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MIAHONA COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025
together with the
Independent Auditor's Report



MIAHONA COMPANY
(A Saudi Joint Stock Company)
Consolidated Financial Statements
For the year ended 31 December 2025

<u>INDEX</u>	<u>PAGE</u>
Independent Auditor's Report	2-6
Consolidated statement of financial position	7
Consolidated statement of profit or loss	8
Consolidated statement of comprehensive income	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11-12
Notes to the consolidated financial statements	13-65



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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MIAHONA COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Opinion

We have audited the consolidated financial statements of Miahona Company – A Saudi Joint Stock Company (the “Parent Company”) and its subsidiaries (collectively with the Company, referred to as the “Group”), which comprise the consolidated statement of financial position as of 31 December 2025, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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, as applicable to audit of consolidated financial statement of public interest entities. We have fulfilled our other ethical responsibilities in accordance with that Code. 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 auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MIAHONA COMPANY
(A SAUDI JOINT STOCK COMPANY) (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="248 548 776 611">Revenue recognition from service concession arrangements</p> <p data-bbox="248 617 776 842">During the year ended 31 December 2025, the Group has recognised total revenue of SR 699.7 million (2024: SR 385.1 million), which mainly includes revenue from service concession arrangements amounting to SR 628 million (2024: SR 373.3 million).</p> <p data-bbox="248 877 776 1724">Service concession arrangements are classified under intangible asset model or financial assets model as per requirements of applicable accounting standards. During the concession period, the Group is responsible for construction / rehabilitation and for water and waste water operations and maintenance ("O&M") of the assets, and receives consideration as per terms of the arrangements. Revenue during construction phase is recognized using percentage-of-completion ("POC") method. Stage of completion is measured the basis of the Group's efforts to the satisfaction of a performance obligation relative to the total expected efforts to complete for service concession construction contract. Water and waste water O&M revenue from service concession arrangements is recognised upon satisfaction of performance obligations over time as the related services are performed and is linked to output of the Plant.</p> <p data-bbox="248 1766 776 1892">Measuring revenue using POC method requires accuracy of reporting over the components of cost incurred as well as estimate of cost to complete the project.</p>	<p data-bbox="776 548 1385 611">Our procedures included, among others, the following:</p> <ul data-bbox="808 646 1385 1797" style="list-style-type: none"> <li data-bbox="808 646 1385 968">▪ Understood the Group's process for revenue recognition on service concession arrangements, the design and implementation of key controls implemented by the Group and the appropriateness of the Group's revenue recognition policy against the requirements of IFRS Accounting Standards that are endorsed in Kingdom of Saudi Arabia; <li data-bbox="808 1010 1385 1136">▪ Reviewed the project revenue model for allocation of transaction price to construction / rehabilitation and O&M services to assess reasonableness; <li data-bbox="808 1178 1385 1304">▪ Inspected underlying evidence as well as customer payments to validate accuracy and timeliness of O&M revenue recognition; <li data-bbox="808 1346 1385 1667">▪ Tested, on a sample basis, actual costs incurred on construction works contributing towards progress of project during the year by matching to supporting documentation (including supplier invoices and evidence of work completed), ensuring that these are directly attributable costs for construction of specific project and recalculated percentage of completion and construction revenue; <li data-bbox="808 1709 1385 1797">▪ Tested, on a sample basis, components of cost to complete to underlying contracts, purchase orders and other evidence;



INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MIAHONA COMPANY
(A SAUDI JOINT STOCK COMPANY) (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="248 506 776 569">Revenue recognition from service concession arrangements (continued)</p> <p data-bbox="248 604 776 737">This requires that the Group has effective, coordinated systems for cost estimation, forecasting and revenue / expense reporting.</p> <p data-bbox="248 772 776 863">Based on above factors, we have considered revenue recognition as a key audit matter.</p> <p data-bbox="248 898 776 1066"><i>Refer to notes (4) and (26) of the accompanying consolidated financial statements for the material accounting policy and other related information related to revenue recognition.</i></p>	<ul style="list-style-type: none"> <li data-bbox="808 506 1385 772">▪ Held discussion with management, responsible project managers and Group's legal team to assess status of ongoing projects, corroborate assumptions and estimates related to revenue recognition, profit margins and additional cost claims raised to the Group and risks for penalties due to any delays in the projects; <li data-bbox="808 800 1385 968">▪ Tested, on a sample basis, transactions taking place before and after the reporting period to ensure revenue were recognised in the proper accounting period for ongoing contracts with customers; and <li data-bbox="808 995 1385 1094">▪ Assessed the adequacy of the relevant disclosures in the Group's consolidated financial statements.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2024 were audited by another auditor who expressed an unmodified opinion on those statements on 24 Ramadan 1445H (corresponding to 24 March 2025).

Other information included in The Group's 2025 Annual Report

Other information consists of the information included in the Group's 2025 annual report, other than the consolidated financial statements and our auditor's report thereon. We obtained the Company's 2025 draft annual report, prior to the date of our auditor's report, and we expect to obtain the Company's 2025 final annual report after the date of our auditor's report. Management is responsible for the other information in its annual 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.



INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MIAHONA COMPANY
(A SAUDI JOINT STOCK COMPANY) (continued)

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance, i.e. the Audit Committee, 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 the 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 judgment 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MIAHONA COMPANY
(A SAUDI JOINT STOCK COMPANY) (continued)**

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

- 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, 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 consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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.

for Ernst & Young Professional Services

Waleed G. Tawfiq
Certified Public Accountant
License No. (437)



Riyadh: 27 Ramadan 1447H
(16 March 2026)

MIAHONA COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2025
(Amounts in Saudi Riyals)



	<i>Notes</i>	31 December 2025	31 December 2024
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	8,776,601	6,938,217
Intangible assets	6	164,016	262,739
Intangible assets arising from service concession arrangements	7	343,329,015	348,618,099
Right-of-use assets	8	60,444,677	9,557,886
Investments in equity accounted investments	9	23,327,658	19,087,059
Fair value of derivative financials instruments	15	968,628	9,388,092
Concession contract receivables	10	719,298,090	361,364,174
Advance against intangible assets arising from service concession arrangements	11	7,428,996	35,337,103
Total Non-current assets		1,163,737,681	790,553,369
CURRENT ASSETS			
Concession contract receivables	10	34,586,026	34,586,026
Inventories	12	6,421,442	6,431,673
Prepayments and advances	11	61,317,090	25,868,741
Due from related parties	31.3	376,377	7,848,477
Contract assets	14	8,087,530	6,848,989
Trade and other receivables	13	49,411,936	53,943,586
Term deposits	16	55,000,000	80,000,000
Cash and cash equivalents	17	305,710,999	144,203,173
Total Current assets		520,911,400	359,730,665
TOTAL ASSETS		1,684,649,081	1,150,284,034
EQUITY			
Share capital	18.1	160,925,543	160,925,543
Reserve	18.2	250,000	250,000
Cash flow hedge reserves		(18,841,785)	6,613,865
Retained earnings		332,359,710	274,685,074
Attributable to equity holders of the Parent Company		474,693,468	442,474,482
Non-controlling interest		4,322,809	3,445,550
Total equity		479,016,277	445,920,032
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	19	727,605,868	361,326,965
Lease liabilities	8	56,753,925	7,973,935
Fair value of derivative financials instruments	15	798,600	-
Employees' defined benefit liabilities	20	26,505,650	25,417,472
Other liabilities	21	29,150,608	30,549,672
Deferred revenue and contract liabilities	22	13,420,385	13,791,948
Provision against losses in an equity accounted investee	9	18,316,197	-
Share-based payments	24	-	687,553
Total Non-current liabilities		872,551,233	439,747,545
CURRENT LIABILITIES			
Trade and other payables	23	271,625,372	111,954,977
Loans and borrowings	19	42,612,724	140,080,875
Lease liabilities	8	5,361,678	1,808,349
Share-based payments	24	888,493	1,375,107
Other liabilities	21	2,353,839	3,294,849
Deferred revenue and contract liabilities		3,660,960	-
Zakat	25	6,578,505	6,102,300
Total current liabilities		333,081,571	264,616,457
Total liabilities		1,205,632,804	704,364,002
TOTAL EQUITY AND LIABILITIES		1,684,649,081	1,150,284,034

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

Signed by:

 Chairman
 Khalid Abuhaayan
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Signed by:

 Chief Executive Officer
 Awaadh Al Otaibi
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Signed by:

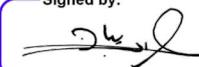
 Chief Financial Officer
 Rehan Masood
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MIAHONA COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2025
(Amounts in Saudi Riyals)



	<i>Notes</i>	For the year ended	
		2025	2024
Revenue	26	699,654,359	385,089,058
Cost of revenue	27	(585,995,154)	(298,631,518)
Gross profit		113,659,205	86,457,540
General and administration expenses	29	(42,050,839)	(36,858,847)
Other income	28	12,907,499	6,885,469
Allowance for expected credit losses (“ECL”) on financial assets	10 & 13	(564,788)	(1,780,984)
Operating profit		83,951,077	54,703,178
Finance costs	30	(49,320,269)	(40,882,986)
Finance income on concession contract receivables	10	32,779,689	20,611,303
Finance income on term deposits		10,366,948	7,382,459
Share of net profit from equity accounted investments	9	4,599,925	5,615,152
Profit before Zakat		82,377,370	47,429,106
Zakat expense	25	(6,615,737)	(6,422,028)
Profit for the year		75,761,633	41,007,078
Profit for the year after Zakat attributable to:			
Equity holders of the parent company		72,414,951	40,726,824
Non-controlling interest		3,346,682	280,254
		75,761,633	41,007,078
Earnings per share			
Basic earnings per share	37	0.45	0.25
Diluted earnings per share	37	0.45	0.25

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

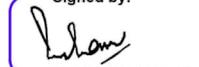
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Chairman
Khalid Abunayyan

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Chief Executive Officer
Awaadh Al Otaibi

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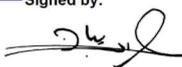
Chief Financial Officer
Rehan Masood

MIAHONA COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2025
(Amounts in Saudi Riyals)



	For the year ended 31 December	
	2025	2024
Profit for the year after Zakat	75,761,633	41,007,078
Item that may be reclassified subsequently to profit or loss		
Cash flow hedges – effective portion of changes in fair value	(27,981,490)	7,840,923
Items that will not be reclassified to profit or loss		
Actuarial gain on employees’ defined benefits liabilities	1,275,753	680,714
Actuarial gain on employees’ defined benefits liabilities – related to EAI	87,903	-
	(26,617,834)	8,521,637
Total comprehensive income for the year	49,143,799	49,528,715
Other comprehensive (loss) income for the year attributable to:		
Equity holders of the parent company	(24,103,411)	5,741,609
Non-controlling interest	(2,514,423)	2,780,028
	(26,617,834)	8,521,637
Total comprehensive income for the year attributable to:		
Equity holders of the parent company	48,311,540	46,468,433
Non-controlling interest	832,259	3,060,282
	49,143,799	49,528,715

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

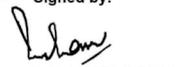
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Chairman
Khalid Abunayyan

Signed by:

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Chief Executive Officer
Awaadh Al Otaibi

Signed by:

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Chief Financial Officer
Rehan Masood

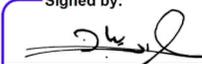
MIAHONA COMPANY

(A Saudi Joint Stock Company)

COSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the year ended 31 December 2025***(Amounts in Saudi Riyals)*

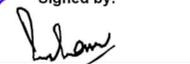
	Share capital	Reserve	Cash flow hedge reserves	Retained earnings	Equity attributable to owners of the Parent Company	Non-controlling interest	Total equity
As at 1 January 2024	160,925,543	250,000	1,705,695	229,971,854	392,853,092	385,268	393,238,360
Profit for the year	-	-	-	40,726,824	40,726,824	280,254	41,007,078
Other comprehensive income for the year	-	-	4,908,170	833,439	5,741,609	2,780,028	8,521,637
Total comprehensive income for the year	-	-	4,908,170	41,560,263	46,468,433	3,060,282	49,528,715
Transaction with owners of the Parent Company							
Reimbursement from shareholder on IPO expenses	-	-	-	3,152,957	3,152,957	-	3,152,957
As at 31 December 2024	<u>160,925,543</u>	<u>250,000</u>	<u>6,613,865</u>	<u>274,685,074</u>	<u>442,474,482</u>	<u>3,445,550</u>	<u>445,920,032</u>
As at 1 January 2025	160,925,543	250,000	6,613,865	274,685,074	442,474,482	3,445,550	445,920,032
Share capital of non-controlling interest	-	-	-	-	-	45,000	45,000
Profit for the year	-	-	-	72,414,951	72,414,951	3,346,682	75,761,633
Other comprehensive loss for the year	-	-	(25,455,650)	1,352,239	(24,103,411)	(2,514,423)	(26,617,834)
Total comprehensive income for the year	-	-	(25,455,650)	73,767,190	48,311,540	832,259	49,143,799
Dividends (note 18.3)	-	-	-	(16,092,554)	(16,092,554)	-	(16,092,554)
As at 31 December 2025	<u>160,925,543</u>	<u>250,000</u>	<u>(18,841,785)</u>	<u>332,359,710</u>	<u>474,693,468</u>	<u>4,322,809</u>	<u>479,016,277</u>

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

Signed by:

 Chairman
 Khalid Abunayyan

Signed by:

 Chief Executive Officer
 Awaadh Al Otaibi

Signed by:

 Chief Financial Officer
 Rehan Masood

MIAHONA COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2025
(Amounts in Saudi Riyals)



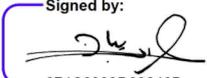
	<i>Notes</i>	31 December 2025	31 December 2024
Cash flows from operating activities:			
Profit before Zakat		82,377,370	47,429,106
<i>Adjustments to reconcile profit before zakat to net cashflows:</i>			
Depreciation of property and equipment	5	3,288,847	2,756,334
Loss on disposal of property and equipment		358,482	40
Amortisation of intangible assets	6	98,723	34,754
Amortisation of intangible assets arising from service concession arrangements	7	35,366,323	44,775,612
Loss on disposal of intangible assets arising from service concession arrangements		-	78,073
Depreciation of right-of-use assets	8	7,437,624	2,698,804
Concession contract receivables billed during the year	10	34,426,760	34,772,577
Finance cost on lease liabilities		3,795,137	461,626
Share of profit from equity accounted investments	9	(4,599,925)	(5,615,152)
Allowance for ECL on financial assets		564,788	525,000
Contract assets written off during the year	14	-	1,255,984
Provision for employees' defined benefits liabilities	20	5,097,202	4,549,943
Share-based payments charged for the year	24	824,090	4,762,665
Initial public offering expenses		-	3,152,957
Amortisation of the upfront fees	19	1,972,936	1,531,652
Finance costs	30	43,552,196	39,033,263
Finance income on term deposits		(10,366,948)	(7,382,459)
Finance income on concession contract receivables	10	(32,779,689)	(20,611,303)
		171,413,916	154,209,476
Changes in operating assets and liabilities:			
Inventories		10,231	(659,216)
Prepayments and advances		35,918,396	15,704,639
Contract assets		(1,238,541)	29,977,908
Due from related parties		7,472,100	(4,033,822)
Trade and other receivables		3,911,038	7,746,917
Trade and other payables		(8,666,769)	(19,557,846)
Deferred revenue and contract liabilities		3,289,397	686,266
Other liabilities		(2,340,074)	(4,473,216)
		209,769,694	179,601,106
Finance income on short-term deposits received		9,170,327	8,087,459
Settlement of share-based payments	24	(1,998,257)	(2,700,005)
Employees' defined benefit liabilities paid	20	(2,733,271)	(845,653)
Finance costs paid on loans and borrowings		(49,150,972)	(40,098,678)
Zakat paid	25	(6,139,532)	(5,838,768)
Net cash flows generated from operating activities		158,917,989	138,205,461
INVESTING ACTIVITIES			
Acquisition of property and equipment	5	(5,485,713)	(1,281,508)
Acquisition of intangible assets	6	-	(294,738)
Acquisition of intangible assets arising from service concession arrangements	7	(30,077,239)	(15,221,573)
Additions to concession contract receivables	10	(359,525,163)	(104,953,589)
Movement in Prepayments and advances		(42,262,017)	-
Movement in trade and other payables		173,935,940	(390,006)
Proceeds from related party		-	700,000
Proceeds of term deposits		179,500,000	130,276,000
Placement of term deposits		(154,500,000)	(194,920,000)
Acquisition of investment in equity accounted investees	9	-	(65,000)
Net cash flows used in investing activities		(238,414,192)	(186,150,414)

MIAHONA COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2025
(Amounts in Saudi Riyals)

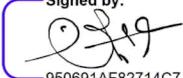


	<u>Notes</u>	31 December 2025	31 December 2024
FINANCING ACTIVITIES			
Repayment of loan and borrowings	19	(194,834,783)	(41,624,394)
Proceeds from loans and borrowings	19	470,987,379	101,584,532
Upfront fees paid	19	(9,314,780)	(1,489,944)
Payment of principal portion of lease liabilities	8	(5,991,096)	(2,068,858)
Payment of finance costs on lease liabilities	8	(3,795,137)	(461,626)
Initial public offering expenses paid		-	(3,152,957)
Reimbursement from shareholder of IPO expenses		-	3,152,957
Proceed from settlement of cashflow hedge		-	42,202
Dividends paid		(16,092,554)	-
Acquisition of non-controlling interest		45,000	-
Net cash flows generated from financing activities		241,004,029	55,981,912
Net increase in cash and cash equivalents during the year		161,507,826	8,036,959
Cash and cash equivalents at the beginning of the year		144,203,173	136,166,214
Cash and cash equivalents at the end of the year		305,710,999	144,203,173
Non-cash transactions			
Additions to right-of-use assets and lease liabilities		58,324,411	746,316
Derecognition of right-of-use assets		-	(170,527)
Derecognition of lease liability		-	170,527
Transfer from prepayments and advances to loans and borrowings		-	1,144,519
Transfer from plant under construction to concession contract receivables		-	160,786
Additions to intangible assets arising from service concession arrangements and other non-current liabilities		-	32,425,411
Cash flow hedge reserves – effective portion of change in fair value		25,006,442	7,840,923

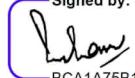
The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

Signed by:

874C6993D83246B...

Chairman
Khalid Abunayyan

Signed by:

950691AF82714C7...

Chief Executive Officer
Awaadh Al Otaibi

Signed by:

BCA1A75B148B463...

Chief Financial Officer
Rehan Masood

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***1. REPORTING ENTITY**

Miahona Company (the “Parent Company”) is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration numbered 1010253603 dated 16 Rajab 1429 H (corresponding to 20 July 2008) and Unified Identification Number 7001577191.

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

The Parent Company’s national address was 3769 Ath Thumamah Road, Al Rabie District, Riyadh 13316, Kingdom of Saudi Arabia. During the year, the national address has been changed to 3036 Saud Bin Abdullah Jalawi Street, Narjis View, Building no. D, Narjis District 6239, Riyadh 13336, Kingdom of Saudi Arabia.

The Parent Company has been listed on Saudi Stock Exchange (“Tadawul”) on 29 Thul-Qi’dah 1445H (corresponding to 6 June 2024).

The Group has following subsidiaries and associates:

Name	Activities	Country of incorporation	Percentage of ownership (effective)	
			2025	2024
Subsidiaries				
Industrial Cities Development and Operating Company (“ ICDOC ”) (refer note (a) below)	The main activity of ICDOC is to engage in the construction, operation and maintenance of water desalination stations, for industrial cities, water and wastewater networks, torrents networks, developing and operating industrial cities, constructing and operating of electricity stations for industrial cities, purchase of lands for constructions, developing and investing in buildings by sale and rent.	Saudi Arabia	100%	100%
Clear Water Company (“ CWC ”) (refer note (b) below)	The main activity of CWC is to engage in water supply and sewerage activities and waste management and treatment, Building construction and Electrical installations.	Saudi Arabia	100%	-
Riyadh Water Production Company (“ RWPC ”) (refer note (c) below)	The main activity of RWPC is to engage in drilling all kind of water well, water technology, production, distribution transport, sell, sewerage, drainage, processors, re-use of water, sold, public construction contracting, piping, electrical work, mechanical work, maintenance, operations and road works.	Saudi Arabia	100%	100%
Araha Environmental Sciences Company (“ ARAHA ”) (refer note (d) below)	The main activity of Araha is operation of sewer systems or sewer treatment facilities, repair and maintenance of sewer systems, sewage disposals plants and pumping station, Construction of sewer systems, sewage disposal plants & pumping stations.	Saudi Arabia	70%	70%
Al Jazzirah Environment Company (“ JECO ”) refer note (e) below)	The main activity of JECO is operation and maintenance of water desalination plant including brackish and sea water, sewerage treatment plant, water and sewerage networks, and recycle water treatment and networks.	Saudi Arabia	100%	100%

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***1. REPORTING ENTITY (continued)**

Name	Activities	Country of incorporation	Percentage of ownership (effective)	
			2025	2024
Subsidiaries (continued)				
Sustainable Water Company for Environmental Services (“SWES”) (refer note (f) below)	The main activity of SWES is construction of utility projects, sewage, operation and maintenance of water supply, sanitation, waste management and treatment activities.	Saudi Arabia	70%	70%
Al Haer Operations Limited Company (Al Haer Operations) (refer note (h) below)	The main activity of Al Haer is to engage in water supply, sanitation, waste management and treatment, sanitation and construction of utility projects	Saudi Arabia	55%	55%
Associates				
Al Haer Environmental Services (Al Haer) (refer note (g) below)	The main activity of Al Haer is to engage in water supply, sanitation, waste management and treatment, sanitation and construction of utility projects	Saudi Arabia	45%	45%
International Water Partner Company (“IWP”) (refer note (i) below)	The main activity is for Management, Operations and Maintenance (MOM) Services for the first Cluster i.e., North-west consisting of the areas of Madinah and Tabuk	Saudi Arabia	40%	40%
International Water Partner Company the second (“IWP2”) (refer note (j) below)	The main activity is for Management, Operations and Maintenance (MOM) Services for the Cluster i.e., Eastern consisting of the areas of Dammam	Saudi Arabia	35%	35%

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

- A service concession arrangement under Rehabilitate, Operate and Transfer (“ROT”) model with a Government related entity in Jeddah dated 24 March 2002, effective from 15 March 2005, for rehabilitating, operating and maintaining the wastewater plant and related network system (“wastewater treatment facilities”) of Jeddah Industrial city. The wastewater treatment facilities will be transferred back to the Government related entity at the end of the concession arrangement period of 20 years. The project was extended for a further two months after expiry date. The contract ended on May 15, 2025.
- A service concession arrangement under ROT model with a Government related entity for industrial cities in Dammam and Al-Ahsa dated 22 October 2007, effective from 30 January 2008, for rehabilitating, operating and maintaining the water utilities and wastewater plant and related network system (“water utilities and wastewater treatment facilities”) of the first and second industrial cities in Dammam and building, operating and maintaining the water utilities and wastewater treatment facilities of the first industrial city in Al-Ahsa. The water utilities and wastewater treatment facilities in industrial cities in Dammam and Al-Ahsa will be transferred back to the Government related entity at the end of the concession arrangement period of 30 years.

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***1. REPORTING ENTITY (continued)**

- b) The Group established a wholly owned subsidiary, Clear Water Company (“CWC”), on 13 May 2025. CWC has entered into a service concession arrangement under Rehabilitate, Operate and Transfer (“ROT”) model for rehabilitating, operating and maintaining the wastewater plant and related network system (“wastewater treatment facilities”) of Jeddah Industrial city with a government-related entity for a period of 25 years.
- c) RWPC is engaged in a service concession arrangement under Build, Operate and Transfer (“BOT”) model with a Government related entity dated 15 September 2015 to perform, for a period of 25 years, further, develop, own, finance engineer, design, procure, construct, commission, start up and test the new Water Treatment Station (“WTS”) and operate, maintain and transfer the new WTS.
- d) On 30 November 2022, the Group formed Araha. Araha is engaged in a service concession arrangement with a Government related entity dated 28 August 2022, effective from 2 May 2023, to perform the rehabilitation remediation and financing, completion, testing, operation and maintenance, handover, and transfer of the existing two sewage treatment plants (STP) in Makkah called Hadda and Arana STPs under Build, Own, Operate and Transfer (“BOOT”) model, for a period of 10 years.
- e) JECO is a subcontractor for operations and maintenance of the above service concession contracts relating to ICDOC, RWPC, Araha and SWESC.
- f) On 27 February 2023, the Group was awarded a contract through competitive tendering process for the Ras Tanura Refinery (“RTR”) wastewater treatment plant project – to treat industrial waste water of a Government related entity. The industrial wastewater treatment plant, wastewater and effluent transmission systems will be developed on a Build-Own-Operate-Transfer (“BOOT”) model for a period of 25 years. The subsidiary has already achieved the commercial and financial close, signed a concession arrangement and construction work is in progress.
- g) The Group formed AL HAER during 2024, in which it holds 45% of shares of Al Haer. On 07 February 2025 the entity was awarded with the contract for developing AL HAER Independent Sewage Treatment Plant (“ISTP”) on a Build, Own, Operate and Transfer (“BOOT”) model with a treatment capacity of 200,000 m³/day for a period of 25 years. It will also include Treated Sewage Effluent Special Facilities (TSESF), consisting of an approximately 32 km-long Treated Sewage Effluent (“TSE”) transmission system with a capacity of 400,000 m³/day, a TSE Pumping Station, and TSE storage tanks with a capacity of 200,000 m³.
- h) The Group has formed AL HAER Operations during 2024, in which it holds 55% of shares of AL HAER Operations. The subsidiary is not operational during the year.
- i) The Group made an investment in IWP to the extent of 40% of the capital, for a consideration of SR 200,000 in February 2021. IWP is engaged in a contract with a Government related entity to perform management and operations of water supply lines between the cities engaged in water wells, water technology, production, distribution, transport, sell, sewerage, drainage and re-use of water and public construction contracting, piping, electrical and mechanical work, maintenance, operating & road works.
- j) The Group made an investment in IWP2 to the extent of 35% of the capital, for a consideration of SR 175,000 in January 2022. IWP2 is engaged in a contract with a Government related entity to perform management and operations of water supply lines between the cities engaged in water wells, water technology, production, distribution, transport, sell, sewerage, drainage and re-use of water and public construction contracting, piping, electrical and mechanical work, maintenance, operating & road works.

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***2. BASIS OF PRESENTATION****2.1 Statement of compliance**

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

2.2 Basis of measurement

These consolidated financial statements have been prepared on the historical cost convention using accrual basis of accounting, except for the following items, which are measured on an alternative basis on each reporting date. Further, the Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

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

2.3 Functional and presentation currency

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

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2025. 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.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement(s) with the other vote holders of the investee, Rights arising from other contractual arrangements and the Group’s voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***2. BASIS OF PRESENTATION (continued)****2.4 Basis of consolidation (continued)**

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

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

2.5 Basis of equity accounted investees

An equity accounted investee is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Interests in equity accounted investee are accounted using the equity method. The financial statements of equity accounted investees are prepared for the same reporting period as the Group. The accounting policies of both companies are aligned with those of the Group. Therefore, no adjustments are made when measuring and recognising the Group's share of the profit or loss of the investees after the date of acquisition.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated 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.

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)*

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements

In the process of applying the Group's accounting policies, management has made the following estimates and judgements, which have the most significant effect on the amounts recognised to the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group did not include the renewal period as part of the lease term for leases of buildings as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

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 consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Estimated useful lives of property and equipment

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation on a straight-line basis over their estimated useful lives. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the useful lives and residual value of the assets at each annual reporting period and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)*

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Provision for expected credit losses ("ECL") of financial assets

The Group uses a provision matrix to calculate ECLs for accounts receivables, contract assets and amounts due from related parties and general approach for concession contract receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their market value. For individually significant amounts this estimation is performed on an individual basis.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgment in estimating the expected cash outflows for severance payments and site closures or other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)*

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Zakat

Zakat has been computed based on the management's understanding and interpretation of the zakat regulations enforced in the Kingdom of Saudi Arabia. Zakat, Tax and Customs Authority ("ZATCA") continues to issue circulars to clarify certain zakat tax regulations which are usually enforced on all open years. Zakat provision as computed by the management could be different from zakat liability as assessed by the ZATCA for years for which assessments have not yet been raised by the ZATCA.

Employees' defined benefit plans

The cost of the employees' defined benefit liabilities and the present value of the pension 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 future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit liability 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. 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 and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit liability. The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Revenue recognition: allocation of transaction price to performance obligations, measurement of significant financing component

For contracts with multiple performance obligations (e.g., construction / rehabilitation and operation & maintenance), the transaction price is allocated to each distinct performance obligation based on relative standalone selling prices at contract inception. Where standalone selling prices are not directly observable, they are estimated using an expected cost-plus-margin approach, based on approved budgets, technical assessments, subcontractor quotations, historical experience, and margins reflecting market conditions, project complexity, risk profile, duration, and industry practices. Estimates are reviewed at each reporting date and updated as necessary.

Variable consideration, including variation orders, claims, incentives, and penalties, is included in the transaction price only to the extent that it is highly probable that a significant reversal of cumulative revenue will not occur. Changes in the transaction price are allocated on the same basis as at contract inception unless they relate specifically to certain performance obligations.

The Group assesses whether contracts contain a significant financing component. Where applicable, the transaction price is adjusted to reflect the time value of money by discounting the promised consideration using a rate that would be applied in a separate financing transaction at contract inception. The discount rate reflects the credit characteristics of the party receiving financing and is determined with reference to project economics and contractual terms. The practical expedient under IFRS 15 is applied when the period between transfer of goods or services and payment is one year or less. Interest arising from financing components is presented separately from revenue in consolidated statement of profit or loss.

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***4. MATERIAL ACCOUNTING POLICIES**

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

New and amended standards and interpretations:

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2025. The adoption of above amendments does not have any material impact on the Consolidated Financial Statements during the year.

Standard, interpretation, amendments	Effective date
Lack of exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.	Annual periods beginning on or after 1 January 2025

Standards issued but not yet effective:

A number of new standards and amendments are effective for annual years beginning on or after 1 January 2025 and earlier application is permitted. These amended standards and interpretations are not expected to have a material impact on the consolidated financial statements of the Group. The Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Standard, interpretation, amendments	Effective date
Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures	Annual periods beginning on or after 1 January 2026
Annual Improvements to IFRS Accounting Standards – Volume 11 - Amendments to: <ul style="list-style-type: none"> • IFRS 1 First-time Adoption of International Financial Reporting Standards; • IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7; • IFRS 9 Financial Instruments; • IFRS 10 Consolidated Financial Statements; and • IAS 7 Statement of Cash flows 	Annual periods beginning on or after 1 January 2026
Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7	Annual periods beginning on or after 1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	Annual periods beginning on or after 1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	Annual periods beginning on or after 1 January 2027
Amendments to IFRS 10 and IAS 28	The effective date of the amendments has yet to be set by the IASB.

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***4. MATERIAL ACCOUNTING POLICIES (continued)****a) Current versus non-current classification**

The Group presents assets and liabilities in the consolidated 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

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

b) Property and equipment

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

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

Depreciation is calculated on a straight line method over over their estimated useful lives. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The estimated useful lives of property and equipment are as follows:

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

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

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

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

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***4. MATERIAL ACCOUNTING POLICIES (continued)****c) *Intangible assets arising from service concession arrangements***

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

Amortization is calculated using the straight-line method over the period of concession arrangement or their estimated useful lives whichever is lower, and is recognised in consolidated statement of profit or loss.

d) *Intangible assets*

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon 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.

Computer software

Computer software licenses are capitalised on the basis of the costs incurred when specific software was purchased and configured for use. Amortisation is charged to the consolidated statement of profit or loss on a straight-line basis over the useful life of 2 to 4 years.

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***4. MATERIAL ACCOUNTING POLICIES (continued)****e) Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease i.e. if the contract conveys right to control the use of an identified asset for a period of time in exchange for consideration.

Right of use assets and lease liabilities

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises new assets and liabilities for its leases of various types of contracts including accommodation/office rental premises, commercial vehicles etc. The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of lease term, the recognised assets are depreciated on a straight-line basis over the shorter of estimated useful life and lease term. Right-of-use assets are subject to impairment. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

At the commencement date of lease, the Group recognises lease liabilities measured at present value of lease payments to be made over the lease term. Lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Lease payments also include exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group applies the short-term lease recognition exemption to its short-term leases (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 recognition exemption to low-value assets which are items that do not meet the Group's capitalisation threshold and are insignificant for the consolidated statement of financial position for the Group as a whole. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over lease term.

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

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***4. MATERIAL ACCOUNTING POLICIES (continued)****f) Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

I. Financial assets – Initial recognition and measurement

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

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

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivables that do not contain a significant financing component or for which the Group has applied practical expedient are measured at transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

In making this assessment, the Group considers:

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

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***4. MATERIAL ACCOUNTING POLICIES (continued)****f) Financial instruments (continued)****II. Financial assets – subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments) are subsequently measured using the effective interest rate (“EIR”) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group’s financial assets at amortised cost includes bank balances, accounts receivables, amounts due from related parties, concession contract receivables and other receivables.

III. Financial liabilities – Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group’s financial liabilities include accounts payables, long-term loans and lease liabilities.

IV. Financial liabilities – subsequent measurement

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

V. Derecognition***Financial assets***

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***4. MATERIAL ACCOUNTING POLICIES (continued)****f) Financial instruments (continued)****V. Derecognition (continued)**Financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset or the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

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

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

VI. Offsetting

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

VII. Derivative financial instruments and hedge accounting

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

Such derivative instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

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

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***4. MATERIAL ACCOUNTING POLICIES (continued)****f) Financial instruments (continued)****VII. Derivative financial instruments and hedge accounting (continued)**Cash flow hedge

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

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

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

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

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

g) Cash and cash equivalents

Cash and cash equivalents include bank balances, cheques in hand and deposits with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

h) Term deposits

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

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

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***4. MATERIAL ACCOUNTING POLICIES (continued)*****i) Inventories***

Inventories includes spare parts and chemicals, which are measured at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Costs are assigned to individual items of inventory on the basis of weighted average method. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced by its cost; the impairment loss is recognised immediately in consolidated statement of profit or loss. Considering the Group's intended use of inventories is supply of services, net realizable value is based on the estimated selling price of the services in which they will be incorporated (less the estimated costs of completion and sale).

j) Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare, child education allowance, furniture 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 recognised 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 statement of financial position under accrued and other expenses.

k) Defined employee benefit liabilities

The Group operates a non-funded employee end-of-service benefit plan, which is classified as employees' defined benefit liabilities under IAS 19 'Employee Benefits'. A defined benefit plan is a plan which is not a defined contribution plan. The liability recognised in the consolidated statement of financial position for a defined benefit plan is the present value of the employees' defined benefit liabilities at the end of the reporting period less the fair value of plan assets at that date. The employees' defined benefit liabilities are calculated by independent actuaries using the projected unit credit method. The present value of the employees' defined benefit liabilities is determined by discounting estimated future cash outflows using market yields at the end of the reporting period of high-quality corporate bonds that have terms to maturity approximating to the estimated term of the post-employment benefit obligations.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the year end in which they occur. Re-measurements are not reclassified to income in subsequent periods.

Past service costs are recognised in consolidated statement of profit or loss on the earlier of date of plan amendment or curtailment, and the date that the Group recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit liabilities under 'direct costs', and 'general and administration expenses' in the consolidated statement of profit or loss (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements;
- Net interest expense or income

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***4. MATERIAL ACCOUNTING POLICIES (continued)****l) Zakat**

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

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

m) RevenueService concession arrangements:

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

BOT arrangements

The Group carries out construction work, operation and maintenance of new Water Treatment Station (“WTS”). The Group receives in return the rights to operate the service project concerned for a specified period of time (the “operation period”). As per terms of arrangement at the end of the operation period i.e. 28 years from the date of commencement of operations) the new WTS and water facilities will be transferred to the Grantor with nil consideration. This BOT arrangement is classified as a financial asset model under IFRIC 12, Service Concession Arrangements.

BOOT arrangements

The Group would carry out construction work, operation and maintenance of Independent Wastewater Treatment Plant (“IWWTP”), water utilities and wastewater treatment facilities. The Group would receive in return right to operate IWWTP and operate the plant for a specified period of time (“the operation period”). As per terms of arrangement, the construction period is 3 years and operations period is 25 years. At the end of operations period, the IWWTP will be transferred to the Grantor with nil consideration. This BOOT arrangement is classified as a financial asset model under IFRIC 12, Service Concession Arrangements on the basis of applying the principles of the standard by analogy.

ROT arrangements

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

- i. The Group receives in return the rights to operate the service project concerned for a period of 20 years and 30 years for Jeddah and Dammam, respectively (the “operation period”). As per terms of arrangement at the end of the operation period the water utilities and wastewater treatment facilities will be transferred to the Grantor with nil consideration. This ROT arrangement is classified as an intangible asset model under IFRIC 12, Service Concession Arrangements.

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***4. MATERIAL ACCOUNTING POLICIES (continued)****m) Revenue (continued)***ROT arrangements (continued)*

- ii. The Group is obliged to operate for a specified period of time (the “operation period”) under the long-term operation and maintenance agreement (“LTOM Agreement”). As per terms of arrangement at the end of the operation period (i.e. 10 years from the date of commencement of operations) the WTS and water facilities should be transferred to the Grantor with nil consideration (refer note 10.1). This ROT arrangement is classified as a financial asset model under IFRIC 12, Service Concession Arrangements.

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

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

Revenue under the contract is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring services to a customer on the satisfaction of performance obligation. The Group has concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***4. MATERIAL ACCOUNTING POLICIES (continued)****m) Revenue (continued)****Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. The contract assets are transferred to receivables when the rights are unconditional. This usually occurs when the Group issues an invoice to the customer.

Contract liability

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

Contract Costs

The Group may incur costs to fulfil a contract before a good or service is provided to a customer. Such costs are capitalized where they relate directly to the contract or anticipated contract, generate resources used in satisfying the contract and are expected to be recovered. The Group will amortize these costs on a systematic basis, consistent with the transfer to the customer of the goods or services and are periodically reviewed for impairment.

n) Impairment**I. Financial assets**

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For accounts receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss provision based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment. Other financial assets such as employees’ receivables, bank balances and term deposits have low credit risk and impact of applying ECL is immaterial.

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***4. MATERIAL ACCOUNTING POLICIES (continued)****n) Impairment (continued)****I. Financial assets (continued)***Write-off*

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

II. Non-financial assets

At each reporting date, the Group assesses whether there is any indicator that an asset may be impaired. If any such indication exists, or when annual impairment testing is required, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. 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. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

o) *Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

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

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

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***4. MATERIAL ACCOUNTING POLICIES (continued)****p) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, 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 and other comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

q) Dividends

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

r) Borrowings

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

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

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

s) Segment reporting

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

t) 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.

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***4. MATERIAL ACCOUNTING POLICIES (continued)****u) Earnings per share (“EPS”)**

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

v) Events after the reporting date

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its consolidated financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements, but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

w) Share-based payments

The fair value of the amount payable to employees in respect of share-based payments, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share-based payment. Any changes in the liability are recognised in the consolidated statement of profit or loss.

x) Foreign currencies

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***5. PROPERTY AND EQUIPMENT**

	Leasehold improvements	Furniture and fixtures	Office equipment and computer	Machinery and equipment	Pump meters	Motor vehicles	Total
<i>Cost:</i>							
At 1 January 2024	1,332,381	12,489,771	5,237,066	6,772,286	1,240,500	8,173,291	35,245,295
Additions during the year	-	133,985	231,424	606,931	-	309,168	1,281,508
Disposals during the year	-	(61,901)	-	(65,466)	-	(233,109)	(360,476)
At 31 December 2024	1,332,381	12,561,855	5,468,490	7,313,751	1,240,500	8,249,350	36,166,327
Additions during the year	4,650	320,337	4,951,133	209,593	-	-	5,485,713
Disposals during the year	(29,440)	(909,061)	(9,679)	-	-	-	(948,180)
At 31 December 2025	1,307,591	11,973,131	10,409,944	7,523,344	1,240,500	8,249,350	40,703,860
<i>Accumulated Depreciation:</i>							
At 1 January 2024	385,607	8,565,197	4,174,787	5,897,225	1,240,500	6,568,896	26,832,212
Charge for the year	107,716	1,258,602	345,761	547,121	-	497,134	2,756,334
Disposals during the year	-	(61,901)	-	(65,427)	-	(233,108)	(360,436)
At 31 December 2024	493,323	9,761,898	4,520,548	6,378,919	1,240,500	6,832,922	29,228,110
Charge for the year	559,217	1,269,207	515,121	529,278	-	416,024	3,288,847
Disposals during the year	(11,928)	(568,091)	(9,679)	-	-	-	(589,698)
At 31 December 2025	1,040,612	10,463,014	5,025,990	6,908,197	1,240,500	7,248,946	31,927,259
<i>Net book value:</i>							
At 31 December 2025	266,979	1,510,117	5,383,954	615,147	-	1,000,404	8,776,601
At 31 December 2024	839,058	2,799,957	947,942	934,832	-	1,416,428	6,938,217

There is no temporary idle asset (2024: none). Assets with cost amounting SR 24.7 million have been fully depreciated as of the year-end (2024: SR 22 million).

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

	2025	2024
Cost of revenue (note 27)	963,890	1,070,958
General and administration expenses (note 29)	2,324,957	1,685,376
	3,288,847	2,756,334

MIAHONA COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025
(Amount in Saudi Riyals)



6. INTANGIBLE ASSETS

	<u>Software</u>
<u>Cost:</u>	
At 1 January 2024	2,145,426
Additions during the year	294,738
At 31 December 2024	2,440,164
Additions during the year	-
At 31 December 2025	2,440,164
<u>Accumulated amortization:</u>	
At 1 January 2024	2,142,671
Charge for the year	34,754
At 31 December 2024	2,177,425
Charge for the year	98,723
At 31 December 2025	2,276,148
<u>Net carrying value:</u>	
At 31 December 2025	164,016
At 31 December 2024	262,739

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

	<u>2025</u>	<u>2024</u>
Cost of revenue (note 27)	742	1,575
General and administration expenses (note 29)	97,981	33,179
	98,723	34,754

At the reporting date, remaining useful life of software is 2.67 years.

7. INTANGIBLE ASSETS ARISING FROM SERVICE CONCESSION ARRANGEMENTS

	<u>2025</u>	<u>2024</u>
<u>Cost:</u>		
At the beginning of the year	786,018,084	739,120,517
Additions during the year (note 7.1 and note 7.2)	30,266,947	47,646,984
Disposal during the year	(189,708)	(749,417)
At the end of the year	816,095,323	786,018,084
<u>Accumulated amortization:</u>		
At the beginning of the year	437,399,985	393,295,717
Charge for the year (note 27)	35,366,323	44,775,612
Disposal during the year	-	(671,344)
At the end of the year	472,766,308	437,399,985
<u>Net book value:</u>		
At 31 December	343,329,015	348,618,099

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)*

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

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

- the cost of the rehabilitation of water utilities and wastewater treatment facilities for the first and second industrial cities of Dammam;
- the cost of construction of water utilities and wastewater treatment facilities for the first industrial city of Al-Ahsa;
- the cost of the rehabilitation of water utilities and wastewater treatment facilities for reverse osmosis plant at the second industrial city in Dammam; and
- the cost for the rehabilitation of wastewater treatment facilities for Jeddah Industrial City as per the new concession contract signed during the year.

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

7.2 Included in additions during the year are finance costs capitalized amounting to SR 770,838 (2024: SR 717,796). The rate used for finance costs capitalisation is 7.7% (2024: 7.36%) per annum.

8. RIGHTS-OF-USE ASSETS AND LEASE LIABILITIES

	<u>2025</u>	<u>2024</u>
<u>Right-of-use assets</u>		
At the beginning of the year	9,557,886	11,680,901
Addition during the year	58,362,303	746,316
<i>Depreciation charge for the year:</i>		
Cost of revenue (note 27)	(953,101)	(1,011,033)
General and administration expenses (note 29)	(6,484,523)	(1,687,771)
	(7,437,624)	(2,698,804)
Derecognition during the year	(37,888)	(170,527)
At the end of the year	60,444,677	9,557,886
<u>Lease liabilities</u>		
At the beginning of the year	9,782,284	11,275,353
Addition during the year	58,362,303	746,316
Lease payments	(9,786,233)	(2,530,484)
Accretion of interest on lease liabilities (note 30)	3,795,137	461,626
Derecognition during the year	(37,888)	(170,527)
At the end of the year	62,115,603	9,782,284
Classified as:		
- Non-current	56,753,925	7,973,935
- Current	5,361,678	1,808,349
	62,115,603	9,782,284

Right of use assets (class wise)

	<u>2025</u>		<u>2024</u>	
	<u>Depreciation</u>	<u>Balance</u>	<u>Depreciation</u>	<u>Balance</u>
<u>Buildings*</u>	6,974,660	59,131,980	2,280,015	8,838,256
<u>Vehicles</u>	462,964	1,312,697	418,789	719,630
<u>Total</u>	7,437,624	60,444,677	2,698,804	9,557,886

* includes head office premise and labor accommodation.

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***8. RIGHTS-OF-USE ASSETS AND LEASE LIABILITIES (continued)**

The Group entered into a lease agreements for the rental of building and vehicles. The estimated useful lives of leased assets for amortising right-of-use assets purposes are 25 years. The legal ownership of the right-of-use assets are retained with the lessor. Generally, the Group is restricted from assigning and subleasing the leased assets.

	<u>2025</u>	<u>2024</u>
Future minimum lease payments	90,065,117	12,289,069
Less: unamortised finance charges	<u>(27,949,514)</u>	<u>(2,506,785)</u>
Present value of minimum lease payments	62,115,603	9,782,284
Less: current portion of lease payments	<u>(5,361,678)</u>	<u>(1,808,349)</u>
Non-current portion of lease payments	<u>56,753,925</u>	<u>7,973,935</u>

9. INVESTMENT IN EQUITY ACCOUNTED INVESTMENTS

The Company has investments in following entities, all of which are incorporated in Kingdom of Saudi Arabia.

	Ownership %	<u>2025</u>	<u>2024</u>
International Water Partners Company ("IWP")	40	15,197,875	13,817,154
International Water Partners Company 2 ("IWP 2")	35	8,129,783	5,394,310
Al Haer Environmental Services ("Al Haer")	45	<u>(18,316,197)</u>	<u>(124,405)</u>
		<u>5,011,461</u>	<u>19,087,059</u>

Presented in the consolidated statement of financial position as:

Investments in equity accounted investments	23,327,658	19,087,059
Provision against losses in an equity accounted investee	<u>(18,316,197)</u>	-

Movement during the year were as follows:

	Opening balance	Share in OCI	Share in profit	Closing balance
<u><i>At 31 December 2025</i></u>				
IWP	13,817,153	87,903	1,292,819	15,197,875
IWP2	5,394,311	-	2,735,472	8,129,783
Al Haer	<u>(124,405)</u>	<u>(18,763,426)</u>	571,634	<u>(18,316,197)</u>
	<u>19,087,059</u>	<u>(18,675,523)</u>	<u>4,599,925</u>	<u>5,011,461</u>

	Opening balance	Additions	Share in profit (loss)	Closing balance
<u><i>At 31 December 2024</i></u>				
IWP	9,952,855	-	3,864,298	13,817,153
IWP2	3,454,052	-	1,940,259	5,394,311
Al Haer	-	65,000	<u>(189,405)</u>	<u>(124,405)</u>
	<u>13,406,907</u>	<u>65,000</u>	<u>5,615,152</u>	<u>19,087,059</u>

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***9. INVESTMENT IN EQUITY ACCOUNTED INVESTMENTS (continued)**

Following is the summarized financial information of equity accounted investees, based on financial statements prepared in accordance with IFRS Accounting Standards as endorsed in KSA:

a) International Water Partners Company:

	<u>2025</u>	<u>2024</u>
<i>Statement of profit or loss</i>		
Revenue	30,815,588	43,081,930
Net profit for the year	3,736,773	8,306,565
Other comprehensive income for the year	219,759	(178,024)
Total comprehensive income for the year	3,956,532	8,128,541
<i>Statement of financial position</i>		
Non-current assets	73,907	94,113
Current assets	42,233,360	44,265,571
Non-current liabilities	1,974,657	2,366,897
Current liabilities	6,685,577	12,302,285
Net assets	33,647,033	29,690,502

b) International Water Partners Company 2:

	<u>2025</u>	<u>2024</u>
<i>Statement of profit or loss</i>		
Revenue	42,003,956	37,100,303
Net profit for the year	7,827,726	3,878,175
Other comprehensive income for the year	-	157,839
Total comprehensive income for the year	7,827,726	4,036,014
<i>Statement of financial position</i>		
Non-current assets	258,521	434,715
Current assets	36,298,360	33,294,984
Non-current liabilities	2,250,281	1,999,822
Current liabilities	15,440,896	20,441,439
Net assets	21,115,986	13,288,260

c) Al Haer Environmental Services

	<u>2025</u>	<u>2024</u>
<i>Statement of profit or loss</i>		
Revenue	954,034,598	-
Net profit for the year	1,270,297	(465,874)
Other comprehensive income for the year	(40,426,202)	-
Total comprehensive income for the year	(39,155,905)	(465,874)
<i>Statement of financial position</i>		
Non-current assets	986,359,897	-
Current assets	170,938,114	2,816,483
Non-current liabilities	930,568,941	-
Current liabilities	267,566,120	3,182,356
Net assets	(40,837,050)	(365,873)

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***10. CONCESSION CONTRACT RECEIVABLES**

	<u>2025</u>	<u>2024</u>
Non-current concession contract receivables	719,298,090	361,364,174
Current concession contract receivables	34,586,026	34,586,026
	<u>753,884,116</u>	<u>395,950,200</u>

Movement in concession contract receivables were as follows:

	<u>2025</u>	<u>2024</u>
At the beginning of the year	396,096,287	305,143,186
Additions for the year (refer note 10.1 & 10.2)	359,525,163	105,114,375
Finance income for the year	32,779,689	20,611,303
Amount billed during the year	(34,426,760)	(34,772,577)
	753,974,379	396,096,287
Allowance for ECL	(90,263)	(146,087)
At the end of the year	<u>753,884,116</u>	<u>395,950,200</u>

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

10.2 During the year, the Group has entered into Build-Own-Operate-Transfer (“BOOT”) a wastewater treatment plant project for 25 years. Scope of BOOT is to build the plant and 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 BOOT, the plants would be transferred back to Government related entity.

Movement in allowance for ECL were as follows:

	<u>2025</u>	<u>2024</u>
At the beginning of the year	146,087	146,087
Reversal for the year	(55,824)	-
At the end of the year	<u>90,263</u>	<u>146,087</u>

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***11. PREPAYMENTS AND ADVANCES**

	<u>2025</u>	<u>2024</u>
Prepayments and other current assets	53,999,680	14,909,479
Advances to suppliers	9,834,569	36,971,727
Amount paid as margin for bank guarantee	4,911,837	9,324,638
	<u>68,746,086</u>	<u>61,205,844</u>
Classified as:		
Non-current**	7,428,996	35,337,103
Current	61,317,090	25,868,741
	<u>68,746,086</u>	<u>61,205,844</u>

** These advances relate to advance paid for intangible asset under service concession arrangements and would be settled within 1 year time.

12. INVENTORIES

	<u>2025</u>	<u>2024</u>
Spare parts	3,261,097	3,179,516
Consumables	2,286,744	2,437,358
Chemicals and others	873,601	814,799
	<u>6,421,442</u>	<u>6,431,673</u>

During the year, inventories of SR 11.8 million (2024: SR 12.5 million) were recognized as an expense and included in 'Cost of revenue'. In addition, no write down to net realizable value was recognized in respect of inventories during the year (2024: nil). Provision for slow-moving inventories amounting SR 435,909 (2024: SR 435,909) has been recorded.

13. TRADE AND OTHER RECEIVABLES

Accounts receivables are non-interest bearing and are generally on terms of 30 to 60 days. Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable.

	<u>2025</u>	<u>2024</u>
Trade receivables	50,102,354	57,930,652
Less: Allowance for ECL	(2,418,171)	(5,711,468)
	47,684,183	52,219,184
Staff and other receivables	1,727,753	1,724,402
	<u>49,411,936</u>	<u>53,943,586</u>

Movement of allowance for expected credit losses on trade receivables were as follows:

	<u>2025</u>	<u>2024</u>
At the beginning of the year	5,711,468	4,480,484
Charge for the year	620,612	525,000
Reclassification from provisions	-	705,984
Written off during the year	(3,913,909)	-
At the end of the year	<u>2,418,171</u>	<u>5,711,468</u>

MIAHONA COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025
(Amount in Saudi Riyals)



14. CONTRACT ASSETS

	<u>2025</u>	<u>2024</u>
Unbilled revenue	6,834,900	6,848,989
Contract costs	1,252,630	-
	<u>8,087,530</u>	<u>6,848,989</u>

Significant change in the contract assets balance during the year were as follows:

	<u>2025</u>	<u>2024</u>
At the beginning of the year	6,848,989	38,082,881
Unbilled amount during the year	84,969,851	6,848,989
Billed amount during the year	(84,983,940)	(36,826,897)
Written off during the year	-	(1,255,984)
At the end of the year	<u>6,834,900</u>	<u>6,848,989</u>

Contract costs includes costs incurred in respect of anticipated contracts, which will generate resources that will be used in satisfying these contracts and are expected to be recovered and are hence recognised as an asset for costs to fulfil contracts. The asset would be amortised on a straight-line basis over the term where the Group is principal in the performance obligation.

15. FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

	<u>2025</u>	<u>2024</u>
Fair value of derivative financial instruments – Assets	968,628	9,388,092
Fair value of derivative financial instruments – Liability	(798,600)	-
	<u>170,028</u>	<u>9,388,092</u>

The Group has interest rate hedging contracts with several banks to hedge the fluctuations in interest rates on loans with a notional amount of SR 1,241,613,316 (2024: SR 883,832,217). In this respect, the variable rate loans of the Group are hedged to fixed rates.

All derivatives as of 31 December 2025 and 2024 are classified as cash flow hedges. Derivative financial instruments – asset is classified as non-current asset considering the maturity is after more than 12 months. Derivative financial instruments – liability was classified as non-current liability as the maturity was after more than 12 months as of the reporting date.

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

	<u>2025</u>	<u>2024</u>
At the beginning of the year	(9,388,092)	(1,589,371)
Cash flow hedges – effective portion of changes in fair value	9,218,064	(7,840,923)
Cash flow hedges – reclassified to profit or loss	-	42,202
At the end of the year	<u>(170,028)</u>	<u>(9,388,092)</u>

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***15. FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

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

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

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

Sensitivity analysis

	<u>2025</u>	<u>2024</u>
Gain / (loss)		
<i>Floating rate debt:</i>		
SAIBOR + 100bps	25,404,571	9,685,998
SAIBOR - 100bps	(25,404,571)	(9,685,998)

16. TERM DEPOSITS

Short-term Murabaha deposits are deposited with a commercial bank for varying periods of between one day and three months, depending on the immediate cash requirements of the Group and earns interest at floating rate based on effective interest rate of 4.5% to 5.8% (2024: 4.5% to 5.3%).

17. CASH AND CASH EQUIVALENTS

	<u>2025</u>	<u>2024</u>
Cash at bank	137,917,613	130,120,713
Term deposits having original maturity of less than three months	167,680,000	14,000,000
Cash in hand	113,386	82,460
	<u>305,710,999</u>	<u>144,203,173</u>

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***18. SHARE CAPITAL AND RESERVES**

18.1 The Parent Company's authorised, issued and paid-up share capital is divided into 160,925,543 shares of SR 1 each (2024: 160,925,543 shares of SR 1 each). The value of share capital is distributed as follows:

	<u>2025</u>		<u>2024</u>	
	<u>Number of shares</u>	<u>Percentage holding</u>	<u>Number of shares</u>	<u>Percentage holding</u>
Vision International Investment Company	96,555,326	60%	112,647,880	70%
Al Rajhi Funds	14,246,762	9%	-	-
Others	50,123,455	31%	48,277,663	30%
	160,925,543	100%	160,925,543	100%

*During the year, Vision International sold 16,092,554 shares in the Parent Company, representing 10% of the Parent Company's share capital, to a number of investors via private transactions, which was executed as negotiated trades on Tadawul on 4 Jumada Al-Akhirah 1447H (corresponding to 25 November 2025).

18.2 Balance of reserve represents the total amounts appropriated from net income for prior years as statutory reserves in accordance with the requirements of the previous Companies Law and the Parent Company's By-Laws prior to alignment with the new Companies Law. The utilization of these reserves is subject to the decisions of the shareholders' assembly.

18.3 For the year ended 31 December 2024, the Board of Directors resolved to distribute following cash dividends of SR 0.10 per share amounting to SR 16 million in a meeting held on 2 Dhul-Hijjah 1446H (corresponding to 29 May 2025). Dividends were fully paid during the year.

19. LOANS AND BORROWINGS

	<u>2025</u>	<u>2024</u>
Murabaha term loan (a)	153,550,996	178,090,000
Murabaha term loan (b)	200,709,013	208,144,487
Equity bridge loan ("EBL") (c)	18,960,373	18,960,373
Senior debt facility (d)	20,566,481	14,066,481
Equity bridge loan ("EBL") (e)	127,261,808	85,624,856
Senior debt facility (f)	262,438,718	2,448,596
Sub-total	783,487,389	507,334,793
Less: transaction cost subject to amortization	(13,268,797)	(5,926,953)
Amortized cost of term loans*	770,218,592	501,407,840
Less: current portion of loan and borrowings	(42,612,724)	(140,080,875)
	727,605,868	361,326,965

Accrued finance costs on loans and borrowings amount to SR 2.5 million (2024: SR 8.1 million).

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***19. LOANS AND BORROWINGS (continued)**

Movement during the year were as follows:

	<u>2025</u>	<u>2024</u>
At the beginning of the year – principal amount	507,334,793	447,374,655
At the beginning of the year – upfront fees	(5,926,953)	(4,824,142)
Proceeds during the year	470,987,379	101,584,532
Payments made during the year	(194,834,783)	(41,624,394)
Amortisation of upfront fees	1,972,936	1,531,652
Upfront fees paid during the year	(9,314,780)	(1,489,944)
Upfront fees transferred during the year	-	(1,144,519)
At the end of the year – principal amount	<u>783,487,389</u>	<u>507,334,793</u>
At the end of the year – upfront fees	<u>(13,268,797)</u>	<u>(5,926,953)</u>

Above loans carry interest at SAIBOR plus agreed margin. The Group's facilities utilised and unutilised against loans and borrowings as of 31 December 2025 are as follows:

- a. During the year, Industrial Cities Development and Operating Company (“ICDOC”), a wholly owned subsidiary of Miahona, refinanced its existing Murabaha loan facilities with a new Shariah-compliant financing agreement with Arab National Bank totaling SR 210 million against outstanding obligation of SR 159 million. Additional financing of SAR 50 million to support the growth-related capital expenditures. The transaction included:
1. Refinancing of existing obligations with a local bank (original loan scheduled to mature in February 2026).
 2. Financing for capital expenditure requirements.

As the terms of the new facilities were substantially different (extended tenor from February 2026 to July 2030 and revised financing costs), the old loan was derecognised and the new facility was recognized at fair value. Any resulting gain or loss on extinguishment has been recognized in the consolidated statement of profit or loss. The loan is secured by assignment of receivables, insurance proceeds, and the pledge over designated bank accounts, corporate guarantee from the Parent Company covering six months DSRA requirement and promissory note. These facilities carry financing costs based on Saudi Inter Bank Offer Rate (SAIBOR) plus margin. The new loan is repayable in 5 years tenure ending at July 2030. The facilities are repayable in unequal semi-annual instalments till maturity date. As at 31 December 2025, the Group is in compliance with the financial covenants stipulated.

- b. Murabaha loan facilities amounting to SR 249,736,000 secured from a consortium of local banks. The facilities include long-term loan of SR 243,786,000 on non-recourse basis and a working capital facility of SR 5,950,000 (unutilized). The commission on the term-loan is charged at a floating rate based on SAIBOR plus a margin. The term loan is repayable in unequal semi-annual instalments till maturity date i.e., September 2038. As at 31 December 2025, the Group is in compliance with the financial covenants stipulated. To reduce its exposure to floating rate risk, the Group has entered into a profit rate swap.

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***19. LOANS AND BORROWINGS (continued)**

- c. Equity bridge loan facilities amounting to SR 18,960,373 secured from a local bank. The commission on this loan is charged at a floating rate based on SAIBOR plus a margin. The facility is repayable in a bullet payment at maturity date i.e., February 2027. To reduce its exposure to floating rate risk, the Group has entered into a profit rate swap.
- d. Bundled facilities amounting to SR 70,926,205 (utilized SR 20,566,481) secured from a local bank. The facilities include Senior debt facility of SR 65,777,643, a working capital facility of SR 952,427 and a VAT facility of SR 4,196,135. The commission on the Senior debt is charged at a floating rate based on SAIBOR plus a margin. The Senior debt is repayable in unequal quarterly instalments till maturity date i.e., February 2033. As at 31 December 2025, the Group is in compliance with the financial covenants stipulated. To reduce its exposure to floating rate risk, the Group has entered into a profit rate swap.
- e. Equity bridge loan facilities amounting to USD 33,936,482 (equivalent to SR 127,292,048) secured from a local bank. The commission on this loan is charged at a floating rate based on USD Term Secured Overnight Financing Rate ("SOFR") plus a margin. The maturity date of EBL Murabaha facilities is 15 June 2028, and on that date, it becomes repayable in full. To reduce its exposure to floating rate risk, the Group has entered into a profit rate swap.
- f. Istisna-Ijara facility amounting to USD 139,586,972 equivalent SAR 523,451,145 (utilized SAR 245,468,688) secured from consortium of banks, VAT facility of SR 17,260,000 (utilized SR 16,970,031), and a working capital facility of USD 1,400,000 (unutilized). The Senior debt is repayable in unequal quarterly instalments till maturity date i.e., June 2051. To reduce its exposure to floating rate risk, the Group has entered into a profit rate swap.

Contingency and commitments

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

- g. Islamic Credit facilities of SR 60,000,000 (General Revolving Facility) increased to SR 120,000,000 during the year (utilized: SR 102,933,337), and multi-purpose facility of SR 400,000,000 (utilized SR 90,513,684) secured with a local bank. As at the reporting date, the Group has utilised total facility amounting to SR 193,447,021 for issuing bid or performance guarantees (reported under note 34).
- h. Multi-purpose working capital facility of SR 25,000,000 with a local bank. The facility is mainly available for issuing LGs/LCs. As at the reporting date, the Group has utilised the facility amounting to SR 10,500,000 for issuing the bid and performance guarantees (reported under note 34).
- i. Islamic Credit facilities (working capital facility) of SR 60,000,000 with a local bank. The facility is mainly available for issuing LGs. As at the reporting date, the Group has utilised the facility amounting to SR 16,446,444 for issuing bid and performance guarantees (reported under note 34).

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***20. EMPLOYEES' DEFINED BENEFIT LIABILITIES**

The Group is committed to the following un-funded post-employment defined benefit plan. In Kingdom of Saudi Arabia, the plan entitles an employee who completed over two but less than five years of service, to receive a payment equal to one-third of their final monthly salary for each completed year of service. Similarly, an employee who completed over five but less than ten years of service, to receive a payment equal to two-third of their final monthly salary for each completed year of service. Further, an employee who completed over ten years of service, to receive a payment equal to their final salary for each completed year of service.

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

	<u>2025</u>	<u>2024</u>
At the beginning of the year	25,417,472	22,393,896
<i>Included in profit or loss</i>		
Current service cost	3,719,643	3,469,264
Interest cost	1,377,559	1,080,679
	5,097,202	4,549,943
<i>Included in other comprehensive income</i>		
Remeasurement gain	(1,275,753)	(680,714)
Benefits paid	(2,733,271)	(845,653)
At the end of the year	<u>26,505,650</u>	<u>25,417,472</u>

Significant actuarial assumptions

Significant assumptions used in determining defined benefit liabilities for the year ended are as follows:

	<u>2025</u>	<u>2024</u>
<u>Economic assumptions</u>		
Discount rate	4.85%	5.30%
Weighted average future salary increases	6.35%	6.80%
<u>Demographic assumptions</u>		
Mortality rate	WHO-SA19	WHO-SA19
Retirement age (years)	65	65
Turnover	Moderate	Moderate

Sensitivity analysis

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

<u>Sensitivity level</u>	<i>% of change</i>	<u>2025</u>		<u>2024</u>	
		<i>Increase</i>	<i>Decrease</i>	<i>Increase</i>	<i>Decrease</i>
Discount rate	0.5	25,551,055	27,527,288	24,491,961	26,408,283
Salary growth rate	0.5	27,325,102	25,730,552	26,215,818	24,662,469
Mortality rate	10	26,490,490	26,520,897	25,403,005	25,432,023

Weighted average duration of the plans is estimated to be 7.7 years (2024: 7.85 years).

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***21. OTHER LIABILITIES**

Pursuant to an amendment to the original concession arrangement with the Government related entity (“MODON”), a reverse osmosis plant for water utilities and wastewater treatment facilities at the second industrial city in Dammam, Kingdom of Saudi Arabia was made available to the Group, which is payable to MODON in installments over the remaining concession term. The consideration payable is discounted to present value of fixed amount payable to the Government related entity and a corresponding intangible asset under IFRIC 12 was recognised by the Group which is being amortised over remaining period of concession arrangement. Movement during the year were as follows:

	<u>2025</u>	<u>2024</u>
At the beginning of the year	33,844,521	5,892,326
Accretion of interest	1,482,283	1,621,271
Additions during the year	-	32,425,411
Payments during the year	<u>(3,822,357)</u>	<u>(6,094,487)</u>
At the end of the year	<u>31,504,447</u>	<u>33,844,521</u>
BIFURCATED INTO:		
Current portion	2,353,839	3,294,849
Non-current portion	29,150,608	30,549,672

22. DEFERRED REVENUE AND CONTRACT LIABILITY

	<u>2025</u>	<u>2024</u>
Non-current portion		
Deferred revenue (a)	8,020,010	9,014,118
Contract liability (b)	<u>5,400,375</u>	<u>4,777,830</u>
	<u>13,420,385</u>	<u>13,791,948</u>
Current portion		
Deferred revenue (a)	729,092	-
Deferred revenue (c)	<u>2,931,868</u>	<u>-</u>
	<u>3,660,960</u>	<u>-</u>

(a) It arises from the Group’s services under service concession contract. Consideration is received upfront, accordingly, the consideration received is recognized as a deferred revenue and is recognized as revenue on a straight-line basis over the term of the concession arrangement. Amounts adjustable in next 12 months has been classified under current liabilities.

(b) It primarily relates to the advance consideration received from customers, which would be adjusted over the period of contract.

	<u>2025</u>	<u>2024</u>
At the beginning of the year	4,777,830	4,279,496
Revenue recognized during the year	<u>(1,207,985)</u>	<u>(1,332,197)</u>
Billed during the year	1,830,531	1,830,531
At the end of the year	<u>5,400,376</u>	<u>4,777,830</u>

(c) It arises from recognition of development income by Parent Company to one of its associates, which is recognised as revenue progressively, based on percentage of construction completion, over the construction period.

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***23. TRADE AND OTHER PAYABLES**

	<u>2025</u>	<u>2024</u>
Trade payables*	131,711,649	4,341,129
Accrued expenses	120,198,151	93,059,429
Employee accruals	16,120,065	11,206,725
Value added tax ("VAT") payable	1,957,033	1,836,316
Retention payable	1,567,428	1,236,809
Advance from customer	60,696	222,384
Due to related parties (note 31.4)	10,350	52,185
	<u>271,625,372</u>	<u>111,954,977</u>

* Trade accounts payables are non-interest bearing and are normally settled on 60-day terms.

24. SHARE-BASED PAYMENTS

In year 2024, the Group approved a share-based payment plan for a key management personnel of the Group. The key management personnel will receive a cash settlement equivalent to the market value of 260,870 shares of the Parent Company. The options will be vested in three equal installments i.e., 3 months, 12 months, and 24 months from 6 June 2024, which is the Parent Company's listing date. The cash will be settled upon the completion of the service period corresponding to each of the above-mentioned intervals. The fair value of each share on grant date, vesting date and reporting date is SR 11.5, SR 31.05 and SR 17.93 respectively.

Movement in the provision for share-based payment for the year were as follows:

	<u>2025</u>	<u>2024</u>
At the beginning of the year	2,062,660	-
Charge for the year (note 31)	824,090	4,762,665
Settled during the year	(1,998,257)	(2,700,005)
At the end of the year	<u>888,493</u>	<u>2,062,660</u>
BIFURCATED INTO:		
Current portion	888,493	1,375,107
Non-current portion	-	687,553

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***25. ZAKAT****Charge for the year**

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

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

Movement for the year is as follows:

	<u>2025</u>	<u>2024</u>
At the beginning of the year	6,102,300	5,519,040
Charge for the year - current	6,578,505	6,422,028
Charge for the year - prior	37,232	-
Payments during the year	<u>(6,139,532)</u>	<u>(5,838,768)</u>
At the end of the year	<u>6,578,505</u>	<u>6,102,300</u>

Status of assessments

As of 31 December 2025, the Group entities have filed Zakat declarations with ZATCA for all years up to 2024. During 2023, certain assessments of prior periods have been settled with ZATCA. The impact of the same is recognised as a Zakat expense in the consolidated statement of profit or loss of SR 0.8 million.

Miahona Company	ZATCA assessments till 2017 are finalized by ZATCA. Zakat declaration for the years 2018 to 2024 is yet to be assessed by ZATCA.
ICDOC	ZATCA assessments till 2018 are finalized by ZATCA. Zakat declaration for the years 2019 to 2024 is yet to be assessed by ZATCA.
JECO	ZATCA assessments till 2020 are finalized by ZATCA. Zakat declaration for the years 2021 to 2024 is yet to be assessed by ZATCA.
RWPC	ZATCA assessments till 2018 are finalized by ZATCA. Zakat declaration for the years 2019 to 2024 is yet to be assessed by ZATCA.
Araha	Zakat declarations till 2024 are yet to be assessed by ZATCA.
SWESC	Zakat declaration for the first year 2024 is yet to be assessed by ZATCA.
CWC	The subsidiary is in process of filing its first zakat return.
Al Haer O&M	The subsidiary is in process of filing its first zakat return.

26. REVENUE

	<u>2025</u>	<u>2024</u>
<i>Revenue recognised under service concession arrangements:</i>		
Water and wastewater services	252,621,260	253,002,567
Construction revenue - concession contract receivable	359,525,163	105,114,375
Construction revenue - intangible assets	15,859,460	15,221,573
	<u>628,005,883</u>	<u>373,338,515</u>
Management and engineering services	61,513,718	-
Operation and maintenance revenue	10,134,758	11,750,543
	<u>699,654,359</u>	<u>385,089,058</u>

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***26. REVENUE (continued)****Service concession arrangements**

Revenue from the service concession arrangement is recognized as follows:

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

The total expected consideration over 28 years is allocated to the performance obligations based on the relative stand-alone selling prices of the construction services and operation & maintenance services, taking into account the significant financing component, as follows:

- For construction services under one BOT arrangement, the Group estimates the relative stand-alone selling price by reference to the forecast cost plus 5%.
- For operation & maintenance services under one BOT arrangement, the Group estimates the relative stand-alone selling price by reference to the forecast cost plus 7.7%.
- The implied interest rate of 5.2% is assumed to be the rate that would be reflected in a financing transaction between the Group and the Grantor.

- ii. The amount of consideration to which the Group is entitled to by providing services to the public is recognised when (or as) the performance obligations are satisfied. Under the terms of the arrangement with the Government related entity, the Grantor is not obliged to make any payment to the Group and the Group earns revenue by providing services to the public and charging them for the same. Accordingly, the revenue earned from construction services is recognized as an intangible asset under IFRIC 12, Service Concession Arrangements.

- iii. The amount of consideration to which the Group expects to be entitled from the Grantor for the services provided is recognised when (or as) the performance obligations are satisfied. Under the terms of the arrangement with the Government related entity, the Group is obliged to Rehabilitate-Operate-Transfer a Water Treatment Station (“WTS”) for 10 years.

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

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

- iv. The amount of consideration to which the Group expects to be entitled from the Grantor for the services provided is recognised when (or as) the performance obligations are satisfied. Under the terms of the arrangement with the Grantor, the Group is obliged to Build-Own-Operate-Transfer (“BOOT”) a wastewater treatment plant project for 25 years.

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***26. REVENUE (continued)****Service concession arrangements (continued)**

The total expected consideration over 25 years is allocated to the performance obligations based on the relative stand-alone selling prices of the construction services and operation & maintenance services, taking into account the significant financing component, as follows:

- For construction services under one BOOT arrangement, the Group estimates the relative stand-alone selling price by reference to the forecast cost plus 5%.
- For operation & maintenance services under one BOOT arrangement, the Group estimates the relative standalone selling price by reference to the forecast cost plus 8%.
- The implied interest rate of 6.25% is assumed to be the rate that would be reflected in a financing transaction between the Group and the Grantor.

Timing of revenue from contract with customers

	<u>2025</u>	<u>2024</u>
Services transferred over time	657,199,028	385,089,058
Services at point in time	42,455,331	-
	<u>699,654,359</u>	<u>385,089,058</u>

27. COST OF REVENUE

	<u>2025</u>	<u>2024</u>
Salaries and employee related costs	63,351,832	58,471,783
Royalties	40,702,816	27,254,634
Amortization of intangible assets arising from service concession (note 7)	35,366,323	44,775,612
Business development expense	26,206,440	1,046,614
Electricity	19,971,368	19,058,079
Sludge transportation and violated discharge treatment expense	7,451,588	4,037,005
Maintenance service, spare parts and consumables	6,080,400	6,120,174
Chemicals	5,769,563	6,755,071
Subcontract costs	2,987,300	2,986,781
Insurance expense	1,608,727	1,515,739
IT Services	1,640,285	1,604,683
Depreciation of property and equipment (note 5)	963,890	1,070,958
Depreciation of right-of-use assets (note 8)	953,101	1,011,033
Amortization of intangible assets (note 6)	742	1,575
Others	8,756,906	6,719,097
Operation cost	<u>221,811,281</u>	<u>182,428,838</u>
Construction cost	<u>364,183,873</u>	<u>116,202,680</u>
	<u>585,995,154</u>	<u>298,631,518</u>

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***28. OTHER INCOME**

	<u>2025</u>	<u>2024</u>
Management services **	12,907,499	-
Liabilities written-back	-	6,306,552
Others	-	578,917
	<u>12,907,499</u>	<u>6,885,469</u>

** This primarily relates to the other income from a contract amounting SR 12.7 million awarded to a subsidiary for providing support in training, logistics, supplier selection, design optimisation, risk mitigation, procurement management, and permit acquisition for major equipment procurement.

29. GENERAL AND ADMINISTRATION EXPENSES

	<u>2025</u>	<u>2024</u>
Salaries and employee related costs	13,647,735	20,781,160
Professional fees*	10,730,649	9,739,096
Depreciation of right-of-use assets (note 8)	6,484,523	1,687,771
Advertising and training	2,886,995	916,374
Depreciation of property and equipment (note 5)	2,324,957	1,685,376
IT cost and other utilities	703,087	586,679
Business travel	458,532	244,950
Amortization of intangible asset (note 6)	97,981	33,179
Subscriptions	1,278,755	382,542
Training and seminars	335,127	292,865
Others	3,102,498	508,855
	<u>42,050,839</u>	<u>36,858,847</u>

*Auditors' remuneration for the statutory audit of the Group's consolidated financial statements and the financial statements of its subsidiary for the year ended 31 December 2025 amounts to SR 1.27 million (2024: SR 0.91 million). Auditors' remuneration for the review of the Group's interim financial statements for the years ended 2025 and 2024 amounts to SR 0.48 million. Fee for other statutory and related services provided by the auditors to the Group amounts to SR 0.06 million (2024: SR 0.62 million).

30. FINANCE COSTS

	<u>2025</u>	<u>2024</u>
Interest on loans and borrowings*	44,577,237	39,159,125
Less: Borrowing cost capitalized (note 7)	(753,928)	(717,796)
	<u>43,823,309</u>	<u>38,441,329</u>
Interest on lease liabilities (note 8)	3,795,137	461,626
Accretion of interest on other liabilities (note 21)	1,482,283	1,621,271
Bank charges	219,540	358,760
	<u>49,320,269</u>	<u>40,882,986</u>

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***31. RELATED PARTIES TRANSACTIONS AND BALANCES**

Related parties represent shareholders and key management personnel of the Group, and entities jointly controlled or significantly influenced by such parties. In the ordinary course of its activities, the Group transacts with related parties at terms mutually agreed between the parties. Balances and transactions between the Group entities are eliminated on consolidation. Key management personnel represent directors, the Chief Executive Officer and his direct reports.

Details of major transactions and balances between the Group and other related parties are as follows:

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

31.1 Transactions with key management personnel

Key management personnel compensation comprised the following:

	<u>2025</u>	<u>2024</u>
Short term employee benefits	14,335,396	15,795,613
Long term employee benefits	824,090	4,762,665
Post-employment benefits	618,017	617,000

31.2 Related party transactions

<i>Nature of transaction</i>	<i>Nature of relationship</i>	<u>2025</u>	<u>2024</u>
Expenses paid on behalf of the related party	Associate	6,236,729	3,062,679
	Ultimate Parent Company	(906,550)	24,332,113
Services rendered	Associate	59,326,112	200,108
Sale of property and equipment	Ultimate Parent company	566,806	-
Services received	Ultimate Parent Company	958,942	958,942

31.3 Due from related parties

	<i>Nature of relationship</i>	<u>2025</u>	<u>2024</u>
Al Haer Environmental Service Company	Associate	70,942	3,054,565
Vision International Investment Company	Ultimate Parent Company	-	1,288,458
International Water Partners	Associate	6,000	332,094
International Water Partner 2	Associate		
Loan*		-	2,800,000
Other receivables		299,435	373,360
		<u>376,377</u>	<u>7,848,477</u>

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

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***31. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)****31.4 Due to related parties**

	<i>Nature of relationship</i>	<u>2025</u>	<u>2024</u>
Vision Invest	Ultimate Parent Company	10,343	-
AbuNayyan Trading Company	Shareholder of Ultimate Parent Company	-	52,185
		<u>10,343</u>	<u>52,185</u>

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

Terms and conditions of transactions with related parties

Terms and policies of related parties' transactions are approved by the Group's management. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. During the year, no provision for expected credit loss has been recorded against amounts due from related parties (2024: none). This assessment is undertaken each period by examining the financial position of the related party and the market in which the related party operates.

32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)****A. Accounting classification and fair values**

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

31 December 2025	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<i>Financial assets measured at fair value</i>					
Fair value of derivative financial instruments	968,628	-	968,628	-	-
<i>Financial liabilities measured at fair value</i>					
Fair value of derivative financial instruments	798,600	-	798,600	-	-
31 December 2024					
	Carrying amount		Fair value		Total
		Level 1	Level 2	Level 3	
<i>Financial assets measured at fair value</i>					
Fair value of derivative financial instruments	9,388,092	-	9,388,092	-	9,388,092
<i>Financial liabilities measured at fair value</i>					
Fair value of derivative financial instruments	-	-	-	-	-

Fair value of derivative financial instruments determined at level 2 represents derivative financial liability / assets. The fair value is calculated as the present value of estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, future prices and interbank borrowing rates. Estimated cash flow are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark rate used by market participants for this purpose when pricing interest rate swaps. There are no significant unobservable input for the valuation of derivative instruments.

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

	2025	2024
Financial assets at amortized cost		
Cash and cash equivalents	305,710,999	144,203,173
Trade and other receivables	49,411,936	53,943,586
Contract assets	8,087,530	6,848,989
Due from related parties	376,377	7,848,477
Concession contract receivables	753,884,116	395,950,200
Term deposits	55,000,000	80,000,000
Amount paid as margins for bank guarantees	4,911,837	9,324,638
	1,177,382,795	698,119,063

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)****A. Accounting classification and fair values (continued)**

	<u>2025</u>	<u>2024</u>
Financial liabilities at amortized cost		
Loans and borrowings	770,218,592	501,407,840
Trade and other payables	271,625,372	111,954,977
Lease liabilities	62,115,603	9,782,284
Share based payments	888,493	2,062,660
Other liabilities	31,504,447	33,844,521
	<u>1,136,352,507</u>	<u>659,052,282</u>

B. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

C. Risk management framework

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

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

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

i. Credit risk

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

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

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

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)****C. Risk management framework (continued)****i. Credit risk (continued)****Credit risk on amounts due from related parties**

An impairment analysis is performed at each reporting date on an individual basis for all related parties. The maximum exposure to credit risk at the reporting date is the carrying value of the amounts due from related parties (note 31). The Group does not hold collateral as security. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operates. The Group evaluates the risk with respect to amounts due from related parties as minimal and accordingly no ECL is recognised.

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

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

Key inputs into the measurement of ECL are the following variables:

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

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

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

	Gross carrying amount	
	Trade receivables (note 13) and Contract assets (note 14)	Concession contract receivables (note 10)
2025		
Government	21,760,989	753,974,379
Private	35,176,265	-
Total	56,937,254	753,974,379
2024		
Government	26,416,899	396,096,287
Private	38,362,742	-
Total	64,779,641	396,096,287
	Weighted average loss	
	Trade receivables (note 13) and Contract assets (note 14)	Concession contract receivables (note 10)
2025		
Government	1,228,820	90,263
Private	1,189,351	-
Total	2,418,171	90,263
2024		
Government	1,645,785	146,087
Private	4,065,683	-
Total	5,711,468	146,087

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)****C. Risk management framework (continued)****i. Credit risk (continued)****ECL assessment for trade receivables, contract assets and concession asset receivables (continued)**

Following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for Private and Government customers:

	<u>2025</u>			<u>2024</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss</u>	<u>Loss allowance (%)</u>	<u>Gross carrying amount</u>	<u>Weighted-average loss</u>	<u>Loss allowance (%)</u>
Not due	39,604,970	114,386	0.3%	36,859,597	94,737	0.26%
1–90 days	13,829,935	88,709	0.6%	18,069,834	34,302	0.19%
91–180 days	973,636	101,133	10.4%	604,595	50,737	8.39%
181–270 days	467,512	145,197	31.1%	296,762	61,959	20.88%
271–360 days	122,809	63,353	51.6%	712,371	25,227	3.54%
More than 360 days	1,938,392	1,905,393	98.3%	8,236,482	5,444,506	66.10%
	<u>56,937,254</u>	<u>2,418,171</u>		<u>64,779,641</u>	<u>5,711,468</u>	

Concession asset receivables

	<u>Equivalent to external credit rating</u>	<u>Weighted average loss rate</u>	<u>Gross carrying amount</u>	<u>Impairment loss allowance</u>	<u>Credit impaired</u>
<u>2025</u>					
Stage 1: Low risk	A+	0.04%	753,974,379	90,263	No
<u>2024</u>					
Stage 1: Low risk	A+	0.04%	396,096,287	146,087	No

ii. Liquidity risk

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

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

Exposure to liquidity risk

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

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)****C. Risk management framework (continued)****ii. Liquidity risk (continued)**

<u>2025</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>				<u>Total</u>
		<u>1-12 months</u>	<u>1 – 5 years</u>	<u>More than 5 years</u>		
<u>Non-Derivative financial liabilities</u>						
Loans and borrowings	770,218,592	85,927,947	473,323,672	450,306,408		1,009,558,027
Trade and other payables	271,625,372	271,625,372	-	-		271,625,372
Lease liabilities	62,115,603	8,849,409	33,033,523	48,182,184		90,065,116
Other liabilities	31,504,447	2,353,839	11,705,021	30,861,876		44,920,736
Share based payments	888,493	888,493	-	-		888,493
	<u>1,136,352,507</u>	<u>369,645,060</u>	<u>518,062,216</u>	<u>529,350,468</u>		<u>1,417,057,744</u>
<u>Derivative financial liabilities</u>						
Interest rate swaps used for hedging	798,600	-	798,600	-		-

<u>2024</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>				<u>Total</u>
		<u>1-12 months</u>	<u>1 – 5 years</u>	<u>More than 5 years</u>		
<u>Non-Derivative financial liabilities</u>						
Loans and borrowings	501,407,840	155,773,030	254,720,914	211,491,014		621,984,958
Trade and other payables	111,954,977	111,902,792	-	-		111,902,792
Lease liabilities	9,782,284	1,269,439	3,400,230	7,619,400		12,289,069
Other liabilities	33,844,521	3,294,849	10,829,279	34,091,456		48,215,584
Share based payments	2,062,660	1,375,107	687,553	-		2,062,660
	<u>659,052,282</u>	<u>273,615,217</u>	<u>269,637,976</u>	<u>253,201,870</u>		<u>796,455,063</u>
<u>Derivative financial liabilities</u>						
Interest rate swaps used for hedging	-	-	-	-		-

iii. Market risk

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

Exposure to currency risk

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

Exposure to interest rate risk

Interest rate risk is the exposure associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows.

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

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)****C. Risk management framework (continued)****iii. Market risk (continued)****Exposure to interest rate risk**

	<u>2025</u>	<u>2024</u>
Fixed rate	549,652,789	121,096,308
Floating rate	233,834,600	386,234,487
Total financial liabilities	<u>783,487,389</u>	<u>507,330,795</u>

1% change in interest rate would fluctuate finance costs by SR 2.3 million (2024: SR 3.9 million).

33. CAPITAL MANAGEMENT

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

	<u>2025</u>	<u>2024</u>
Total loans and borrowings	783,487,389	507,334,793
Term deposits	(55,000,000)	(80,000,000)
Cash and cash equivalents	(305,710,999)	(144,203,173)
Net debt	<u>422,776,390</u>	<u>283,131,620</u>
Total equity	474,693,468	442,474,482
Less: hedging reserve	18,841,785	(6,613,865)
Adjusted equity	<u>493,535,253</u>	<u>435,860,617</u>
Net debt to adjusted equity	<u>86%</u>	<u>65%</u>

34. CONTINGENCIES AND COMMITMENTS

As of 31 December, the Group had the following contingencies and commitments in the normal course of business:

	<u>2025</u>	<u>2024</u>
Performance guarantees issued by banks	172,943,465	168,204,440
Bid bond	47,450,000	3,000,000
Letter of credit	-	106,425
Advance payment guarantee issued by banks	-	100,000
Capital commitments against uncompleted performance obligation	149,341,913	434,804,087

Increased cost claims

During the year, EPC contractors of certain subsidiaries and an associate raised claims aggregating SR 11.4 million in respect of additional costs arising from delays attributable to the Grantors under the relevant concession agreements. In accordance with the contractual Equivalent Project Relief ("EPR") provisions, these amounts are claimable from the respective grantors. As of reporting date, the Group has no net exposure in respect of these claims and no provision has been recognised in these consolidated financial statements.

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***35. NON-CONTROLLING INTEREST (“NCI”)**

Following table summarises the information relating to each of the Group’s subsidiaries that has material NCI.

Information on statement of financial position.

31 December 2025	Araha	SWES	Total
Place of business	KSA	KSA	
NCI%	30%	30%	
Non-current asset	21,617,066	454,290,540	
Current asset	39,003,303	133,312,045	
Non-current liabilities	36,106,522	383,099,167	
Current liabilities	22,198,882	192,551,643	
Net assets	2,314,965	11,951,775	
Net assets attributable to NCI	694,490	3,585,533	4,280,023
31 December 2024			
Place of business	KSA	KSA	
NCI%	30%	30%	
Non-current asset	13,565,547	140,275,884	
Current asset	34,895,585	13,075,239	
Non-current liabilities	33,465,631	87,085,250	
Current liabilities	12,661,335	57,107,497	
Net assets	2,334,166	9,158,376	
Net assets attributable to NCI	699,250	2,746,300	3,445,550

Information on statement of profit of loss and other comprehensive income

31 December 2025	Araha	SWES	Total
NCI%	30%	30%	
Revenue	37,105,765	339,630,135	
Profit	768,071	10,387,539	
OCI	(787,274)	(7,594,138)	
Total comprehensive (loss) income	(19,203)	2,793,401	
Profit - NCI share	230,421	3,116,261	3,370,795
Total comprehensive loss - NCI share	(5,761)	838,020	856,372
31 December 2024			
NCI%	30%	30%	
Revenue	28,529,664	93,128,484	
Profit	596,232	337,947	
OCI	851,239	8,415,522	
Total Comprehensive income	1,447,471	8,753,469	
Profit - NCI Share	178,869	101,385	280,254
Total Comprehensive income - NCI Share	433,240	2,627,042	3,060,282

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025***(Amount in Saudi Riyals)***36. OPERATING SEGMENTS**

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

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

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

Information about major customers:

During the year, three customers (2024: three) accounted for 58% (2024: 37%) of the Group's revenue.

37. EARNINGS PER SHARE**Basic earnings per share**

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

Diluted earnings per share

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

Particulars	Basic EPS for year ended 31 December		Diluted EPS for year ended 31 December	
	2025	2024	2025	2024
Profit attributable to ordinary shareholders	72,414,951	40,726,824	72,414,951	40,726,824
Weighted average number of ordinary shares (number of shares)	160,925,543	160,925,543	160,925,543	160,925,543
Basic earnings per share	0.45	0.25	0.45	0.25

MIAHONA COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

(Amount in Saudi Riyals)



38. EVENTS AFTER THE REPORTING DATE

Management believes that no events have occurred subsequent to the reporting date and before the issuance of these consolidated financial statements which requires adjustment to, or disclosure, in these consolidated financial statements.

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of directors on 23 Ramadan 1447H (corresponding to 12 March 2026).