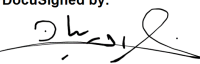
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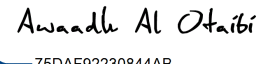
Miahona Company
(A Saudi Joint Stock Company - Closed)
Consolidated statement changes in equity
For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

	Share capital	Additional capital contribution	Statutory reserve	Cash flow hedge reserves	Retained earnings	Equity attributable to owners of the Group	Non-controlling interest reserves	Total equity
As at 1 January 2022	500,000	160,425,543	250,000	(2,982,776)	146,667,170	304,859,937	-	304,859,937
Profit for the year	-	-	-	-	50,110,047	50,110,047	-	50,110,047
Other comprehensive income for the year	-	-	-	7,345,527	189,914	7,535,441	-	7,535,441
Total comprehensive income for the year	-	-	-	7,345,527	50,299,961	57,645,488	-	57,645,488
Dividend (note 18.3)	-	-	-	-	(20,000,000)	(20,000,000)	-	(20,000,000)
As at 31 December 2022	500,000	160,425,543	250,000	4,362,751	176,967,131	342,505,425	-	342,505,425
As at 1 January 2023	500,000	160,425,543	250,000	4,362,751	176,967,131	342,505,425	-	342,505,425
Share capital of non-controlling interest	-	-	-	-	-	-	300,000	300,000
Profit for the year	-	-	-	-	56,718,308	56,718,308	203,806	56,922,114
Other comprehensive income for the year	-	-	-	(2,657,056)	(3,713,585)	(6,370,641)	(118,538)	(6,489,179)
Total comprehensive income for the year	-	-	-	(2,657,056)	53,004,723	50,347,667	85,268	50,432,935
Capitalization of additional capital contribution (note 18)	160,425,543	(160,425,543)	-	-	-	-	-	-
As at 31 December 2023	160,925,543	-	250,000	1,705,695	229,971,854	392,853,092	385,268	393,238,360

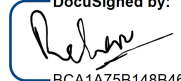
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Chairman
Khalid Abunayyan

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Chief executive officer
Awaad Al Otaibi

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Chief financial officer
Rehan Masood

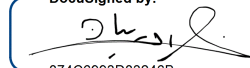
Miahona Company
(A Saudi Joint Stock Company - Closed)
Consolidated statement of cash flow
For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES			
Profit for the year		63,256,712	55,459,289
<i>Adjustments for:</i>			
Depreciation of property and equipment	5	2,654,389	2,221,590
Loss / (gain) on disposal of property and equipment		517	(129,917)
Amortization of intangible assets	6	219,555	484,032
Amortization of intangibles arising from service concession arrangements	7	39,302,099	36,299,313
Modification of the concession contract receivable		-	1,982,788
Depreciation of right-of-use assets	8	2,536,046	2,388,432
Gain on derecognition of right-of-use assets		(1,155)	(17,545)
Interest on lease liabilities	8	466,372	317,555
Share of profit of investment in associate	9	(6,476,468)	(5,411,247)
Allowance for / (reversal of) expected credit losses on trade receivables, contract asset and concession contract receivables	10 / 13	919,327	(244,127)
Employee defined benefits obligation	20	3,243,920	2,954,043
Amortisation of the upfront fees	19	1,048,546	1,165,595
Interest on loans and borrowings, net	29	32,695,737	20,929,780
Concession contract receivables amortisation	10	29,977,727	20,476,549
Interest income on term deposits		(4,215,185)	-
Finance income	10	(15,829,062)	(15,041,162)
		<u>149,799,077</u>	<u>123,834,968</u>
<i>Changes in operating assets and liabilities:</i>			
Inventories		(1,272,565)	(260,958)
Trade and other receivables		58,735,296	(6,913,533)
Contract assets		(15,453,875)	(15,767,536)
Due from related parties		891,250	5,190,759
Prepayments and advances		(8,605,605)	(13,063,225)
Other liabilities, deferred revenue and contract liability		(6,746,945)	(4,285,407)
Trade and other payables		(10,966,980)	(1,219,240)
		<u>166,379,653</u>	<u>87,515,828</u>
Interest income on term deposits received		3,510,185	-
Defined employee benefits paid	20	(851,887)	(2,143,225)
Interest paid		(30,293,824)	(21,247,335)
Zakat paid	24	(6,164,800)	(4,115,597)
Net cash generated from operating activities		132,579,327	60,009,671
INVESTING ACTIVITIES			
Acquisition of property and equipment	5	(2,622,159)	(4,749,099)
Acquisition of plant under construction		(160,786)	-
Proceeds from sale of property and equipment		-	204,781
Acquisition of intangible assets arising from service concession arrangements	7	(25,632,852)	(23,642,204)
Acquisition of Concession contract receivable	10	(34,563,521)	-
Placement of term deposits		(83,000,000)	(20,000,000)
Proceeds of term deposits		103,000,000	-
Dividend received from associates		1,370,975	-
Shareholders loan to associate		-	(3,500,000)
Acquisition of investment in associates		-	(175,000)
Net cash used in from investing activities		(41,608,343)	(51,861,522)

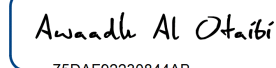
Miahona Company
(A Saudi Joint Stock Company - Closed)
Consolidated statement of cash flow
For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
FINANCING ACTIVITIES			
Repayment of loan and borrowings	18	(39,222,049)	(38,225,720)
Proceeds from loans and borrowings	18	18,960,373	24,500,000
Dividends paid to shareholders	16	-	(20,000,000)
Payment of lease liabilities	8	(2,664,480)	(2,480,144)
Non-controlling interest		300,000	-
Net cash used in financing activities		(22,626,156)	(36,205,864)
Net increase / (decrease) in cash and cash equivalent		68,344,828	(28,057,715)
Cash and cash equivalent at the beginning of the year		67,821,386	95,879,101
Cash and cash equivalents at the end of the year	14	136,166,214	67,821,386
Non-Cash items			
Addition to Right of use assets		(6,473,085)	(1,067,836)
Addition to Lease liabilities		6,473,085	1,067,836
Proceed from term deposits		15,536,000	15,536,000
Placement of term deposits		(15,536,000)	(15,536,000)

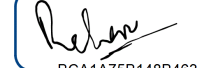
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Chairman
Khalid Abunayyan

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Chief executive officer
Awaad Al Otaibi

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Chief financial officer
Rehan Masood

Miahona Company
(A Saudi Joint Stock Company - Closed)
Notes to the consolidated financial statements
For the year ended 31 December 2023

1. REPORTING ENTITY

Miahona Company (the "Company") is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration numbered 1010253603 dated 16 Rajab 1429 H (corresponding to 20 July 2008).

The main activities of the Company and its subsidiaries (collectively referred to as "the Group") are to engage in water transportation and distribution, operation of sewage treatment networks and facilities, general construction of the non-residential buildings (schools, hospitals, hotels etc.), establishing main water distribution stations and lines and establishing sewage stations and project, sewage networks and pumps.

The Company was formed on 16 Rajab 1429 H (corresponding to 20 July 2008) as a Limited Liability Company. On 16 Jumada'l 1445H (corresponding to 31 October 2023), the legal status of the Company changed from a Limited Liability Company to a Saudi Closed Joint Stock Company. This is pursuant to the Company's listing process on Tadawul, the Company has filed the application of listing with Capital Market Authority (CMA) and Tadawul on 17 December 2023. Tadawul has approved the application on 14 February 2024. CMA has approved the application on 20 March 2024.

The Group has following subsidiaries and associates:

Name	Activities	Country of incorporation	Percentage of ownership (effective)	
			2023	2022
Industrial Cities Development and Operating Company ("ICDOC") (refer note (a) below)	The main activity of ICDOC is to engage in the construction, operation and maintenance of water desalination stations, for industrial cities, water and wastewater networks, torrents networks, developing and operating industrial cities, constructing and operating of electricity stations for industrial cities, purchase of lands for constructions, developing and investing in buildings by sale and rent.	Saudi Arabia	100%	100%
Riyadh Water Production Company ("RWPC") (refer note (b) below)	The main activity of RWPC is to engage in drilling all kind of water well, water technology, production, distribution transport, sell, sewerage, drainage, processors, re-use of water, sold, public construction contracting, piping, electrical work, mechanical work, maintenance, operations and road works.	Saudi Arabia	100%	100%
Araha Environmental Sciences Company ("ARAHA") (refer note (c) below)	The main activity of Araha is operation of sewer systems or sewer treatment facilities, repair and maintenance of sewer systems, sewage disposals plants and pumping station, Construction of sewer systems, sewage disposal plants and pumping stations.	Saudi Arabia	70%	70%
Al Jazzirah Environment Company ("JECO") refer note (d) below)	The main activity of JECO is operation and maintenance of water desalination plant including brackish and sea water, sewerage treatment plant, water and sewerage networks, and recycle water treatment and networks.	Saudi Arabia	100%	100%

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1. REPORTING ENTITY (Continued)

Name	Activities	Country of incorporation	Percentage of ownership (effective)	
			2023	2022
Sustainable Water Company for Environmental Services ("SWES") (refer note (e) below)	The main activity of SWES is construction of utility projects, sewage, operation and maintenance of water supply, sanitation, waste management and treatment activities.	Saudi Arabia	70%	NA
International Water Partner Company (IWP) (refer note (f) below)	The main activity is for Management, Operations and Maintenance (MOM) Services for the first Cluster i.e., North-west consisting of the areas of Madinah and Tabuk	Saudi Arabia	40%	40%
International Water Partner Company the second (IWP2) (refer note (g) below)	The main activity is for Management, Operations and Maintenance (MOM) Services for the Cluster i.e., Eastern consisting of the areas of Dammam	Saudi Arabia	35%	35%

a) ICDOC is engaged in the following service concession arrangements as at the reporting date:

- A service concession arrangement with a Government related entity in Jeddah dated 24 March 2002, effective from 15 March 2005, for rehabilitating, operating and maintaining the wastewater plant and related network system ("wastewater treatment facilities") of Jeddah Industrial city. The wastewater treatment facilities will be transferred back to the Government related entity at the end of the concession arrangement period of 20 years.
- A service concession arrangement with a Government related entity for industrial cities in Dammam and Al-Ahsa dated 22 October 2007, effective from 30 January 2008, for rehabilitating, operating and maintaining the water utilities and wastewater plant and related network system ("water utilities and wastewater treatment facilities") of the first and second industrial cities in Dammam and building, operating and maintaining the water utilities and wastewater treatment facilities of the first industrial city in Al-Ahsa. The water utilities and wastewater treatment facilities in industrial cities in Dammam and Al-Ahsa will be transferred back to the Government related entity at the end of the concession arrangement period of 30 years.

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1. **REPORTING ENTITY (Continued)**

- b) RWPC is engaged in a service concession arrangement with a Government related entity dated 15 September 2015 to perform the following:
- further, develop, own, finance engineer, design, procure, construct, commission, start up and test the new Water Treatment Station ("WTS").
 - operate, maintain and transfer the new WTS.
- c) On 30 November 2022, the Company formed Araha. The Company injected cash of SR 350,000 equal to 70% of Araha's shares.

Araha is engaged in a service concession arrangement with a Government related entity dated 28 August 2022, effective from 2 May 2023, to perform the rehabilitation remediation and financing, completion, testing, operation and maintenance, handover, and transfer of the existing two sewage treatment plants (STP) in Makkah called Hadda and Arana STPs.

- d) JECCO is a subcontractor for operations and maintenance of the above service concession contracts relating to ICDOC, RWPC and Araha.
- e) On 27 February 2023, the Company was awarded a contract through competitive tendering process for the Ras Tanura Refinery ("RTR") wastewater treatment plant project - to treat industrial waste water of Saudi Aramco. The Company's share capital amounted to SR 350,000 equal to 70% of SWES's shares.

The industrial wastewater treatment plant, wastewater and effluent transmission systems will be developed on a Build-Own-Operate-Transfer ("BOOT") basis for a period of 25 years. As on the reporting date, the Company has achieved the commercial close and signed a concession arrangement.

- f) The Group made an investment in IWP to the extent of 40% of the share capital, for a consideration of SR 200,000 in February 2021.

IWP is engaged in a contract with a Government related entity to perform management and operations of the water supply lines between the cities engaged in water wells, water technology, production, distribution, transport, sell, sewerage, drainage and re-use of water and public construction contracting, piping, electrical work, mechanical work, maintenance, operating and road works.

- g) The Group made an investment in IWP2 to the extent of 35% of the share capital, for a consideration of SR 175,000 in January 2022.

IWP2 is engaged in a contract with a Government related entity to perform management and operations of the water supply lines between the cities engaged in water wells, water technology, production, distribution, transport, sell, sewerage, drainage and re-use of water and public construction contracting, piping, electrical work, mechanical work, maintenance, operating and road works.

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2. BASIS OF PRESENTATION

2.1 *Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) Accounting Standards (IFRS Accounting Standards) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") (hereinafter referred to as "IFRSs").

2.2 *Basis of measurement*

These consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date. Further, the financial statements are prepared using the accrual basis of accounting and on a going concern basis.

Items	Measurement basis
Derivative financial instruments	Fair value
Defined benefit liability	Present value of the defined benefit obligation
Investment in equity accounted investees	Equity method of accounting.

2.3 *Functional and presentation currency*

These consolidated financial statements are presented in Saudi Arabian Riyals (SR), which is the Company's functional currency. The Group have used SR as the presentation currency. All amounts have been rounded to the nearest SR, unless otherwise indicated.

2.4 *Basis of consolidation*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

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2. BASIS OF PRESENTATION (Continued)

2.5 *Basis of equity accounted investees*

An equity accounted investee is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Interests in equity accounted investee are accounted using the equity method.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions 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 judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Therefore, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Group's accounting policies, management has made the following estimates and judgements, which are significant to the consolidated financial statements:

- a) Revenue recognition: allocation of transaction price to performance obligations, measurement of significant financing component.
- b) Measurement of defined employee benefits obligation - key actuarial assumptions.
- c) Allowance for expected credit losses on trade receivables, contract assets and concession contract receivables.

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4. MATERIAL ACCOUNTING POLICIES

The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

New Standards, Amendment to Standards and Interpretations:

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023.

Standard, interpretation, amendments	Description	Effective date
Narrow scope amendments to IAS 1, IFRS Practice Statement 2 and IAS 8	<p>The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.</p> <p>The Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material' rather than 'significant' accounting policies. Although the amendments did not result in any changes to the accounting policy themselves, they impacted the accounting policy information disclosed in certain instances.</p>	Annual periods beginning on or after January 1, 2023
Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction	<p>These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.</p> <p>The amendments did not have a material impact on the consolidated financial statements of the Group.</p>	Annual periods beginning on or after January 1, 2023

Standards issued but not yet effective:

A number of new standards and amendments are effective for annual years beginning on or after 1 January 2024 and earlier application is permitted. These amended standards and interpretations are not expected to have a material impact on the consolidated financial statements of the Group. The Group has not early adopted the new or amended standards in preparing these financial statements.

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4. **MATERIAL ACCOUNTING POLICIES (Continued)**

Standards issued but not yet effective (continued):

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities as current or non-current	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	January 1, 2024
Amendments to IFRS 10 and IAS 28	Amendments to IFRS 10 consolidated financial statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	The effective date of the amendments has yet to be set by The IASB.
Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	It requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.	Annual periods beginning on or after January 1, 2024
Amendments to IAS 21 - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. No material impact is expected for the Group.	Annual periods beginning on or after 1 January 2025 (early adoption is available)
Amendment to IAS 7 and IFRS 7 Supplier finance	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis. No material impact is expected for the Group	Annual periods beginning on or after 1 January 2024 (with transitional reliefs in the first year)

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4. MATERIAL ACCOUNTING POLICIES (Continued)

a) *Property and equipment*

Property and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment. Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives of property and equipment for current and comparative periods are as follows:

Leasehold improvements	10 years or lease term whichever lower
Furniture and fixtures	4 - 10 years
Office equipment and computer	4 years
Machinery and equipment	5 years
Pump meters	2 - 5 years
Motor vehicles	4 years

The depreciation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Capital work in progress at year end includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

The assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

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4. **MATERIAL ACCOUNTING POLICIES (CONTINUED)**

b) Intangible assets arising from service concession arrangements

The Group recognizes an intangible asset when it has a contractual right to charge the public for usage of the concession infrastructure. The intangible asset is recognized equal to the consideration for providing construction or upgrade services in a service concession arrangement which is measured at cost including capitalized borrowing costs, less accumulated amortization and accumulated impairment losses, if any. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates.

Amortization is calculated to write off the cost of intangible asset using the straight-line method over the period of concession arrangement or their estimated useful lives whichever is lower, and is recognised in profit or loss.

c) Leases

Right of use assets and Lease Liabilities.

The Group recognises new assets and liabilities for its leases of various types of contracts including accommodation/office rental premises, commercial vehicles etc. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Consolidated Statement of Profit or Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Consolidated Statement of Profit or Loss. Short-term leases are leases with a lease term of 12 months or less.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, the management generally considers certain factors including historical lease durations, significant leasehold improvements over the term of the lease that have significant economic benefit to the Group's operation, the importance of the leased asset to the Group's operation and whether alternatives are available for the Group and business disruption required to replace the leased asset.

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4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

d) *Financial instruments*

I. Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at Fair Value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

II. Financial assets -classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) - debt investment; FVOCI - equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

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4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

d) *Financial instruments (Continued)*

Financial assets

Financial assets at amortised cost the amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

III. *Derecognition*

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

IV. *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

V. *Derivative financial instruments and hedge accounting*

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

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4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

d) *Financial instruments (Continued)*

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in interest rates.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedge

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

e) *Cash and cash equivalents:*

Cash and cash equivalents include bank balances, cheques in hand and deposits with original maturities of three months or less, if any.

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4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

f) *Term deposits:*

Term deposits include placements with banks and other short-term highly liquid investments, with original maturities of more than three months but not more than one year from the date of placement. Term deposits are placed with financial institutions with investment grade rating which are considered to have low credit risk.

Investment income in term deposits is accrued on a timely basis by reference to the principal outstanding and at the applicable effective interest rate.

g) *Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group 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.

h) *Defined employee benefits obligation*

Defined employee benefit plan

The Group's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount. These benefits are currently unfunded. The calculation of defined employee benefits obligation is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in OCI. The Group determines the net interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of contributions and benefit payments. Interest expense (income) and other expenses related to defined benefit plan, are recognised in profit or loss.

i) *Zakat*

The Group is subject to Zakat in accordance with the Zakat regulation issued by the Zakat, Tax and Customs Authority ('ZATCA') in the Kingdom of Saudi Arabia which is subject to interpretations. Zakat is recognized in the consolidated statement of profit or loss. Zakat is levied at a fixed rate of 2.5% of the zakat base as defined in the Zakat regulations.

The Group's management establishes provisions where appropriate on the basis of amounts expected to be paid to the ZATCA and periodically evaluates positions taken in the Zakat returns with respect to situations in which applicable Zakat regulation is subject to interpretation. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization.

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4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

j) Revenue

Service concession arrangements:

The Group entered into service concession arrangements with certain governmental authorities and a government related entity (the "Grantor"). As per terms of the arrangements it consists of two Build-Operate-Transfer (the "BOT") arrangements and three Rehabilitate-Operate-Transfer (the "ROT") arrangements. During the concession periods, the Group is responsible for construction or rehabilitation and for operations and maintenance of the arrangements, and receives consideration as per the terms of the arrangements. The consideration received includes a fixed and variable amount.

BOT arrangements

- i. The Group carries out construction work, operation and maintenance of new Water Treatment Station ("WTS"). The Group receives in return the rights to operate the service project concerned for a specified period of time (the "operation period"). As per terms of arrangement at the end of the operation period i.e. 28 years from the date of commencement of operations) the new WTS and water facilities will be transferred to the Grantor with nil consideration. This BOT arrangement is classified as a financial asset model under IFRIC 12, Service Concession Arrangements.
- ii. The Group would carry out construction work, operation and maintenance of Independent Wastewater Treatment Plant ("IWWTP"), water utilities and wastewater treatment facilities. The Group would receive in return right to operate IWWTP and operate the plant for a specified period of time ("the operation period"). As per terms of arrangement, the construction period is 3 years and operations period is 25 years. At the end of operations period, the IWWTP will be transferred to the Grantor with nil consideration.

ROT arrangements

Under the ROT, Group carries out remediation, operation and maintenance of the existing WTS and water utilities and wastewater treatment facilities.

- i. The Group receives in return the rights to operate the service project concerned for a period of 20 years and 30 years for Jeddah and Dammam, respectively (the "operation period"). As per terms of arrangement at the end of the operation period the water utilities and wastewater treatment facilities will be transferred to the Grantor with nil consideration. This ROT arrangement is classified as an intangible asset model under IFRIC 12, Service Concession Arrangements.
- ii. The Group is obliged to operate for a specified period of time (the "operation period") under the long-term operation and maintenance agreement ("LTOM Agreement"). As per terms of arrangement at the end of the operation period (i.e. 10 years from the date of commencement of operations) the WTS and water facilities should be transferred to the Grantor with nil consideration (refer note 10.1). This ROT arrangement is classified as a financial asset model under IFRIC 12, Service Concession Arrangements.
- iii.

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4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

k) Revenue (continued)

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers.

Type of service	Nature and timing of satisfaction of performance obligation
Management and engineering services	Revenue comprises the value of services provided during the year. Revenue is recognized over time when the customer simultaneously receives and consumes the benefits provided by Group's performance.
Project development and advisory services	Revenue earned by the Group for project development and advisory services provided in relation to the development of projects is typically recognized upon financial close of the project (being the point in time at which committed funding for the project has been achieved).
Construction revenue	Revenue from construction and rehabilitation services are recognized based on the actual service provided to the customer as a proportion of the total services to be provided by using the percentage of completion method.
Operation and general maintenance revenue	Revenue from providing operation and maintenance services is recognized over a period of time as the related services are performed. Revenue for operation and maintenance services is linked to the output of the plant and revenue is recognized for the amount for which the Group has delivered the services.
Lifecycle maintenance revenue	Revenue from providing life cycle maintenance services is recognized over a period of time as the related services are performed. The Group recognize revenue of this services as and when the relevant cost are incurred.
Water treatment and supply	Revenue from providing operations services is recognized over a period of time as the related services are performed. Transaction price for operations service is linked to the output of the plant, and revenue is recognized for the amount for which the Group has delivered the services.
Connection services	Revenue from connection service is recognized over time. The amount received for connection services is recognized as revenue over the remaining service concession period. The unamortized balance of such revenue is classified as deferred revenue under contract liabilities.
Finance income	Finance income is recognized by applying the effective interest rate method to the amortised cost of the financial assets (i.e., concession contract receivables).

Revenue under the contract is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring services to a customer on the satisfaction of the performance obligation.

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4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

k) Revenue (continued)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group 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. The contract assets are transferred to receivable when the rights are unconditional. This usually occurs when the Group issues an invoice to the customer.

Contract liability

The contract liabilities primarily relate to the advance consideration received from customers for several costs to be incurred over the term of contract life at milestone basis (specific years). Management considers these as life cycle costs. Therefore, the revenue is considered unearned and deferred against the cost to be incurred in particular stage of the contract.

l) Impairment

I. Financial instruments

Financial instruments and contract assets

The Group recognizes Expected Credit Losses (ECLs) on the accounts receivable and contract assets. The Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.

Other financial assets such as employees' receivables, bank balances have low credit risk and the impact of applying ECL is immaterial.

Write-off:

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

II. Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

l) Impairment (continued)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

m) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Considering the Group's intended use of inventories is supply of services, net realizable value is based on the estimated selling price of the services in which they will be incorporated (less the estimated costs of completion and sale).

n) 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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

The Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

o) Provisions

A provision is recognised if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

p) Expenses

Costs incurred in relation to contracts and employees directly related to projects is classified as cost of revenue. All other expenses, excluding cost of sales and financial charges, are classified as administrative expenses. Allocations of common expenses between cost of revenue and administrative expenses, when required, are made on a consistent basis.

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4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

q) *Dividends*

Interim dividends are recorded as a liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the period in which they are approved by the shareholders.

r) *Borrowings*

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in consolidated statement of profit or loss over the period of the borrowings using the effective interest method. Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The borrowings are classified as a current liability when the remaining maturity is less than 12 months.

n) *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time, that is more than one year, to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. No borrowing costs are capitalised during idle periods.

All other borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

o) *Segment reporting*

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the board of directors (Chief Operating Decision Makers) which in the Group's case is to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

p) *Contingencies*

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable are recorded in the financial statement under accounts payable and accruals. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

q) *Earnings per share*

Earnings per share are calculated by dividing net profit for the year by the weighted average number of ordinary shares outstanding during the year.

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5. PROPERTY AND EQUIPMENT

	<u>Leasehold improvements</u>	<u>Furniture and fixtures</u>	<u>Office equipment and computer</u>	<u>Machinery and equipment</u>	<u>Pump meters</u>	<u>Motor vehicles</u>	<u>Total</u>
<u>Cost:</u>							
As at 1 January 2022	1,298,751	8,484,741	4,369,605	6,014,511	1,240,500	7,071,394	28,479,502
Additions during the year	13,400	3,644,014	211,812	396,799	-	483,074	4,749,099
Disposals during the year	-	(15,791)	(24,472)	-	-	(563,649)	(603,912)
As at 31 December 2022	1,312,151	12,112,964	4,556,945	6,411,310	1,240,500	6,990,819	32,624,689
Additions during the year	20,230	376,807	681,674	360,976	-	1,182,472	2,622,159
Disposals during the year	-	-	(1,553)	-	-	-	(1,553)
As at 31 December 2023	1,332,381	12,489,771	5,237,066	6,772,286	1,240,500	8,173,291	35,245,295
<u>Depreciation:</u>							
As at 1 January 2022	173,648	6,366,044	3,591,367	4,841,835	1,240,500	6,272,922	22,486,316
Charge for the year	105,023	932,156	304,972	536,205	-	343,234	2,221,590
Disposals during the year	-	(15,791)	(14,187)	-	-	(499,069)	(529,047)
As at 31 December 2022	278,671	7,282,409	3,882,152	5,378,040	1,240,500	6,117,087	24,178,859
Charge for the year	106,936	1,282,788	293,671	519,185	-	451,809	2,654,389
Disposals during the year	-	-	(1,036)	-	-	-	(1,036)
As at 31 December 2023	385,607	8,565,197	4,174,787	5,897,225	1,240,500	6,568,896	26,832,212
<u>Net book value:</u>							
As at 31 December 2023	946,774	3,924,574	1,062,279	875,061	-	1,604,395	8,413,083
As at 31 December 2022	1,033,480	4,830,555	674,793	1,033,270	-	873,732	8,445,830

Depreciation charge for the year is allocated to cost of revenue and general and administration expenses as follows:

	<u>2023</u>	<u>2022</u>
Cost of revenue (note 26)	1,073,462	925,663
General and administrative expenses (note 28)	1,580,927	1,295,927
	<u>2,654,389</u>	<u>2,221,590</u>

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6. INTANGIBLE ASSETS

	<u>Software</u>
<u>Cost:</u>	
As at 1 January 2022	2,145,426
Additions during the year	-
As at 31 December 2022	<u>2,145,426</u>
Additions during the year	-
As at 31 December 2023	<u>2,145,426</u>
 <u>Accumulated amortization:</u>	
As at 1 January 2022	1,439,084
Charge for the year	484,032
As at 31 December 2022	<u>1,923,116</u>
Charge for the year	219,555
As at 31 December 2023	<u>2,142,671</u>
 <u>Net carrying value:</u>	
As at 31 December 2023	<u>2,755</u>
As at 31 December 2022	<u>222,310</u>

Amortization charge for the year is allocated to cost of revenue and general and administration expenses as follows:

	<u>2023</u>	<u>2022</u>
Cost of revenue (note 26)	1,533	1,075
General and administrative expenses (note 28)	218,022	482,957
	<u>219,555</u>	<u>484,032</u>

7. INTANGIBLE ASSETS ARISING FROM SERVICE CONCESSION ARRANGEMENTS

	<u>2023</u>	<u>2022</u>
<u>Cost:</u>		
As at the beginning of the year	713,487,665	689,845,461
Additions during the year (note 7.1 and note 7.2)	25,632,852	23,642,204
As at the end of the year	<u>739,120,517</u>	<u>713,487,665</u>
 <u>Accumulated amortization:</u>		
As at the beginning of the year	353,993,618	317,694,305
Charge for the year (note 26)	39,302,099	36,299,313
As at the end of the year	<u>393,295,717</u>	<u>353,993,618</u>
 <u>Net book value:</u>		
As at 31 December	<u>345,824,800</u>	<u>359,494,047</u>

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7. INTANGIBLE ASSETS ARISING FROM SERVICE CONCESSION ARRANGEMENTS
(CONTINUED)

Intangible assets arising from service concession arrangements includes the costs below:

- the cost of the rehabilitation of water utilities and wastewater treatment facilities for the first and second industrial cities of Dammam;
- the cost of construction of water utilities and wastewater treatment facilities for the first industrial city of Al-Ahsa;
- the cost of the rehabilitation of water utilities and wastewater treatment facilities for reverse osmosis plant at the second industrial city in Dammam; and
- the cost for the rehabilitation of wastewater treatment facilities for Jeddah Industrial City.

7.1 Additions majorly represent enhancements to water and wastewater treatment station and networks.

7.2 Included in additions during the year are finance charges capitalised amounting to SR 1,342,986 (2022: SR 901,886). The rate used for finance charges capitalisation is 6.08% (2022: 3.73%) per annum.

8. RIGHTS-OF-USE ASSETS AND LEASE LIABILITIES

	<u>2023</u>	<u>2022</u>
<u>Right-of-use assets</u>		
At the beginning of the year	7,760,046	9,377,410
Addition during the year	6,473,085	1,067,835
<i>Depreciation charge for the year:</i>		
Cost of revenue (note 26)	(890,165)	(823,317)
General and administrative expenses (note 28)	(1,645,880)	(1,565,115)
	(2,536,045)	(2,388,432)
Derecognition during the year	(16,185)	(296,767)
Balance as at 31 December	11,680,901	7,760,046
<u>Lease liabilities</u>		
At the beginning of the year	7,484,088	9,210,709
Addition during the year	6,473,085	1,067,835
Lease payments	(3,130,852)	(2,797,699)
Interest on lease liabilities (note 29)	466,372	317,555
Derecognition during the year	(17,340)	(314,312)
Balance as at 31 December	11,275,353	7,484,088
Classified as:		
- Non-current	9,538,537	5,242,334
- Current	1,736,816	2,241,754
	11,275,353	7,484,088

Right of use assets (class wise)

	<u>2023</u>		<u>2022</u>	
	<u>Depreciation</u>	<u>Balance</u>	<u>Depreciation</u>	<u>Balance</u>
<u>Buildings</u>	2,224,607	10,602,607	1,904,456	7,362,978
<u>Vehicles</u>	311,438	1,078,294	483,976	397,068
<u>Total</u>	2,536,045	11,680,901	2,388,432	7,760,046

* includes head office premise and labour accommodation.

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9. INVESTMENT IN ASSOCIATES

	Ownership %	<u>2023</u>	<u>2022</u>
International Water Partners Company ("IWP")	40	9,952,855	6,888,392
International Water Partners Company 2 ("IWP 2")	35	<u>3,454,052</u>	<u>1,413,022</u>
		<u><u>13,406,907</u></u>	<u><u>8,301,414</u></u>

	Ownership %	Opening balance	Additions	Share in profit	Dividend	Closing balance
<u>As at 31 December 2023</u>						
IWP	40%	6,888,392	-	4,435,438	(1,370,975)	9,952,855
IWP2	35%	<u>1,413,022</u>	-	<u>2,041,030</u>	-	<u>3,454,052</u>
		<u><u>8,301,414</u></u>	-	<u><u>6,476,468</u></u>	<u><u>(1,370,975)</u></u>	<u><u>13,406,907</u></u>

	Ownership %	Opening balance	Additions	Share in profit	Dividend	Closing balance
<u>As at 31 December 2022</u>						
IWP	40%	2,715,167	-	4,173,225	-	6,888,392
IWP2	35%	-	175,000	1,238,022	-	<u>1,413,022</u>
		<u>2,715,167</u>	<u>175,000</u>	<u>5,411,247</u>	-	<u><u>8,301,414</u></u>

Following is the summarized financial information of IWP and IWP 2, based on financial statements prepared in accordance with IFRS Accounting Standards as endorsed in KSA:

a) **International Water Partners Company:**

	<u>2023</u>	<u>2022</u>
Revenue	49,707,978	43,960,822
Net profit for the period	9,894,442	9,099,172
Other comprehensive gain for the period	-	1003
Total comprehensive Income for the period	<u>9,894,442</u>	<u>9,100,175</u>
Non-current assets	159,227	349,930
Current assets	45,829,490	29,410,889
Non-current liabilities	1,753,301	1,341,494
Current liabilities	21,703,266	13,296,696
Net Assets	<u>22,532,151</u>	<u>15,122,628</u>
Miahona's interest in net assets of investee at beginning of the year	6,888,392	2,715,167
Share of total comprehensive income	<u>4,435,438</u>	<u>4,173,225</u>
Miahona's interest in net assets of investee at end of the year	<u>9,952,855</u>	6,888,392

b) **International Water Partners Company the second**

	<u>2023</u>	<u>2022</u>
Revenue	32,944,749	18,275,583
Net profit for the period	4,847,879	2,779,355
Other comprehensive gain for the period	-	-
Total comprehensive Income for the period	<u>4,847,879</u>	<u>2,779,355</u>
Non-current assets	278,515	247,689
Current assets	28,153,135	27,134,257
Non-current liabilities	1,209,875	557,555
Current liabilities	19,094,537	23,545,037
Net Assets	<u>8,127,234</u>	<u>3,279,355</u>
Miahona's interest in net assets of investee at beginning of the year	1,413,022	-
Share of total comprehensive income	<u>2,041,030</u>	<u>1,413,022</u>
Miahona's interest in net assets of investee at end of the year	<u>3,454,052</u>	1,413,022

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10. CONCESSION CONTRACT RECEIVABLES

	<u>2023</u>	<u>2022</u>
Concession contract receivables	<u>304,997,099</u>	<u>284,728,330</u>
<i>Classified as:</i>		
- Non-current	270,411,073	263,967,200
- Current	<u>34,586,026</u>	<u>20,761,130</u>
	<u>304,997,099</u>	<u>284,728,330</u>

The movement in concession contract receivables is as follows:

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	284,728,330	292,146,505
Additions for the year (refer note 10.1)	34,563,521	-
Finance income for the year	15,829,062	15,041,162
Amortization for the year	(29,977,727)	(20,476,549)
Modification of the concession contract receivable	-	(1,982,788)
	<u>305,143,186</u>	<u>284,728,330</u>
Allowance for ECL	(146,087)	-
Balance at the end of the year	<u>304,997,099</u>	<u>284,728,330</u>

10.1 During the period, the Group has entered into a long-term operation and maintenance agreement ("LTOM Agreement") with a Government related entity for a period of 10 years. The scope of the LTOM agreement is rehabilitation and remediation work of the water treatment plants while simultaneously providing operation and maintenance services. All the relevant output of the plants will be purchased and off taken by the Government related entity. At the end of the LTOM Agreement, the plants would be transferred back to Government related entity.

11. PREPAYMENTS AND ADVANCES

	2023	2022
Amount paid as margin for bank guarantee	13,036,723	19,026,224
Prepayments and other current assets	13,185,270	7,548,153
Advances to suppliers	<u>13,135,747</u>	<u>4,177,760</u>
	<u>39,357,740</u>	<u>30,752,137</u>
<i>Classified as:</i>		
- Non-current	13,527,315	3,240,493
- Current	<u>25,830,425</u>	<u>27,511,644</u>
	<u>39,357,740</u>	<u>30,752,137</u>

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12. INVENTORIES

	<u>2023</u>	<u>2022</u>
Spare parts	2,970,853	2,344,044
Consumables	1,874,341	1,256,259
Chemicals and other	927,263	899,589
	<u>5,772,457</u>	<u>4,499,892</u>

During 2023, inventories of SR 12.31 million (2022: SR 13.79 million) were recognized as an expense during the year and included in 'Cost of revenue.' In addition, no write down to net realizable value was recognized in respect of inventories during the year (2022: Nil).

13. TRADE AND OTHER RECEIVABLES

	<u>2023</u>	<u>2022</u>
Trade receivables	67,116,913	141,266,514
Less: Impairment allowance for trade receivables	(4,480,484)	(19,239,225)
	<u>62,636,429</u>	<u>122,027,289</u>
Staff and other receivables	285,058	402,733
	<u>62,921,487</u>	<u>122,430,022</u>

The movement of impairment allowance for trade receivables is as follows:

	<u>2023</u>	<u>2022</u>
At the beginning of the year	19,239,225	19,483,352
Impairment loss / (gain) for the year	773,239	(244,127)
Written-off during the year	(15,531,980)	-
At the end of the year	<u>4,480,484</u>	<u>19,239,225</u>

14. CONTRACT ASSETS

	<u>2023</u>	<u>2022</u>
Contract assets	<u>38,082,881</u>	<u>22,629,006</u>

Significant change in the contract assets balance during the year is as follows.

	<u>2023</u>	<u>2022</u>
Opening balance	22,629,006	6,852,470
Unbilled amount during the year (revenue)	15,453,875	25,464,000
Billed amount during the year	-	(9,687,464)
Closing balance	<u>38,082,881</u>	<u>22,629,006</u>

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15. FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

	<u>2023</u>	<u>2022</u>
Fair value of derivative financial instruments – Assets	1,977,120	5,167,411
Fair value of derivative financial instruments – Liability	<u>(387,749)</u>	<u>(804,660)</u>
	<u>1,589,371</u>	<u>4,362,751</u>

The Group has interest rate hedging contracts with several banks to hedge the fluctuations in interest rates on loans with a notional amount of SR 128,052,347 (2022: SR 246,299,111). In this respect the variable rate loans of the Group are hedged to fixed rates.

All derivatives as at 31 December 2023 and 2022 are classified as cash flow hedges. Derivative financial instruments – asset is classified as current asset considering the maturity is in next 12 months whereas derivative financial instruments – liability is classified as non-current liability as the maturity is after more than 12 months as of the reporting date.

Movement in the fair value of derivative instruments is as follows:

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	(4,362,751)	2,982,776
Cash flow hedges – effective portion of changes in fair value	<u>2,773,380</u>	<u>(7,345,527)</u>
Balance at the end of the year	<u>(1,589,371)</u>	<u>(4,362,751)</u>

The table below shows the changes in fair values of derivatives financial instruments, recorded as positive and negative fair value. The notional amounts indicate the volume of transactions outstanding at the year end and are neither indicative of the market risk nor the credit risk.

<i>Description of the derivative instrument</i>	2023		2022	
	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Positive fair value</i>	<i>Negative fair value</i>
Interest Rate Swaps (“IRS”)	-	2,773,380	7,345,527	-

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the rate of the underlying derivative contract may have a significant impact on the equity of the Group.

The Group measures fair value of derivative instruments at each reporting date.

Sensitivity analysis

	<u>2023</u>	<u>2022</u>
Gain / (loss)		
<i>Floating rate debt:</i>		
SAIBOR + 100bps	181,748	(621,254)
SAIBOR - 100bps	(181,748)	621,254

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16. TERM DEPOSITS

	<u>2023</u>	<u>2022</u>
Term deposits with maturities of more than three months*	<u>16,061,000</u>	<u>35,356,000</u>

* includes a restricted term deposit for the purposes of Debt Service Reserve Account ("DSRA"). This can be withdrawn by giving DSRA letter of credit (LC).

17. CASH AND CASH EQUIVALENTS

	<u>2023</u>	<u>2022</u>
Cash at bank	136,093,011	67,712,783
Cash in hand	73,203	108,603
	<u>136,166,214</u>	<u>67,821,386</u>

18. SHARE CAPITAL

18.1 Share capital is divided into 160,925,543 shares of SR 1 each (2022: 5,000 shares of SR 100 each). The value of share capital is distributed as follows:

	<u>2023</u>	<u>2022</u>
Vision International Investment Company	160,925,543	475,000
Estydama Projects Company	-	25,000
	<u>160,925,543</u>	<u>500,000</u>

On 01/05/1445H (corresponding to 15/11/2023G), the shareholders' resolution was approved to increase the Company's share capital from SR 500,000 to SR 160,925,543 by transferring an amount of SR 160,425,543 from "Additional Capital Contribution" account to the "Share Capital" account (refer note 18.2). Additionally the nominal value of the Company's shares was reduced from SR 100 to SR 1 through the split of 1,604,255 shares to 160,425,543 shares, without any change in ownership percentage of the shareholders as mentioned below.

	2023		2022	
	Number of shares	Percentage holding	Number of shares	Percentage holding
Vision International Investment Company	152,879,266	95%	4,750	95%
Estydama Projects Company	8,046,277	5%	250	5%
	<u>160,925,543</u>	<u>100%</u>	<u>5,000</u>	<u>100%</u>

On 12/06/1445H (corresponding to 26/11/2023G), Estydama Projects Company assigned its 8,046,277 shares to Vision International Investment Company without any cash consideration.

	Number of shares	Percentage holding
Vision International Investment Company	160,925,543	100%
Estydama Projects Company	-	0%
	<u>160,925,543</u>	<u>100%</u>

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18. SHARE CAPITAL (Continued)

18.2 As of 31 December, additional capital contribution is as follows:

	2023	2022
Relating to acquisition of ICDOC (a)	-	156,774,496
Relating to acquisition of JECO (b)	-	3,543,169
Relating to acquisition of RWPC (c)	-	107,878
	-	160,425,543

During 2023, share capital of the Company increased by transfer of SR 160,425,543 from additional capital contribution to share capital as follows:

	Additional capital contribution	Share capital
Opening balance - as of 31 December 2022	160,425,543	500,000
Transfer		
• ICDOC (a)	(156,774,496)	156,774,496
• JECO (b)	(3,543,169)	3,543,169
• RWPC (c)	(107,878)	107,878
Closing balance - as of 31 December 2023	-	160,925,543

- a) During 2023, the Company has issued shares to Vision International Investments Company ("VIIC" / "Parent Company") amounting to SR 156,774,496 on completion of legal formalities for issuance of shares by the Company. These shares have been issued in respect of transfer of ownership of ICDOC from the Parent Company to the Company in prior years which required settlement consideration by issuance of shares of the Company.
- b) During 2023, the Company has issued shares to Vision International Investments Company ("VIIC" / "Parent Company") amounting to SR 3,543,169 on completion of legal formalities for issuance of shares by the Company. These shares have been issued in respect of transfer of ownership of JECO from the Parent Company to the Company in prior years which required settlement consideration by issuance of shares of the Company.
- c) During 2023, the Company has issued shares to Vision International Investments Company ("VIIC" / "Parent Company") amounting to SR 107,878 on completion of legal formalities for issuance of shares by the Company. These shares have been issued in respect of transfer of ownership of RWPC from the Parent Company to the Company in prior years which required settlement consideration by issuance of shares of the Company.

18.3 During the year ended 31 December 2023, no dividends were paid by the Company to its shareholders (2022: SR 20,000,000).

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19. LOANS AND BORROWINGS

	2023	2022
Murabaha term loan (a)	213,970,000	247,780,000
Murabaha term loan (b)	214,092,865	219,504,914
Equity bridge loan (EBL) (c)	18,960,373	-
Sub-total	447,023,238	467,284,914
Less: Borrowing cost subject to amortization	(4,472,725)	(5,521,271)
Amortized cost of term loans*	442,550,513	461,763,643
Less: current portion of term loans	(41,828,378)	(39,222,049)
	400,722,135	422,541,594

* Movement of amortised cost of term loans during the year is as follows:

Opening balance	461,763,643	474,323,768
Proceeds received during the year	18,960,373	24,500,000
Repayments made during the year	(39,222,049)	(38,225,720)
Borrowing cost subject to amortization	1,048,546	1,165,595
Closing balance	442,550,513	461,763,643

The Group's facilities utilised and unutilised against loans and borrowings as of 31 December are as follows:

- a. Murabaha facilities of SR 350,000,000 secured from a local bank, which includes non-recourse term-facility of SR 320,000,000 (fully utilized) and a working capital line of SR 30,000,000 (availability period has ended). This facility is secured by an irrevocable and unconditional assignment of proceeds of Dammam and Jeddah projects or any new related contract extensions. These facilities carry financing costs based on Enhanced Saudi Inter Bank Offer Rate (SIBOR) plus margin. The facilities are repayable in unequal semi-annual instalments till maturity date i.e., 28 February 2026. As at 31 December 2023, the Group is in compliance with all stipulated Financial covenants.
- b. The Group signed a Murabaha term loan facility agreement amounting to SR 249,736,000 with a consortium of local banks to finance the construction of a water treatment station. The facilities includes long-term loan of SR 243,786,000 on non-recourse basis and a working capital line of SR 5,950,000 (unutilized). The commission on this loan is charged at a floating rate based on SIBOR plus a margin. The loan is repayable in semi-annual installments with the first installment paid on 30 November 2018 and last installment due on 30 September 2038. As at 31 December 2023, the Group is in compliance with the financial covenants stipulated.
- c. During 2023, the Group signed an Equity bridge loan facility agreement amounting to SR 18,960,373 with a local bank. The commission on this loan is charged at a floating rate based on SAIBOR plus a margin. The maturity date is 14 February 2026 repayable in one bullet payment.

The Group's facilities utilised and unutilised against commitments as of 31 December are as follows:

- d. The Group entered into a bundled facilities arrangement of SR 70,926,207 with a local commercial bank. These facilities include a senior term loan of SR 65,777,644 repayable in unequal quarterly instalments ending on 19 February 2033, a working capital and VAT facility of SR 952,428 and SR 4,196,135 respectively. As at the reporting date, the Group has not withdrawn any amount from these facilities.

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19. LOANS AND BORROWINGS (Continued)

- e. The Group entered into Islamic Credit facilities of SR 60,000,000 (a revolving LGs line) and standby facility of SR 400,000,000 (multi-purpose facility) with a local bank. As at the reporting date, the Group has utilised the revolving LG facility amounting to SR 51,869,313 for issuing bid or performance guarantees (reported under Note 33).
- f. The Group entered into a multi-purpose working capital facility of SR 25,000,000 with a local bank. The facility is mainly available for issuing LGs/LCs. As at the reporting date, has Group has utilised the facility amounting to SR 24,375,000 for issuing the bid and performance guarantees (reported under Note 33).
- g. The Group entered into Islamic Credit facilities (working capital line) of SR 60,000,000 with a local bank. The facility is mainly available for issuing LGs. As at the reporting date, the Group has fully utilised the facility for issuing bid and performance guarantees (reported under Note 33).

20. DEFINED EMPLOYEE BENEFITS OBLIGATION

The Group is committed to the following un-funded post-employment defined benefit plan:

In Kingdom of Saudi Arabia, the plan entitles an employee who completed over two but less than five years of service, to receive a payment equal to one-third of their final monthly salary for each completed year of service. Similarly, an employee who completed over five but less than ten years of service, to receive a payment equal to two-third of their final monthly salary for each completed year of service. Further, an employee who completed over ten years of service, to receive a payment equal to their final salary for each completed year of service.

The following table shows a reconciliation of opening balances to the closing balances for defined employee benefits obligation:

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	16,286,064	15,666,672
<i>Included in profit or loss</i>		
Current service cost	2,446,543	2,504,055
Interest cost	797,377	449,988
	3,243,920	2,954,043
<i>Included in other comprehensive income</i>		
Actuarial loss / (gain) on defined employee benefits obligation	3,715,799	(189,914)
<i>Others</i>		
Benefit paid	(851,887)	(2,143,225)
Transferred from related parties	-	(1,512)
Balance at the end of the year	22,393,896	16,286,064

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20. DEFINED EMPLOYEE BENEFITS OBLIGATION (Continued)

Significant actuarial assumptions

The significant assumptions used in determining defined benefit obligations for the year ended are as follows:

	<u>2023</u>	<u>2022</u>
<u>Economic assumptions</u>		
Discount rate	4.65%	4.75%
Weighted average future salary increases	6.65%	4.75%
<u>Demographic assumptions</u>		
Mortality rate	75%	75%
Retirement age	60	60
Turnover	Moderate	Moderate

Sensitivity analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would affect the defined benefit obligation by the amounts shown below.

<u>Sensitivity level</u>	<u>% of change</u>	<u>2023</u>		<u>2022</u>	
		<i>Increase</i>	<i>Decrease</i>	<i>Increase</i>	<i>Decrease</i>
Discount rate	0.5	21,401,411	23,210,647	15,697,095	16,914,676
Salary growth rate	0.5	23,034,297	21,556,386	16,797,727	15,800,840
Mortality rate	10	22,258,935	22,290,802	16,282,063	16,290,763

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21. OTHER LIABILITIES

	2023	2022
Other liabilities	<u>5,892,326</u>	<u>10,947,580</u>

This represents payable to a Government related entity. Pursuant to an amendment to the original concession arrangement with the Government related entity , a reverse osmosis plant for water utilities and wastewater treatment facilities at the second industrial city in Dammam was made available to the Group. The consideration payable was a fixed amount which was recognized as a liability to the Government related entity. A corresponding intangible asset under IFRIC 12 was recognised by the Group which is being amortised over the period of concession arrangement. This liability is payable to the Government related entity over the period from the proceeds of the operation of the reverse osmosis plant, as stipulated in the amendment to the concession arrangement.

	2023	2022
Current	5,892,326	5,055,254
Non-current	-	5,892,326
	<u>5,892,326</u>	<u>10,947,580</u>

22. DEFERRED REVENUE AND CONTRACT LIABILITY

	2023	2022
Deferred revenue (a)	8,826,186	8,822,822
Contract liability (b)	4,279,496	5,974,551
	<u>13,105,682</u>	<u>14,797,373</u>

(a) Deferred revenue arises from the Group's connection services under service concession contract. Connection services consideration is received upfront, accordingly, the consideration received in respect of connection services is recognized as a deferred revenue and is recognized as revenue on a straight-line basis over the term of the concession arrangement.

(b) The contract liabilities primarily relate to the advance consideration received from customers.

	2023	2022
Opening balance	5,974,551	5,249,805
Revenue recognized during the year	(6,566,577)	(1,105,785)
Billed during the year	4,871,522	1,830,531
Closing balance	<u>4,279,496</u>	<u>5,974,551</u>

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23. TRADE AND OTHER PAYABLES

	<u>2023</u>	<u>2022</u>
Trade payables	20,488,511	31,542,606
Accrued expenses	57,009,224	44,523,068
Due to related parties (note 30.4)	52,185	9,910,506
Retention payable	1,522,040	1,300,912
Advance from customer	391,995	199,664
Value added tax (VAT) payable	1,236,153	1,548,482
Employee accruals	14,276,858	14,050,423
	<u>94,976,966</u>	<u>103,075,661</u>

24. ZAKAT

Charge for the year

The charge for the year represents Zakat charged in the consolidated statement of profit or loss for the Group.

The Group comprise of Saudi companies which present their financial statements and file their Zakat declarations, where applicable, on individual basis to the Zakat, Tax and Customs Authority ('ZATCA') in the Kingdom of Saudi Arabia.

The movement for the year is as follows:

	<u>2023</u>	<u>2022</u>
At the beginning of the year	5,349,242	4,115,597
Charge for the year - current	5,519,040	5,349,242
Charge for the year - prior	815,558	-
Payments during the year	(6,164,800)	(4,115,597)
At the end of the year	<u>5,519,040</u>	<u>5,349,242</u>

Status of assessments

As of 31 December 2023, the Group entities have filed Zakat declarations with ZATCA for all years up to 2022. During 2023, certain assessments of prior periods have been settled with ZATCA. The impact of the same is recognised as a Zakat expense in the consolidated statement of profit or loss of SR 0.8 million.

Miahona Company Limited	ZATCA assessments till 2017, are finalized by ZATCA. Zakat declaration for the years 2018 to 2022 is yet to be assessed by ZATCA.
ICDOC	ZATCA assessments till 2018, are finalized by ZATCA. Zakat declaration for the years 2019 to 2022 is yet to be assessed by ZATCA.
JECO	ZATCA assessments till 2018, are finalized by ZATCA. Zakat declaration for the years 2019 to 2022 is yet to be assessed by ZATCA.
RWPC	ZATCA assessments till 2018, are finalized by ZATCA. Zakat declaration for the years 2019 to 2022 is yet to be assessed by ZATCA.

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25. REVENUE

a) Revenue from contract with customers

	2023	2022
Revenue recognised under service concession arrangements:		
• Water and wastewater services	237,470,528	213,383,995
• Construction revenue - concession contract receivable	34,563,521	-
• Construction revenue - intangible assets	25,632,852	23,642,204
• Connection revenue	953,635	865,870
	298,620,536	237,892,069
Management and engineering services	1,965,144	2,064,850
Operation and maintenance revenue	23,877,218	36,066,153
	324,462,898	276,023,072

Service concession arrangements.

Revenue from the service concession arrangement is recognized as follows:

- i. The amount of consideration to which the Group expects to be entitled from the Grantor for the services provided is recognised when (or as) the performance obligations are satisfied. Under the terms of the arrangement with the Government related entity, the Group is obliged to Build-Operate-Transfer a Water Treatment Station ("WTS") for 28 years.

The total expected consideration over 28 years is allocated to the performance obligations based on the relative stand-alone selling prices of the construction services and operation & maintenance services, taking into account the significant financing component, as follows:
 - For construction services under one BOT arrangement, the Group estimates the relative stand-alone selling price by reference to the forecast cost plus 5%.
 - For operation & maintenance services under one BOT arrangement, the Group estimates the relative stand-alone selling price by reference to the forecast cost plus 7.7%.
 - The implied interest rate of 5.2% is assumed to be the rate that would be reflected in a financing transaction between the Group and the Grantor.
- ii. The amount of consideration to which the Group is entitled to by providing services to the public is recognised when (or as) the performance obligations are satisfied. Under the terms of the arrangement with the Government related entity, the Grantor is not obliged to make any payment to the Group and the Group earns revenue by providing services to the public and charging them for the same. Accordingly, the revenue earned from construction services is recognized as an intangible asset under IFRIC 12, Service Concession Arrangements.
- iii. The amount of consideration to which the Group expects to be entitled from the Grantor for the services provided is recognised when (or as) the performance obligations are satisfied. Under the terms of the arrangement with the Government related entity, the Group is obliged to Rehabilitate-Operate-Transfer a Water Treatment Station ("WTS") for 10 years.

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25. REVENUE (Continued)

The total expected consideration over 10 years is allocated to the performance obligations based on the relative stand-alone selling prices of the rehabilitation services and operation & maintenance services, taking into account the significant financing component, as follows:

- For construction services under one ROT arrangement, the Group estimates the relative stand-alone selling price by reference to the forecast cost plus 5%.
- For operation & maintenance services under one ROT arrangement, the Group estimates the relative stand-alone selling price by reference to the forecast cost plus 5%.
- The implied interest rate of 5.7% is assumed to be the rate that would be reflected in a financing transaction between the Group and the Grantor.

b) Timing of revenue from contract with customers

	<u>2023</u>	<u>2022</u>
Timing of revenue recognition		
- Services transferred over time	324,462,898	276,023,072
- Services at point in time	-	-
	324,462,898	276,023,072

26. COST OF REVENUE

	2023	2022
Amortization of intangible assets arising from service concession (note 7)	39,302,099	36,299,313
Salaries and employee related costs	56,934,818	44,761,392
Royalty	22,152,641	27,129,882
Electricity	18,346,797	14,714,737
Subcontract costs	5,855,866	13,606,221
Chemicals	8,338,623	9,856,471
Maintenance service, spare parts and consumables	4,483,745	7,712,494
Sludge transportation and violated discharge treatment expense	2,271,695	2,204,356
IT Services	1,117,021	1,046,771
Depreciation (note 5)	1,073,462	925,663
Amortization (note 6)	1,533	1,075
Insurance expense	1,538,096	1,667,147
Depreciation of right-of-use assets (note 8)	890,165	823,317
Other	3,680,152	4,773,254
Operation cost	165,986,713	165,522,093
Construction cost	49,068,958	23,642,204
	215,055,671	189,164,297

27. OTHER INCOME

	2023	2022
Other income	470,902	1,647,992
	470,902	1,647,992

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28. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Business development expense	18,459,130	14,440,026
Salaries and employee related costs	10,124,426	8,046,071
IT cost and other utilities	623,370	434,352
Professional fees*	4,440,059	2,982,048
Advertising and training	185,020	47,916
Depreciation (note 5)	1,580,927	1,295,927
Amortization (note 6)	218,022	482,957
Depreciation of right-of-use assets (note 8)	1,645,880	1,565,115
Business travel	283,155	131,705
Other	1,143,221	735,762
	<u>38,703,210</u>	<u>30,161,879</u>

*Auditors' remuneration for the statutory audit of the Group's consolidated financial statements and the financial statements of its subsidiary for the year ended 31 December 2023 amounts to SR 0.86 million (2022: SR 0.49 million). Auditors' remuneration for the review of the Group's interim financial statements for the years ended 2023 and 2022 amounts to SR 1.61 million. Fee for other statutory and related services provided by the auditors to the Group amounts to SR 0.22 million (2022: SR 0.14 million).

29. FINANCE COSTS

	2023	2022
Interest on loans and borrowings*	34,038,723	21,831,666
Less: Borrowing cost capitalized (note 7)	(1,342,986)	(901,886)
	<u>32,695,737</u>	<u>20,929,780</u>
Bank charges	357,486	352,012
Interest on lease liabilities (Note 8)	466,372	317,555
	<u>33,519,595</u>	<u>21,599,347</u>

* includes finance cost relating to Murabaha term loan facilities amounting to SR 31.30 million (2022: SR 21.83 million)

30. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent shareholders, directors and key management personnel of the Group, and entities jointly controlled or significantly influenced by such parties. In the ordinary course of its activities, the Group transacts with related parties at terms mutually agreed between the parties. Balances and transactions between the Group entities are eliminated on consolidation. Details of major transactions and balances between the Group and other related parties are as follows:

Name of related party	Nature of relationship
Abunayyan Trading Company	Shareholder having significant influence over the parent company (VIIC)
Abdulkadir Al-Muhaidib and Sons Company	Shareholder having significant influence over the parent company (VIIC)
Vision International Investment Company (VIIC)	Parent company, Ultimate parent company and Ultimate Controlling Party

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30. RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)

30.1 Transactions with key management personnel

Key management personnel compensation comprised the following:

	<u>2023</u>	<u>2022</u>
Short term employee benefits	<u>11,648,248</u>	<u>11,926,815</u>
Post-employment benefits	<u>662,518</u>	<u>936,300</u>

30.2 Related party transactions

<i>Nature of transaction</i>	<i>Nature of relationship</i>	<i>Transactions</i>	
		<u>2023</u>	2022
Expenses paid on behalf of the related party	Associate	217,809	-
Providing services	Associate	691,125	-
Services received	Parent company	1,917,884	1,917,884
	Shareholder of Parent company	3,853,526	-

30.3 Due from related parties

	<i>Nature of relationship</i>	<i>Balances</i>	
		2023	2022
Toledo Arabia	Subsidiary of parent company	204,010	204,010
International Water Partners	Associate	331,041	199,217
International Water Partner 2			
- Loan*	Associate	3,500,000	3,500,000
- Other receivables	Associate	479,604	1,502,678
		<u>4,514,655</u>	<u>5,405,905</u>

* Above loan balance is charged at a fixed rate and repayable on demand.

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30. RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)

30.4 <u>Due to related parties</u>	<i>Nature of relationship</i>	Balances	
		2023	2022
Vision International Investment Company	Parent company	-	2,211,969
AbuNayyan Trading Company	Shareholder of parent company	52,185	7,698,537
		52,185	9,910,506

All the above balances are unsecured and expected to be paid in next 12 months.

31. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Management assessed that the fair values of cash and cash equivalents, trade and other receivables, trade and other payables approximate their carrying values largely due to the short-term maturities of these financial instruments.

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31. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

A. Accounting classification and fair values

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities including their levels in the fair value hierarchy.

<u>31 December 2023</u>	<u>Carrying amount</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<u>Financial assets measured at fair value</u>					
Fair value of derivative financial instruments	1,977,120	-	1,977,120	-	1,977,120
<u>Financial liabilities measured at fair value</u>					
Fair value of derivative financial instruments	387,749	-	387,749	-	387,749
<hr/>					
<u>31 December 2022</u>	<u>Carrying amount</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<u>Financial assets measured at fair value</u>					
Fair value of derivative financial instruments	5,167,411	-	5,167,411	-	5,167,411
<u>Financial liabilities measured at fair value</u>					
Fair value of derivative financial instruments	804,660	-	804,660	-	804,660

Fair value of derivative financial instruments determined at level 2 represents derivative financial liability/ assets. The fair value is calculated as the present value of estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, future prices and interbank borrowing rates. Estimated cash flow are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark rate used by market participants for this purpose when pricing interest rate swaps.

The following table shows the carrying amounts of financial assets and financial liabilities measured at amortized cost. Carrying value of these financial assets and financial liabilities not measured at fair value is a reasonable approximation of fair value.

Financial instruments by category	<u>2023</u>	<u>2022</u>
	Carrying amount	
Financial assets at amortized cost		
Cash and cash equivalents	136,166,214	67,821,386
Trade and other receivables	62,921,487	122,430,022
Contract assets	38,082,881	22,629,006
Due from related parties	4,514,655	5,405,905
Concession contract receivables	304,997,099	284,728,330
Term deposits	16,061,000	35,356,000
Amount paid as margins for bank guarantees	13,036,723	19,026,224
	<u>575,780,059</u>	<u>557,396,873</u>

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31. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

	<u>2023</u>	<u>2022</u>
	Carrying amount	
Financial liabilities at amortized cost		
Loans and borrowings	442,550,513	461,763,643
Trade and other payables	93,348,818	101,327,515
Lease liabilities	11,275,353	7,484,088
Other liabilities	5,892,326	10,947,580
	553,067,010	581,522,826

B. Financial risk management

The Group has exposure to the following risk arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

C. Risk management framework

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors are responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's board of directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the Group.

i. Credit risk

The Group manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposure arises principally from Group's concession contract receivables, trade and other receivables, contract assets, due from related parties, derivative financial instrument, term deposits and cash and cash equivalents (excluding cash in hand). The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. Below areas with maximum exposure to credit risk for the components of the statement of financial position.

Credit risk related to term deposit, balances in bank and derivative financial instrument

Credit risk from above is managed in accordance with the Group's policy. These are substantially placed with national banks having rating of BBB+ and above as per Moody's credit rating agency. The Group does not consider itself exposed to a concentration of credit risk with respect to banks due to their strong financial background.

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31. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

Amounts due from related parties

An impairment analysis is performed at each reporting date on an individual basis for all related parties. The maximum exposure to credit risk at the reporting date is the carrying value of the amounts due from related parties (note 30). The Group does not hold collateral as security. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operates. The Group evaluates the risk with respect to amounts due from related parties as minimal and accordingly no ECL is recognised.

ECL assessment for trade receivables, contract assets and concession asset receivables

The Group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets measured at amortized cost and contract assets.

The key inputs into the measurement of ECL are the following variables:

- Probability of default (PD) using statistical model
- GDP of KSA, as a macroeconomic variable to adjust the historic loss rate.

Scalar factors are based on actual and forecast gross domestic product growth.

The gross balance of trade receivables, contract assets and concession contract receivables bifurcated between private and Government customers as of 31 December is as follows:

	Gross carrying amount	
	Trade receivables (note 13) and Contract assets (note 14)	Concession contract receivables (note 10)
2023		
Government	64,855,970	305,143,186
Private	40,343,824	-
Total	105,199,794	305,143,186
2022		
Government	135,458,489	284,728,330
Private	28,437,031	-
Total	163,895,520	284,728,330
	Weighted average loss	
	Trade receivables (note 13) and Contract assets (note 14)	Concession contract receivables (note 10)
2023		
Government	389,801	146,087
Private	4,090,683	-
Total	4,480,484	146,087
2022		
Government	15,799,287	-
Private	3,439,938	-
Total	19,239,225	-

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31. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for private customers:

	<u>2023</u>			<u>2022</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss</u>	<u>Loss allowance (%)</u>	<u>Gross carrying amount</u>	<u>Weighted-average loss</u>	<u>Loss allowance (%)</u>
Not due	25,894,666	35,844	0.14%	16,302,965	14,237	0.09%
1-90 days	8,499,504	60,031	0.71%	7,016,839	51,157	0.73%
91-180 days	1,503,244	29,100	1.94%	739,297	39,433	5.33%
181-270 days	69,012	20,050	29.05%	884,855	16,137	1.82%
271-360 days	135,176	75,526	55.87%	39,727	24,652	62.1%
More than 360 days	4,242,222	3,870,132	91.23%	3,453,348	3,294,322	95.4%
	<u>40,343,824</u>	<u>4,090,683</u>		<u>28,437,031</u>	<u>3,439,938</u>	

Trade receivables and Contract assets (Government customers)

	Equivalent to external credit rating	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
<u>2023</u>					
Low risk	A+	0%	64,466,169	-	No
Doubtful: Loss	D	100%	389,801	389,801	Yes
			<u>64,855,970</u>	<u>389,801</u>	
<u>2022</u>					
Low risk	A+	0%	119,659,202	-	No
Doubtful: Loss	D	100%	15,799,287	15,799,287	Yes
			<u>135,458,489</u>	<u>15,799,287</u>	

Concession asset receivables

	Equivalent to external credit rating	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
<u>2023</u>					
Low risk	A+	0.05%	305,143,186	146,087	No
<u>2022</u>					
Low risk	A+	0%	284,728,330	-	No

ii. Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted and include estimated interest till maturity.

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31. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables). The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments:

<u>2023</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>			<u>Total</u>
		<u>1-12 months</u>	<u>1 - 5 years</u>	<u>More than 5 years</u>	
Non-Derivative financial liabilities					
Loans and borrowings	442,550,513	66,482,842	299,452,854	234,194,991	600,130,688
Trade and other payables	93,348,818	93,348,818	-	-	93,348,818
Lease liabilities	11,275,353	2,962,313	3,894,977	8,026,100	14,883,390
Other liabilities	5,892,326	5,892,326	-	-	5,892,326
	<u>553,067,010</u>	<u>168,686,299</u>	<u>303,347,831</u>	<u>242,221,091</u>	<u>715,255,222</u>
Derivative financial liabilities					
Interest rate swaps used for hedging	387,749	-	387,749	-	387,749
	<u>387,749</u>	<u>-</u>	<u>387,749</u>	<u>-</u>	<u>387,749</u>
<u>2022</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>			<u>Total</u>
		<u>1-12 months</u>	<u>1 - 5 years</u>	<u>More than 5 years</u>	
Non-Derivative financial liabilities					
Loans and borrowings	461,763,643	63,129,936	320,966,635	211,173,008	595,269,579
Trade and other payables	101,327,515	101,327,515	-	-	101,327,515
Lease liabilities	7,484,088	2,429,519	3,263,649	3,530,483	9,223,696
Other liabilities	10,947,580	5,507,635	5,439,945	-	10,947,580
	<u>581,522,826</u>	<u>172,394,605</u>	<u>329,670,229</u>	<u>214,703,491</u>	<u>716,768,370</u>
Derivative financial liabilities					
Interest rate swaps used for hedging	804,660	-	804,660	-	804,660
	<u>804,660</u>	<u>-</u>	<u>804,660</u>	<u>-</u>	<u>804,660</u>

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31. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

ii. Market risk

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity prices – will affect the Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Exposure to currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group’s transactions are principally in SR and US Dollars. The SR is pegged to the US Dollar and therefore the currency risk is minimal.

Exposure to interest rate risk

Interest Rate Risk is the exposure associated with the effect of fluctuations in the prevailing interest rates on the Group’s financial position and cash flows.

The interest rate profile of the Group’s interest-bearing long-term financing and funding facilities are as follows:

Financial Liabilities	2023	2022
Fixed rate	128,052,347	246,299,111
Floating rate	318,970,891	220,985,803
	<u>447,023,238</u>	<u>467,284,914</u>

32. CAPITAL MANAGEMENT

For the purposes of the Group’s capital management, capital includes assigned capital and all equity reserves attributable to Group’s shareholders. The primary objective of the Group’s capital management is to maximise value to the shareholder equity. Other objectives include maintaining a positive capital base so as to maintain market and government confidence and to enable development of business in Saudi Arabia.

The Group’s gearing ratios at the year end of the reporting year were as follows.

	2023	2022
Total loans and borrowings	447,023,238	467,284,914
Term deposits	16,061,000	35,356,000
Cash and cash equivalents	136,166,214	67,821,386
Net debt	<u>294,796,024</u>	<u>364,107,528</u>
Equity	<u>391,147,397</u>	<u>338,142,674</u>
Gearing	<u>76%</u>	<u>108%</u>

33. CONTINGENCIES AND COMMITMENTS

As of 31 December, the Group had the following contingencies and commitments:

	<u>2023</u>	<u>2022</u>
Performance guarantees outstanding	86,685,070	30,383,877
Bid Bond	50,059,243	-
Capital Commitments	562,071,704	13,124,625

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34. OPERATING SEGMENTS

The Group's activities and business lines used as a basis for the financial reporting are consistent with the internal reporting process and information reviewed by the Chief Operating Decision Maker (CODM). CODM considers the operations of the Group as a whole as one operating segment as all subsidiaries engage in provision of water utilities and wastewater treatment services.

The Group's revenue, gross profit, total assets and total liabilities pertaining to the Group's operations as a whole are presented in the consolidated statement of financial position and in the consolidated statement of profit or loss and other comprehensive income.

All of the Group's operations are conducted in KSA. Hence, separate geographical information is not disclosed.

Information about major customers:

During the year, two customers (2022: two) accounted for 25% (2022:18%) of the Group's revenue.

35. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the period after Zakat attributable to the equity holders of the parent company by the weighted average number of ordinary shares issued and outstanding at the end of the period.

Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit for the period after Zakat attributable to the equity holders of the parent company by the weighted average number of ordinary shares issued and outstanding at the end of the period after adjustment for the effects of all potential ordinary shares in respect of additional capital contribution.

<u>Particulars</u>	Basic EPS for year ended		Diluted EPS for year ended	
	31 December 2023	2022*	31 December 2023	2022*
Profit attributable to ordinary shareholders	56,718,308	50,110,047	56,718,308	50,110,047
Weighted average number of ordinary shares (number of shares)	160,925,543	160,925,543	160,925,543	160,925,543
Basic earnings per share	0.35	0.31	0.35	0.31

* Share conversion is considered for 2022 as there is no change in resources in 2023 compared to 2022 (refer note 18).

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36. COMPARATIVE FIGURES

Certain of the 31 December 2022 balances have been reclassified to conform to the presentation as at 31 December 2023. These changes were made for better presentation of balances and transactions in the consolidated financial statements of the Group. These changes do not have impact on the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity.

Financial statement line item	Balance as previously stated	Effect of reclassification	Balance as reclassified
Prepayments and advances (non-current)	--	3,240,493	3,240,493
Prepayments and advances (current)	32,234,637	(4,722,993)	27,511,644
Trade and other receivables	128,776,603	(6,346,581)	122,430,022
Due from related parties	--	5,405,905	5,405,905
Term deposits	--	35,356,000	35,356,000
Cash and cash equivalents	103,177,386	(35,356,000)	67,821,386
Trade and other payables	105,498,837	(2,423,176)	103,075,661
Other liabilities (non-current)	10,947,580	(5,055,254)	5,892,326
Other liabilities (current)	--	5,055,254	5,055,254

37. EVENTS AFTER THE REPORTING DATE

Other than what is disclosed in note 1, no events have occurred subsequent to the reporting date and before the issuance of these consolidated financial statements which requires adjustment to, or disclosure, in these consolidated financial statements.

38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of directors on 25 March 2024 (corresponding to 10 DHU AL-HIJJAH 1444H)