ALKHORAYEF WATER AND
POWER TECHNOLOGIES COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
together with the
Independent Auditor's Report

ALKHORAYEF WATER AND POWER TECHNOLOGIES COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

Headquarters in Riyadh

شركة كي بي إم جي للاستشارات المهنية مساهمة مهنية
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 Alkhorayef Water and Power Technologies Company

Opinion

We have audited the consolidated financial statements of **Alkhorayef Water and Power Technologies Company** ("the Company") and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statements of profit or loss and 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 2024, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") 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 judgment, 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 Alkhorayef Water and Power Technologies Company (Continued)

Revenue recognition	
See notes (3.c) and (4.2.4) for the accounting policies related to the revenue recognition and note (24) for the related disclosure in the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
During the year ended 31 December 2024, the Group recognized total revenues of SR 1,952 million from its contracts with customers. Revenue recognition is considered a key audit matter as revenue is a key financial indicator for performance measurement which may create incentive for improper revenue recognition.	Our audit procedures included, among others, the following: • Obtained an understanding of the revenue process and relevant key controls related to revenue recognition. • Evaluated the design and implementation and tested the operating effectiveness of the key controls. • Assessed the appropriateness of accounting policies based on the requirements of relevant accounting standards. • Inspected a sample of contracts to validate that revenue recognition was in accordance with the contract terms and relevant accounting standards. • Tested a sample of transactions for performance obligations and traced these transactions to underlying source documents. • Tested transactions on sample basis to assess whether revenues were recognized in correct accounting period. • Assessed the adequacy of disclosures in the consolidated financial statements considering the requirements of relevant accounting standards.

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 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, the 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 skepticism 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

KPMG

Independent auditor's report

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **Alkhorayef Water and Power Technologies Company ("the Company") and its subsidiaries ("the Group").**

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Professional Services Company

Fahad Mubark Al Dossari
License No: 469

Riyadh on: 23 Ramadan 1446H
Corresponding to: 23 March 2025

كي بي إم جي للاستشارات المهنية
ترخيص رقم ٤٦
Lic No. 46
C.R. 1010425494
R : 2
KPMG
KPMG Professional Services

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2024

	Note	*2024* *SR*	*2023* *SR*
ASSETS			
Non-Current Assets			
Property and equipment	7	**340,703,773**	307,847,561
Intangible assets		**2,178,076**	-
Right-of-use assets	8	**1,814,487**	4,954,455
Equity accounted investees	6	**7,411,097**	9,847,195
Concession contract receivables	9	**254,588,114**	-
Capital advances		**10,020,303**	7,712,875
Total non-current assets		**616,715,850**	330,362,086
Current assets			
Concession contract receivables	9	**112,674,503**	-
Inventories	10	**123,377,280**	129,003,480
Prepayments and other assets	11	**178,863,373**	125,449,144
Contract assets	12	**563,994,315**	501,214,655
Trade and other receivables	13	**462,461,151**	436,945,261
Cash and cash equivalents	14	**322,293,581**	69,143,003
Total current assets		**1,763,664,203**	1,261,755,543
Total assets		**2,380,380,053**	1,592,117,629
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**350,000,000**	250,000,000
Statutory reserve	18	**46,474,071**	46,474,071
Retained earnings		**365,768,847**	235,766,628
Actuarial valuation reserve	19	**6,660,353**	5,349,930
Other reserves of equity-accounted investees	6	**7,339,581**	-
Total equity		**776,242,852**	537,590,629
Non-current liabilities			
Employees' defined benefit liabilities	19	**60,496,464**	52,294,005
Lease liabilities	8	**524,397**	3,346,085
Term loans	20	**166,836,326**	114,950,726
Total non-current liabilities		**227,857,187**	170,590,816
Current liabilities			
Trade payables, accruals and other liabilities	22	**698,606,778**	416,076,345
Advance from customer		**93,526,694**	-
Provisions	23	**34,252,683**	23,510,517
Zakat payable	30	**16,527,051**	15,287,675
Lease liabilities	8	**1,071,500**	1,460,000
Term loans	20	**532,295,308**	427,601,647
Total current liabilities		**1,376,280,014**	883,936,184
Total liabilities		**1,604,137,201**	1,054,527,000
Total equity and liabilities		**2,380,380,053**	1,592,117,629

These consolidated financial statements have been authorised for issuance by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

Chairman of Board of Directors | Chief Executive Officer | Chief Financial Officer

The attached notes 1 to 38 form an integral part of these financial statements

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
For the year ended 31 December 2024

	Note	***2024*** ***SR***	*2023* *SR*
Revenue	24	**1,952,145,192**	1,679,811,258
Cost of revenue	25	**(1,567,820,904)**	(1,415,726,637)
Gross profit		**384,324,288**	264,084,621
Other income	29	**16,852,193**	8,196,762
Selling and distribution expenses	26	**(6,011,423)**	(691,303)
General and administrative expenses	27	**(76,349,555)**	(67,143,191)
Impairment loss on trade receivables and contract assets	12 & 13	**(22,272,670)**	(2,925,772)
Gain on sale of property and equipment		**2,197,282**	279,900
Other expense		**(365,813)**	(286,061)
Operating profit		**298,374,302**	201,514,956
Finance income		**9,708,862**	782,195
Finance cost	28	**(48,112,404)**	(41,323,208)
Share of loss from an equity accounted investees	6	**(13,436,581)**	(5,754,405)
Profit before zakat		**246,534,179**	155,219,538
Zakat	30	**(16,531,960)**	(15,197,940)
Profit for the year		**230,002,219**	140,021,598
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Re-measurement of employee end of service benefits	19	**1,310,423**	(12,347)
Items that will be reclassified subsequently to profit or loss:			
Share of other comprehensive income from equity accounted investees		**7,339,581**	-
Other comprehensive income / (loss)		**8,650,004**	(12,347)
Total comprehensive income for the year		**238,652,223**	140,009,251
Basic and diluted earnings per share:			
Profit for the year attributable to ordinary equity holders	17	**6.57**	4.00

These consolidated financial statements have been authorised for issuance by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

Chairman of Board of Directors — Chief Executive Officer — Chief Financial Officer

The attached notes 1 to 38 form an integral part of these financial statements

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2024

	Share capital SR	*Statutory reserve SR*	*Retained earnings SR*	*Actuarial valuation reserve SR*	*Other reserves of equity-accounted investees*	*Total SR*
At 1 January 2023	250,000,000	32,471,911	109,747,190	5,362,277	-	397,581,378
Profit for the year	-	-	140,021,598	-	-	140,021,598
Other comprehensive income for the year	-	-	-	(12,347)	-	(12,347)
Total comprehensive income for the year	-	-	140,021,598	(12,347)	-	140,009,251
Transfer to statutory reserve	-	14,002,160	(14,002,160)	-	-	-
At 31 December 2023	250,000,000	46,474,071	235,766,628	5,349,930	-	537,590,629
At 1 January 2024	**250,000,000**	**46,474,071**	**235,766,628**	**5,349,930**	**-**	**537,590,629**
Profit for the year	**-**	**-**	**230,002,219**	**-**	**-**	**230,002,219**
Other comprehensive income for the year	**-**	**-**	**-**	**1,310,423**	**7,339,581**	**8,650,004**
Total comprehensive income for the year	**-**	**-**	**230,002,219**	**1,310,423**	**7,339,581**	**238,652,223**
Transferred to share capital (note 15)	**100,000,000**	**-**	**(100,000,000)**	**-**	**-**	**-**
Transfer to statutory reserve	**-**	**-**	**-**	**-**	**-**	**-**
At 31 December 2024	**350,000,000**	**46,474,071**	**365,768,847**	**6,660,353**	**7,339,581**	**776,242,852**

These consolidated financial statements have been authorised for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

Chairman of Board of Directors   Chief Executive Officer   Chief Financial Officer

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

ALKHORAYEF FOR WATER AND POWER TECHNOLOGIES COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2024

	Note	2024 SR	2023 SR
OPERATING ACTIVITIES			
Profit for the year before zakat		**246,534,179**	155,219,538
Adjustments to reconcile profit before zakat to net cash flows:			
Depreciation of property and equipment	7	**54,768,029**	47,019,479
Depreciation of right-of-use assets	8	**1,267,474**	1,822,390
Write-off of property and equipment		**1,119,354**	-
Gain on sale of property and equipment		**(2,197,282)**	(279,900)
Employees' end of service benefits-current service cost	19	**14,908,374**	12,595,122
NRV adjustment to inventories	10	**-**	314,803
Finance income	6	**(1,054,838)**	(782,195)
Finance costs	28	**48,112,404**	41,323,208
Allowance for expected credit losses on trade receivables	13	**4,634,516**	786,233
Allowance for expected credit losses on contract assets	12	**17,638,154**	2,139,539
Provisions		**14,606,908**	15,028,200
Share of loss from equity accounted investees	6	**13,436,581**	5,754,405
Loss on termination of lease contracts		**-**	5,832
		413,773,853	280,946,654
Working capital adjustments:			
Inventories		**5,626,200**	(72,664,549)
Prepayments and other assets		**(53,414,229)**	(43,366,521)
Contract assets		**(80,417,814)**	(77,314,031)
Concession contract receivable		**(367,262,617)**	-
Trade and other receivables		**(30,150,406)**	(221,245,493)
Advance from customer		**93,526,694**	(81,682,825)
Trade payables, accruals and other liabilities		**282,240,279**	271,805,403
Cash flows generated from operations		**263,921,960**	56,478,638
Employees' end of service benefits paid	19	**(7,553,231)**	(5,740,871)
Finance cost paid		**(45,664,511)**	(37,558,073)
Zakat Paid	30	**(15,292,584)**	(9,468,700)
Net cash generated from operating activities		**195,411,634**	3,710,994
INVESTING ACTIVITIES			
Purchase of property and equipment	7	**(89,389,953)**	(53,827,708)
Proceeds from sale of property and equipment		**2,843,640**	1,420,086
Movement of capital advances		**(2,307,428)**	-
Addition to intangible assets		**(2,178,076)**	-
Investment in an equity accounted investee	6	**(50,000)**	-
Additional loan provided to equity accounted investee	6	**(7,448,000)**	(3,675,000)
Repayment of loan from equity accounted investee	6	**1,027,194**	-
Net cash used in investing activities		**(97,502,623)**	(56,082,622)
FINANCING ACTIVITIES			
Proceeds from term loans	20	**879,243,210**	528,605,803
Repayment of term loans	20	**(722,663,949)**	(489,869,801)
Payment of principal portion of lease liability	8	**(1,337,694)**	(1,851,596)
Net cash generated from financing activities		**155,241,567**	36,884,406
Change in cash and cash equivalents		**253,150,578**	(15,487,222)
Cash and cash equivalents at the beginning of the year		**69,143,003**	84,630,225
Cash and cash equivalents at the end of the year	14	**322,293,581**	69,143,003
Significant non-cash transactions:			
Recognition of right of use assets and lease liability	8	**976,308**	1,367,165
Share capital transferred from retained earnings	15	**100,000,000**	-

These consolidated financial statements have been authorised for issuance by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

Chairman of Board of Directors | Chief Executive Officer | Chief Financial Officer

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

1 CORPORATE INFORMATION

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

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

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

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

The Company has the following branches:

Branch Commercial Registration Number	*Branch*	*Date of registration*
1010468210	Riyadh	22 Jumada'I 1438H
1010615747	Riyadh	7 Rabi'II 1441H
2050125508	Dammam	2 Ramadan 1440H
1009099162	Riyadh	13 Rabi'I 1446H
1009099163	Riyadh	13 Rabi'I 1446H
4032275310	Taif	26 Shawwal 1445H

On 12 Safar 1443H (corresponding to 12 September 2023), the Company established a new branch in Iraq which is not operational as at 31 December 2024.

The Company has adopted the new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 September 2022) (hereinafter referred as "the Law") which came into force on 26/6/1444 H (corresponding to 19 January 2023). The management has assessed the impact of the New Companies Law and amended its By-laws for any changes to align the By-laws to the provisions of the Law. Such amendement has been approved by the Shareholders of the Company on 23 May 2024 (corresponding to 15 Dhul-Qa-dah 1445H) and also registered with the Ministry of Commerce.

1.1 Investment in subsidiaries

Company	Origin	Date of incorporation	Principal activity	Capital
- The Fifth Package Development Company for Environmental Services	Saudi Arabia	9 October 2023	Water and waste collection and management, environmental pollution control.	SR 100,000
- The Sixth Package Development Company for Environmental Services	Saudi Arabia	21 January 2024	Water and waste collection and management, environmental pollution control.	SR 100,000
- The Seventh Package Development Company for Environmental Services	Saudi Arabia	3 July 2024	Water and waste collection and management, environmental pollution control.	SR 100,000

1 CORPORATE INFORMATION (CONTINUED)

1.2 Investment in joint arrangements

The Company has the following joint arrangements:

Join operations name	Location	Principal activities	Percentage of ownership 2024	2023
- Engineering, procurement and construction for Rayis-Rabigh project (EPC)*	Kingdom of Saudi Arabia	Engineering, procurement and construction	50%	-
- Operation and Maintenance for Hadda and Arana Wastewater Treatment Plants in Mecca ("Mecca)	Kingdom of Saudi Arabia	Operations and Maintenance	49%	49%

Such unincorporated joint arrangements, whereby the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement, are classified as joint operations. In the accompanying consolidated financial statements, the Group reports its assets, including its share of any assets held jointly, its liabilities, including its share of any liabilities incurred jointly, its revenue including its share of the revenue from the sale of the output by the joint operation and its expenses, including its share of any expenses incurred jointly.

* During the current period, the Company entered into a new joint operation with Tecnicas De Desalinizacion De Aguas S.A (“Tedagua”) whereby the Company and Tedagua assumed an economic activity subject to joint control. The purpose of setting-up this operation is to collaborate with Innovative Water Transport Development Company, a joint venture company (see note 6) for engineering, procurement and construction works in relation to a long-term project.

These consolidated financial statements include the activities of the Company and its subsidiaries and joint operations (collectively referred to as the “Group”).

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Historical cost convention

These financial statements have been prepared under the historical cost basis, except for the obligation of the employees’ end of services benefits that is measured at the present value of defined benefit obligation, which has been actuarially valued using the projected unit credit method.

2.3 Functional and presentation currency

The financial statements are presented in Saudi Riyals, which is also the functional and presentation currency of the Company and its subsidiaries.

2.4 Going concern

The Group’s management has made an assessment of the Group’s ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern. Therefore, the Group’s financial statements continue to be prepared on the going concern basis.

2.5 Basis of consolidation

Subsidiaries
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.

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

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses and cash flows relating to transactions arising from intra-group transactions, are eliminated. Unrealised gains, if any, 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.

Interest in equity-accounted investees
The Group's interests in equity-accounted investees comprise interest in associates and a joint venture.

Associates are those entities in which the Group has a significant influence, but no control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interest in associates and the joint venture are accounted for under the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

3 MATERIAL ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

a) Investments in joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

a) Investments in joint arrangements (continued)

Joint operations
A joint operation is an arrangement whereby the parties that have joint control on the arrangement, have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held assets or incurred liabilities, revenues and expenses for its joint operations.

b) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period; or
- It does not have the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

c) Revenue recognition

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers. The Group applies the five-step model as established under IFRS 15 in recognizing revenue arising from contracts with customers.

The Group is in the business of providing contracting services (“Project Services”) and operations and maintenance services for water treatment plants and water networks, wastewater treatment plants and wastewater networks, as well as other water related infrastructure assets such as stormwater networks (“Operations and Maintenance” or “O&M”). Further, the group has also entered into certain service concession arrangements.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty.

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

c) Revenue recognition (continued)

The Group provides different types of goods and services to its customers, mainly including;

- ***Project Services contracts:*** Project services contracts generally encompass the design, engineering, procurement, construction, testing, commissioning, upgrade and rehabilitation of water and wastewater assets.

- ***Revenue from Operations and Maintenance:*** The O&M services include all the activities related to operating, repairing, restoring and maintaining the water and wastewater functional infrastructure. These activities encompass functional checks, servicing, repairing or replacing of necessary parts and ancillary technical services intended to retain or restore a functional unit. The Group principally operates in fixed unit price and goods or services promised under the contract (Contract Bill of Quantity "BoQ").

- ***Revenue from Service Concession Arrangements***: The Group has entered into service concession arrangements during the current year with the National Water Company (NWC) (referred as the "Grantor"). As per the terms of the arrangement, the Group is obligated to rehabilitate, operate and maintain existing sewage treatment plants located in the Manfouha, Heet and Al-Ehsa areas of Riyadh. As per terms of the arrangement, the management classifies these services as "Rehabilitate-Operate-Transfer" under IFRIC 12. At the end of the operation period (15 years), the plants will be transferred to the Grantor for "nil" consideration. Under IFRIC 12: Service concession arrangements, the Group recognizes a "financial asset arising from service concession arrangement", when it has an unconditional contractual right to receive cash or another financial asset from the Grantor for the construction services provided.

Each of the above services may have 1 or more performance obligations depending on the specific terms of the contract. Identification of the performance obligation is performed as per the guidance provided by Step-2 of 5 step model as defined by IFRS 15.

Generally, the performance obligation of the group is carried out over time, rather than at a point in time, since the customer simultaneously receives and consumes the benefits offered by the Group's performance as the service is provided. Additionally, the entity's performance does not create an asset with an alternative use to the entity, and the entity has an enforceable right to payment for performance completed to date.

For the method of measuring the progress of performance obligation, Group has established certain criteria that are consistently applied in respect of similar performance obligations. These criteria are reviewed to assess whether the revenue should be recognized by the group on input basis or output basis. The group chooses the basis that is deemed best to depict the transfer of control of goods or services to the customer.

Variable consideration
If the consideration promised in a contract includes a variable amount, this amount is recognized only to the extent that it is highly probable that a significant reversal in the amount recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Significant financing component
The Group adjusts the promised amount of consideration for the time value of money if the contract contains a significant financing component. For cases where the timing of receiving the amount and the transfer of the goods or services is less than 1 year, the Group opts for the practical expedient as provided in IFRS 15.

Contract balances
- ***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.
- ***Contract liabilities*** - a contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

c) Revenue recognition (continued)

When a contract contains multiple performance obligations in which some performance obligations are leading to contract asset position while other performance obligations are leading to contract liability position, the Group presents a single contract asset or liability representing the net position of the contract as a whole.

Trade receivable - a receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Offsetting
Contract assets and contract 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.

d) *Cost of revenue*

Costs of revenue includes costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labor costs (including site supervision); costs of materials used; depreciation of equipment used on the contract; subcontractor costs; costs of design, and technical assistance that is directly related to the contract.

e) Zakat and Indirect Taxes

Zakat
The Group is subject to zakat in accordance with the regulations of Zakat, Tax and Customs Authority ("ZATCA"). Provision for zakat for the Group is charged to the statement of profit or loss and other comprehensive income.

Value added tax "VAT"
Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Withholding tax
The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law. This liability is recorded when amounts are paid to the non-resident parties

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

f) Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of profit or loss as incurred. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

• Buildings	33 years
• Heavy machines	7 years
• Furniture and fixtures	7 years
• Motor Vehicles	5 years

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

g) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of assets (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

h) *Finance income and finance costs*

The Group's finance income and finance costs include:

- Interest income,
- Interest expense

Interest income or expenses is recognized under the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or the amortised cost of the liability. However, for the financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

The Group presents finance costs paid under operating activities in the Consolidated Statement of Cash Flows as the financial liabilities to which the interest relates have been taken out by the Group as part if its normal business operations.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

i) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method.

Cost includes expenditure incurred in acquiring the inventories and costs incurred in bringing them to their existing location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal. Cost of finished goods and goods for resale is determined based on the purchase cost on a weighted average basis.

j) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The fair value less costs of disposal is determined by taking into account recent market transactions. If no such transactions can be identified, an appropriate valuation model is used.

The value in use is assessed by discounting the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

k) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks, cash in hand and deposits with original maturity period of less than 90 days.

l) Provisions

General
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Onerous contracts
If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

m) Employees' benefits

Short-term employees' benefits
Short-term employees' benefits are expensed as the related services are provided. A liability is recognised 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.

Employee benefits
Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves and air fare allowance that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

End-of-services benefits obligation
The Group primarily has end of service benefits which qualifies as defined benefit plans. The liability recognized in the consolidated statement of financial position is the Defined Benefit Obligation ("DBO") at the reporting date.

DBO is re-measured on a periodic basis by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. For instances where there is no deep market in such bonds, the market rates on government bonds are used. The discount rate is based on government bond yields in KSA.

The net interest cost is calculated by applying the discount rate to the net balance of the DBO. This cost is included in employees' salaries and other benefits expense in the consolidated statement of income.

Re-measurement gains and losses arising from changes in actuarial assumptions are recognized in the period in which they occur in OCI. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognized immediately in the consolidated statement of income as past service costs.

Current and past service costs related to end-of-service benefits and unwinding of the liability at discount rates used are recognized immediately in the consolidated statement of income. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in OCI.

The actuarial valuation process takes into consideration the provisions of the Saudi Arabian Labour and Workmen Law as well as the Group's policy.

n) Accounts payable and other liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. These are initially recognised at fair value and subsequently remeasured at amortised cost.

o) 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.

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.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

4.1 Judgements

The following are the key areas that involved judgement from management.

4.1.1 Determination of control, joint control and significant influence

Judgments are applied in the determination of whether control, joint control or significant influence is present with respect to investments in subsidiaries, joint arrangements or associates. For control, judgment is applied when determining if an entity is controlled by voting rights, potential voting rights or other rights granted through contractual arrangements and includes considering an entity's purpose and design.

For joint control, judgment is applied when assessing whether the arrangement is jointly controlled by all of its parties or by a group of the parties by taking decisions about relevant activities through unanimous consent of the parties sharing control. For joint control, judgment is also applied as to whether the joint arrangement is classified as a joint venture or joint operation taking into account specific facts and circumstances, such as the purpose and design of the arrangement, including with respect to its output, its relationship to the parties and its source of cash flows.

For significant influence, judgment is applied in its determination by assessing factors such as representation on the board of directors, participation in policy-making processes, material transactions with the entity, interchange of managerial personnel and provision of essential technical information.

4.2 Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Information about the assumption and estimation uncertainties is included in the following areas:

4.2.1 Useful life of property and equipment

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

4.2.2 Allowance and adjustments to net realizable value

The Group recognises an allowance for inventory losses due to factors such as obsolescence, physical damage etc. The estimation of such losses includes the consideration of factors including but not limited to introduction of new models or technology by the manufacturer, past trends and both existing and emerging market conditions.

4.2.3 Provision for expected credit losses (ECLs) of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables, retention receivables and contract assets. The provision matrix is initially based on the Group historical observed default rates. The Group calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.2 Estimates and Assumptions (continued)

4.2.3 Provision for expected credit losses (ECLs) of trade receivables and contract assets (continued)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic condition may also may not be representative of customers actual default in future. The information about the ECLs on the Group trade receivables and contract assets is disclosed in note 12 and 13 respectively.

4.2.4 Revenue recognition – measure of progress

Majority of the service provided by the Groups is of nature where revenue is recognized on over time basis. Recognition of the revenue over time is impacted by the measure of progress. Revenue is recognized based on direct measurements of the value of goods or services transferred to the customer/ percentage of contract completion. In certain circumstances, where precise measure of progress cannot be calculated, the Group applies judgment to estimate the value of the goods or services transferred to date, adjusting revenue recognition accordingly.

4.2.5 Employees' defined benefit

The cost of the defined benefit liability and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employees turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate and future salary increase. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AAA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality.

Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds. Future salary increases are based on expected future inflation rates, seniority, promotion, demand and supply in employment market. The mortality rate is based on publicly available mortality tables for the Country. Those mortality tables tend to change only at intervals in response to demographic changes. Further details about employees' end of service are provides in note 19.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

New and amended standards and interpretations that are effective in current year

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024.

- Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Supplier Finance Arrangement – Amendments to IAS 7 and IFRS 7

Management has assessed that there is no significant impact on the financial statements as a result of applying the above amendments.

New and revised IFRS in issue but not yet effective and not early adopted

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

New and revised IFRSs	Effective for annual periods beginning on or after
Lack of Exchangeability – Amendments to IAS 21	1 January 2025
Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7	1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027

6 EQUITY ACCOUNTED INVESTEES

Investee name	Nature	Origin of operations	Principal activities	Percentage of ownership 2024	Percentage of ownership 2023
- Innovative Water Transport Development Company	Joint venture	Saudi Arabia	Operations and Maintenance	**50%**	50%
- Erwaa Water Company ("EWC")	Associate	Saudi Arabia	Operations and Maintenance	**49%**	49%

Investee name	Note	Carrying value 2024 SR	Carrying value 2023 SR
Innovative Water Transport Development (IWTD)	6.1	**7,411,097**	**-**
Erwaa Water Company ("EWC")	6.2	-	**-**
Loan to associate		-	9,847,195
Total		**7,411,097**	9,847,195

Movement in the equity accounted investees during the year was as follows:

2024	**EWC** SR	**IWTD** SR	**Total** SR
At the beginning of the year	**-**	**-**	**-**
Additions during the year	**-**	**50,000**	**50,000**
Obligation for loss – opening balance (note 23)	**(7,632,952)**	**-**	**(7,632,952)**
Share of (loss)/income	**(13,458,097)**	**21,516**	**(13,436,581)**
Share in other comprehensive income	**-**	**7,339,581**	**7,339,581**
Loan transfer to long term interest in associate (note 6.2)	**17,322,839**	**-**	**17,322,839**
Obligation for loss - ending balance (note 23)	**(3,768,210)**	**-**	**(3,768,210)**
At the end of the year	**-**	**7,411,097**	**7,411,097**

2023	EWC SR	IWTD SR	Total SR
At the beginning of the year	-	-	-
Obligation for loss – opening balance (note 23)	(1,878,547)	-	(1,878,547)
Share of loss	(5,754,405)	-	(5,754,405)
Share in other comprehensive income	-	-	-
Obligation for loss - ending balance (note 23)	(7,632,952)	-	(7,632,952)
At the end of the year	-	-	-

6 EQUITY ACCOUNTED INVESTEES (CONTINUED)

6.1 Innovative Water Transport Development (IWTD)

The Group entered into an agreement with Cobra Group to establish a limited liability company named Innovative Water Transport Development Company ("IWTD"). Accordingly, IWTD was established with paid up capital of SR 100,000 (100 shares of SR 1,000 each) on 11 Rabi Al-Alkhirah 1445H (corresponding to 26 October 2023) with commercial registration number 4030529953.

IWTD is a joint venture in which the Company has a 50% ownership interest. The Company and the co-venturer have appointed 2 members each to the Board of IWTD. Given that decisions regarding relevant activities are taken through unanimous approval of the Board, the Company does not have the power to unilaterally direct the relevant activities of IWTD.

IWTD is structured as a separate vehicle and the Company has a residual interest in the net assets of IWTD. Accordingly, the Company has classified its interest in IWTD as a joint venture.

IWTD is licensed to engage in water supply and water transportation and storage in accordance with the license of the Saudi Arabian General Investment Authority ("SAGIA").

The following is the summarized financial information of IWTD, based on its financial statements prepared in accordance with IFRS:

	2024 **SR**	2023 SR
Total current assets (including cash and cash equivalents of SR 16.3m)	**288,852,845**	-
Total non-current assets	**594,678,771**	-
Total current liabilities (including current financial liabilities excluding trade and other payables and provisions of SR 23.6m)	**(54,883,191)**	-
Non-current liabilities	**(813,826,232)**	-
Net assets	**14,822,193**	-
Carrying amount of interest in associate at 50%	**7,411,097**	-

	2024 **SR**	2023 SR
Revenue	**594,122,453**	-
Depreciation and amortization	**(108,122)**	-
Interest expense	**(38,070,472)**	-
Tax and zakat	**(8,608)**	-
Profit for the year	**43,031**	-
Other comprehensive income for the year (note 6.1.a)	**14,679,162**	-
Total comprehensive income for the year	**14,722,193**	-
Group's share of total comprehensive income for the year at 50%	**7,361,097**	-

a) As at 31 December 2024, IWTD held Interest Rate Swaps ("IRS") of a notional value of SR 2.10 billion (31 December 2023: SR Nil), in order to hedge its exposure to special commission rate risks related to term financing. Changes in the fair value of the Interest Rate Swaps have been recognized in other comprehensive income. The cash flow hedge reserve represents the effective portion of cash flow hedges.

6 EQUITY ACCOUNTED INVESTEES (CONTINUED)

6.2 Erwaa Water Company ("EWC")

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

The Group has paid SR 245,000 representing 49% of share capital to EWC. The Group has determined that it has significant influence because it has meaningful (but not majority) representation on the Board of Directors of the associate. The investment is accounted for using the equity method in these financial statements. EWC had no contingent liabilities or capital commitments as at 31 December 2024.

The following is the summarized financial information of EWC, based on its financial statements prepared in accordance with IFRS:

	2024	2023
	SR	SR
Total current assets (including cash and cash equivalents – 2024: SR 4.6m, 2023: SR 0.3m)	**28,498,317**	48,331,696
Total non-current assets	**3,658,214**	3,823,945
Total current liabilities (including current financial liabilities excluding trade and other payables and provisions – 2024: SR 1.8m, 2023: SR 2m)	**(23,393,110)**	(39,636,737)
Non-current liabilities	**(51,806,379)**	(28,096,372)
Net liabilities	**(43,042,958)**	(15,577,468)
Group's share of interest in associate at 49%	**(21,091,049)**	(7,632,959)

	2024	2023
	SR	SR
Revenue	**40,176,475**	48,914,005
Depreciation and amortization	**814,277**	812,385
Interest expense	**(2,134,330)**	1,142,525
Tax and zakat	**491,749**	642,091
Loss for the year	**(27,465,504)**	(11,743,683)
Group's share of loss for the year at 49%	**(13,458,097)**	(5,754,405)

The cumulative share of loss amounting to SR 21.34 million has exceeded the carrying value of investment as at 31 December 2024 by SR 21.10 million. The Group has recognized additional losses as an obligation and has presented under the liabilities since the Group has a legal obligation to record additional losses in proportion of its ownership percentage in accordance with terms of the agreement. This obligation amount has been adjusted against the loan given to the associated company and considered as long-term interest in associate. EWC is expected to generate profits over the life of the project.

During the year ended 31 December 2022, shareholders of EWC agreed to provide funding to EWC to support its working capital requirements in proportion of their ownership percentage. Accordingly, an agreement between the Company and EWC was signed, under which the Company agreed to provide a maximum loan amount of SR 22.1 million. The loan carries rate of 3-month SIBOR plus profit margin and has a maturity date of 4 May 2028 when the principal portion of the loan is due in full. During the year ended 31 December 2024 the Company has provided additional funding of SR 7.45 million (2023: SR 3.68 million) proportionate to its share in the EWC.

Loan to associate:

	2024	2023
	SR	SR
Opening balance	**9,847,195**	5,390,000
Addition during the year	**7,448,000**	3,675,000
Interest income	**1,054,838**	782,195
Repayments	**(1,027,194)**	-
Transfer to long-term interest in associate*	**(17,322,839)**	-
Closing balance	**-**	9,847,195

*****During the current year, the Group has transferred the loan to associate by considering this as long-term interest in associate.

7 PROPERTY AND EQUIPMENT

2024	*Land*	*Buildings*	*Heavy machinery*	*Furniture and fixtures*	*Motor vehicles*	*Capital work in progress*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Cost:							
1 January	**-**	**4,015,717**	**293,180,003**	**21,356,759**	**130,140,808**	**90,714,500**	**539,407,787**
Additions	**-**	**61,850**	**32,866,480**	**5,830,389**	**25,362,326**	**25,268,908**	**89,389,953**
Disposals	**-**	**(698,634)**	**(13,761,878)**	**(1,160,003)**	**(6,562,032)**	**-**	**(22,182,547)**
Transfers	**22,500,000**	**82,772,628**	**5,557,843**	**5,152,937**	**-**	**(115,983,408)**	**-**
Write-off	**-**	**-**	**(305,453)**	**(1,254,252)**	**-**	**-**	**(1,559,705)**
31 December	**22,500,000**	**86,151,561**	**317,536,995**	**29,925,830**	**148,941,102**	**-**	**605,055,488**
Accumulated depreciation:							
1 January	**-**	**2,089,238**	**140,755,839**	**11,916,380**	**76,798,769**	**-**	**231,560,226**
Charge of the year	**-**	**708,637**	**33,198,747**	**2,377,838**	**18,482,807**	**-**	**54,768,029**
Disposals	**-**	**(359,649)**	**(12,804,697)**	**(2,078,124)**	**(6,293,719)**	**-**	**(21,536,189)**
Write-off	**-**	**-**	**(303,310)**	**(137,041)**	**-**		**(440,351)**
31 December	**-**	**2,438,226**	**160,846,579**	**12,079,053**	**88,987,857**	**-**	**264,351,715**
Net book value							
31 December 2024	**22,500,000**	**83,713,335**	**156,690,416**	**17,846,777**	**59,953,245**	**-**	**340,703,773**

7 PROPERTY AND EQUIPMENT (CONTINUED)

2023	*Buildings*	*Heavy machinery*	*Furniture and fixtures*	*Motor vehicles*	*Capital work in progress*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*
Cost:						
1 January	3,303,828	263,634,057	17,347,840	110,224,121	90,562,500	485,072,346
Additions	757,489	30,153,536	4,203,303	21,502,430	152,000	56,768,758
Disposals	(45,600)	(607,590)	(194,384)	(1,585,743)	-	(2,433,317)
31 December	4,015,717	293,180,003	21,356,759	130,140,808	90,714,500	539,407,787
Accumulated depreciation:						
1January	1,853,429	112,187,594	10,183,613	61,609,242	-	185,833,878
Charge for the year	281,409	28,880,052	1,846,311	16,011,707	-	47,019,479
Disposals	(45,600)	(311,807)	(113,544)	(822,180)	-	(1,293,131)
31 December	2,089,238	140,755,839	11,916,380	76,798,769	-	231,560,226
Net book value						
31 December 2023	1,926,479	152,424,164	9,440,379	53,342,039	90,714,500	307,847,561

Depreciation charge for the year was allocated as follows:

	2024	*2023*
	SR	*SR*
Cost of revenues (note 25)	**53,735,221**	46,644,314
General and administrative expenses (note 27)	**1,032,808**	375,165
	54,768,029	47,019,479

8 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

8.1 Right-of-use assets

The Group has various land and building under lease arrangements at various locations. Lease terms for the below leases ranges from 2 to 5 years with renewal and termination options. The Group considers option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Payments related to low value and short-term leases are recognised as an expense on a straight-line basis over the lease term.

Right-of-use assets are being depreciated on a straight-line basis for a period of 2-5 years.

	Leasehold land SR	*Leased Buildings SR*	*Total SR*
***Cost*:**			
As at 1 January 2023	3,829,782	4,105,385	7,935,167
Additions (note 8.2)	-	1,367,165	1,367,165
Termination	-	(5,832)	(5,832)
At 31 December 2023	**3,829,782**	**5,466,718**	**9,296,500**
Additions (note 8.2)	**-**	**976,308**	**976,308**
Termination	**(3,829,782)**	**(1,933,147)**	**(5,762,929)**
At 31 December 2024	**-**	**4,509,879**	**4,509,879**
***Accumulated depreciation*:**			
As at 1 January 2023	970,561	1,549,094	2,519,655
Charge for the year	161,958	1,660,432	1,822,390
At 31 December 2023	**1,132,519**	**3,209,526**	**4,342,045**
Charge for the year	**-**	**1,267,474**	**1,267,474**
Termination	**(1,132,519)**	**(1,781,608)**	**(2,914,127)**
At 31 December 2024	**-**	**2,695,392**	**2,695,392**
Net book value:			
As at 31 December 2024	**-**	**1,814,487**	**1,814,487**
As at 31 December 2023	2,697,263	2,257,192	4,954,455

8.2 Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Leasehold land SR	*Leased Buildings SR*	*Total*
As at 1 January 2023	2,912,793	2,377,723	5,290,516
Additions	-	1,367,165	1,367,165
Accretion of interest (note 28)	139,681	28,223	167,904
Payments (*)	(288,000)	(1,731,500)	(2,019,500)
At 31 December 2023	**2,764,474**	**2,041,611**	**4,806,085**
Additions	**-**	**976,308**	**976,308**
Termination	**(2,793,614)**	**(55,188)**	**(2,848,802)**
Accretion of interest (note 28)	**29,140**	**39,667**	**68,807**
Payments (*)	**-**	**(1,406,501)**	**(1,406,501)**
At 31 December 2024	**-**	**1,595,897**	**1,595,897**

8 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(*) Payment of lease liability includes repayment of principal portion of SR 1,337,693 (31 December 2023: SR 1,851,596) and payment of interest amounted to SR 68,807 (31 December 2023: SR 167,904).

As at 31 December, the lease liabilities are presented in the statement of financial position as follows:

	2024 ***SR***	*2023* *SR*
Current portion	**1,071,500**	1,460,000
Non-current portion	**524,397**	3,346,085
At 31 December	**1,595,897**	4,806,085

8.3 Amounts recognized in profit or loss

The following are the amounts recognised in the profit and loss:

	2024 ***SR***	*2023* *SR*
Depreciation allocated to cost of revenue (note 25)	**1,256,529**	1,784,446
Depreciation allocated to general and administrative expenses (note 27)	**10,945**	37,944
Interest expense on lease liabilities (note 28)	**68,807**	167,904
Short-term leases recognized on straight-line basis as rent expense (note 25 and note 27) *	**28,754,007**	23,422,875
	30,090,288	25,413,169

* The expense has been recognized on a straight-line basis based on the lease term as the lease agreements are primarily for one year or less without renewal clauses.

8.4 Amounts recognized in statement of cash flow

Amount recognised in the statement of cash flow:

	2023 ***SR***	*2023* *SR*
Total cash outflow for leases	**1,406,500**	2,019,500

9 CONCESSION CONTRACT RECEIVABLES

	2024 ***SR***	*2023* *SR*
Concession contract receivables	**367,262,617**	-
Classified as:		
• Current	**112,674,503**	
• Non – current	**254,588,114**	-
	367,262,617	-

The movement for concession contract receivables is as follows:

Balance at the beginning of the year	**-**	-
Additions for the year	**367,262,617**	-
	367,262,617	-
Allowance for ECL	**-**	-
Balance at the end of the year	**367,262,617**	-

9 CONCESSION CONTRACT RECEIVABLES (CONTINUED)

9.1 During the year, the Group has entered into 3 long-term operation and maintenance agreements ("LTOM Agreement") with a government related entity for a period of 15 years. The scope of the LTOM agreement is rehabilitation and remediation work of sewage 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**.** The receivables are from Government and is at stage 1. The unbilled operation and maintenance portion has been shown in note 13.

10 INVENTORIES

	2024	*2023*
	SR	*SR*
Spare parts	**124,302,169**	127,037,575
Finished goods	**3,094,211**	5,985,005
	127,396,380	133,022,580
Net realizable value adjustment to inventories	**(4,019,100)**	(4,019,100)
At 31 December	**123,377,280**	129,003,480

11 PREPAYMENTS AND OTHER ASSETS

	2024	*2023*
	SR	*SR*
Advances to suppliers	**127,364,447**	42,474,823
Prepaid expenses	**34,519,933**	62,682,749
VAT receivables	**11,013,570**	3,426,272
Employees' receivable	**3,750,478**	6,803,301
Others	**2,214,945**	10,061,999
	178,863,373	125,449,144

11.1 Prepaid expenses mainly represent iqama costs and insurance paid in advance.

11.2 The Group is submitting its VAT returns consistently on a monthly basis and has received the final assessment up to the year 31 December 2023.

12 CONTRACT ASSETS

	2024	*2023*
	SR	*SR*
At 1 January	**617,334,233**	426,040,163
Value of work performed during the year	**1,952,145,192**	1,709,270,448
Progress billings made during the year	**(1,905,865,027)**	(1,517,976,378)
	663,614,398	617,334,233
Advances received from customers	**(75,773,632)**	(109,911,281)
	587,840,766	507,422,952
Less: provision for expected credit losses	**(23,846,451)**	(6,208,297)
At 31 December	**563,994,315**	501,214,655

12.1 Contract assets relate to the Group's right to receive consideration for work completed but not billed at the reporting date. Due to the nature of the Group activities and the nature of its majority of customers (government related entities), certain milestones need to be completed before billings are approved to issued.

12 CONTRACT ASSETS (CONTINUED)

12.2 The contract assets balance as at 31 December 2024 includes unbilled revenue to a related party, Erwa Water Company, amounting to SR nil (31 December 2023: SR 12,549,502).

12.3 Movement of provisions for expected credit losses on contract assets:

	2024 ***SR***	*2023* *SR*
At 1 January	**6,208,297**	4,068,758
Charge for the year	**17,638,154**	2,139,539
At 31 December	**23,846,451**	6,208,297

Set out below is the ageing of contract assets based on the origination date of the contract assets (the date of fulfilling the performance obligation) and these are not considered overdue:

2024

	0-90 days	***91–180 days***	***181-270 days***	***271-360 days***	***361–450 days***	***451-540 days***	***541-630 days***	***631-720 days***	***Over 720 days***	***Total***
Expected credit loss rate	***0.38%***	***1.08%***	***0.88%***	***2.95%***	***2.96%***	***5.89%***	***24.45%***	***5.06%***	**100%**	
	SR	***SR***	***SR***	***SR***	***SR***	***SR***	***SR***	***SR***	***SR***	***SR***
Total gross carrying amount at default	**322,841,130**	**85,695,238**	**91,352,436**	**33,650,289**	**24,194,138**	**6,119,365**	**1,866,799**	**3,955,632**	**18,165,739**	**587,840,766**
Expected credit loss	**1,227,401**	**922,364**	**805,738**	**992,280**	**715,700**	**360,736**	**456,491**	**200,002**	**18,165,739**	**23,846,451**

2023

	0-90 days	*91–180 Days*	*181-270 Days*	*271-360 days*	*361–450 days*	*451-540 days*	*541-630 Days*	*631-720 Days*	*Over 720 days*	*Total*
Expected credit loss rate	0.12%	0.30%	0.53%	0.88%	1.57%	4.16%	6.09%	8.11%	41.47%	
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Total gross carrying amount at default	372,659,430	60,180,088	30,326,076	17,078,715	11,249,595	3,741,060	104,100	272,500	11,811,388	507,422,952
Expected credit loss	456,341	182,846	160,701	150,213	176,068	155,551	6,335	22,112	4,898,130	6,208,297

Set out below is the information about the credit risk exposure on contract assets:

	2024 ***SR***	*2023* *SR*
Contract assets government parties	**662,850,208**	616,850,763
Contract assets non-government parties	**764,190**	483,470
Less: allowance for expected credit losses	**(23,846,451)**	(6,208,297)
At 31 December	**639,767,947**	611,125,936

13 TRADE AND OTHER RECEIVABLES

	2024 ***SR***	*2023* *SR*
Trade receivables	**431,522,572**	428,247,898
Retention receivables	**21,160,680**	17,084,521
Operation and maintenance-unbilled (note 9)	**22,799,573**	-
	475,482,825	445,332,419
Less: allowance for expected credit losses	**(13,021,674)**	(8,387,158)
At 31 December	**462,461,151**	436,945,261

13 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2024 ***SR***	*2023* *SR*
At 1 January	**8,387,158**	7,600,925
Charge for the year	**4,634,516**	786,233
At 31 December	**13,021,674**	8,387,158

13.1 *Terms and conditions of the above financial assets:*

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. The receivables include amounts totaling SR 451 million which is due from Government and quasi-Government institutions (31 December 2023: SR 444 million).

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

The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events,`1` current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed. The Group does not hold collateral as security. The Group considers 360 past due as default.

Set out below is the information about the credit risk exposure on trade receivables. See note 31.2 on credit risk of trade receivables, which explains how the Group manages and measures credit risk quality receivables that are neither past due nor impaired.

Trade and other receivables represent the following:

	2024 ***SR***	*2023* *SR*
Receivables and unbilled from government parties	**474,088,122**	444,216,778
Receivables and unbilled from non-government parties	**1,394,703**	1,115,641
Less: allowance for expected credit losses	**(13,021,674)**	(8,387,158)
At 31 December	**462,461,151**	436,945,261

13.2 The trade receivables balance as at 31 December includes balances receivable from the following related parties:

	2024 ***SR***	*2023* *SR*
Erwa Water Company (note 21.3)	**17,631,265**	-
Innovative Water Transport Development Company (note 21.3)	**209,000**	-
	17,840,265	-

13 TRADE AND OTHER RECEIVABLES (CONTINUED)

Set out below is the aging of Trade Receivables as at 31 December:

	Not past due	***0-90 days***	***91–180 days***	***181-270 days***	***271-360 days***	***More than 360 days***	***Total***
Expected credit loss rate	**0.1%**	**0.7%**	**2.6%**	**2.1%**	**6.4%**	**10.6%**	
	SR	***SR***	***SR***	***SR***	***SR***	***SR***	***SR***
Total gross carrying amount at default	**247,316,989**	**33,473,766**	**17,491,553**	**34,571,328**	**29,483,899**	**90,345,717**	**452,683,252**
Expected credit loss	**183,603**	**230,815**	**450,770**	**733,234**	**1,873,450**	**9,549,802**	**13,021,674**

	Not past due	*0-90 days*	*91–180 days*	*181-270 days*	*271-360 days*	*More than 360 days*	*Total*
Expected credit loss rate	0.11%	0.46%	0.80%	1.69%	3.18%	31.70%	
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Total gross carrying amount at default	335,366,605	71,035,466	9,719,133	4,602,822	865,469	23,742,924	445,332,419
Expected credit loss	364,024	324,698	77,464	77,938	27,518	7,515,516	8,387,158

14 CASH AND CASH EQUIVALENTS

	2024 ***SR***	*2023* *SR*
Cash at banks	**322,241,033**	69,123,116
Cash in hand	**52,548**	19,887
At 31 December	**322,293,581**	69,143,003

15 SHARE CAPITAL

Share capital as at 31 December 2024 and 2023 was as follows:

31 December 2024	**Number of shares**	**Capital**	**Shareholding**
Alkhorayef Group Company	16,275,000	162,750,000	46.5%
Individual and other minority shareholders	18,725,000	187,250,000	53.5%
	35,000,000	**350,000,000**	**100%**

31 December 2023	**Number of shares**	**Capital**	**Shareholding**
Alkhorayef Group Company	12,750,000	127,500,000	51%
Individual and other minority shareholders	12,250,000	122,500,000	49%
	25,000,000	**250,000,000**	**100%**

On 23 July 2023 (corresponding to 5 Muharram 1445H), the Board of Directors of the Company recommended to the Extraordinary General Assembly to increase the Company's share capital by granting bonus shares to the Company's shareholders by capitalizing SR 100,000,000 from retained earnings and granting one share for every two and a half shares owned. On 23 May 2024 (corresponding to 15 Dhul-Qa'dah 1445H), the Shareholders of the Company approved the Board of Directors' recommendation.

The bonus share issue was subsequently approved by the Capital Markets Authority and the announcement was made on Tadawul.

The authorized and paid-up share capital of the Company as at 31 December 2024 was SR 350 million (31 December 2023: SR 250 million) divided into 35 million shares (31 December 2023: 25 million shares) of SR 10 each.

16 DIVIDENDS

No dividends have been declared during the years ended 31 December 2024 and 31 December 2023.

17 EARNINGS PER SHARE

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

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

	2024	*2023 Adjusted*
Net profit for the year (SR) attributable to ordinary shareholders	**230,002,219**	140,021,598
Weighted number of shares used as the denominator in calculating basic and diluted earnings per share (note 15)	**35,000,000**	35,000,000
Basic and diluted earnings per share of profit for the year (SR)	**6.57**	4.00

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

17 EARNINGS PER SHARE (CONTINUED)

* On 23 May 2024 (corresponding to 15 Dhul-Qa'dah 1445H), the shareholders of the Company approved the Board of Directors' recommendation to increase the company's share capital through the distribution of bonus shares to shareholders by capitalizing SR 100,000,000 from retained earnings and granting one share for every two and a half shares owned. Accordingly, the calculation of basic and diluted earnings per share for the comparative periods presented has been adjusted retrospectively.

18 STATUTORY RESERVE

The statutory reserve included in the consolidated financial statements as of 31 December 2024, and 31 December 2023, was required under the Company's previous by-laws. However, following the amendments to the Company's by-laws during the year ended 31 December 2024, the requirement to set aside a statutory reserve has been removed.

19 EMPLOYEES' DEFINED BENEFIT LIABILITIES

19.1 General description

General description of the type of employees' end of service and accounting policy for recognising actuarial gains and losses is disclosed in note 4.2.5 to the financial statements.

	2024 ***SR***	*2023* *SR*
Net benefit expense included in profit or loss:		
Current service cost	**14,908,374**	12,595,122
Interest cost	**2,157,739**	1,754,506
	17,066,113	14,349,628
Included in other comprehensive income		
Remeasurement (gain) / loss due to:		
Financial assumptions	**246,073**	1,512,474
Demographic assumptions	**(1,560,045)**	(2,589,102)
Experience adjustment	**3,549**	1,088,975
	(1,310,423)	12,347
Net benefit expense	**15,755,690**	14,361,975
Movement of actuarial valuation reserve:		
At 1 January	**5,349,930**	5,362,277
Gain / (loss) during the year	**1,310,423**	(12,347)
At 31 December	**6,660,353**	5,349,930

19.2 Changes in the present value of the defined benefit obligation:

	2024 ***SR***	*2023* *SR*
At 1 January - present value of defined benefit obligation	**52,294,005**	43,672,901
Interest cost	**2,157,739**	1,754,506
Current service cost	**14,908,374**	12,595,122
Benefits paid	**(7,553,231)**	(5,740,871)
Remeasurement (gains) / losses in OCI	**(1,310,423)**	12,347
At 31 December - present value of defined obligation	**60,496,464**	52,294,005

19 EMPLOYEES' DEFINED BENEFIT LIABILITIES (CONTINUED)

19.3 Key assumptions and quantitative sensitivity analyses

The principal assumptions used in determining defined benefit obligations for the Group are shown below:

	2024	2023
Discount rate	**5.2%**	4.5%
Salary increase rate	**4.0%**	3.2%
Withdrawal rate	**14%**	14%
Average mortality (Age)	**60**	60

19.4 Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions made in the calculation is as follows:

	31 December 2024		31 December 2023	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1% movement)	**57,069,752**	**64,350,385**	49,715,160	55,156,224
Salary increase rate (1% movement)	**64,692,109**	**56,706,158**	55,431,672	49,418,751
Withdrawal rates (10% movement)	**60,225,941**	**60,755,270**	52,293,697	52,294,305
Mortality age (1 year movement)	**60,491,313**	**60,501,577**	51,881,165	52,720,125

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. It is based on a change in a significant assumption, keeping all other assumptions constant and may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The following are the expected payments to the defined benefit liability in future years:

	2024 ***SR***	*2023* *SR*
Within the next 12 months (next annual reporting period)	**7,700,734**	9,398,852
Between 2 and 5 years	**19,172,517**	22,983,549
Between 6 and 10 years	**18,808,334**	17,917,512
Beyond 10 years	**22,933,665**	14,319,631
Total expected payments	**68,615,250**	64,619,544

20 TERM LOANS

	2024 ***SR***	*2023* *SR*
Long-term loans	**324,297,476**	241,044,754
Short term loans	**374,834,158**	301,507,619
Total loans	**699,131,634**	542,552,373
Less non-current portion of long-term loan	**(166,836,326)**	(114,950,726)
Current loans	**532,295,308**	427,601,647

The Group has obtained Sharia Compliant Murabaha loan facilities from commercial banks for a total amount of SR 699 million (31 December 2023: SR 543 million). These facilities are maturing from 2025 to 2032. These loans carry varying Murabaha profit rates in conformity with the applicable loan agreements. These facilities bear profit margin at market rates, which are generally based on Saudi Inter Bank Offer Rate ("SIBOR") and are secured by assignment of proceeds from pre-specified contracts.

20 TERM LOANS (CONTINUED)

Below is the movement of the loans and borrowings:	***2024*** ***SR***	*2023* *SR*
Balance at 1 January	**542,552,373**	503,816,371
Loans obtained during the year	**879,243,210**	528,605,803
Payments made during the year	**(722,663,949)**	(489,869,801)
Balance at 31 December	**699,131,634**	542,552,373

Finance cost on term loans and related payments for the year are disclosed in the statement of cash flows.

As at 31 December 2024, the Group has borrowings of amount SR 532,295,308 classified as non – current liabilities, which are subject to covenants set by lenders. These covenants include:

- Liquidity rate should not be less than 1:1,
- Financial leverage ratio should not exceed 3:1

The assessment of compliance with these covenants is performed at the end of each reporting period as per the loan agreements. As of 31 December 2024, the Group is in compliance with all the applicable covenants, and therefore, these borrowings are classified as non – current liabilities.

The Group expects to comply with covenants at each reporting period within 12 months after the reporting date.

At 31 December 2024, undrawn committed borrowing facilities amounted to SR 2,791 million (2023: SR 2,106 million).

21 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Group include controlling shareholders, Board of Directors, key management personnel and entities controlled or jointly controlled by such parties.

The terms of the transactions with related parties are approved by the Group’s management. The significant transactions with related parties during the year are within the Group’s normal course of business and are summarized below:

			Value of transactions	
Name of related party	**Relationship**	**Nature of transactions**	**2024 SR**	2023 SR
- Alkhorayef Group Company	Parent Company	Shared service cost (note 27)	**1,578,139**	1,495,017
		Land rental	**-**	288,000
		Subscription costs	**-**	1,015,703
		Expenses paid on behalf	**-**	316,332
- Abdullah Ibrahim Alkhorayef Sons Company	Ultimate Parent Company	Land rental	**45,593**	248,000
- Alkhorayef Commercial Company	A subsidiary of the parent	Purchases	**11,364,546**	2,306,431
- Alkhorayef Printing Solutions	A subsidiary of the parent	Purchases	**338,713**	906,132
- Alkhorayef Petroleum Company	A subsidiary of the parent	Revenue	**8,165**	-
		Purchases	**381,225**	258,200

21 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Name of related party	Relationship	Nature of transactions	Value of transactions 2024 SR	2023 SR
- Saudi Parts Center Company	A subsidiary of the parent	Purchases	**59,591**	93,101
- Alkhorayef Lubricants Company	A subsidiary of the parent	Purchases	**921,081**	1,343,960
- Erwaa Water Company ("EWC")	Associate	Loan	**7,448,000**	3,675,000
		Finance income	**917,250**	782,195
		Revenue	**12,356,572**	12,549,502
- Innovative Water Transport Development Company	Joint Venture	Revenue	**204,323,761**	-
Key management personnel		Board remuneration	**2,445,999**	2,138,000
		Short-term benefits	**14,437,370**	12,629,846
		Post-employment benefits	**530,169**	1,550,704

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

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

21.3 The breakdown of amounts due from related parties is as follows:

	Note	*2024* *SR*	*2023* *SR*
Erwa Water Company – trade balance	13	**17,631,265**	-
Erwa Water Company – loan	6	**-**	9,847,195
Innovative Water Transport Development Company	13	**209,000**	-
At 31 December		**17,840,265**	9,847,195

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

	Note	*2024* *SR*	*2023* *SR*
Alkhorayef Commercial Company		**266,962**	1,248,078
Alkhorayef Lubricants Company		**68,966**	352,015
Alkhorayef Printing Solution		**82,875**	206,441
Saudi Parts Center Company		**15,570**	17,665
Al Khorayef Petroleum Company		**33,810**	-
At 31 December	22	**468,183**	1,824,199

22 TRADE PAYABLES, ACCRUALS AND OTHER LIABILITIES

	2024 ***SR***	*2023* *SR*
Project accruals*	**436,578,932**	253,080,380
Trade payables	**193,695,639**	96,864,538
Employee accruals	**55,692,378**	44,231,637
Accrued interest	**5,983,462**	5,693,308
Accrued BOD remuneration	**3,261,999**	2,084,000
Due to related parties (note 21.3)	**468,183**	1,824,199
Other	**2,926,185**	12,298,283
	698,606,778	416,076,345

* Project accruals represent subcontractor and other cost incurred and accrued for projects in progress and which has not been invoiced to the Group yet.

23 PROVISIONS

	2024 ***SR***	*2023* *SR*
Provision for penalties (note 27)	**27,484,473**	12,404,473
Obligation for loss from an equity accounted investee (note 6)	**3,768,210**	7,632,952
Provision for onerous contracts (note 23.1)	**3,000,000**	3,473,092
	34,252,683	23,510,517

23.1 Provision for onerous contracts is made for contracts under which unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Movement during the year is as follows:

	2024 ***SR***	*2023* *SR*
At 1 January	**3,473,092**	473,092
(Reversal)/charge during the year	**(473,092)**	3,000,000
At 31 December	**3,000,000**	3,473,092

24 REVENUE

24.1 Disaggregated revenue information

The Group operates across the full water value chain and offers Operation and Maintenance and Project services across three major business segments, the Water segment, Wastewater segment, and Integrated Water Solutions segment. Set out below is the disaggregation of the Group's revenue from contract with customers:

	2024 ***SR***	*2023* *SR*
Revenue from contract with customer / Types of services		
Water (note "24.1- a")	**1,039,729,493**	1,135,061,697
Integrated Water Solutions (note "24.1- b")	**308,543,833**	318,438,948
Waste Water (note "24.1- c")	**692,959,307**	255,769,803
Gross revenue	**2,041,232,633**	1,709,270,448
Less: provision for expected penalties	**(89,087,441)**	(29,459,190)
Net revenue	**1,952,145,192**	1,679,811,258

24 REVENUE (CONTINUED)

24.1 Disaggregated revenue information (continued)

	2024 ***SR***	*2023* *SR*
a) Categories of services (Water)		
Water Networks	**838,531,819**	923,584,496
Water Withdraw and Treatment	**201,197,674**	211,477,201
	1,039,729,493	1,135,061,697

	2024 ***SR***	*2023* *SR*
b) Categories of services (Integrated Water Solutions)		
Water Management Services	**126,730,922**	135,267,792
City Management	**110,334,248**	96,488,153
Storm Water Network and Lifting Stations	**71,478,663**	86,683,003
	308,543,833	318,438,948

	2024 ***SR***	*2023* *SR*
c) Categories of services (Waste Water)		
Wastewater Networks	**101,758,762**	188,276,623
Wastewater Treatment	**591,200,545**	67,493,180
	692,959,307	255,769,803

24.2 Geographical markets

The Group operates exclusively in the Kingdom of Saudi Arabia and therefore no additional geographical market information is presented in these financial statements.

24.3 *Timing of revenue recognition*

	2024 ***SR***	*2023* *SR*
Revenue recognized over time	**1,901,892,373**	1,678,389,231
Revenue recognized at a point in time	**50,252,819**	1,422,027

24.4 *Revenue per type of customer:*

For the year ended 31 December 2024	***Water***	***Waste Water***	***Integrated Water Solutions***	***Total***
	SR	***SR***	***SR***	***SR***
Revenue				
Government parties	**1,032,316,181**	**692,959,307**	**306,953,245**	**2,032,228,733**
Private customers	**7,413,312**	**-**	**1,590,588**	**9,003,900**
	1,039,729,493	**692,959,307**	**308,543,833**	**2,041,232,633**

For the year ended 31 December 2023	*Water*	*Waste Water*	*Integrated Water Solutions*	*Total*
	SR	*SR*	*SR*	*SR*
Revenue				
Government	1,135,061,697	255,769,803	315,927,330	1,706,758,830
Private customers	-	-	2,511,618	2,511,618
	1,135,061,697	255,769,803	318,438,948	1,709,270,448

Revenue from two major customers amounted to SR 1,825,028,949 (2023: SR 1,647,962,543) which represents 89% of total revenue (2023: 96%).

24 REVENUE (CONTINUED)

24.5 Performance obligations

The remaining performance obligations (unsatisfied or partially unsatisfied) at period end are as follows:

	2024	*2023*
	SR	*SR*
Remaining performance obligation	**7,352,072,248**	5,951,575,395

Revenue from the remaining performance obligations is expected to be recognized over the contractual periods of the applicable contracts.

25 COST OF REVENUE

	2024	*2023*
	SR	*SR*
Materials consumed	**760,665,912**	764,174,541
Employees' salaries and other benefits	**494,053,519**	443,314,014
Repair and maintenance	**68,567,662**	49,481,213
Depreciation on property and equipment (note 7)	**53,735,221**	46,644,314
Depreciation on ROU assets (note 8)	**1,256,529**	1,784,446
Utilities	**44,447,726**	31,672,633
Short term rents	**27,940,743**	22,765,127
Insurance	**10,857,365**	9,311,558
Penalties	**21,649,585**	8,757,069
Travel	**4,865,863**	3,888,892
Professional fees	**19,443,831**	3,139,459
Others	**60,336,948**	30,793,371
	1,567,820,904	1,415,726,637

26 SELLING AND DISTRIBUTION EXPENSES

	2024	*2023*
	SR	*SR*
Business development expense	**1,616,171**	421,436
Tender fees	**3,598,969**	173,850
Advertisement expense	**621,092**	90,987
Others	**175,191**	5,030
	6,011,423	691,303

27 GENERAL AND ADMINISTRATIVE EXPENSES

	2024	*2023*
	SR	*SR*
Employees' salaries and other benefits	**44,179,998**	32,990,044
Professional fees	**9,463,542**	11,729,500
Penalty provision *	**6,697,400**	12,028,200
Subscription fees	**3,621,019**	1,460,046
Board of Director's remuneration (note 21)	**2,445,999**	2,138,000
Shared service costs (note 21)	**1,578,139**	1,495,017
Depreciation on property and equipment (note 7)	**1,032,808**	375,165
Write-off of property and equipment	**1,119,354**	-
Rent on short term leases	**813,262**	657,748
Depreciation on ROU assets (note 8)	**10,945**	37,944
Write down of inventory	**-**	314,803
Others	**5,398,034**	3,916,724
	76,349,555	67,143,191

***** The Group has recorded a provision for penalties received by a government authority (EJada). Management has disputed all penalties received and recorded a provision for penalties categorized as "Final and Approved".

28 FINANCE COSTS

	2024	*2023*
	SR	*SR*
Finance costs on bank borrowings	**45,885,858**	39,400,798
Finance costs on employees' defined benefit liabilities (note 19)	**2,157,739**	1,754,506
Finance costs on leases (note 8)	**68,807**	167,904
	48,112,404	41,323,208

29 OTHER INCOME

	2024	*2023*
	SR	*SR*
Incentives from government *	**10,309,207**	8,142,354
Other **	**6,542,986**	54,408
	16,852,193	8,196,762

* This amount represents incentives received by the Group from the government for maintaining the required Saudization requirements.

**This amount represents costs of obtaining a contract that were incurred in prior years and are currently being reimbursed from the Company's joint venture.

30 ZAKAT

During the year ended 31 December 2024, the Group's Zakat charge was SR 16,531,960 (31 December 2023: 15,197,940). On 22 March 2024, the ZATCA announced the issuance of a new Zakat Implementing Regulation, through the Ministerial Resolution (MR) No.1007 dated 29 February 2024, which was electronically published in the Official Gazette (Umm Al-Qura) on 21 March 2024. The new Zakat regulation has replaced the current regulation and is applicable to financial years starting 1 January 2024. Accordingly, the group has applied new Zakat Regulation for calculating its Zakat liability for the year ending 31 December 2024.

30.1 Movement in provision for Zakat during the year:

	2024	*2023*
	SR	*SR*
Opening Balance	**15,287,675**	9,558,435
Provision for the year	**16,531,960**	15,197,940
Paid during the year	**(15,292,584)**	(9,468,700)
	16,527,051	15,287,675

30.2 Status of zakat and VAT assessment:

Zakat returns have been submitted based on the consolidated zakat base of Abdullah Ibrahim Alkhorayef Sons Company (Ultimate Parent Company) up to the year ended 31 December 2020. Final assessments of Ultimate Parent Company have been agreed up to the year ended 31 December 2019. The Group has also pledged to the Capital Market Authority that the Ultimate Parent Company will bear any additional zakat amounts that might relate to the years till 2020 and earlier. In May 2021 the Company has separately registered with Zakat Tax and Custom Authority (the "ZATCA") and has filed Zakat returns for the years up to 31 December 2023. The Company has obtained final assessment for years up to 31 December 2023 and no additional provision is required for any of the years assessed. The Company has not yet submitted its return for the year ended 31 December 2024.

The Group is submitting its VAT returns consistently on a monthly basis and has received the final assessment up to the year 31 December 2023 and no additional provision is required for any of the years assessed.

31 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group principal liabilities comprise loans and borrowing, amounts due to related parties and trade and other payables. The main purpose of these financial liabilities is to finance the Group operations and to provide guarantees to support its operations. The Group principal financial assets include trade and other receivables, cash and cash in bank and contract assets that arise directly from its operations.

The Group's activities expose it to a variety of financial risks: market risk (including interest risk, currency risk an price risk), credit risk and liquidity risk. The Group overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Group's financial performance.

31.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk comprise three types risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowings.

31.1a Interest rate risk

Interest risk is exposure to various risks associated with the effect of fluctuation in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. The following table demonstrates the sensitivity of the income to reasonably possible changes in commission rates, related to variable rate borrowings with all other variables held constant.

	Change in basis points of interest rate	**Effect on income for the year**
31 December 2024	**+100**	**6,991,316**
	-100	**(6,991,316)**
31 December 2023	+100	5,425,524
	-100	(5,425,524)

31.1b Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchanges rates. The Group's transactions are principally in Saudi Riyals therefore its exposure to foreign currency risk is minimal.

31.1c Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market. The Group does not have any financial instruments which are subject to other price risk.

31.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

Customer invoices are usually payable within 90 days as per standard terms. unbilled amounts are presented as contract assets.

The Group's maximum exposure to credit risk for the cash and cash equivalents, trade and other receivables as at 31 December 2024 is equal to the respective carrying amounts. The table below shows the Group's maximum exposure to credit risk for components of the statement of financial position.

31 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	2024	*2023*
	SR	*SR*
Bank balances	**322,293,581**	69,123,116
Trade receivables	**431,522,572**	428,247,898
Contract assets	**663,614,398**	617,334,233
Financial asset from service concession arrangement	**367,262,617**	-
Other financial assets	**27,126,103**	33,949,821
	1,811,819,271	1,148,674,955

Bank balances
Credit risk on bank balances is limited as same are held with banks with credit ratings of BBB+ as per Fitch Ratings. Management has assessed the impairment loss on cash at banks by evaluating the expected credit losses. Based on this assessment, any potential impairment loss is considered immaterial.

Trade receivables and contract assets
The Group's exposure to credit risk on trade receivables and contract assets is influenced mainly by the individual characteristics of each customer. The Group's major customers are government entities. The Group believes that the credit risk associated with these balances is very low as they are related to the Government of Saudi Arabia.

Set out in note 12 and 13 is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix.

Other financial assets
Other financial assets include retention receivables. Management believes that credit risk attached to other financial instruments is not significant and the Group expects to recover all such amounts fully at the stated carrying amounts.

Credit concentration
Except as disclosed above for trade receivables and contract assets, no significant concentrations of credit risk were identified by the management as at the reporting date. Majority of the Group contract assets and trade receivables are from government customers.

31.3 *Liquidity risk*

Liquidity risk is the risk that enterprise will encounter difficulty in rising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

31 December 2024	***0-12 months***	***1-5 years***	***More than 5 years***	***Total***	***Carrying Amount***
	SR	***SR***	***SR***	***SR***	***SR***
Trade payables	**193,695,639**	**-**	**-**	**193,695,639**	**193,695,639**
Due to related parties	**468,183**	**-**	**-**	**468,183**	**468,183**
Accrued expenses	**504,442,956**	**-**	**-**	**504,442,956**	**504,442,956**
Lease liabilities	**1,136,500**	**544,500**	**-**	**1,681,000**	**1,595,897**
Dividend payable	**480,307**	**-**	**-**	**480,307**	**480,307**
Term loans	**532,295,308**	**151,742,576**	**15,093,750**	**699,131,634**	**699,131,634**
Total	**1,232,038,586**	**152,287,076**	**15,093,750**	**1,399,419,412**	**1,399,334,309**
31 December 2023					
Trade payables	96,864,538	-	-	96,864,538	96,864,538
Due to related parties	1,824,199	-	-	1,824,199	1,824,199
Accrued expenses	317,387,608	-	-	317,387,608	317,387,608
Lease liabilities	1,460,000	2,087,500	2,025,500	5,573,000	4,806,085
Term loans	427,601,647	86,885,375	28,065,351	542,552,373	542,552,373
Total	845,137,992	88,972,875	30,090,851	964,201,718	963,434,803

32 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair values of financial and non-financial assets and liabilities are determined for measurement and/or disclosure purpose on the basis of accounting policies disclosed in the financial statements. As at the reporting date, carrying value of the Group's financial assets and liabilities were reasonably equal to their fair values unless specifically stated in another note.

33 CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital, and all other equity reserves attributable to the equity of the shareholders.

The primary objective of the Group's capital management is to maximise the equity value. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to equity, return capital to equity or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits, excluding discontinued operations.

	2024	*2023*
	SR	*SR*
Term loans	**699,131,634**	542,552,373
Trade and other payables including customer advances	**792,133,472**	416,076,345
Less: Cash and cash equivalents	**(322,293,581)**	(69,143,003)
Net debt	**1,168,971,525**	889,485,715
Equity	**776,242,852**	537,590,629
Capital and net debt	**1,945,214,377**	1,427,076,344
Gearing ratio (%)	**60%**	62%

34 OPERATING SEGMENTS

The Chief Executive Officer (CEO), which has been identified as the Chief Operating Decision Maker (CODM), monitors the operating results of its reportable segments separately to make decisions about resource allocation and performance assessment.

The Group has three (3) operating segments: water, waste-water and integrated water solution. The Group's CODM evaluates the segments' revenue on a regular basis in deciding how to allocate resources among the segments and in assessing segment performance. The CODM evaluates the performance of the Group's segments based on revenue. The Group uses revenue as its principal measure of segment performance as it enhances the Group's ability to compare past financial performance with current performance and analyse underlying business performance and trends.

34 OPERATING SEGMENTS (CONTINUED)

Performance is measured by the CODM based on revenue as reported in the management accounts. Management believes that this measure is the most relevant in evaluating the Group. As such, expenses, assets and liabilities related to segments are neither included in the internal management reports nor provided regularly to the management.

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

The accounting policies of the operating segments are the same as the Group's accounting policies. All intercompany transactions within the reportable segments have been appropriately eliminated. Details of the Group's operating and reportable segments are as follows:

Water	The segment represents project and O&M services for; a) Deep waterwalls b) Water treatment plants c) Water distribution networks d) Firework networks
Waste water management	The segment represents project and O&M services for; a) Wastewater networks b) Treated sewage effluent networks
Integrated Water Solution	The segment represents project and O&M services for; a) Stormwater networks b) City management which encompasses turkey solutions c) Support and asset services for lead detection, fabrication, laboratories and asset services

The following table presents information for the Group's operating segments for the period ended 31 December 2024 and 31 December 2023, respectively.

For the year ended 31 December 2024	**Water**	**Waste-water**	**Integrated Water Solution**	***Total***
Revenue	**950,642,052**	**692,959,307**	**308,543,833**	**1,952,145,192**
Cost of revenue	**(874,654,198)**	**(380,923,208)**	**(312,243,498)**	**(1,567,820,904)**
Gross profit	**75,987,854**	**312,036,099**	**(3,699,665)**	**384,324,288**
Unallocated income (expenses)				
Other income				**16,852,193**
Selling and distribution expenses				**(6,011,423)**
General and administrative expenses				**(76,349,555)**
Impairment loss on trade receivables and contract assets				**(22,272,670)**
Gain on sale of property and equipment				**2,197,282**
Other expense				**(365,813)**
Finance income				**9,708,862**
Finance costs				**(48,112,404)**
Share of loss from an equity accounted investee				**(13,436,581)**
Profit before zakat				**246,534,179**
Zakat expense				**(16,531,960)**
Profit for the period				**230,002,219**

34 OPERATING SEGMENTS (CONTINUED)

For the year ended 31 December 2023	Water	Waste-water	Integrated Water Solution	*Total*
Revenue	1,105,602,507	255,769,803	318,438,948	1,679,811,258
Cost of revenue	(906,111,038)	(225,132,744)	(284,482,855)	(1,415,726,637)
Gross profit	199,491,469	30,637,059	33,956,093	264,084,621
Unallocated income (expenses)				
Other income				8,196,762
Selling and distribution expenses				(691,303)
General and administrative expenses				(67,143,191)
Impairment loss on trade receivables and contract assets				(2,925,772)
Gain on sale of property and equipment				279,900
Other expense				(286,061)
Finance income				782,195
Finance costs				(41,323,208)
Share of loss from an equity accounted investee				(5,754,405)
Profit before zakat				155,219,538
Zakat expense				(15,197,940)
Profit for the period				140,021,598

Geographical segments:

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

35 CONTINGENCIES

The Group has provided a financial guarantee in Favor of Innovative Water Transport Development Company, a Joint Venture Company, for an amount of SR 296,232,611. The group has accounted for the Expected Credit Loss on the above financial guarantee as per IFRS 9.

There were no other significant contingencies and commitments as at 31 December 2024 and 2023.

36 RECLASSIFICATIONS IN PRIOR PERIODS

During the year, certain comparative figures in these financial statements have been reclassified and rearranged, wherever necessary, in line with the current period financial statements for better presentation purposes.

Consolidated Statement of financial position	Note	31 December 2023 previously reported	Reclassification	31 December 2023 after reclassification
Current assets				
Contract assets	c	**611,125,936**	**(109,911,281)**	**501,214,655**
Non-current liabilities				
Advance from customer – long term portion		**33,204,452**	**(33,204,452)**	**-**
Current liabilities				
Advance from customer – short term portion	c	**76,706,829**	**(76,706,829)**	**-**
Trade payables, accruals and other liabilities	a,b	**437,762,663**	**(21,686,318)**	**416,076,345**
Provisions	a	**-**	**23,510,517**	**23,510,517**
Amounts due to related parties	b	**1,824,199**	**(1,824,199)**	**-**
Consolidated Statement of profit or loss and other comprehensive income				
Revenue	d	**1,709,270,448**	**(29,459,190)**	**1,679,811,258**
Cost of revenue	d,e	**(1,446,817,518)**	**31,090,881**	**(1,415,726,637)**
General and admin	e	**(67,266,006)**	**122,815**	**(67,143,191)**
Finance cost	e	**(39,568,702)**	**(1,754,506)**	**(41,323,208)**

a) Provisions amounting to SR 23,510,517 were classified under trade payables, accruals and other liabilities under prior period financial statements. This has been reclassified as provisions to reflect the nature of the amounts more appropriately.
b) Amounts due to related parties amounting to SR 1,824,199 were classified under amounts due to related parties under prior period financial statements. This has been reclassified under trade payables, accruals and other liabilities to reflect the nature of the amounts more appropriately.
c) Advances from customers amounting to SR 76,706,829 were separately presented under liabilities. This has been reclassified under contract assets to reflect the nature of the amounts more appropriately.
d) Provision expense for penalties expected to be incurred amounting to SR 29,459,190 were classified under cost of revenue in the prior period financial statements. This has been reclassified under revenue to reflect the nature of the amounts more appropriately.
e) Finance costs on employees' defined benefit liabilities amounting to SR 1,754,506 were classified under cost of revenue and general and administrative expenses in the prior period financial statements. This has been reclassified under finance costs to reflect the nature of the amounts more appropriately.

<u>Impact on the statement of financial position as at the beginning of the preceding year</u>
Certain reclassifications also had an impact on the statement of the financial position as at the beginning of the preceding period i.e. 1 January 2023. These reclassifications affected contract assets and advances from customers-short term portion, resulting in a decrease of SR 30.5 million in both the balances. Further, these reclassifications had no impact on the Group's working capital or net assets / equity.

37 EVENTS AFTER THE REPORTING PERIOD

No events have occurred since the statement of financial position date, which would require adjustments to, or disclosure in the financial statements.

38 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These financial statements were approved and authorised to issue by the Board of Directors on 16 Ramadan 1446H (corresponding to 16 March 2025).