

By means of water,
We give life to everything
Al-Anbiya - Al Aya '30'

2025

ANNUAL REPORT



الشرقية لتحلية المياه
Sharqiyah Desalination



2025

ANNUAL REPORT



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Sharqiyah Desalination

His Majesty Sultan Haitham bin Tarik







الشرقية لتحلية المياه
Sharqiyah Desalination

Sharqiyah Desalination Company SAOG

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ACKNOWLEDGEMENT

The Board of Directors of the Sharqiyah Desalination Company SAOG ("SDC") takes this opportunity to wish His Majesty Sultan Haitham bin Tarik long life, good health and prosperity.

The Board wishes to express its gratitude to the Government of Oman for its continued support and encouragement to the private sector in creating an environment that allows participating effectively in the growth of the economy and dedicating our humble achievements towards the building of strong Oman.



BOARD OF DIRECTORS



DENIS LE MAOÛT
Chairman of the Board



SUHAIB ABU DAYYEH
Deputy Chairman of the Board,
Member of the Nomination and
Remuneration Committee



PHILLIPPE PAULISSEN
Member of the Board



**ALI KHAMIS MUBARIK
AL ALAWI**
Member of the Board and
Chairman of the Nomination and
Remuneration Committee



MUSTAFA AHMED SALMAN
Member of the Board
Member of the Audit-Committee



NITIN BAJAJ
Member of the Board
Member of the Audit-Committee



KHALID MASUD ANSARI
Member of the Board and
Chairman of the Audit Committee



ZAHIR AL MAHROOQI
Member of the Board



NASR CHOUHAID
Member of the Board

THE EXECUTIVE MANAGEMENT



MURSHID AL FANNAH
Chief Executive Officer (CEO)



**ABDUL REHMAN AMIN
MUHAMMAD**
Chief Financial Officer (CFO)
Company Secretary

BOARD OF DIRECTORS REPORT

and Audited Financial Statements for the period ended 31st December 2025



Dear Shareholders,

On behalf of the Board of Directors of Sharqiyah Desalination Company SAOG (the "Company"), I am pleased to present the audited financial statements of the company for the period ended 31st December 2025.

Operational Highlights

The Sur Independent Water Plant ("the Plant") has produced and delivered volumes of water amounting to 24,655,550 m³ compared to 34,577,468 m³ in the same period (1st January to 31st December) of the last year, which is a decrease of 28.69% due to lower dispatch instructions. However, the contractual arrangement with the O&M contractor protects the company's profitability even with any reduction in the water dispatch, the total revenue decreased by only 14.54%.

The average scheduled plant availability for the year reached 97%. This consistently high availability is the result of a strict maintenance program followed and implemented by the operation & maintenance team, as well as improved coordination with Nama Water services. The Company continues to maintain its excellent reputation as a provider of potable water to the Sharqiyah region.

On March 12, 2025, the Plant successfully completed the Annual Performance Test for the contractual year 17 (CY17).

The demonstrated water capacity during the test was equal to 5,493.225 m³/h

The Solar Plant project was set in commercial operation on 16 April 2023 and contributes to reducing our carbon footprint. The Project is designed to save around 32 Millions Kwh per year corresponding to a saving of 27,200 Metric Tons CO₂ Equivalent (equal to 6,000 gasoline-powered passenger vehicles driven for one year).

Financial information

Revenue is RO 10.8 million compared to RO 12.7 million for the same period of previous year which has decreased by 14.54% (RO 1,841,766). This is mainly due to lower water output.

The cost of sales has decreased by 16.64% as compared to the same period of previous year RO 1,460,879 mainly due to lower water output and electricity cost.

Current year profit after tax reached RO 502,395 that represents 4.64% of the revenue compared to 4.70% the last year of the same period.

The total cash received from customers during the period (1st January to 31st December) was RO 16.0 million compared to RO 17.5 million and net cash generated from operation



was RO 5.2 million compared to RO 5.2 million in the same period 2024.

Internal Control and Corporate Governance

The Management of the Company believes in a strong internal control system, overseen by our Internal Auditor in compliance with regulations prescribed by the Financial Services Authority (FSA) and The International Professional Practices Framework (IPPF).

The Company has in place high standards of corporate governance overseen by our Compliance and Governance Officer, which are compliant with the Code of Corporate Governance promulgated by the FSA.

Acknowledgements

As Chairman of the Board, I would like to thank our shareholders, not only for their confidence, but also for their continued support and for the expertise they bring to the Company.

The Board of Directors expresses its gratitude to NPWP, OWWSC (Nama Water Services), the Authority for Public Services Regulation, Muscat Clearing and Depository, the Financial Services Authority and the Government of Oman for their tremendous support in regulating and developing

the water sector, and for their assistance, which comforts the smooth functioning of our operations.

Finally, we would like to extend our deep appreciation and gratitude to His Majesty Sultan Haitham bin Tarik bin Taimour for his wise leadership; we pray to Almighty to shower him with blessings, keep him in good health and give him a long life.

Thank you and kind regards,

Dr. Suhaib Abudayyeh
Deputy Chairman



OPERATIONAL HIGHLIGHTS

Key Performance Figures

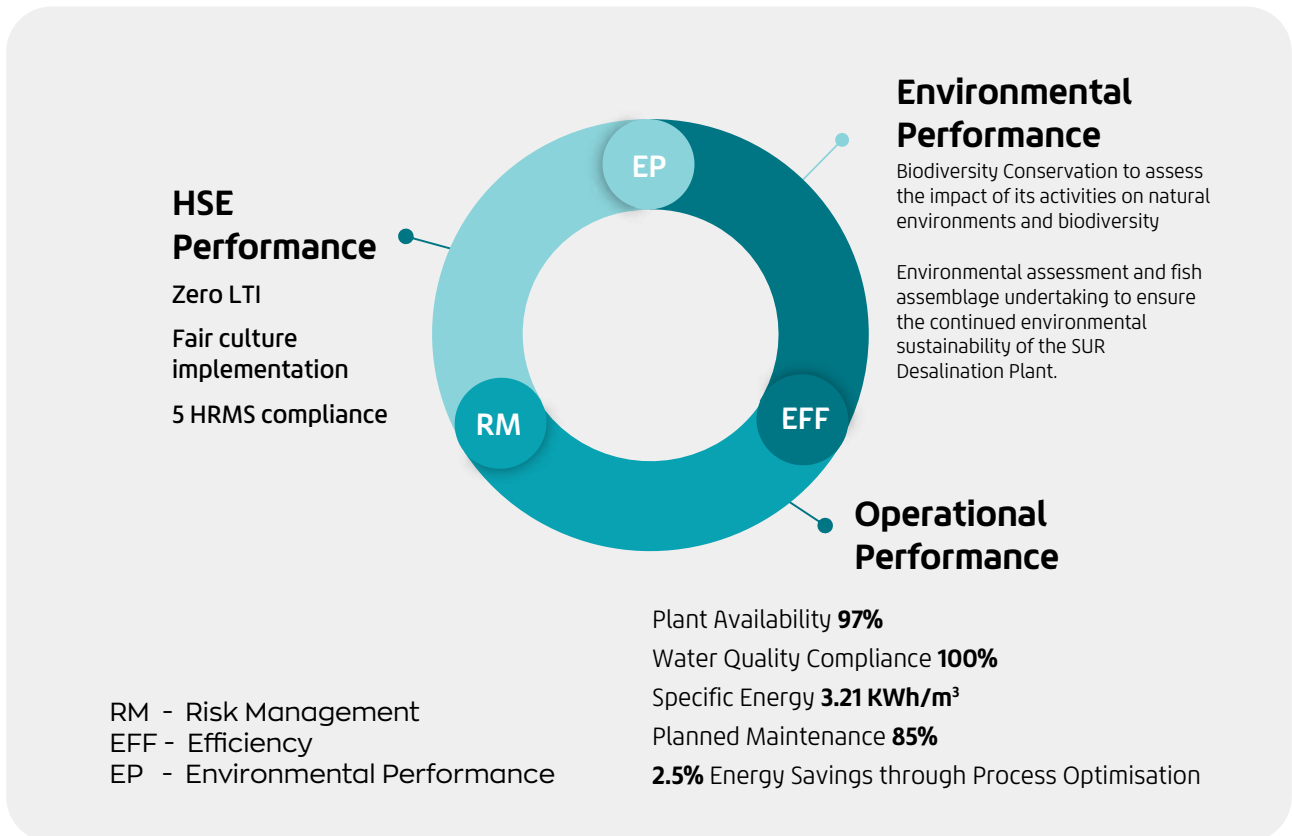


Figure 1: Key highlights of 2025

Production and Water Quality.

The plant produced **24.7 million cubic meters** of drinking water in 2025, with an average plant load of 52%. With an **availability rate of 97%**, the plant was consistently operational throughout the year, ensuring uninterrupted water supply to the region. Maintaining water quality is crucial, and the plant achieved a remarkable **compliance rate of 100%**. Strict maintenance protocols ensured the plant's equipment and systems were always in optimal condition, minimising downtime and maximising efficiency.

Regular communication and collaboration between the plant operators and Nama Water Services helped streamline operations and promptly address any challenges. The new connection of network lines to the Asielah Desalination Plant (commissioned in 2022) led to a further reduction of water demand by 29% to SDP. However, the plant remained

committed to meeting the community's water needs, regardless of the fluctuating demand.

Regarding energy consumption, the plant achieved an average specific energy consumption of **3.21 kWh/m³**. This indicates the plant's efforts to optimize energy usage and reduce overall operational costs. By implementing energy-efficient technologies and practices, the plant prioritised sustainability while ensuring the continued delivery of high-quality drinking water.

Overall, the plant's exceptional performance, strict maintenance practices, and collaboration with Nama Water Services contributed to its continued success as a trusted provider of potable water in the Sharqiyah region. Despite the challenges posed by a decrease in demand, the plant's commitment to efficiency, quality, and reliability remained steady.

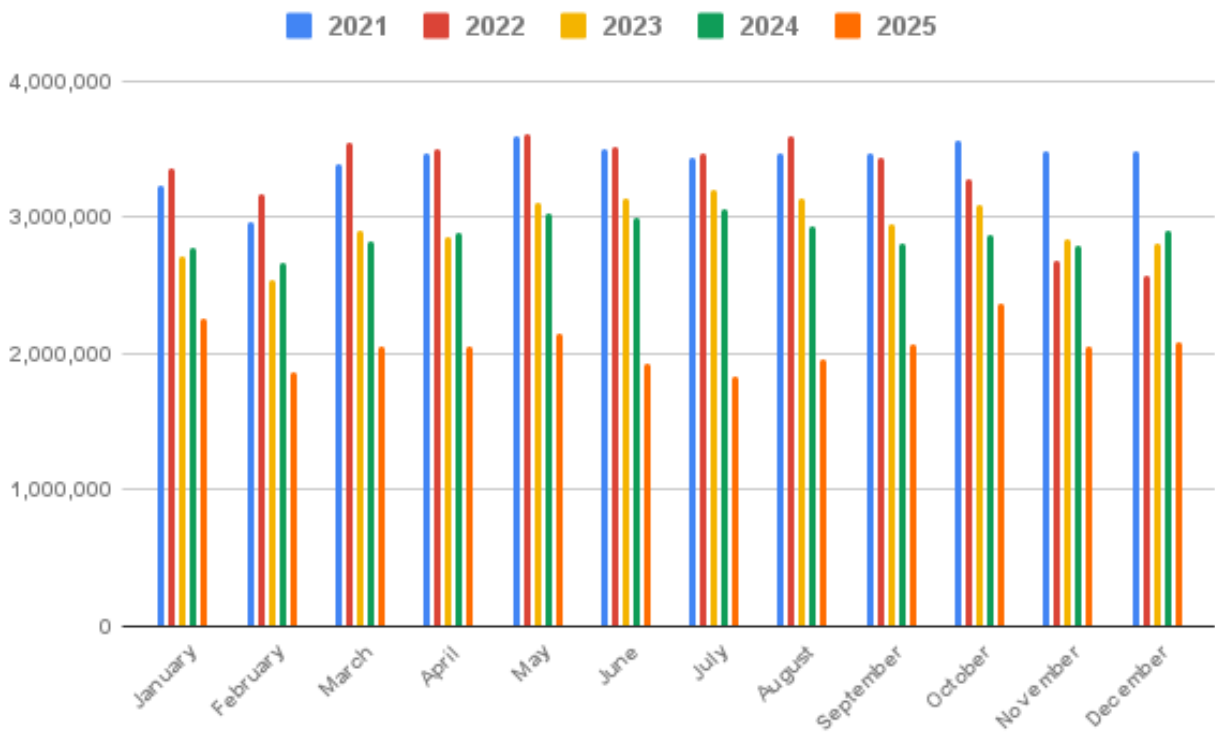


Figure 2: Observed Output and Change in output year-on-year from 2021 to 2025

Annual Performance Test CY-17

As per the amended Water Purchase Agreement (AWPA), the Annual Performance Test (APT) of the combined plant, together with associated equipment, to demonstrate the Guaranteed Contracted Water capacity corresponding to net water production equal to 5493.225m³/h measured at the capacity meter point, (H FITQ-1001), with the main process parameters against performance guarantees (AWPA & Omani Standards) was demonstrated successful for the contract year 17, on 12th March 2025. The results are summarised in the table below.

Achieved net Water Capacity (m ³ /h)	Guaranteed Contracted Water Capacity (m ³ /h)	Demonstrated Capacity (m ³ /h)
5586	5493.225	5493.225

Table 1: Annual Performance Test results for the contractual year 17.

The power consumption of both plants was measured at the metering points, and the result achieved was **3.21KWh/m³**, which is less than the CY-17 Specific Contracted Power consumption limit. Other operational parameters of the test were recorded at each stage of the process, and results were found to be within specified limits.

Water Quality at the best level

To meet the contractual requirements, the plant has developed a laboratory analysis plan covering internal and external laboratory testing. In 2025, 8097 tests were conducted on final potable water to assess its quality. The aim of the laboratory analysis plan is to achieve a ratio of 1.0, indicating that all required tests are performed at the standard frequency. However, the plant exceeded this target with a ratio of 1.11, indicating that they conducted slightly more tests than required.

Furthermore, the plant's internal laboratory facility successfully analyzed over 19,338 water test parameters across all process lines. This demonstrates the plant's commitment to comprehensive monitoring and ensuring the quality of the water produced.

The laboratory also follows a cross-check methodology called **Online Analyser Follow-up (OLAF)** to monitor the accuracy of online analysers. This involves verifying the

values of the analysers through calibrated laboratory instruments and Analytical Quality Control (AQC) practices. Regular OLAF assessments help ensure that the online analysers provide accurate and reliable data.

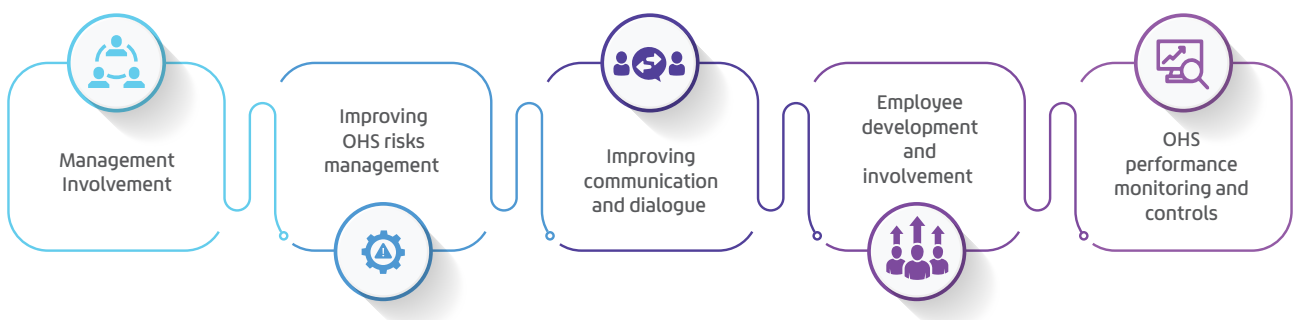
Overall, the plant's Water Quality Monitoring process is comprehensive, focusing on meeting regulatory requirements and maintaining water quality.

Occupational Health and Safety

• Strategy and Commitment

The focus on preventing occupational hazards and promoting workplace health and safety reflects the company's dedication to creating a risk-free environment. Achieving "zero accidents" is not only a choice but also a concrete goal and a performance lever for Veolia. This emphasises the company's determination to continuously improve its safety standards and practices.

Veolia has developed OHS management guidelines to ensure effective occupational health and safety management. These guidelines have been created by the Occupational Health and Safety Centre of Excellence, incorporating best practices from Veolia's global operations and input from external benchmarks. This approach ensures that Veolia's safety system is designed based on proven strategies and methodologies.



Frequency Rate: the number of injuries per million hours worked.

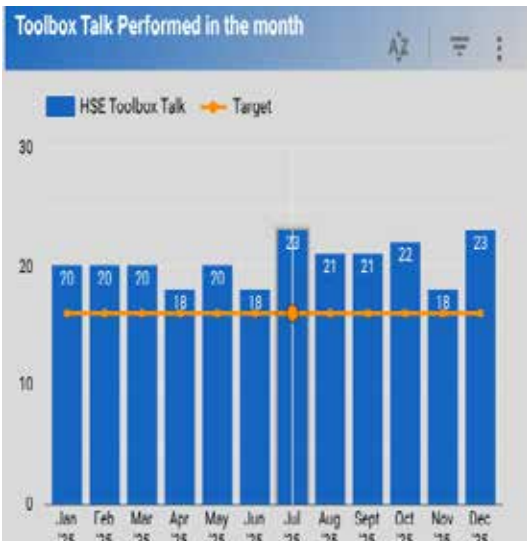


Figure 3: Toolbox talks carried month on month. The target is 16.

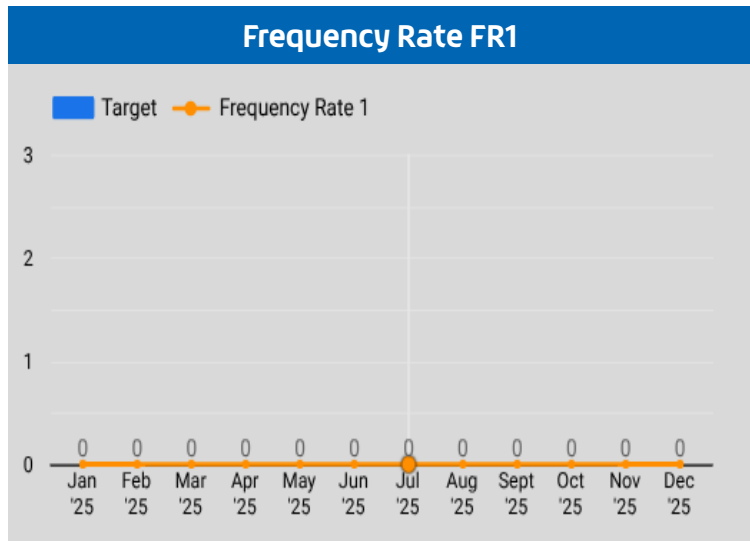


Figure 4: FRI activities was zero for the year 2025

In September, an entire week, from September 14 to 18, 2025, was dedicated to Health and Safety. This event was part of the global Occupational Health and Safety Week established by Veolia and locally adopted by the Business Units. The event was conducted to reaffirm and strengthen Veolia’s unconditional commitment to a culture of occupational risk prevention and to mobilize all our teams further in the priority areas of occupational health and safety. The campaign for the year was **“You Have The Power!”**, emphasizes that every individual has the ability and responsibility to influence safety through their daily actions and decisions, encouraging everyone to take ownership, speak up about unsafe conditions, intervene to stop unsafe acts, and make the right choices at the right time; by recognizing our personal impact on safety and using our power to act responsibly, the message promotes a proactive safety mindset that helps prevent incidents and ensures a safer working environment for all..



Environment

Veolia addresses several key environmental concerns through its operations and initiatives, which include reducing greenhouse gas emissions, conserving water resources, promoting waste management and recycling, protecting biodiversity, improving air quality, and contributing to sustainable urban development. The company works on these concerns through its various environmental initiatives and services.

Our Purpose

Veolia's purpose is to contribute to human progress by firmly committing to the Sustainable Development Goals set by the UN to achieve a better and more sustainable future for all. It is with this aim in mind that Veolia sets itself the task of "Resourcing the world" through its environmental services business.

In terms of performance, Veolia seeks to achieve not only financial and commercial success but also social and environmental results. The company believes that these three aspects are interdependent and that sustainable development can only be achieved by addressing all of them.

Veolia is committed to fulfilling its responsibilities towards society and the environment. The company sets specific commitments aligned with the Sustainable Development Goals (SDGs) defined by the United Nations. These commitments include promoting resource efficiency, reducing greenhouse gas emissions, promoting circular economy principles, and protecting biodiversity.

The ultimate goal of Veolia is to contribute to human progress and create a more sustainable future for all. By providing essential environmental services and actively working towards the SDGs, Veolia aims to play a significant role in resourcing the world and ensuring a better quality of life for current and future generations.

Veolia's purpose is to contribute to human progress by addressing economic, social, and environmental issues holistically. The company strives to engage with stakeholders, achieve balanced performance, fulfil commitments to sustainable development, and resource the world through its environmental services business.

Regulatory & Legal Compliance

The environmental aspects at SDP are regularly measured by external third parties and internal monitoring schedules.



Figure 5: Veolia's purpose Wheel

These measurements are compared and evaluated against applicable legal standards. The ambient noise levels at all locations are within the limits set, and workplace noise levels meet the standard of 85 dB (A), except for the RO building and HP Pumps (2). In high-noise areas, appropriate personal protective equipment (PPE) such as earplugs and earmuffs are mandatory, and signage is posted in areas where sound levels exceed limits.

Dust emissions at ambient locations comply with the Oman Provisional Standards of 125 mg/m³ and the USEPA NAAQS of 150 mg/m³. Within the plant area, dust emissions at workplaces are well below the OSHA standard of 5.0 mg/m³.

The concentration of pollutants such as Oxides of Nitrogen (NO_x), Sulphur dioxide (SO₂), Ozone (O₃), and Nitrogen dioxide (NO₂) in the ambient air along the boundary wall of the Sur Desalination Plant area is monitored and found to be within regulatory standards.

Overall, the facility is observed to comply with the requirements of the Environmental Permit.

Environmental and Biodiversity Conservation

Dome International conducted a comprehensive marine environmental study at the Sur Desalination Plant in Oman to assess the impact of its operations on the local fish communities and surrounding marine ecosystem. This 2024 survey built upon previous assessments conducted in 2015 and 2018-2019. Three distinct study sites were established: two reference sites located away from the plant's

influence, and an impact area situated near the plant's pipeline infrastructure. The study involved a rigorous analysis of water and sediment samples, coupled with detailed marine ecology assessments encompassing plankton (phytoplankton and zooplankton), benthic infauna, marine flora (macroalgae and seagrasses), and marine fauna (corals and fish).

Results demonstrated that marine water quality parameters consistently fell within acceptable limits, as defined by relevant international standards. Furthermore, the desalination plant area exhibited significantly higher biodiversity compared to the reference sites, particularly with respect to coral and fish populations. This enhanced biodiversity suggests a positive impact of the plant's operations on the surrounding marine environment. The study concluded with recommendations to further enhance marine biodiversity, such as the strategic implementation of artificial reefs. Similar to Veolia's proactive approach, which included a biodiversity footprint tool and collaborative efforts with UTAS to identify and mitigate potential risks to biodiversity. Dome's findings highlighted the importance of ongoing monitoring and targeted interventions to ensure the long-term health and sustainability of the marine ecosystem.



Figure 6: Sediment Sampling for Benthic infauna analysis

Major Events

- Veolia Oman's Milestone Celebration: 1 Billion Cubic Meters of Potable Water

Veolia Oman commemorated a remarkable achievement in water production for the Sultanate of Oman. The company has successfully produced 1 billion cubic meters of potable water, a significant milestone in addressing the country's water needs. This accomplishment showcases Veolia Oman's commitment to sustainable water management and its crucial role in supporting Oman's infrastructure. The celebration marked this impressive feat and acknowledged the dedicated efforts of the teams who made it possible.



Figure 7: Picture taken during 1 Billion m³ Celebrations

A key contributor to this achievement has been the Sur desalination company, one of Veolia Oman's major Facilities. The Sur Plant has played a pivotal role in reaching this milestone, demonstrating the effectiveness of Veolia's large-scale desalination operations in meeting Oman's Water demands.

This milestone reflects Veolia's expertise in water treatment, essential for arid regions like Oman. It significantly enhances water security and supports the country's sustainable development goals, in line with Oman's vision 2040.

By ensuring a stable water supply, Veolia Oman contributes to economic growth and quality of life, while addressing water scarcity challenges in the Middle East. The event also highlighted the importance of public-private partnerships in infrastructure and showcased Veolia's commitment to innovation and sustainability in water management.

This milestone is not just a celebration of past achievements but also a stepping stone towards even greater contributions to Oman's sustainable development in the future. Veolia Oman, along with its key facilities remains committed to innovation, sustainability, and excellence in its operations, ensuring that it continues to play a crucial role in Oman's water security for years to come.

- ISO 55001 Certification for the Sur Desalination Plant

Veolia Oman proudly celebrated a major milestone with the successful completion of the ISO 55001 (Asset Management System) Certification Audit for the Sur Desalination Plant.

This Achievement underscores our commitment to excellence in asset management and aligns perfectly with Veolia's strategic goals and vision.

The Sur Plant has played a pivotal role in this accomplishment, demonstrating the effectiveness of our asset management strategies in enhancing operational efficiency and sustainability. Achieving ISO 55001, along with the re-certifications for ISO 9001, ISO 14001, and ISO 45001 from Bureau Veritas with zero non-conformities, highlights our rigorous approach to managing assets responsibly.

This certification not only reflects our expertise in asset lifecycle management but also reinforces Veolia's dedication to optimizing resources and ensuring sustainability in our operations. It positions us to meet the challenges of the future and contributes to our ongoing mission to lead in asset management practices.

Building on this success, on 28th and 29th December 2025, Sur Plant underwent a surveillance audit for ISO 55001 and successfully passed with no major or minor non-conformities. This achievement further validates our continued commitment to maintaining the highest standards in asset management and demonstrates the sustained effectiveness of our management systems.

As we move forward, Sur Desalination Plant remains steadfast in its commitment to innovation and excellence, ensuring we continue to advance our asset management capabilities in line with Veolia's vision for sustainable development.



Figure 8: Picture taken during ISO 55001 Celebration

DESCRIPTION OF THE COMPANY



Background

On 7 January 2006, the Ministry of National Economy issued to potential bidders a request for a proposal for the development of desalination facilities at Sur in the Sharqiyah region of the Sultanate of Oman on a build, own and operate (BOO) basis (the Project). The proposal included the purchase of the existing Plant already at the location (with a capacity of about 2.66 MIGD) and construction of a new desalination plant, with aggregate capacity of 17.66 MIGD (the New Plant) using the reverse osmosis technology for desalination.

A consortium comprising Veolia Eau-Compagnie Generale des Eaux, National Power and Water LLC and Veolia Water AMI (the Original Founders) were awarded the Project and on 14 January 2007, Sharqiyah Desalination Company was incorporated. On 17 January 2007, the Ministry of Housing Electricity and Water ('MHEW') and the Company entered into a Water Purchase Agreement ('WPA') and a Water Connection Agreement ('WCA'). Pursuant to Royal Decree 92/2007, the functions and assets of the MHEW in relation to the electricity and water related sector and other water related functions (including the right to sign contracts necessary for the management of the water sector) were transferred to the Public Authority for Water ('PAW'). The WPA and WCA required the Company to purchase the Existing Plant and construct the New Plant, operate and

maintain these facilities, make available the capacity of the facilities and sell its desalinated water output exclusively to PAW.

The Project Founder Agreement required the Founders to float the Shares on the Muscat Securities Market ('MSM') through an IPO offering 35% of the share capital of the Company to the public. Following the IPO the Company converted from an SAOC to an SAOG. Shortly thereafter, the AWPA was novated and OPWP assumed the role of Buyer under the contract from PAW.

On 10 July 2014, the Company entered into an Amended Water Purchase Agreement with Oman Power and Water Procurement Company ('OPWP') to build an extension to the plant which increased the plant capacity from 17.66 MIGD to a total aggregated capacity of 29 MIGD. The Sur IWP is a global leader in cutting edge reverse osmosis technology and world class environmental standards. The plant is equipped with state-of-art technology to recover over 97% of its mechanical energy and saves up to 40% more energy than a conventional Reverse Osmosis (RO) plant and is dedicated to combating climate change in its environmental performance. In 2025, the plant delivered 24.7 million cubic meters, potable water to over 600,000 residents in the Sharqiyah Region. The Sur IWP contains the worlds' largest beachwell catchment water area. Since its inception in 2007, it has operated without interruption and has delivered 454,826,210 m³ of potable water.

Key Dates	
7 January 2006	Bid award of the Initial Project to the Original Founder
14 January 2007	Incorporation of SDC
17 January 2007	Execution of the Existing WPA between SDC and MHEW
15 May 2007	Financial Close of the Initial Project
8 October 2009	Commercial Operation Date of the Initial Project
30 June 2013	Listing on Muscat Securities Market ('MSM')
10 July 2014	Signature of the amended and restated WPA
16 December 2014	Increase of Share Capital and distribution of bonus shares
25 December 2014	Signature of the Ancillary Contract
25 March 2015	Financial closing related to the expansion project
7 February 2017	COD confirmed by OPWP
16 April 2023	Solar Farm Project

The listing of SDC on the MSM was an important milestone in the SDC project life.

Main Organization of the Company

Pre IPO

Azaliya SAS	55.00%
National Power & Water (NPW)	45.00%
Veolia Eau	1 share

Post IPO

Veolia Middle East S.A.S (VME) – formerly named Azaliya SAS	35.75%
Middle East Investment (MEI)	29.25%
Veolia Eau	1 share
Public	20.53%
Pension Fund of the Civil Service’s Employees [Oman]	14.47%



The Company puts a lot of effort into reducing the environmental impact of the desalination process and tackling the environmental challenges of our business.

Sharqiyah Desalination Company continues to assiduously protect its environmental KPIs, particularly with respect to preserving the surrounding marine environment.

100%  Production Reliability

MANAGEMENT DISCUSSION AND ANALYSIS REPORT



INDUSTRY STRUCTURE AND DEVELOPMENT

The core business of SDC is to own and operate the Sur Independent Water Plant (the 'Plant'), which is located next to the Sur Industrial Estate, around 200km South East of Muscat. The Sur IWP uses Reverse Osmosis ('SWRO') technology to desalinate in excess of 5,000m³ of water per hour. All water produced by the Plant is contracted to Nama Power and Water Procurement Company ('NPWP'), a wholly owned government entity which is the single buyer of all water projects in the Sultanate of Oman. The terms of our commitment to deliver water to NPWP is governed by the 2014 Amended and Restated Sur IWP Water Purchase Agreement ('the AWPA'), which sets out various obligations upon SDC regarding water production standards, as well as the commercial terms for the sale of water. Our business is governed by a Desalination License of a Special Nature, granted by the Authority for Public Services Regulation ('APSR'), previously known as, the Authority for Electricity Regulation Oman ('AER'), which is for the 20 year duration of the Amended and Restated Water Purchase Agreement (ARWPA).

OPPORTUNITIES

1. **Guaranteed long-term income stream:** SDC benefits from a guaranteed water purchase agreement at fixed rates, providing a stable and predictable income.
2. **Low risk profile:** The company is protected from the risk of falling demand, commodity prices, and market fluctuations through the water purchase agreement.
3. **Employee development opportunities:** SDC is focused on increasing training programs and professional development initiatives for its employees, which can lead to improved employee satisfaction and performance.

4. **Digitization program:** The company's efforts to implement an enhanced digitization program can improve the performance and reliability of the plant, leading to greater operational efficiency and cost savings.
5. **Corporate social responsibility initiatives:** SDC's focus on serving the community through corporate social responsibility initiatives can enhance its reputation and build positive relationships with stakeholders.
6. The company and its Operator continuously inquire the market for new technologies and improvements to keep the Plant at a competitive level. For example, we have implemented smart membrane technology to predict the replacement of the membranes, our hub-grade provides a cloud basis plant for better reliability and real-time monitoring. Additionally, we have integrated advanced automation systems to streamline plant operations and increase efficiency. These technological advancements not only ensure the Plant remains at a competitive level but also enhance its overall performance and sustainability.

SDC, in collaboration with the international developer, has implemented a renewable energy solar farm that covers the electricity needs of the Plant during day time and contributes to the overall goal of reducing carbon emissions and promoting sustainable energy sources in Oman. The solar farm is equipped with state-of-the-art solar panels and advanced technology to maximize energy production and efficiency.

This initiative aligns with Veolia's objective of developing renewable energy solutions and contributing to the global transition towards a low-carbon economy. By relying on solar energy, SDC is reducing its dependence on fossil fuels and promoting a cleaner and more sustainable energy mix.

Furthermore, the establishment of the solar farm is in line with Oman's 2040 Vision, which aims to diversify the country's economy and reduce its reliance on oil and gas. The vision emphasizes the importance of sustainable development and the promotion of renewable energy sources to ensure a more sustainable and prosperous future for Oman.

THREATS

1. **Dependence on the water purchase agreement:** SDC's income is reliant on the water purchase agreement, and any changes to the agreement or termination could pose a threat to its financial stability.
2. **Water Supply:** To avoid depletion of the water supply from the aquifer feeding the SDP1 (Phase 1), the Company has put in place mitigation measures mobilizing surplus raw water from the seawater intake pumping station feeding SDP2 (Phase 2).
3. **Water Output:** output is facing challenges regarding continuity, reduction, and fluctuation, primarily due to the customer's utilization of an alternative supply source. This factor also contributes to the increased expenditure on electricity consumption from the solar farm.

BUSINESS CONTINUITY

The Company remains committed to its mission of providing a continuous supply of desalinated drinking water to the region. By prioritizing the safety and well-being of its employees and adhering to strict safety measures, the Company aims to overcome any challenges and ensure uninterrupted operations and maintain business continuity.

FINANCIAL INFORMATION

Revenue is RO 10.8 million compared to RO 12.7 million for the same period of previous year which has decreased by 14.54% (RO 1,841,766). This is mainly due to lower water output.

The cost of sales has decreased by 16.64% as compared to the same period of previous year RO 1,460,879 mainly due to lower water output and electricity cost.

Current year profit after tax reached RO 502,395 that represents 4.64% of the revenue compared to 4.70% the last year of the same period.

The total cash received from customers during the period (1st January to 31st December) was RO 16.0 million compared to RO 17.5 million and net cash generated from operation was RO 5.2 million compared to RO 5.2 million in the same period 2024.

Based on the financial results, the board proposes to the AGM to consider and approve a distribution of cash dividends of 15% of the share capital.



OUTLOOK FOR 2026

SDC is dedicated to fulfilling its commitment to OPWP and the people of Sharqiyah by ensuring a reliable supply of drinking water to meet the region's increasing demand. In addition, the company is proactively reviewing its energy optimization strategies, with a focus on enhancing sustainability over the next decade. This forward-thinking approach reflects SDC's commitment to both environmental stewardship and social responsibility, ensuring that it can continue to support the community while minimizing its ecological impact.

Furthermore, SDC's aim to be an employer of choice in the Sharqiyah region demonstrates its commitment to the local community. By valuing its employees and striving to create a positive work environment, SDC is likely to attract and retain top talent, which ultimately benefits the company and the wider community.

It is important to acknowledge the support of the community of Sur, shareholders, partners, and employees in SDC's efforts. Collaboration and cooperation are key to achieving long-term success, and it is encouraging to see SDC recognizing and appreciating the support it receives.

Overall, SDC's commitment to meeting water demands, prioritizing sustainability, and being a responsible employer is commendable. By staying dedicated to these goals, SDC can continue to contribute positively to the Sharqiyah region and its community.

CEO - Murshid Alfannah



IN COUNTRY VALUE

ICV Targets.

Maximising the in-country value (ICV)



Capital Invested

Maximise Local Investments

- Investments in fixed assets
- Develop local source of investment



Procurement

Maximise the procurement of local goods and services with quality and price compliance constraints.

- Local sourcing of goods and subcontracted services
- Development of national suppliers.

Local activities.

The company is committed to full compliance with all aspects of the Omani regulations.

This includes, but is not limited to, the Royal decrees related to employment Omanisation, and to allocate a portion of the awarded contract to Omani Content.



Human resources

Identify, recruit, train and develop local talents

The Company aims to maximise the local Human resources by recruiting, training and managing the careers of local employees. The Company takes the following commitments with regard to recruitment on its existing and future projects.

- Recruitment Policy
- Training of Omani nationals
- Training budget
- Training Structure



Local development

Maximise the impact of local communities through a wide range of actions

- Development of national training, education and R&D institutions.
- Since its creation, the Company has undertaken several actions in order to contribute to local development as detailed in the corporate social responsibility (CSR).



Since its creation, the Company has undertaken several actions in order to contribute to local development as detailed in the corporate social responsibility (CSR).

1. Capital invested

- The Company has already invested USD 170 million (RO 65.5 million) in the past years, and invested more than USD 92.8 million (RO 35.7 million) for the expansion project.
- Partnership with Middle East Investment LLC, a leading investment company in Oman.
- For the existing plant financing, 37% of the funding came from Omani banks.
- 35% of the share capital of the Company was floated in Muscat Securities Market in June 2013 in favour of individuals resident in Oman as well as Omani companies.
- Further to the IPO, 62.16% of the Company's share capital is currently mainly held by Omani residents and companies.

2. Procurement

The purchase policy exclusively targets the Omani market, provided that the products are available in Oman and comply with the international standards selected by the Company.

Beyond the legal duty, the management of the company demonstrates a genuine determination to be part of the local economy by adding value through capital investment and a wise procurement policy.

3. Human Resources

- The Company aims to maximise the local Human Resources by recruiting, training, and managing the careers of local employees.
- The Company takes the following commitments with regard to recruitment on its existing and future projects:

A. Recruitment Policy

Omanisation in the WorkForce

- The Company exceeds its contractual commitments to Omanisation.
- Omanisation is not only an objective; the Company considers it a goal to be prioritised and carefully planned.

B. Training of Omani nationals

- The Company deploys an ambitious training policy and action in line with its experience in Oman to maintain and develop the competencies mobilised across the years.
- There are Omani employees among the staff that are regularly trained as trainers to enable onsite training.
- Several Omani staff members are trained as mentors to enable and support knowledge transfer.

C. Training Budget

- The Company contributes to national training and knowledge transfer in partnership with local training providers and local vocational training centers.
- Many of the Company's initiatives are targeting Omani students: organisation of conferences and visits to the Plants.

D. Training structure

- The training delivered is structured as per the following categories: Technical training, QHSE training, Support function training and Personal development training

4. Local development

Since its creation, the Company has undertaken several actions in order to contribute to local development, as detailed in the Corporate Social Responsibility ("CSR") section.

CORPORATE SOCIAL RESPONSIBILITY

Message of social responsibility manager of Sharqiyah Desalination Company



In 2025, we were committed to adopting best practices to achieve sustainability and protect the environment, while strengthening our community role through the activation of various contributions and community programs. These efforts aim to enhance the quality of the company's social responsibility strategy outputs, which represent a fundamental pillar for the growth of our business.

Sustainability serves as the core foundation for realizing our aspirations in implementing our strategy, which is built upon four main pillars: knowledge, environment, economy and society, and health. Through these pillars, we seek to create innovative initiatives and contribute to developing qualitative solutions to numerous environmental, social, and community economic challenges.

This report highlights all the initiatives and programs implemented since the beginning of 2025, which have achieved qualitative accomplishments and impactful indicators—by the grace of God first, and through our commitment to best sustainability practices. We are proud to share these achievements with our community and partners.

Our company reaffirms its commitment to actively contributing to community development by delivering sustainable social, economic, and environmental initiatives and projects that align with Oman Vision 2040, the United Nations Sustainable Development Goals, and the Company's 2025 Strategy.

The company also aims to empower its social responsibility program to assume a leading role in the field of community development programs through sustainable initiatives for a better future—because today's good is tomorrow's hope .



Vision

To be our Company in sustainability practices that create added value for employees, customers, business partners, and all segments of society Oman.



Mission

To deliver social responsibility practices with clear values and advantages that align with our company strategy and activities, as well as the United Nations Sustainable Development Goals and Oman Vision 2040.

Initiatives



Iftar initiative 9

Iftar initiative for 200 people every day throughout the holy month, which is the ninth in a row, and the food basket initiative targeting 100 families.



Food basket

Supporting 100 low-income families and those laid off from education by providing a set of basic food items that the government distributes to needy families and beneficiary individuals.



Supporting orphans (1)

Supporting orphans on the occasion of Eid al-Fitr by meeting their basic needs for the holiday. The initiative seeks to meet the needs of orphans in various areas, such as nutrition, clothing, psychological and social support.



Supporting orphans (2)

Supporting (300 orphans) during the Eid days in order to provide them with the requirements for Eid al-Adha

Eid Support for Orphans



In collaboration with 6 Government Sectors & 3 Charity Teams





Sensory Room

Supporting the Al-Bahja Rehabilitation Center with a sensory room means equipping a dedicated space with sensory tools and stimuli (visual, auditory, and tactile) to help children and individuals with special needs organize their sensory information. This improves focus, balance, motor and social skills, and supports sensory integration therapy, which is vital for their development and for addressing sensory processing disorders and autism.



2
Smartboards



2
Schools



1,000 + 1,000
Students
2,000
Beneficiaries

Smart screens

Interactive whiteboards were provided to two schools Sur, in cooperation and coordination with the Directorate General of Education in the South Sharqiyah Governorate. This initiative aims to enhance students' and teachers' skills in using modern technologies and develop their technological capabilities, as well as provide access to diverse educational resources. It also supports sustainable environmental education by contributing to the replacement of paper with technology.



Supporting brilliant students

Providing financial support to outstanding students to celebrate and coordinate with the reception office, Sheikh Dr. Wali of Sur, Chairman of the Parents' Council, in order to motivate our students and their peers to continue to succeed and excel.



Supporting Education sector in South Sharqiyah



Smartboards



CCTV Cameras



Student Awards

34
Schools

5,000
Beneficiaries

Surveillance Cameras

Equipping the school with surveillance cameras to regulate and protect students inside the school building in order to maintain security and safety.



1 School



934 Students



50 Cameras



115 Omani Teachers

SDC adopted the school bag initiative for underprivileged students, out of our concern to alleviate the financial burdens on their families.



245 Students
from limited-income background



10



Launch “Al-Mazar” Project in Sur

The Environment Department in South Sharqiyah Governorate launched the “Al-Mazar” project in the Wilayat of Sur to promote environmental sustainability and create green spaces, transforming it into a natural park and community retreat serving all segments of society. This initiative was supported by the Sharqiyah Desalination Company. The project covers an area of approximately 36,000 square meters and includes planting a number of native trees to enhance vegetation cover and preserve biodiversity. It also features dedicated walking paths extending throughout the site and the provision of restrooms for park visitors.



11



Elderly Patient Support

An initiative to support elderly and bedridden patients by providing tablets to visiting teams to enter data on elderly and bedridden patients, with support from SD.



Blood Donation Campaign

Company organized a blood donation campaign in cooperation with Al Sharqia the South Health Authority, targeting company employees. The campaign is part of the company's efforts to support and assist the community as part of a systematic and ongoing plan to encourage employee volunteers to donate blood on a quarterly basis. This helps cover the needs of the blood bank.



→ Each donor helped save the lives of up to 3 people.

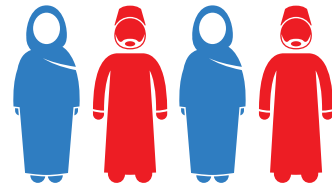
12





**Tamkeen
Program**
تمكين
TAMKEEN

Training and rehabilitation program
TAMKEEN
(Empowerment)



The program aims to empower young people and qualify them to integrate into the labor market. It also serves as support for job seekers, being a priority for the government and a central focus of its national policies.



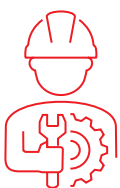
6
Electricians



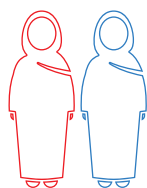
6
HSE



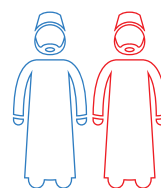
5
Administrators



17
Operations and
Laboratory



13
Females



14
Males

MARINE ENVIRONMENTAL

In alignment with our sustainability objectives and Veolia GreenUp 2027 guidelines, the Sur Desalination Plant is dedicated to reducing its ecological impact, optimizing resource efficiency, and integrating innovative solutions to support global climate and environmental goals.

As part of this commitment, the Project Company conducts regular environmental assessments to evaluate the Plant impact on the marine ecosystem. Since 2015, periodic studies have been undertaken to monitor marine biodiversity, focusing on fish communities and coral assemblages. The 2015 assessment recorded 81 fish and coral species, while the 2018–2019 study identified 75 species within the Plant’s area of influence, surpassing the biodiversity levels observed at nearby reference sites.

To ensure ongoing environmental stewardship, Sharqiyah Desalination Company commissioned Dome International for Environmental and Engineering Services to conduct a comprehensive environmental assessment and fish assemblage study in 2024. The primary objectives of this study were:

1. **Assess existing marine environmental**

conditions through water, sediment, and ecological analysis.

2. **Evaluate marine biodiversity**, with a particular focus on fish species, coral coverage, and habitat sustainability.

The study, conducted on October 11, 2024, followed a structured sampling approach, incorporating in-situ water profiling, sediment analysis, dive surveys, drop-down video assessments, and plankton sampling. Three designated sites were analyzed:

- **Reference Site 1 (ME1):** Located **2 km north** of the plant, representing an undisturbed marine environment.
- **Impact Area (ME2):** Situated **200m offshore**, adjacent to the plant’s infrastructure.
- **Reference Site 2 (ME3):** Positioned **2 km south**, serving as a secondary control site.



Our 2024 marine environmental assessment confirmed that the Sur Desalination Plant maintains a healthy marine ecosystem with **no significant adverse impact on water or sediment quality**. Water quality parameters, including temperature (27.2°C–29.2°C), dissolved oxygen (5.25–6.26 mg/L), salinity (38.6–38.77 ppt), and pH (8.14–8.32), remained within ambient limits, ensuring a stable environment for marine life.

Biodiversity at the desalination plant site (ME2) showed higher species richness compared to reference sites. The assessment recorded:



- **38 fish species at ME2, compared to 35 species at the reference sites.**

Note: Common Fish Species Seen in Desalination Plant Area (ME2)
a=Amphiprion clarkii , b=Parupeneus margaritatus, c=Plectorhinchus sordidus, d= Epinephelus stoliczkae, e= Sargocentron rubrum, f=Thalassoma lunar

- **19 coral species**, exceeding the 17 species recorded at reference sites.
- **Higher phytoplankton abundance** at 70,000 cells/L at ME2, surpassing the southern reference site (45,000 cells/L).
- **Zooplankton diversity remained stable** across all sites, with ME2 recording 2,900 individuals/L.

Sediment analysis showed nitrogen-ammonia levels at ME2 (56 mg/kg) were double those at reference sites, likely due to increased marine life activity. Coral cover at ME2 was measured at 39%, contributing to habitat enrichment, while artificial reef-like structures fostered marine species growth.

These findings indicate that our desalination infrastructure **supports marine biodiversity**, enhancing fish habitats and benefiting local fisheries. By ensuring responsible brine discharge and adhering to environmental regulations, we continue to protect and sustain the marine ecosystem while providing a reliable water supply.





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C.R. No. 1224013
PR No. HMH/15/2015; HMA/9/2015

AGREED-UPON PROCEDURES REPORT ON CORPORATE GOVERNANCE REPORT TO THE SHAREHOLDERS OF SHARQIYAH DESALINATION COMPANY SAOG

Scope and purpose

We have performed the procedures agreed with you pursuant to the Financial Services Authority's (FSA) circular no. E/4/2015, dated 22 July 2015, with respect to the Board of Directors' Corporate Governance Report (the "Report") of Sharqiyah Desalination Company SAOG (the "Company") as at and for the year ended 31 December 2025 and its application of the corporate governance practices in accordance with amendments to FSA's Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively the "Code").

Restricted use

This agreed-upon procedures report ("AUP Report") is intended solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying corporate governance report of the Company to be included in its annual report for the year ended 31 December 2025 and does not extend to any financial statements of Sharqiyah Desalination Company SAOG, taken as a whole.

Responsibilities of the Board of Directors

The Board of Directors have acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement and are responsible for identifying and ensuring that the contents of the Report comply with the Code on which the agreed-upon procedures are performed. The sufficiency of these procedures is solely the responsibility of the Company and its Board of Directors.

Responsibilities of the Practitioner

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness, or the sufficiency of the agreed-upon procedures described below either for the purpose for which this AUP Report has been requested or for any other purpose.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Our independence and quality control

In performing the Agreed-Upon Procedures engagement, we complied with the ethical requirements in the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and the independence requirements in accordance with the relevant regulations in the Sultanate of Oman. We are the independent auditor of the Company and therefore we also complied with the independence requirements of the IESBA Code that apply in the context of the financial statement audit.



**Shape the future
with confidence**

**AGREED-UPON PROCEDURES REPORT ON CORPORATE GOVERNANCE REPORT
TO THE SHAREHOLDERS OF SHARQIYAH DESALINATION COMPANY SAOG (continued)**

Our independence and quality control (continued)

EY applies International Standard on Quality Management 1, which requires us to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

We have performed the procedures described below, which were agreed upon with you on the compliance of the Report with the Code for the year ended 31 December 2025.

Our procedures and findings included:

No.	Procedures	Findings
(a)	We obtained the Corporate Governance Report issued by the Board of Directors and checked that the Report of the Company includes at minimum all items suggested by FSA to be covered by the report as detailed in the Annexure 3 of the Code.	No exceptions noted.
(b)	We obtained from the Company details regarding areas of non-compliance with the Code identified by the Company's Board of Directors for the year ended 31 December 2025 and compared these with those included in the Report in the section "Details of non-compliance by the Company". Additionally, we obtained written representations from the Board of Directors that there were no other areas of non-compliance with the Code for the year ended 31 December 2025 of which they were aware.	No exceptions noted.

18 February 2026
Muscat



REPORT ON CORPORATE GOVERNANCE

FOR THE YEAR ENDED
31ST DECEMBER 2025



In accordance with the Financial Services Authority (“FSA”) guidelines, we are pleased to present the Corporate Governance Report (“the Corporate Governance Report”) of Sharqiyah Desalination Company SAOG (“the Company”) for the year ended 31st December 2025.

1. Company philosophy

The philosophy of the Company in respect to corporate governance is to observe, in letter and spirit, the rules and regulations framed by the FSA and in particular the Code of Corporate Governance and the Commercial Companies Law.

Indeed corporate governance at the Company envisages its commitments towards the attainment of high levels of transparency, accountability and business priority with the ultimate objective of increasing long-term Shareholders value, keeping in mind the needs and interests of all other stakeholders.

The Company follows the stipulations of the “International Financial Reporting Standards” (IFRS) in preparation of accounts and financial statements.

2. Composition of the Board of Directors (the “Board”)

All below Board of Directors members were elected by the Shareholders in the meeting (Ordinary General Meeting “OGM”) held on 16th March 2025 for a term of 3 years.

Name	Executive /Non Executive	Independent/ Not independent	Shareholder/Non-shareholder
Denis Le-Maout	Non-Executive	Not independent	Non -shareholder
Suhaib Abu Dayyeh	Non-Executive	Not independent	Non -shareholder
Zaher Al Mahrouqi	Non-Executive	Not independent	Non -shareholder
Nitin Bajaj	Non-Executive	Not Independent	Non -shareholder
Khalid Ansari	Non-Executive	Independent	Non -shareholder
Ali Khamis Al Alawi	Non-Executive	Independent	Non -shareholder
Mustafa Ahmed Salman	Non-Executive	Independent	Non -shareholder
Chouhaid Nasr	Non-Executive	Not Independent	Non -shareholder
Philippe Paulissen	Non-Executive	Not Independent	Non -shareholder

The members of the Board have professional and practical experience in their respective corporate fields, ensuring proper direction and control of the Company's activities. Their professional and ethical profile complies with the 2nd principle of the Code of Corporate Governance for Public Listed Companies effective from July 2015 and updated in December 2016.

Directorship / membership in other public Companies (SAOG) in Oman held during the year:

Name	Position held	Name of the company
Denis Le-Maout	None	-
Suhaib Abu Dayyeh	None	-
Nitin Bajaj	None	-
Khalid Ansari	Director	1. Dhofar Tourism Company 2. Oman & Emirates Investment Holding Company 3. Raysut Cement Company
Ali Khamis Mubarak Al Alawi	None	-
Chouhaid Nasr	None	-
Mustafa Ahmed Salman	Director	1. Oman United Insurance SAOG 2. Oman Reit Fund
Zaher Al Mahrooqi	None	-
Philippe Paulissen	None	-

The term of the Board members being elected as of March 2025 comes to its end as of March 2028.

3. Functions of the Board

The Board in general complies with the functions stated in the Code of Corporate Governance. With respect to the selection of the Board members and other key executives, a selection process is applied within the Company, which is overseen by the Nomination and Remuneration Committee.

In order to facilitate proper governance, the following information, among others, is provided to the Board:

- Estimated capital and operating budget and any updates;
- Quarterly results of the Company;
- Minutes of the board committees;
- Information on recruitment, resignation, removal and remuneration of key personnel;
- Material notices of penalties, fines and causes;
- Material default in financial obligations to or by the Company;
- Matters pertaining to possible public suits or product liability claims of substantial nature;
- Problems arising from industrial and commercial relations, including new wage agreement;
- Sale of investment and assets which are not in the normal course of the Company's business;
- Statement of compliance, or not thereof, with any regulatory requirement;
- Details pertaining to the possibility of the company's exposure to risks of fluctuations in foreign currency exchange rates, and steps taken to hedge such risks.

As regularly followed up by the Chairman of the Board, all Board Members are aware of the Code of Corporate Governance and its requirements.

As per the 7th principle of the Code of Corporate Governance, an internal code for ethics and professional conduct, such as those set out in the Code of Corporate Governance annexure (2), is adhered to and implemented by the directors and executives.

Board members' attendance record and position held during the financial year 2025:

Name of Directors	Position	Sitting fee (OMR)	Attendance				
			17-02-2025	16-03-2025	28-04-2025	21-07-2025	27-10-2025
Denis Le-Maout	Chairman	4,150	Present	Present	Present	Present	Present
Suhaib Abudayyeh	Vice Chairman	4,150	Present	Present	Present	Present	Present
Philippe Paulissen	Member	3,400	Proxy	Present	Present	Present	Present
Nitin Bajaj	Member	4,150	Present	Present	Present	Present	Present
Khalid Ansari	Member	4,150	Present	Present	Present	Present	Present
Zaher Al Mahroqi	Member	4,150	Present	Present	Present	Present	Present
Ali Khamis Al Alawi	Member	4,150	Present	Present	Present	Present	Present
Nasr Chouhaid	Member	4,150	Present	Present	Present	Present	Present
Mustafa Ahmed Salman	Member	4,150	Present	Present	Present	Present	Present
TOTAL		36,600					

The above meetings were held with physical attendance with the option to attend virtually.

Board members' attendance record and position in relation to the AGM held on 16th March 2025:

Name of Directors	Position	Attendance
		16-03-2025
Denis Le-Maout	Chairman	Present
Suhaib Abudayyeh	Vice Chairman	Present
Philippe Paulissen	Member	Present
Nitin Bajaj	Member	Present
Khalid Ansari	Member	Present
Zaher Al Mahroqi	Member	Present
Ali Khamis Al Alawi	Member	Present
Nasr Chouhaid	Member	Present
Mustafa Ahmed Salman	Member	Present

4. Nomination process of the Board members

In nomination of candidates, the Nomination and Remuneration Committee looks for professionalism, integrity and leadership skills in compliance with the 2nd principle of the Code of Corporate Governance. Proven track record, industry knowledge and strategic vision are the key characteristics. The Committee also follows the provisions of the Commercial Companies Law.

The opinion of the Nomination and Remuneration Committee shall be taken into consideration when electing directors to ensure that the elected directors possess the following skills and abilities:

- Strategic insight; and ability to direct, encourage innovation and continuously drive the company to consolidate its vision.
- Required expertise in financial accounting and corporate finance.
- Understanding of management trends in general and the respective industry in particular.
- Ability to deal with crises, both short term and prolonged.
- Proper and relevant experience in the nature of the company's business.
- Commercial experience in global markets, if the company has international operations.

Nine Board members above mentioned have been elected by the Shareholders during the Annual General Meeting (AGM).

As per the Code of Corporate Governance, the General Meeting has the authority to remove one or all the Board members.

5. Remuneration of the Board members

The meeting sitting fees were paid as per the amount fixed by the Board of Directors and approved by the Shareholders. The aggregate board members' sitting fees for the year was OMR 36,600 (2024: OMR 25,500).

6. Company Secretary

As per the 5th principle of the Code of Corporate Governance, the Board shall, at the inception of each term, appoint an experienced and qualified Secretary who is able to assist the Board in complying with the provisions of the Code and the applicable laws and regulations in the Sultanate as well as directives issued by other regulators and competent authorities.

The Company Secretary has been appointed based on the following prerequisites:

- To have knowledge background in accounting, audit and company secretariat;
- To have practical experience in business administration and executive management;
- To have no related parties' inhibitions stipulated in the Code of Corporate Governance.

7. Audit Committee

The Audit Committee (AC) is a sub-committee of the Board of Directors, comprising of the following board members:

1.	Khalid Ansari	AC Chairman
2.	Nitin Bajaj	AC Member
3.	Mustafa Ahmed Salman	AC Member

All the above members are experienced and have fundamental knowledge of accounts and finance. The Chairman of the Audit Committee is independent, and is not a member of any other board's sub-committees. The majority of the above members are independent.

The terms of reference of the Audit Committee are in accordance with the guidelines given in the 10th principle of the Code of Corporate Governance.

The Audit Committee has to assist the Board in the following tasks:

- a. Validating and verifying the overall efficiency of the executive management in implementing the operational directives and guidelines set up by the Board;
- b. Evaluating and monitoring the adequacy of internal control systems and their efficiency;
- c. Creating policies for safeguarding the Company's human, material and intellectual resources and assets.

Among other competences stated in the Code of Corporate Governance principle, the Audit Committee enjoys the following competences:

- Consideration and review of the internal audit system, and consequently submitting an annual written report outlining its opinion and recommendations;
- Consideration of the internal audit reports and follow up remedial action with regard to the comments therein;
- Providing recommendations to the Board vis-à-vis the appointment and removal of external auditors as well as specifying their fees;
- Following up the work of the external auditors and approving any non-audit services which they are assigned during the audit process;
- Consideration of the audit plan in conjunction with the external auditor and comment thereon;
- Consideration and follow up of the comments of the external auditor on the financial statements;
- Consideration of financial statements prior to their presentation to the Board, providing opinion and recommendations;
- Consideration of the adopted accounting policy, providing opinion and recommendations thereon to the Board;
- Determining the adequacy and sufficiency of the internal control systems, either through examining the regular reports of internal and external auditors or appointment of external consultants;
- Overseeing the preparation of financial statements;
- Serving as a communication channel between the Board, external auditors and the internal auditor;
- Reviewing the details of all proposed RPTs, and providing appropriate recommendations to the Board;
- Setting and reviewing the Company policies pertaining to risk management, taking into account the company's business, changes in market conditions and the company's investment and expansion tendencies and approach.

The Audit Committee held the following meetings during the period from 1st January 2025 to 31st December 2025:

Name of Members	Position	Sitting fee (OMR)	Attendance			
			17-02-2025	28-04-2025	21-07-2025	27-10-2025
Khalid Ansari	Chairman	2,225	Present	Present	Present	Present
Nitin Bajaj	Member	2,225	Present	Present	Present	Present
Mustafa Ahmed Salman	Member	2,225	Present	Present	Present	Present
	TOTAL	6,675				

The Audit Committee received sitting fees for their attendance for the period from 1st January 2025 to 31st December 2025, for an amount of OMR 6,675 (2024: OMR 6,000).

The AC meetings mainly focused on reviewing financial policies followed by the Company and financial statements to affirm conformity with IFRS, in addition to providing the Board with a clear picture of the Company's financial position and risk management.

8. Nomination and Remuneration Committee

The Nomination and Remuneration Committee is a sub-committee of the Board, comprising of the following board members:

1.	Ali Khamis Al Alawi	Chairman
2.	Suhaib Abudayyeh	Member
3.	Philippe Paulissen	Member

All the above members are experienced and have fundamental knowledge of human resources and law. The Chairman of the Nomination and Remuneration Committee is independent and is not a member of any other board's sub-committees.

The terms of reference of the Nomination and Remuneration Committee are in accordance with the guidelines given in the 11th principle of the Code of Corporate Governance.

The Nomination and Remuneration Committee assists the Company in adopting a transparent method in the nomination policy targeting directors of high competence and caliber, without prejudice to the right of any of the Shareholders to stand for election or to nominate whoever they see fit. The Nomination and Remuneration Committee intends to maintain a proper remuneration and incentives policy to attract competent executives with proper wages and remuneration.

The Nomination and Remuneration Committee held the following meetings during the period from 1st January 2025 to 31st December 2025:

Name of Members	Position	Sitting fee (OMR)	Attendance	
			12-3-2025	27-10-2025
Ali Khamis Al Alawi	Chairman	1,150	Present	Present
Suhaib Abudayyeh	Member	1,150	Present	Present
Philippe Paulissen	Member	575	Absent	Present
TOTAL		2,875		

In the year 2018, the Board approved a formal succession policy for executive management and Directors of the Board as proposed by the Nomination and Remuneration Committee and the next succession policy which was reviewed and approved in the year 2025.

9. Brief Profile of the Directors

Denis LE MAOÛT, Chairman

Denis LE MAOÛT is currently Contractual & Municipal Development Director of the Africa Middle East zone at Veolia, based in Paris and member of the Boards of several Veolia subsidiaries in Africa.

He is a graduate of HEC Paris (Master in Management, 1985). He started his career in the construction Industry and joined Veolia in 1989 at the Commercial Department.

Between 1993 and 2009, he held various management positions in Veolia water operations in the Ile de France (Paris suburbs) Region (Commercial manager, Branch manager, Area manager, Director of Customer Service). He joined the Africa Middle East zone of Veolia in 2010.

During his thirty-six years career, he developed a fairly extensive knowledge in:

- operation of water & wastewater services;
- customer relationship;
- Public-Private partnerships in France and abroad;
- benchmarking of contracts (NRW, customer services, digital solutions) and efficiency plans.

He is providing support to Veolia's subsidiaries of the AME zone in several aspects of their activities like :

- management of transversal projects;
- negotiation of amendments of contracts (concessions, lease contracts, PPP's);
- pre-qualification strategy ;
- strategic approach of the market;

- new offers (smart meters, prepayment systems, CRM,..);
- offers & pricing strategy at bid stage for management contracts, O&M contracts or PPP's, coordination of major offers.

M.Le Maoût is fluent in English and is a French native speaker.

Suhaib Abudayyeh, Deputy Chairman

Dr. Suhaib Abudayyeh holds an MBA degree in Engineering from the University of Manchester. He joined SOGEX Oman as a Business Development Manager in 2009.

He took over the charge of SOGEX Oman in 2014 and has been leading it successfully throughout. During the same year, under his able leadership the company won two prestigious projects viz., Masirah Power and Desalination project Masirah; and Majis Desalination Project, Sohar. In 2015, he led the company into Oil and Gas fields and won the Daleel Power Plant project.

To diversify the company's business, he explored a new business area for the company and entered into the facility management sector and formed a winning joint venture. To his credit, Sogex alliance won Salalah Airport contract in 2015 followed by one of the most prestigious projects of Muscat International Airport in 2018. He is a member of the Board of Directors of the JV companies.

Khalid Ansari, Director

Khalid Masud Ansari is a Fellow Member of the Institute of Chartered Accountants in England and Wales. Khalid joined KPMG in 1980 in the UK and retired as Partner in charge KPMG Oman, where he was providing audit and advisory services. After retiring from KPMG in 2018, Khalid was CEO of Al Anwar Investment SAOG for three years.

Khalid has now set up his advisory firm in Oman. He has a very deep understanding of the businesses in Oman and has extensive experience of advising diverse businesses in Oman during the last 36 years. Khalid is the current ICAEW's contact member in Oman. Khalid is currently a Board member of Oman Emirates Investment Holding Co. SAOG and Dhofar Tourism Company SAOG.

Nitin Bajaj, Director

Nitin Bajaj has over 25 years of experience managing investments across multiple asset classes.

He has managed investments for prominent families in the United Arab Emirates and currently serves as Deputy General Manager (Investments) at the Suhail Bahwan Group in Muscat.

He is a CFA Charterholder, a Chartered Accountant, and holds an MBA degree.

Dr Ali Khamis Mubarik Al Alawi, Director

Dr. Ali bin Khamis Al-Alawi founded the Omani Society for Intellectual Property, and chairs a number of economic and legal committees. He is an influential writer on law and economics. He recently obtained a doctorate in intellectual property and human rights.

Mustafa Ahmed Salman, Director

Mustafa Ahmed Salman is the chairman and CEO of United Securities LLC. A leading investment services company in the Sultanate of Oman. He founded the company in 1994 and it grew to hold the largest market share in the Sultanate as per official records.

Earlier in his career, Mustafa Salman served on the board of Oman Chamber of Commerce and Industry. He was a director of Muscat Securities Market and the vice chairman of Muscat Clearing and Depository Company. He also served as a board member of the Oman Olympic Committee and the Oman Handball Association and was a director of National Pharmaceutical Company.

Today, he is the honorary consul of the Australian Government to the Sultanate of Oman where he plays a valuable role in strengthening the ties between both countries and serves as the deputy chairman of the Banking, Finance and Insurance Committee of Oman Chamber of Commerce and Industry. He also serves as a director and audit committee member of publicly listed companies such as Oman United Insurance Company and is a director of Salman Stores LLC. Currently he is a committee member of Oman Kuwait Investment Company. Mustafa Salman has also expanded his expertise into the construction sector where he is the owner and founder of his construction company Mustafa Ahmed Salman Trading Enterprises (MASTE).

Mustafa Holds an Advanced Diploma in Accounting, and is a holder of the 'International Capital Markets Qualification' from the Securities Institute of London. He is also a registered broker with an advisory license from MSX.

Chouhaid Nasr, Director

Mr. Nasr Chouhaid has over 15 years in the utility sector.

He has over 25 years in management position and 1years in the utility Sector

He has PHD in BioPhysics from Université du Québec à Trois-Rivières, Canada and University of Notre Dame, USA.

He started his career with STMicroelectronics in 1999 and joined Veolia in 2010 .His current assignment is as CEO for Veolia Morocco and chairman of many utilities company in Morocco

Zaher Al Mahrooqi, Director

Zaher Al Mahrooqi has around 15 years of experience working in the Civil Service Employees Pension Fund.

He holds a Bachelor's degree in accounting from Majan University College. Currently, he is holding the position of Director of credence and settlements department in the Social Protection Fund.

Philippe Paulissen, Director

Mr. Philippe Paulissen has a Master Degree in Rural Engineering from Gembloux State University (Belgium). He has more than 40 years of international professional experience in water Desalination and WasteWater Treatment.

He was working as a Chief Executive Officer of Sharqiyah Desalination Company SAOG for 8 years and Head of Share Technical Center in Veolia Oman.

He is now acting as Executive Advisor to Veolia Oman

10. Executive management

The executive management of the Company is nominated with proper contracts clearly defining the terms of reference, in compliance with the Nomination and Remuneration Committee future policies. As per the 6th principle of the Code of Corporate Governance, the executive management executes the Company's general policies in accordance with its strategy and plans; and implements the bylaws, resolutions and procedures adopted by the Board. The Chief Executive Officer ('CEO'), under the supervision, direction and control of the Board manages the Company. As the CEO of a listed company, he does not hold the same position at any of the Company's subsidiaries. The executive management achieves high standards of professional conduct and abides by professional ethics while performing their duties.

11. Related party transactions

All the related party transactions are carried out at arm's length basis in the normal course of business and are disclosed in the financial statements.

In compliance with the 9th principle of the Code of Corporate Governance, the Company adopts the highest degree of transparency and clarity when it comes to related party transactions. All such transactions are subject to review of the Audit Committee and approved by the Board prior to execution.

12. Means of communication with the Shareholders and investors

The notice to the Shareholders for the AGM including the details of the related party transactions is filed with FSA and mailed to the Shareholders along with Directors' report and audited accounts.

The quarterly results of the Company as per FSA format are prepared by the management for every quarter, reviewed by external auditors, then reviewed by the Audit Committee and subsequently recommended to the Board which approve accordingly, uploaded on the website of Muscat Stock Exchange (MSX) and finally published in the newspapers as per the directives of FSA.

Important Board of Directors decisions are disclosed to the investors through MSX from time to time. The company maintains its official website, <http://sharqiyahdesalination.com> for its investors. The website is updated periodically.

The Board's Report and Management Discussion form part of the Annual Report.

13. Compliance with Rules and Regulations

The Company has been compliant with all the applicable rules and regulations issued by MSX, FSA and those stipulated in the Commercial Companies Law 1974 as amended - by Royal Decree No. 18/2019 as well as the Executive Regulation of the Commercial Companies Law and the Executive Regulations for Public Joint Companies.

The Company also complies with the principles of the Code of Corporate Governance effective as from July 2015 and updated December, 2016.

No penalties have been imposed by FSA or MSX or any other statutory bodies on the Company in the past three years.

14. Audit and internal control

In consultation with the Audit Committee, the Board has appointed external auditors which was approved in the AGM 16th March 2025.

The external audit firm EY provides audit services to the Company. In accordance with the Corporate Governance Code, the services of EY are not used where a conflict of interest might occur. The Audit Committee initiates the review, on behalf of the Board, of the effectiveness of internal controls by meeting the internal auditor, the review of the internal audit reports and recommendations and meeting the external auditor, the review of audit findings and the management letter.

The Company has appointed HC Shah, a well-renowned audit firm, to improve the internal auditing function of the Company and train the in-house auditor. As a publicly traded company on the MSX, it is crucial that the Company maintains the highest levels of internal controls and corporate governance.

The Company is proud of the fact that it remains in full compliance with the Code of Corporate Governance. These will keep on being monitored, confirmed and verified by internal and external audits throughout the business cycle.

15. Market price data

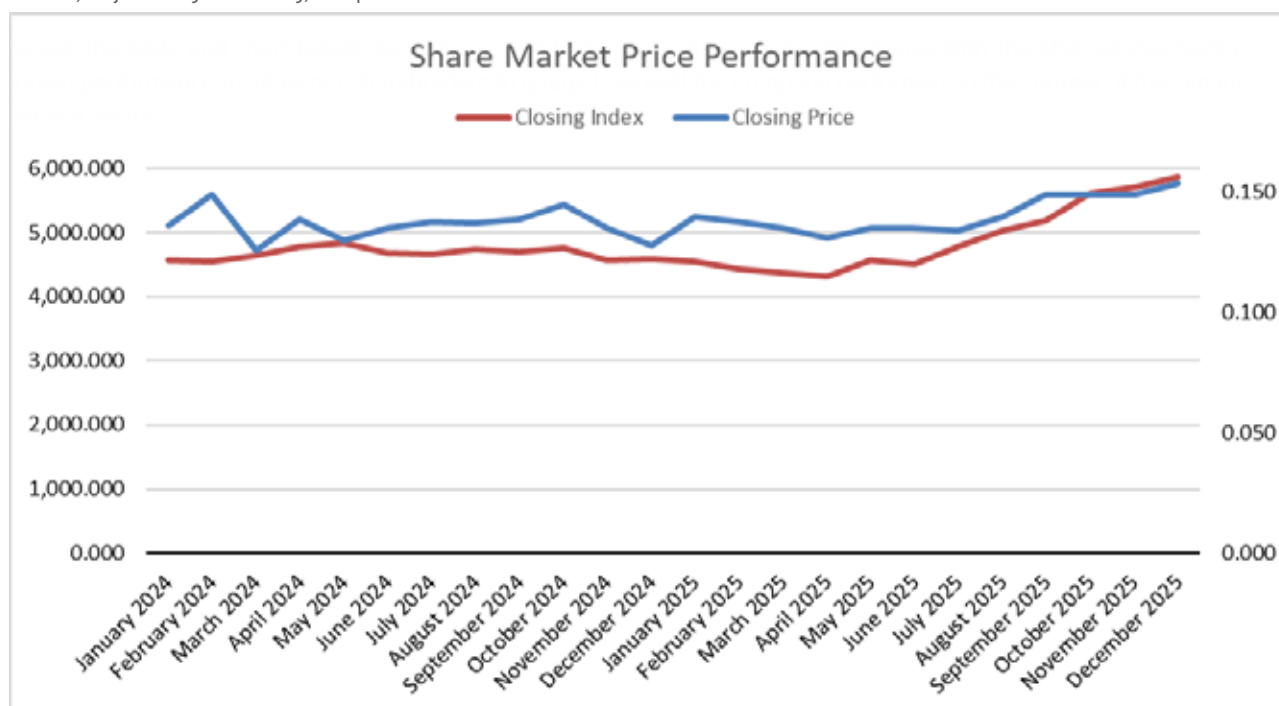
a) The high and low share price of the Company since January 2025 was as follows:

The closing share market price was OMR 0.154 per share as of 31st December 2025. The opening price on 1st January 2025 was OMR 0.128 per share.

The highest share price was OMR 0.155 (December 28, 2025) and the lowest share price was OMR 0.128 (01st January 2025).

b) The Company's performance compared to MSX Industry Sector Index

The index of MSX Service Sector includes a sample of the top 6 Service companies. The objective of this index is to reflect, objectively and fairly, the price movement of the listed shares in the market.



1 Source: the Muscat Securities Market website <https://msx.gov.om/>

16. Share Capital composition

The authorized share capital comprises 105,000,000 ordinary shares of OMR 0.100 each.

The issued and fully-paid share capital of the Company as of 31st December 2025 is OMR 9,780,216 as follows:

	2025		2024	
	No of shares	%	No of shares	%
Veolia Eau-Compagnie Générale des Eaux	10	-	10	-
Middle East Investment LLC	28,607,130	29.25%	28,607,130	29.25%
Veolia Middle East SAS	34,964,250	35.75%	34,964,250	35.75%
Pension Fund of the Civil Service's Employees	14,154,860	14.47%	14,154,860	14.47%
Public	20,075,910	20.53%	20,075,910	20.53%
TOTAL	97,802,160	100.00%	97,802,160	100.00%

17. Financial instruments and prospective impact on Shareholders' equity

The Company has not issued any financial instruments which would have an impact on earnings per share when exercised.

For more information on the financial instruments, please refer to the Note 16 the audited financial statement as at 31st December 2025.

18. Professional profile of the statutory auditor

EY is a global leader in assurance, tax, strategy & transactions, and consulting services. EY is committed to doing its part in building a better working world. The insights and quality services which EY delivers help build trust and confidence in the capital markets and in economies the world over.

The MENA practice of EY has been operating in the region since 1923. For over 100 years, we have grown to over 8,500 people united across 27 offices and 14 countries, sharing the same values and an unwavering commitment to quality. Globally, EY operates in more than 150 countries and employs over 400,000 professionals. EY operates as one firm, with 3 geographic areas, and EY member firms are grouped into 10 regions. Please visit ey.com for more information about EY.

19. Details of non-compliance by the Company

No penalties have been imposed by FSA or MSX or any other statutory bodies on the company in the past three years.

20. Acknowledgement by Board of Directors

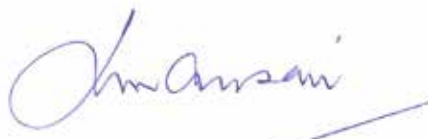
The Board of Directors is responsible for ensuring that the financial statements are in accordance with the applicable standards and rules.

There are no material circumstances that affect the continuation of the Company and its ability to continue its production operations during the next financial year.

The Board of Directors, through the Audit Committee's consideration of the results of the internal audit and discussions with the external auditors, together with their examination of periodic management information and discussions with the management, have reviewed the operation of internal controls during the year ended 31st December 2025. The Board of Directors has concluded based on this that the internal controls are effectively in place.



Dr Suhiab Abudayyeh
Deputy Chairman of the Board



Khalid Ansari
Chairman of the Audit Committee

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SHARQIYAH DESALINATION COMPANY SAOG

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sharqiyah Desalination Company SAOG (the "Company"), which comprise the statement of financial position as at 31 December 2025, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2025 and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the financial statements of public interest entities in the Sultanate of Oman. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our 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 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 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 financial statements.



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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
SHARQIYAH DESALINATION COMPANY SAOG (CONTINUED)**

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Hedge accounting and fair value of derivative financial instruments</i></p> <p>The Company has entered into interest rate swap agreements with international banks to hedge interest rate risks on its borrowings. Application of hedge accounting requires robust documentation and compliance with hedge effectiveness requirements and parameters. Also, the valuation of hedging instruments, which is determined through the application of valuation techniques, often involve the exercise of management judgement and assumptions. Due to the significance of financial instruments hedged, stringent requirements of IFRS for hedge accounting, and the involvement of assumptions and judgments, this is considered a key audit matter.</p> <p>Details regarding the derivatives are set out in notes 16 to the financial statements. The related accounting policy and estimates are set out in notes 4.1.1 in the financial statements.</p>	<p>We have performed the following procedures on derivative financial instruments:</p> <ol style="list-style-type: none"> 1) Assessed the overall process related to derivative instruments and hedge accounting, including internal management policies and procedures. 2) Evaluated the appropriateness of management's hedge documentation and contracts in accordance with the relevant IFRS. 3) Obtained counter party bank confirmation for valuation of derivatives and compared with the valuation of derivatives reflected in the financial statements. 4) Involved internal specialists to evaluate the hedge effectiveness assessment performed by the Company to ensure the accounting is in line with IFRS 9 financial instruments. 5) Assessed the appropriateness of disclosures in relation to financial risk management, derivative financial instruments and hedge accounting.

Other matter

The financial statement of the Company for the year ended 31 December 2024 were audited by another auditor who expressed an unqualified opinion on those financial statements on 25 February 2025.

Other information included in the Company's 2025 Annual Report

Other information consists of the information included in the Company's 2025 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2025 Annual Report after the date of our auditor's report:

- Chairman's report
- Corporate governance report
- Management discussion and analysis



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SHARQIYAH DESALINATION COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

Other information included in the Company's 2025 Annual Report (continued)

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and Audit Committee for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB and their preparation in compliance with the relevant requirements of the Commercial Companies Law of 2019 and the Financial Services Authority (the "FSA") of the Sultanate of Oman, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SHARQIYAH DESALINATION COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- 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 expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit Committee 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 Audit Committee 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 Audit Committee, we determine those matters that were of most significance in the audit of the 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.



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
SHARQIYAH DESALINATION COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

Report on other legal and regulatory requirements

We report that the financial statements comply, in all material respects, with the relevant requirements of the Commercial Companies Law of 2019 and FSA of the Sultanate of Oman.

Ernst & Young

Mohamed Al Qurashi



Mohamed Al Qurashi
Muscat
18 February 2026

STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 ₹	2024 ₹
ASSETS			
Non-current assets			
Property, plant and equipment	9	207,651	324,767
Intangible assets	10	77,443	98,081
Finance lease receivable	12	42,776,473	47,361,992
Right-of-use assets	11	4,037,905	4,436,474
Derivative financial instruments	16,23	686,503	1,272,927
Total non-current assets		47,785,975	53,494,241
Current assets			
Derivative financial instruments	16,23	277,233	404,750
Finance lease receivable	12	4,590,945	4,216,042
Trade and other receivables	13	1,472,358	1,618,871
Amount due from related parties	22	69,251	81,258
Cash and bank balances	14	1,808,951	1,841,767
Total current assets		8,218,738	8,162,688
TOTAL ASSETS		56,004,713	61,656,929
EQUITY AND LIABILITIES			
Equity			
Share capital	15	9,780,216	9,780,216
Legal reserve	15	2,784,980	2,734,740
Retained earnings		2,264,010	3,278,887
Cumulative changes in fair values	16	586,249	1,199,669
Total equity		15,415,455	16,993,512
Non-current liabilities			
Long term loan	17	26,410,082	30,001,239
Derivative financial instruments	16,23	195,204	202,055
Deferred tax liability	20	3,530,587	3,833,938
Deferred revenue	18 (b)	236,483	250,289
Employees' end of service benefit	7(b)	33,726	33,726
Lease liabilities	19	3,928,219	4,264,277
Total non-current liabilities		34,334,301	38,585,524
Current liabilities			
Long term loan	17	3,685,037	3,473,179
Derivative financial instruments	16,23	78,828	64,247
Deferred revenue	18 (b)	13,256	12,132
Lease liabilities	19	334,736	325,725
Trade and other payables	18(a)	927,562	1,134,453
Taxation	20	284,495	34,548
Amount due to related parties	22	931,043	1,033,609
Total current liabilities		6,254,957	6,077,893
Total liabilities		40,589,258	44,663,417
TOTAL EQUITY AND LIABILITIES		56,004,713	61,656,929
Net asset value per share (₹)	24	0.158	0.174

The financial statements were approved and authorised for issue by the Board of Directors on 16th February 2026 and signed on their behalf by



Deputy Chairman




Chief Financial Officer

The attached notes 1 to 28 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 AED	2024 AED
Revenue	5	10,828,417	12,670,184
Cost of sales	6	(7,315,215)	(8,777,282)
GROSS PROFIT		3,513,202	3,892,902
Administrative and general expenses	7 (a)	(661,627)	(730,636)
Reversal of expected credit loss	12,13, &14	5,757	22,991
PROFIT FROM OPERATION		2,857,332	3,185,257
Finance costs	8(a)	(2,359,329)	(2,605,808)
Finance income	8(b)	93,787	89,661
PROFIT BEFORE TAX		591,790	669,110
Taxation	20	(89,395)	(73,040)
PROFIT FOR THE YEAR		502,395	596,070
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items that may be reclassified to profit or loss in subsequent periods:			
Fair value of the cash flow hedge adjustment – gross	16	(402,247)	1,094,662
Reclassification to profit or loss – gross	8(a)	(319,424)	(593,535)
Deferred tax relating to fair value adjustment	20	108,251	(75,169)
OTHER COMPREHENSIVE (LOSS)/INCOME		(613,420)	425,958
TOTAL COMPREHENSIVE (LOSS)/INCOME		(111,025)	1,022,028
BASIC AND DILUTED EARNINGS PER SHARE (AED)	25	0.005	0.006

The attached notes 1 to 28 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Share capital ₹	Legal reserve ₹	Retained earnings ₹	Cumulative changes in fair values ₹	Total equity ₹
At 1 January 2024	9,780,216	2,675,133	4,209,456	773,711	17,438,516
Profit for the year	-	-	596,070	-	596,070
<i>Other comprehensive income</i>					
Fair value adjustment, net of tax	-	-	-	425,958	425,958
Total comprehensive income for the year	-	-	596,070	425,958	1,022,028
Transfer to legal reserve	-	59,607	(59,607)	-	-
<i>Transactions with owners of the Company</i>					
Dividend paid (note 15 (c))	-	-	(1,467,032)	-	(1,467,032)
At 31 December 2024	<u>9,780,216</u>	<u>2,734,740</u>	<u>3,278,887</u>	<u>1,199,669</u>	<u>16,993,512</u>
At 1 January 2025	9,780,216	2,734,740	3,278,887	1,199,669	16,993,512
Profit for the year	-	-	502,395	-	502,395
<i>Other comprehensive income</i>					
Fair value adjustment, net of tax	-	-	-	(613,420)	(613,420)
Total comprehensive income for the year	-	-	502,395	(613,420)	(111,025)
Transfer to legal reserve	-	50,240	(50,240)	-	-
<i>Transactions with owners of the Company</i>					
Dividend paid (note 15 (c))	-	-	(1,467,032)	-	(1,467,032)
At 31 December 2025	<u><u>9,780,216</u></u>	<u><u>2,784,980</u></u>	<u><u>2,264,010</u></u>	<u><u>586,249</u></u>	<u><u>15,415,455</u></u>

The attached notes 1 to 28 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 AED	2024 AED
OPERATING ACTIVITIES			
Profit before tax		591,790	669,110
Adjustments for:			
Depreciation on property, plant and equipment	9	117,116	124,489
Depreciation on right of use assets	11	395,899	397,084
Amortisation on Intangible asset	10	20,638	20,647
Finance cost	8 (a)	2,359,329	2,605,808
Finance income	8 (b)	(93,787)	(89,661)
Reversal for expected credit loss		(5,757)	(22,991)
Accrued for end of service benefits	7 (b)	-	4,408
Interest income on finance lease	12	(4,400,249)	(4,757,480)
Deferred revenue	18 (b)	(12,682)	(11,607)
Operating Profit before working capital changes		(1,027,703)	(1,060,193)
Changes in:			
Receipt against finance lease receivable	12	8,616,291	8,616,291
Trade and other receivables		146,666	(122,430)
Trade and other payables		(141,136)	96,228
Accruals		(108,179)	52,880
Due from related parties		12,007	170,159
Due to related parties		(102,566)	(15,906)
Cash generated from operating activities		7,395,380	7,737,029
Interest paid		(2,223,024)	(2,523,010)
Interest income received		93,787	89,661
End of service benefits paid		-	(72,644)
Interest Tax Paid		(34,548)	-
Net cash flows from operating activities		5,231,595	5,231,036
INVESTING ACTIVITY			
Addition to property, plant and equipment	9	-	(68,940)
Net cash flows used in investing activity		-	(68,940)
FINANCING ACTIVITIES			
Dividend paid		(1,467,032)	(1,467,032)
Repayment of loan	17	(3,473,180)	(3,306,261)
Repayment of lease liabilities		(324,377)	(312,038)
Net cash flows used in financing activities		(5,264,589)	(5,085,331)
Decrease in cash and bank balances			
Cash and bank balances at 1 January (Gross)		1,842,278	1,765,513
Cash and bank balances at 31 December (Gross)	14	1,809,284	1,842,278

The attached notes 1 to 28 form an integral part of these financial statements.

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Sharqiyah Desalination Company SAOG (“the Company”) was registered and incorporated as a joint stock company in the Sultanate of Oman on 14 January 2007. The Company was established to acquire, operate and maintain an existing water desalination plant of 2.66 million imperial gallons per day (“MIGD”) capacity at Sur. To build, operate and maintain a new 17.66 MIGD capacity water desalination plant at Sur in the Sharqiyah region, Sultanate of Oman.

During 2009, Veolia Eau Compagnie Generale des Eaux which was earlier the Ultimate parent company, transferred ownership of its water and wastewater activities and interests in the Middle East and North Africa (including interest in the Company) to Azaliya SAS, a company incorporated in France,. During 2013, Azaliya SAS has changed its name from Azaliya SAS to Veolia Water Middle East SAS. During 2015, Veolia Water Middle East SAS was renamed Veolia Middle East SAS.

On June 2013, the shareholders offered 35% of the Company’s shares to the public through an initial public offering (“IPO”) on Muscat Security Market. Subsequent to the IPO, the Company became a listed public joint stock company (“SAOG”). There is no parent and ultimate parent of the company.

On July 10, 2014, the Company signed the amended agreement to facilitate plant expansion. Post plant expansion the combined capacity of the plant increased from 17.66 MIGD to 29 MIGD. The term of the amended & restated WPA was extended by 20 years starting from COD of the new plant. All Terms and conditions of WPA dated 17 January 2007 still will be applicable, with the expiry date being March 2036

The Company’s registered address is PO Box 685, Postal Code 114, Jibroo, Muscat, Sultanate of Oman.

The Company’s principal place of business is located at Sur, Sultanate of Oman.

2 SIGNIFICANT AGREEMENTS

The Company has entered into the following significant agreements:

(i) Water Purchase Agreement (“WPA”) dated 17 January 2007

The WPA is between the Company and the Ministry of Housing, Electricity and Water (MHEW) (now the Public Authority for Electricity and Water - PAEW – see (iii) below). The WPA commences from its effective date, which is 17 January 2007.

The key elements of the WPA are as follows:

- The Company will make available and sell to PAEW all water output from the plant;
- The Company’s consideration for the above supply consists of a water capacity charge and water output charge which are fixed under Schedule (B) of the WPA;
- The plant capacity is determined by an annual performance test to be conducted by the Company under the supervision of PAEW;
- Invoices will be raised by the Company on a monthly basis which are due for payment within 25 days;
- The Company shall pay to PAEW liquidated damages of $\text{OMR}15,000$ for each day by which the provisional commercial operation date occurs after the scheduled commercial operation date;
- PAEW have confirmed the Commercial Operation Date (COD) as being 8 October 2009 and the term of the contract shall expire on 7 October 2029.

(ii) Novation Agreement dated 25 December 2014

A novation agreement was signed and executed between the Company, PAEW and Oman Power and Water Procurement Company (“OPWP”) on 25 December 2014; Subsequently the name changed to Nama Power and Water Procurement (“NPWP”). As per the novation agreement the parties have consented to, and acknowledged that, with effect from 25 December 2014, PAEW transferred its rights, title and interest and novated all of its duties, obligations, liabilities and responsibilities under the WPA to NPWP. Going forward, the Company will continue to have one customer, NPWP.

NOTES TO THE AUDITED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

2 SIGNIFICANT AGREEMENTS *(continued)*

(iii) Amended & Restated Water Purchase Agreement dated 10 July 2014

The Amended & Restated WPA is between the Company and NPWP. The amended agreement will facilitate plant expansion. Post plant expansion the combined capacity of the plant should increase from 17.66 MIGD to 29 MIGD. The term of the amended & restated WPA will be extended by 20 years starting from COD of the new plant dated 7 February 2017 with the expiry date being March 2036. All Terms and conditions of WPA dated 17 January 2007 still will be applicable

(iv) Engineering, Procurement and Construction (EPC) contract dated 17 May 2007

The above agreement was entered into with the consortium of OTV SA, Bahwan Engineering Company LLC and OTV SA & Partners LLC (related parties) for constructing the water desalination plant at Sur in the Sharqiyah region of the Sultanate of Oman for of ₪58.45 million. The construction work was completed during 2009.

(v) Limited Notice to Proceed (LNTP) letter dated 10 July 2014

The LNTP was entered into with OTV SA & Partners LLC and Societe Internationale Dessalement ("SIDEM") (related parties) for procurement of long lead items, advance engineering, surveys and civil engineering works for the proposed EPC Contract in respect of the Sur Independent Water Expansion Project. The total price of LNTP will be ₪1.29 million.

(vi) EPC contract dated 23 March 2015

The above agreement was entered into with OTV SA & Partner LLC, a related party and SIDEM, a related party for a total value of ₪28.75 million to facilitate expansion of the Company's desalination facilities at Sur in the Sharqiyah region of the Sultanate of Oman.

(vii) Usufruct agreement dated 17 January 2007

The above agreement was entered into with the Ministry of Housing of the Government of the Sultanate of Oman for a grant of usufruct rights in respect of use of the land on which the plant is situated for 25 years, with the option of an extension for a further period of 25 years.

(viii) Amendment to the usufruct agreement dated 25 December 2014

Certain provisions of the original site usufruct agreement to permit expansion were amended. The initial term of 25 years now stands extended to 31 years from the WPA effective date.

(ix) Operation and Maintenance (O&M) contract dated 15 May 2007

The O&M contract, which runs for 22 years from 17 January 2007, was entered into by the Company with Bahwan Veolia Water LLC ("BVW"), a related party, a company registered in the Sultanate of Oman, for operation and maintenance of the existing and new plant. Under the O&M contract:

- BVW shall be responsible for maintaining the existing and new plant;
- BVW shall, on behalf of the Company, carry out the Company's obligations with respect to the annual performance test in accordance with the requirements of the WPA;
- BVW's consideration for the services under the O&M Contract is fixed under Appendix (F) of the O&M contract;
- Invoices will be raised by BVW on a monthly basis within 10 days of each month; and
- BVW has commenced operation of the New Plant from the COD – 8 October 2009 and the O&M contract shall expire on 7 October 2029.

(x) Amendment agreement to original Operation and Maintenance (O&M) contract dated 22 March 2015

The amendment agreement was entered into by the Company with BVW, a related party, a company registered in the Sultanate of Oman, to record the parties' obligations with respect to the expansion of the existing plant in accordance with the Amended and Restated WPA.

NOTES TO THE AUDITED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

2 SIGNIFICANT AGREEMENTS *(continued)*

(xi) Loan agreement dated 15 May 2007

The above agreement was entered into with various banks and financial institutions through four mandated lead arrangers: The Royal Bank of Scotland PLC; Societe Generale; Natixis; and Bank Muscat SAOG, for the purpose of financing the project (see note 17).

(xii) Loan agreement dated 26 March 2015

An amended & restated agreement was entered into with various banks and financial institutions through four mandated lead arrangers: KFW, Natixis, Sumitomo Mitsui Banking Corporation ("SMBC") and The Bank of Tokyo – Mitsubishi UFJ Ltd, for the purpose of refinancing the existing debt and financing the expansion activities. Consequently, the previous loan agreement is no longer in force (see note 17).

(xiii) Solar generation equipment Agreement dated 16 April 2023

The agreement was entered by the Company with Total energies Renewables Orient LLC, a lessor, a company registered in the Sultanate of Oman. The lessor leases the solar power generation equipment to the Company. The commercial date of operation was 16th April 2023, and the capacity of the solar Guaranteed Contracted Power Capacity (GCPC) is 17 MWp dc. The contract shall expire on 31 March 2036 (see note 11).

3 BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) including the rules and guidelines on disclosures issued by the Financial Services Authority (FSA) (Formally known as The Capital Market Authority) and the applicable requirements of the Commercial Companies Law of 2019.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis modified to include the measurement at fair value of derivative financial instruments.

(c) Functional currency

These financial statements are presented in Rial Omani (﷮), which is the Company's functional currency.

(d) Use of judgement

Management has made the following judgement apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

- (i) Classification of arrangement with NPWP for desalination plant as lease (IFRS 16) or concession arrangement (IFRIC 12)

Judgement is required to ascertain whether the WPA agreement with NPWP is a concession arrangement as per IFRIC 12 Service Concession Arrangements or contains a lease as per IFRS 16 Leases and if the agreement contains a lease, judgement is required to classify the lease as an operating lease or a finance lease as per IFRS 16 Leases. Management has evaluated the applicability of IFRIC 12 Service Concession Arrangements and concluded that IFRIC 12 is not applicable to the arrangement as the residual risk is borne by the Company and not NPWP as the company has control over the significant residual value of the remaining useful life of the plant after the expiry of the water purchase agreement.

NOTES TO THE AUDITED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

3 BASES OF PREPARATION *(continued)*

(d) Use of judgement *(continued)*

- (i) Classification of arrangement with NPWP for desalination plant as lease (IFRS 16) or concession arrangement (IFRIC 12) *(continued)*

Management considers the requirements of IFRS 16 Leases, which sets out guidelines to determine when an arrangement might contain a lease. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Once a determination is reached that an arrangement contains a lease, the lease arrangement is classified as either financing or operating according to the principles in IFRS 16 Leases. A lease that conveys the majority of the risks and rewards of operation is a finance lease. A lease other than a finance lease is an operating lease. Further, based on management's evaluation, WPA with NPWP was considered a finance lease. The primary basis for this conclusion is because of the term of agreement is for the major part of the estimated useful life of the plant and the present value of minimum lease payments at inception amounts to substantially all of the fair value of the underlying asset.

- (ii) Asset retirement obligation

Asset retirement obligation is based on management's assessment of the probable future costs to be incurred in respect of the decommissioning of the plant and restoration of the land.

The company has a usufruct agreement with the Ministry of Housing Oman from the COD of the plant that is valid for 31 years as per amended usufruct agreement dated 25 December 2014. As per clause 11 of the original usufruct agreement, on the expiry date of the usufruct term, the Government may require the company either to remove all the structure or to sell and transfer the plant to the government at the mutually agreed price. However, as per the amended usufruct agreement the company is only required to remove furniture, fixtures, equipment & other property which does not include buildings and other fixed structures that are part of the existing plant.

Management believes that there is no contractual obligation to remove the plant at the expiry of the usufruct, therefore, it gives an option to the company that they may sell and transfer the plant to the Ministry of Housing at such price as is agreed between the two parties. The water plant is a strategic asset serving the Sur area and it is highly probable that government will not ask the company to remove this plant considering a significant amount of capital expenditure would be required to build a new plant to serve in the same area.

The management reassesses this judgment at each reporting date to ensure that there is no change in the outcome.

(e) Use of estimates

Information about assumption and estimates uncertainties at reporting date that have a significant risk resulting in material adjustments to carrying amounts of assets and liabilities within next financial years in the followings:

- (i) Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Accounting Standards, including the level in the fair value hierarchy in which the valuations should be classified.

NOTES TO THE AUDITED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

3 BASES OF PREPARATION *(continued)*

(e) Use of estimates *(continued)*

(i) *Measurement of fair values (continued)*

Significant valuation issues are reported to the Company's audit committee.

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 15 for hedging reserve.

(ii) *Expected credit loss (ECL) on finance lease receivable*

The Company assesses on a forward-looking basis the expected credit loss associated with its finance lease receivable, carried at amortized cost. The impairment provisions for financial lease receivable was assessed based on the ECL model, using assumptions about probability of default and loss given default. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the past history, existing market conditions as well as forward looking estimates at the end of each reporting year. Following significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Please refer to note 23 (i) for disclosure of expected credit losses of the company.

(iii) *Deferred tax assets*

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. As per tax law in Oman, tax losses can be utilised within next 5 years and hence judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

(iv) *Hedge accounting*

The Company's hedge accounting policies include an element of judgement and estimation. Estimates of future interest rates and the general economic environment will influence the availability and timing of suitable hedged items, with an impact on the effectiveness of the hedge relationships.

NOTES TO THE AUDITED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

3 BASIS OF PREPARATION *(continued)*

(f) Change in the accounting policies

A number of new standards, amendments to standards and interpretations are effective for the periods beginning on or after 1 January 2025. Those, which are relevant to the Company, are set out below.

New and revised IFRS in issue and effective

- Lack of exchangeability – Amendments to IAS 21

For annual reporting periods beginning on or after 1 January 2025, 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.

The amendments did not have a material impact on the company's financial statements.

New and revised IFRS in issue but not yet effective

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

- IFRS 18 Presentation and Disclosure in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures
- Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7
- Annual Improvements to IFRS Accounting Standards - Volume 11
- Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

There are no other IFRS standards, amendments or interpretations that are expected to have a material impact on the Company.

4 MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

4.1 Financial Instruments

Initial measurement of financial instruments

All financial assets and financial liabilities recognised when the company 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 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.

a) *Classification of financial assets*

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

NOTES TO THE AUDITED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4 MATERIAL ACCOUNTING POLICIES *(continued)*

4.1 Financial Instruments *(continued)*

a) Classification of financial assets *(continued)*

The classification and measurement categories are:

- (1) Financial assets carried at amortised cost;
- (2) Financial assets carried at fair value through other comprehensive income (FVOCI); and
- (3) Financial assets carried at fair value through profit or loss (FVTPL)

(1) Financial assets carried at amortised cost;

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

- (a) The asset is held within a “business model” whose objective is to hold assets to collect contractual cash flows;
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit (SPPI) on the principal amount outstanding.

- a) The business model assessment is based on reasonably expected scenarios without taking ‘worst case’ or ‘stress case’ scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company’s original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

(b) SPPI test

As a second step of its classification process the Company assesses the contractual terms of financial asset to identify whether they meet the SPPI test. ‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

(2) Financial assets at fair value through other comprehensive income (FVOCI):

i) Debt instruments at FVOCI

The Company applies the category of debt instruments measured at FVOCI when both of the following conditions are met and is not designated through FVTPL

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Financing income and foreign exchange gains and losses and impairment losses are recognised in statement of comprehensive income. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from equity to profit or loss.

NOTES TO THE AUDITED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4 MATERIAL ACCOUNTING POLICIES *(continued)*

4.1 Financial Instruments *(continued)*

(2) Financial assets at fair value through other comprehensive income (FVOCI) *(continued)*

ii) Equity instruments at FVOCI

Upon initial recognition, the Company may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument by instrument basis.

The Company have no equity instruments at FVOCI.

(3) Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, financial assets may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. The Company does not have financial assets at fair value through profit or loss.

Subsequent measurement of financial assets

IFRS 9 divides all financial assets into two classifications - those measured at amortised cost and those measured at fair value. Where the Company measures financial assets at fair value, gains and losses are either recognised entirely in profit or loss (fair value through profit or loss, "FVTPL"), or recognized in other comprehensive income (fair value through other comprehensive income, "FVOCI").

Subsequent measurement of financial liabilities

The Company categorises its financial liabilities into two measurement categories: FVTPL and amortized cost. The Company's financial liabilities include accounts payable, due to related parties, fair value of derivatives and term loans.

Except for fair value of derivatives which is measured at fair value, all other financial liabilities of the Company are measured at amortised cost.

a) Impairment of financial assets

The Company 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 Company 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).

NOTES TO THE AUDITED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4 MATERIAL ACCOUNTING POLICIES *(continued)*

4.1 Financial Instruments *(continued)*

(3) Financial assets at fair value through profit or loss (FVTPL) *(continued)*

a) Impairment of financial assets *(continued)*

For trade receivable covered under IFRS 15, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. For finance lease receivable covered under IFRS 16, the company applies general approach in calculating the ECL and is determined by using the probability of default (PD), exposure at default (EAD) and loss given default (LGD).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment, that includes forward-looking information.

The company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The company considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due

4.1.1 Derivative financial instruments

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Company amends the hedge documentation of that hedging relationship to reflect the change(s) required by IBOR reform. For this purpose, the Company amends the hedge designation only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;
- updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
- updating the description of the hedging instrument.

The Company amends the description of the hedging instrument only if the following conditions are met:

- it makes a change required by IBOR reform by changing the basis for determining the contractual cash flows of the hedging instrument or using another approach that is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognised.

The Company amends the formal hedge documentation by the end of the reporting year during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those changes required by IBOR reform described above, then the Company first considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then the Company amends the formal hedge documentation for changes required by IBOR reform as mentioned above.

NOTES TO THE AUDITED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4 MATERIAL ACCOUNTING POLICIES *(continued)*

4.1 Financial Instruments *(continued)*

(3) Financial assets at fair value through profit or loss (FVTPL) *(continued)*

a) Impairment of financial assets *(continued)*

When the interest rate benchmark on which the hedged future cash flows had been based is changed as required by IBOR reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Company deems that the hedging reserve recognised in OCI for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

4.1.2 Hedge accounting

The Company designates derivatives as hedging instruments in respect of interest rate risk in cash flow hedges and commodity price due to market fluctuation.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

4.1.3 Cash flow hedge

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of Cumulative changes in fair values, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the year when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non financial asset or a non financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non financial asset or non financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Company expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss. The Company discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively.

NOTES TO THE AUDITED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4 MATERIAL ACCOUNTING POLICIES *(continued)*

4.1 Financial Instruments *(continued)*

4.1.4 Cash and cash equivalents

Cash and bank balances comprise cash at hand, bank balances and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

4.1.5 Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either
 - (a) the Company has transferred substantially all the risks and rewards of the asset, or
 - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

There is a currently enforceable legal right to offset the recognised amounts and;

There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.2 Foreign currency transactions and balances

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income.

4.3 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment in value. Capital work in progress is recorded at cost less impairment, if any.

Costs include expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to a working condition for its intended use. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

4 MATERIAL ACCOUNTING POLICIES (continued)

4.3 Property and equipment (continued)

Any gain or loss on disposal of an item of Property and equipment is recognised in statement of comprehensive income.

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of an item if it is probable that future economic benefits embodied within the part will flow to the Company and the cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in the statement of comprehensive income as incurred.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives for current and comparative periods of the property and equipment as follows

	Years
Building- Sea Wells	7
Equipment and machinery	7
Office equipment	7
Furniture and fixtures	7
Computer and accessories	7

Management re-assess the useful lives, residual values and depreciation methods for property and equipment annually.

4.4 Leases

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

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use asset

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis from the commencement date over the shorter of the lease term and the estimated useful lives of the assets for the current and comparative periods, as follows :

Motor vehicles	3 to 5 years
Solar equipment	13 years

If ownership of the leased asset transfers to the Company 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.

The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

NOTES TO THE AUDITED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4 MATERIAL ACCOUNTING POLICIES *(continued)*

4.4 Leases *(continued)*

Lease liabilities (continued)

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

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

Company as a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

At commencement, the company recognises a finance lease receivable at an amount equal to its net investment in the lease, which comprises the present value of the lease payments and any unguaranteed residual value accruing to the company. The present value is calculated by discounting the lease payments and any unguaranteed residual value, at the interest rate implicit in the lease. Initial direct costs are included in the measurement of the finance lease receivable, because the interest rate implicit in the lease, used for discounting the lease payments, takes initial direct costs incurred into consideration.

NOTES TO THE AUDITED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4 MATERIAL ACCOUNTING POLICIES *(continued)*

4.4 Leases *(continued)*

Company as a lessor (continued)

The company derecognises the underlying asset and recognises the difference between the carrying amount of the underlying asset and the finance lease receivable in profit or loss when recognising the finance lease receivable. This gain or loss is presented in profit or loss in the same line item as that in which the company presents gains or losses from sales of similar assets. For a discussion of manufacturer or dealer company.

Over the lease term, the company accrues finance income on the net investment. The receipts under the lease are allocated between reducing the net investment and recognising finance income, to produce a constant rate of return on the net investment.

4.5 Fair values

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Company.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. The fair value of unquoted derivatives is determined by reference to broker/dealer price.

4.6 Employees' end of service benefits

End of service benefits are accrued in accordance with the terms of employment of the Group employees at the reporting date, having regard to the requirements of the applicable law and in compliance with IAS-19: 'Employee Benefits'. Employee entitlements to annual leave and leave salary are recognised when they accrue to employees and an accrual is made for the estimated liability as a result of services rendered by employees up to the reporting date. These accruals are disclosed in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the applicable law and are recognised as an expense in the statement of comprehensive income as incurred.

4.7 Trade and other payable

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

NOTES TO THE AUDITED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4 MATERIAL ACCOUNTING POLICIES *(continued)*

4.8 Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

4.9 Revenue

The Company's revenue stream comprises operation and maintenance charge, electricity charges calculated in accordance with the agreement with Nama Power and Water Procurement Company SAOC for sale of desalinated water and interest income on lease receivable.

Revenue from operations and maintenance charges and electricity charges are recognized over time when the services are provided.

The Company has a long-term agreement with NPWP which determines performance obligation, transaction price and allocates the transaction price to each of the separate performance obligations. The Company does not adjust any of the transaction prices for time value of money as the period between the transfer of the promised output to the customer and payment by the customer does not exceed one month and the sales are made with agreed credit terms which is in line with the industry practice. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due.

The Water Purchase Agreement provides that the company will make available and sell to NPWP all water output of the plant.

4.10 Finance charges

Finance charges comprise interest payable on term loan, hedging charges and similar expenses. Finance charges are recognised in the statement of comprehensive income in the year in which they are incurred. Finance income is recognised in the statement of comprehensive income as it accrues. For finance income in respect of finance lease receivable refer note 4.4 above.

4.11 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax

Income tax is calculated as per the fiscal regulations of the Sultanate of Oman. Current tax is the expected tax payable on the taxable income for the period, using the tax rates ruling at the reporting date.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and the amounts used for taxation purposes.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to extent that it is probable that future taxable profits will be available against which they can be used. Further, taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then the future taxable profits, adjusted for reversals of existing temporary differences are considered based on the business plans of the company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

NOTES TO THE AUDITED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4 MATERIAL ACCOUNTING POLICIES *(continued)*

4.11 Income tax *(continued)*

Deferred tax *(continued)*

The measurement of deferred tax reflects the tax consequences that would flow from manner in which the company expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

4.12 Directors' remuneration

The Directors' remuneration is governed as set out by the Commercial Companies Law of 2019 of the Sultanate of Oman and the rules prescribed by the Financial Services Authority and are recognised as an expense in the statement of comprehensive income.

4.13 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic decisions maker.

The Company's operating activities are disclosed in note 1 to the financial statements. The strategic business unit offers similar products and services and is managed as one segment. Performance is measured based on the profit before income tax, as included in the internal management reports. The management considers the business of the Company as one operating segment and monitors accordingly.

4.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

4.15 Legal reserve

In accordance with the Article 132 of the Commercial Companies Law of 2019, annual appropriations of 10% of the profit for the year are made to this reserve until the accumulated balance of the reserve is equal to one third of the value of the Company's paid-up share capital. This reserve is not available for distribution.

4.16 Trade and other receivables

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

4.17 Dividend

The Board of Directors takes into account appropriate parameters including the requirements of the Financial Services Authority while recommending the dividend. Dividends on ordinary shares are recognised when they are approved for payment in a general meeting prior to the reporting date.

4.18 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprises convertible notes

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

4 MATERIAL ACCOUNTING POLICIES (continued)

4.19 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. 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.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment is recognised immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the increase is recognised as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised earlier.

5 REVENUE

	2025	2024
	<u>o</u>	<u>o</u>
Point in time		
Operation and maintenance charges	4,101,669	4,586,380
Electricity charges	2,313,817	3,314,717
Interest income on finance lease	4,400,249	4,757,480
	<u>10,815,735</u>	<u>12,658,577</u>
Over a period of time		
Amortisation of deferred revenue	12,682	11,607
Total	<u>10,828,417</u>	<u>12,670,184</u>

The entire revenue of the company is generated from only one customer i.e., NPWP. The company's revenue and all its assets are attributable to the company's country of domicile i.e., Sultanate of Oman.

6 COST OF SALES

	2025	2024
	<u>o</u>	<u>o</u>
Operation and maintenance fixed charges	4,169,773	4,383,169
Electricity charges	1,242,372	2,111,648
Operation and maintenance charges	1,351,985	1,737,101
Depreciation on right of use asset (note 11)	392,347	392,347
Depreciation on property plant and equipment (note 9)	100,368	103,094
Desalination licence fee	37,732	29,276
Amortisation on Intangible asset (note 10)	20,638	20,647
	<u>7,315,215</u>	<u>8,777,282</u>

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

7 (a) ADMINISTRATIVE AND GENERAL EXPENSES

	2025	2024
	₹	₹
Employee related costs (see below)	296,447	383,905
Legal and professional expenses	97,899	110,662
Directors' sitting fee	47,275	35,000
Insurance	128,989	98,361
Depreciation on property, plant and equipment (note 9)	16,748	21,395
Travelling expenses	17,394	25,862
Depreciation on right-of-use assets (note 11)	3,552	4,737
Miscellaneous expenses	53,323	50,714
	<u>661,627</u>	<u>730,636</u>

Professional Services

This includes remuneration paid to auditors' for the year 2025, which amounts to ₹21,750 for audit services and ₹5,150 for non-assurance services, which includes audit related services amounting to ₹1,650 for agreed-upon procedures, and ₹1,000 for MSE XBRL file review services, and ₹2,500 for group reporting services.

Employee related expenses are as follows:

	2025	2024
	₹	₹
Salaries, wages, and other benefits	286,120	369,865
End of service benefit	-	4,408
Contributions to Omani Social Insurance Scheme	10,327	9,632
	<u>296,447</u>	<u>383,905</u>

7 (b) EMPLOYEES' END OF SERVICE BENEFITS

Movement in the provision recognised in the statement of financial position is as follows:

	2025	2024
	₹	₹
Balance as at 1 January	33,726	101,962
Charge for the year	-	4,408
Paid during the year	-	(72,644)
Balance as at 31 December	<u>33,726</u>	<u>33,726</u>

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

8 (a) FINANCE COSTS

	2025	2024
	£	£
Finance costs		
Interest on long term loan	2,274,879	2,826,768
Income from Hedge (note 16)	(319,424)	(593,535)
Amortisation of deferred finance costs (note 17)	93,881	89,368
Performance bond commission and guarantee	38,190	463
Agency and role fees	40,625	37,997
Interest on leases (note 19)	228,273	244,747
Others	2,905	-
	<u>2,359,329</u>	<u>2,605,808</u>

8 (b) FINANCE INCOME

	2025	2024
	£	£
Finance income		
Interest income from call account	<u>93,787</u>	<u>89,661</u>

9 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant Equipment	Office equipment	Furniture and fixtures	Computer and accessories	Total
	£	£	£	£	£	£
Cost						
1 January 2025	104,285	760,686	100,303	112,863	117,278	1,195,415
31 December 2025	<u>104,285</u>	<u>760,686</u>	<u>100,303</u>	<u>112,863</u>	<u>117,278</u>	<u>1,195,415</u>
Accumulated depreciation						
1 January 2025	103,435	487,385	89,163	85,467	105,198	870,648
Charge for the year	850	100,368	3,346	7,645	4,907	117,116
31 December 2025	<u>104,285</u>	<u>587,753</u>	<u>92,509</u>	<u>93,112</u>	<u>110,105</u>	<u>987,764</u>
Net book value						
31 December 2025	<u>-</u>	<u>172,933</u>	<u>7,794</u>	<u>19,751</u>	<u>7,173</u>	<u>207,651</u>
Cost						
1 January 2024	104,285	691,746	100,303	112,863	117,278	1,126,475
Addition	-	68,940	-	-	-	68,940
31 December 2024	<u>104,285</u>	<u>760,686</u>	<u>100,303</u>	<u>112,863</u>	<u>117,278</u>	<u>1,195,415</u>
Accumulated depreciation						
1 January 2024	101,781	384,291	85,512	77,822	96,753	746,159
Charge for the year	1,654	103,094	3,651	7,645	8,445	124,489
31 December 2024	<u>103,435</u>	<u>487,385</u>	<u>89,163</u>	<u>85,467</u>	<u>105,198</u>	<u>870,648</u>
Net book value						
31 December 2024	<u>850</u>	<u>273,301</u>	<u>11,140</u>	<u>27,396</u>	<u>12,080</u>	<u>324,767</u>

(i) Depreciation charges are included within cost of sales (note 6) and administrative and general expenses (note 7 (a)).

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

9 PROPERTY, PLANT AND EQUIPMENT (continued)

	2025	2024
	AED	AED
Cost of sales (note 6)	100,368	103,094
Administrative and general expenses (note 7(a))	16,748	21,395
	<u>117,116</u>	<u>124,489</u>

- (ii) The commercial mortgages on all the assets (lease receivable and PPE) and project insurances of the Company, together with any other assets, are subject to the security constituted by any of the Security Documents (as defined in amended and restated facilities agreement) (note 17).

10 INTANGIBLE ASSETS

	2025	2024
	AED	AED
Software (for Plant)		
Cost		
At 1 January	137,674	137,674
At 31 December	<u>137,674</u>	<u>137,674</u>
Accumulated amortisation		
At 1 January	39,593	18,946
Charge for the year	20,638	20,647
At 31 December	<u>60,231</u>	<u>39,593</u>
Net book value 31 December 2025	<u>77,443</u>	<u>98,081</u>

* Intangible assets represent the software of the plant with a useful life of 7 years.

11 RIGHT OF USE ASSETS

	Vehicles	Solar Power Equipment (note 11.1)	Total
	AED	AED	AED
Cost			
At 1 January 2025	18,948	5,100,512	5,119,460
31 December 2025	<u>18,948</u>	<u>5,100,512</u>	<u>5,119,460</u>
Accumulated depreciation			
At 1 January 2025	12,726	670,260	682,986
Charge for the year	3,552	392,347	395,899
Retirement	2,670	-	2,670
31 December 2025	<u>18,948</u>	<u>1,062,607</u>	<u>1,081,555</u>
Net book value 31 December 2025	<u>-</u>	<u>4,037,905</u>	<u>4,037,905</u>

* Vehicle are obtained for the period of 5 years.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

11 RIGHT OF USE ASSETS (continued)

As further disclosed in note 21 of the financial statement, the company is having a right to use the land owned by Ministry of Housing. The company is required to make a nominal payment of $\text{AED} 1,000$ each year which is considered immaterial to the financial statements.

11.1 Solar power generation equipment aims at reducing the desalination project's dependence on gas powered electricity and focus on generating around 32,000 MWH of green electricity annually. The agreement was entered by the Company with Total energies Renewables Orient LLC, a lessor, a company registered in the Sultanate of Oman. The lessor leases the solar power generation equipment to the Company. The commercial date of operation was 16th April 2023, and the capacity of the solar Guaranteed Contracted Power Capacity (GCPC) is 17 MWp dc. The contract shall expire on 31 March 2036.

	Vehicles	Solar Power Equipment	Total
	<u>AED</u>	<u>AED</u>	<u>AED</u>
Cost			
At 1 January 2024	18,948	5,100,512	5,119,460
31 December 2024	<u>18,948</u>	<u>5,100,512</u>	<u>5,119,460</u>
Accumulated depreciation			
At 1 January 2024	7,989	277,913	285,902
Charge for the year	<u>4,737</u>	<u>392,347</u>	<u>397,084</u>
31 December 2024	<u>12,726</u>	<u>670,260</u>	<u>682,986</u>
Net book value 31 December 2024	<u>6,222</u>	<u>4,430,252</u>	<u>4,436,474</u>
Net book value 01 January 2024	<u>10,959</u>	<u>4,822,599</u>	<u>4,833,558</u>

11.3 Depreciation charge on right of use assets is allocated as follows:

	2025	2024
	<u>AED</u>	<u>AED</u>
Cost of sales (note 6)	392,347	392,347
Administrative and general expenses (note 7(a))	3,552	4,737
	<u>395,899</u>	<u>397,084</u>

12 FINANCE LEASE RECEIVABLE

	2025	2024
	<u>AED</u>	<u>AED</u>
January 1 At	51,592,320	55,451,131
(5 Add: Finance income (note	4,400,249	4,757,480
Less: Lease instalments	(8,616,291)	(8,616,291)
(12.1 Less: Provision for expected credit loss (note	(8,860)	(14,286)
	<u>47,367,418</u>	<u>51,578,034</u>

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

12 FINANCE LEASE RECEIVABLE (continued)

12.1 The Company determined an expected credit loss on finance lease receivable and recorded a provision for expected credit loss in statement of financial position of ₪8,860 (2024: 14,286)

The Company received COD confirmation for the new plant from NPWP and accordingly ₪34,105,087 was transferred from plant expansion WIP to finance lease receivable on 7 February 2017 and the related amortisation is performed based on the revised amortisation schedule.

Refer to note 1, Company has entered into an Amended and Restated Water Purchase Agreement ("NAMA") with NPWP. Management has concluded that the agreement satisfies the requirements of IFRS 16 "Leases". Further, management has assessed the lease classification as per the requirements of IFRS 16 "Leases" and has concluded that the arrangement is a finance lease, as the term of agreement is for the major part of the remaining economic life of the Company's plant. Accordingly, a finance lease receivable has been recognised in the financial statements.

The commercial mortgages on all the assets (lease receivable and PPE) and project insurances of the Company, together with any other assets are subject to the security constituted by any of the Security Documents (as defined in amended and restated facilities agreement) (note 17).

	2025	2024
	₪	₪
Non-current	42,776,473	47,361,992
Current	4,590,945	4,216,042
	<u>47,367,418</u>	<u>51,578,034</u>

The following table shows the maturity analysis of finance lease receivables:

	2025	2024
	₪	₪
31 December		
Less than one year	8,616,291	8,616,291
One to two years	8,616,291	8,616,291
Two to three years	8,616,291	8,616,291
Three to four years	8,616,291	8,616,291
Four to five years	8,616,291	8,616,291
More than five years	23,969,225	32,571,231
Total undiscounted lease receivables	<u>67,050,680</u>	<u>75,652,686</u>
Unearned finance income	(19,683,262)	(24,074,652)
Net investment in the lease	<u>47,367,418</u>	<u>51,578,034</u>

Note 23 (i) includes disclosure relating to the credit risk.

13 TRADE AND OTHER RECEIVABLES

	2025	2024
	₪	₪
Financial assets		
Receivable from OPWP	1,347,430	1,465,321
Less: Provision for expected credit loss (note 23)	(258)	(411)
	<u>1,347,172</u>	<u>1,464,910</u>
Non-financial assets		
Prepayments	30,402	35,388
VAT due from tax authority	94,784	118,573
	<u>1,472,358</u>	<u>1,618,871</u>

The Company calculated the expected credit loss on trade and other receivables and recorded a provision for expected credit loss in the statement of financial position of ₪258 (2024: 411). Note 23 (i) includes disclosure relating to the credit risk.

NOTES TO THE AUDITED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

14 CASH AND BANK BALANCES

	2025	2024
	₹	₹
Bank balances	1,809,284	1,842,278
Less: Provision for expected credit loss (note 23. (i))	(333)	(511)
	<u>1,808,951</u>	<u>1,841,767</u>

The Company calculated the expected credit loss on bank balance and recorded a provision for expected credit loss in the statement of financial position of ₹333 (2024: ₹511). Note 23 (i) includes disclosure relating to the credit risk.

15 SHARE CAPITAL AND RESERVES

(a) Share capital

Authorised share capital comprises 105,000,000 ordinary shares (31 December 2024 105,000,000 ordinary shares).

Issued and fully paid share capital of the Company is ₹9,780,216 (2024: ₹9,780,216), comprising of 97,802,160 of ₹0.1 per share (2024: 97,802,160 of ₹0.1 per share). With share capital as follows:

	2025		2024	
	No of shares	%	No of shares	%
Veolia Eau-Compagnie Generale des Eaux	10	-	10	-
Middle East Investment Company	28,607,130	29.25%	28,607,130	29.25%
Veolia Middle East SAS	34,964,250	35.75%	34,964,250	35.75%
Civil Services Employees' Pension Fund	14,154,860	14.47%	14,154,860	14.47%
General public	20,075,910	20.53%	20,075,910	20.53%
	<u>97,802,160</u>	<u>100%</u>	<u>97,802,160</u>	<u>100%</u>

Note – The percentages for the shareholding are rounded-off two decimal places.

(b) Legal reserve

As required by the Commercial Companies Law of the Sultanate of Oman, 10% of annual profit of the Company is required to be transferred to legal reserve until the reserve equal to one third of the Company's issued share capital. The reserve is not available for distribution.

(c) Dividend distribution

In an Annual General Meeting held on 16 March 2025 the shareholders' approved the distribution of a cash dividend at rate of 15 baisas per share (₹1,467,032).

The Directors proposed at rate of 15 baisas per share for the year ended 31 December 2025 amounting to ₹1,467,032. This is subject to approval of the Company's shareholders at the Annual General Meeting to be held on 17 March 2026.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

16 DERIVATIVE FINANCIAL INSTRUMENTS

The long-term loan facilities of the Company bear interest at SOFR plus applicable margins. In accordance with the hedge facilities agreement, the Company has fixed the rate of interest with four hedge providers through an International Swap Dealers Association Inc. Master Agreement ('ISDA'- Hedge Agreement) at: (i) during the period prior to the first anniversary of the Scheduled Commercial Operation Date, for no less than 75 percent of the utilised amounts under the Term Facilities as at the last day of each Interest Period; and (ii) at all times on and after the first anniversary of the Scheduled Commercial Operation Date until the end date, for no less than 90 percent of the utilised amounts under the Term Facilities of the amended and restated agreement. The corresponding maximum-hedged notional amount is approximately:

- (i) ₪8.42 million (USD 21.88 million) at a fixed interest rate of 5.55% per annum, and
- (ii) In the range of 2.645% to 2.675% for the top-up swaps amounting to ₪18.81 million (USD 48.60 million).

	2025	2024
Opening -Net on 01 January	1,411,375	910,248
Fair value of the cash flow hedge adjustment – gross	(402,247)	1,094,662
Reclassification to profit or loss – gross	(319,424)	(593,535)
Closing- Net on 31 December	<u>689,704</u>	<u>1,411,375</u>
Derivative Asset	963,736	1,677,677
Derivative Liability	(274,032)	(266,302)
Closing- Net on 31 December	<u>689,704</u>	<u>1,411,375</u>

At 31 December 2025, 6-month SOFR was approximately 4.23% (31 December 2024: 4.49%), whereas the Company has fixed interest on its borrowings as described above. Based on the interest rates gap, over the life of the ISDA, the indicative losses were assessed at approximately ₪0.721 million (gains 31 December 2024: ₪0.501 million) by the counterparties to the ISDA. Net of deferred tax has been recorded within equity amounting to approximately losses of ₪0.613 million (31 December 2024: gain of ₪0.426 million) is recorded under asset / liabilities.

In order to comply with International Financial Reporting Standard 9 "Financial Instruments: Recognition and Measurement" this hedge is being tested for its effectiveness and, consequently, ineffective and effective portions are being recognised in profit or loss and other comprehensive income, respectively.

	Positive / (Negative) fair value of derivatives ₪'000	Notional amounts by term to maturity			
		Notional Amount ₪'000	1 - 12 Months ₪'000	More than 1 up to 5 years ₪'000	Over 5 years ₪'000
31 December 2025					
Interest rate swaps	<u>690</u>	<u>27,099</u>	<u>3,227</u>	<u>16,485</u>	<u>7,386</u>
31 December 2024					
Interest rate swaps	<u>1,411</u>	<u>30,143</u>	<u>3,043</u>	<u>15,259</u>	<u>11,840</u>

All of these interest rate swaps are designated as effective cash flow hedges and the effective portion of fair value thereof has been recognised in other comprehensive income within equity.

After the transition, the interest rate swaps have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Company applies hedge accounting and the mismatch between the hedging instrument and the hedged item is recognised into profit or loss. As of 31 December 2025, hedge was 90 percent effective.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

17 LONG TERM LOAN

	2025	2024
	₹	₹
Term loan (syndicated)	30,931,199	34,404,379
Less: deferred finance costs	<u>(836,080)</u>	<u>(929,961)</u>
Balance as at 31 December	<u>30,095,119</u>	<u>33,474,418</u>
Current	3,685,037	3,473,179
Non-current	<u>26,410,082</u>	<u>30,001,239</u>
	<u>30,095,119</u>	<u>33,474,418</u>

The movement in the loan balance of ₹3,473,180 represents the loan repayment made during the period.

Loan agreement dated 26 March 2015. As per the agreement, the Company is required to make biannual repayment in June and December.

In July 2017, the United Kingdom Financial Conduct Authority ('FCA'), which regulates the London Interbank Offered Rate ('LIBOR'), announced that 6-month USD Libor would cease after June 2023. In a process of LIBOR transition to new benchmark, the Company entered into Amendment Agreement on 29 May 2024, by which, the Company changed the benchmark from LIBOR to SOFR plus ISDA fallback Credit Adjustment Spread.

The facilities agreements contain financial covenant relating to liquidity, specifically the debt service coverage ratio. The Company's debt service coverage ratio for the year was 1.25 times (31 December 2024: 1.27 times), compared to the minimum requirement of 1.05 times.

At 31 December 2025 and 2024, the Company was in compliance with this covenant.

Reconciliation of financing cash flows

A reconciliation between opening and closing balances in the statement of financial position for liabilities that result in financing cash flows is presented below:

	At 1 January	Repayments during the year	Non-cash changes	At 31 December
Borrowings				
2025				
Term loans	33,474,418	(3,473,180)	93,881	30,095,119
Interest cost	11,685	(1,955,455)	1,953,473	9,703
Lease liabilities (including interest)	<u>4,590,002</u>	<u>(555,320)</u>	<u>228,273</u>	<u>4,262,955</u>
	<u>38,076,105</u>	<u>(5,983,955)</u>	<u>2,275,627</u>	<u>34,367,777</u>
2024				
Term loans	36,691,310	(3,306,260)	89,368	33,474,418
Interest cost	18,717	(2,278,262)	2,271,230	11,685
Lease liabilities (including interest)	<u>4,902,040</u>	<u>(556,785)</u>	<u>244,747</u>	<u>4,590,002</u>
	<u>41,612,067</u>	<u>(6,141,307)</u>	<u>2,605,345</u>	<u>38,076,105</u>

An amended and restated agreement was entered into on 26 March 2015 with various banks and financial institutions through four mandated lead arrangers: KfW, Natixis, Sumitomo Mitsui Banking Corporation ("SMBC") and The Bank of Tokyo – Mitsubishi UFJ Ltd, to obtain term and contingency loan facilities up to ₹64.2 million (US\$ 166.71 million), for the purpose of refinancing the existing debt and financing the expansion activities. Consequently, the previous loan agreement is no longer in force. The loan facilities bear interest at 6 month SOFR plus applicable margin of 1.75% -1.85%, having maturity at 25 March 2033.

The credit facilities are secured by comprehensive legal and commercial mortgages on all the assets and project insurances of the Company, together with any other assets which are subject to the security constituted by any of the Security Documents (as defined in amended and restated facilities agreement). As per the amended and restated facilities agreement, the loan repayment commenced from 31 December 2016.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

18 (a) TRADE AND OTHER PAYABLES

	2025	2024
	AED	AED
Accruals	615,118	723,297
Trade payables	127,165	204,136
VAT due to tax authority	185,279	207,020
	<u>927,562</u>	<u>1,134,453</u>

18 (b) DEFERRED REVENUE

	2025	2024
	AED	AED
Balance as at 1 January	262,421	274,028
Recognised during the year (note 5)	(12,682)	(11,607)
Balance as at 31 December	<u>249,739</u>	<u>262,421</u>
Non-current	236,483	250,289
Current	13,256	12,132
	<u>249,739</u>	<u>262,421</u>

On the import of certain equipment for establishing the plant, custom duty was not applicable at the time of the approval of the WPA agreement. Later at the time of the import of the equipment, the government-imposed customs duty on that equipment. The applicable customs duty was paid by the company and has been capitalised. Since the cost of customs duties is being amortised over the life of finance lease receivable, the amount reimbursed from NPWP is being amortised at the same IRR over the same duration.

19 LEASE LIABILITIES

	2025	2024
	AED	AED
Lease liability recognised in the current year as follows;		
At 1 January	4,590,002	4,902,040
Addition during the year	-	-
Retirement of Lease	(2,624)	-
Accrual of interest (note 8(a))	228,273	244,747
Payments / Payable during the year	<u>(552,696)</u>	<u>(556,785)</u>
At 31 December	<u>4,262,955</u>	4,590,002
Current lease liabilities	334,736	325,725
Non-current lease liabilities	3,928,219	4,264,277
	<u>4,262,955</u>	<u>4,590,002</u>

Extension option

Some property leases contain extension options exercisable by the company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the company and not by the lessors. The Company assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Company has estimated that the potential future lease payments, should it exercise the extension option, would result in lease liability of AED 1,461,607.

NOTES TO THE AUDITED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

20 INCOME TAX

The taxation charges for the year comprise:

	2025	2024
	<u>₹</u>	<u>₹</u>
Current tax		
Tax payable for the year	(284,495)	(34,548)
	(284,495)	(34,548)
Deferred tax		
Origination / (reversal) of temporary differences	195,100	(38,492)
	(89,395)	(73,040)

20.1 Movement in current tax and deferred tax liabilities during the year was as follows:

20.1(a) Current tax

	2025	2024
	<u>₹</u>	<u>₹</u>
Current tax		
At 1 January	(34,548)	-
Charge/(reversal) for the year	(284,495)	(34,548)
Paid during the year	34,548	-
At 31 December	(284,495)	(34,548)

The total income tax for the current year tax can be reconciled to the accounting profits as follows:

	2025	2024
	<u>₹</u>	<u>₹</u>
Accounting profit before tax for the year	591,790	669,110
Tax expense at the rate of 15%	88,769	100,367
Add: Disallowed expenses	626	-
Less: Carry forward tax losses	-	(27,327)
Tax expense for the year	(89,395)	(73,040)

The tax rate applicable to the Company is 15% (2024- 15%). For the purpose of determining the taxable results, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both incomes and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

Deferred income taxes are calculated on all temporary differences using a principal tax rate of 15% (2024: 15%). Deferred tax (assets) and liabilities and deferred tax charge / (credit) in the statement of comprehensive income are attributable to the following items:

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

20 INCOME TAX (continued)

	1 January 2025	Recognised in income	Recognised in OCI	31 December 2025
	₹	₹	₹	₹
Financial lease receivable	3,647,541	(185,281)	-	3,462,260
Right of use	665,470	(59,739)	-	605,731
Lease liabilities	(688,500)	49,057	-	(639,443)
Provision for ECL written back during the year	(2,281)	863	-	(1,418)
Fair value of derivative financial instruments	211,708	-	(108,251)	103,457
Net deferred tax liability	3,833,938	(195,100)	(108,251)	3,530,587

	1 January 2024	Recognised in income	Recognised in OCI	31 December 2024
	₹	₹	₹	₹
Financial lease receivable	3,730,641	(83,100)	-	3,647,541
Carry forward taxable losses	(130,900)	130,900	-	-
Right of use	725,033	(59,563)	-	665,470
Lease liabilities	(735,306)	46,806	-	(688,500)
Provision for ECL written back during the year	(5,730)	3,449	-	(2,281)
Fair value of derivative financial instruments	136,539	-	75,169	211,708
Net deferred tax liability	3,720,277	38,492	75,169	3,833,938

Status of tax returns

An assessment of the Company has been completed up to the tax year 2021 by the tax authorities.

The tax returns for the year 2022 to 2024 have not yet been assessed by the Secretariat General of Taxation at the Ministry of Finance.

21 Commitments and contingencies

Usufruct right fees

	2025	2024
	₹	₹
Usufruct right fee	13,000	14,000

Usufruct right fees relates to the agreement entered into with the Ministry of Housing of the Government of the Sultanate of Oman for a grant of usufruct rights in respect of use of the land on which the plant is situated for 31 years, with the option of an extension for a further period of 25 years.

NOTES TO THE AUDITED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

22 RELATED PARTY TRANSACTIONS AND BALANCES

The company enters into transactions with companies and parties that fall within the definition of a related party as contained in IAS 24 Related Party Disclosures. These transactions are entered on mutually agreed terms. The Company maintains balances with these related parties which arise in the normal course of business. Outstanding balances at reporting date are unsecured and settlement occurs in cash.

Amounts due from related parties	Nature of Relationship	2025	2024
		₹	₹
Bahwan Veolia Water LLC	Subsidiary of shareholder having significant influence	-	-
Veolia LLC	Subsidiary of shareholder having significant influence	69,251	81,258
Seureca Muscat LLC	Subsidiary of shareholder having significant influence	-	-
Veolia Arabia – Saudi Arabia	Subsidiary of shareholder having significant influence	-	-
Middle East Investment	Shareholder having significant influence	-	-
		<u>69,251</u>	<u>81,258</u>

Note 23 (i) includes disclosure relating to the credit risk.

Amounts due to related parties	Nature of Relationship	2025	2024
		₹	₹
Veolia Eau Compagnie Generale des Eaux	Subsidiary of shareholder having significant influence	3,099	3,099
Veolia LLC	Subsidiary of shareholder having significant influence	-	-
Bahwan Veolia Water LLC	Subsidiary of shareholder having significant influence	927,944	1,030,510
Enova Facilities Management Services LLC	Subsidiary of shareholder having significant influence	-	-
		<u>931,043</u>	<u>1,033,609</u>

The due to related party balances are interest free and repayable on demand.

Transactions with related parties during the period are as below:

	2025	2024
	₹	₹
<i>Bahwan Veolia Water LLC (Subsidiary of shareholder having significant influence)</i>		
Operation and maintenance services incurred	5,586,803	6,185,586
Other services incurred	-	-
Payments made for the services	(5,689,369)	(6,165,478)
Services rendered	(6,652)	4,105
Cash received for services rendered	6,652	53,063
<i>Veolia LLC (Subsidiary of shareholder having significant influence)</i>		
Services incurred	252,925	323,708
Payments made for the services	(252,925)	(358,382)
Services rendered	(107,202)	(143,324)
Cash received for services rendered	119,209	263,035

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

22 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	2025	2024
	AED	AED
Veolia Environmental Services SPC <i>(Subsidiary of shareholder having significant influence)</i>		
Services rendered	-	-
Cash received for services rendered	-	-
Veolia Al Bashar (Subsidiary of shareholder having significant influence)		
Services rendered	-	-
Cash received for services rendered	-	-
Services incurred	-	-
Payments made for the services	-	-
Veolia Arabia (Subsidiary of shareholder having significant influence)		
Services rendered	-	-
Cash received for services rendered	-	-
Middle East Investment (Subsidiary of shareholder having significant influence)		
Services rendered	(2,625)	(2,625)
Cash received for services rendered	2,625	2,625
Enova Facilities Management Services LLC <i>(Subsidiary of shareholder having significant influence)</i>		
Services incurred	-	-
Payments made for the services	-	(1,341)
Seureca Muscat LLC (Subsidiary of shareholder having significant influence)		
Services rendered	-	(448)
Cash received for services rendered	-	1,877

Two of the shareholders Middle East Investment Company and Veolia Middle East SAS have provided a guarantee to the lender of Sharqiyah Desalination Company SAOG and amount of AED 2.9 million for Debt Service Reserve Account (DSRA), accordingly all bank charges related to these guarantees have been charged back to SDC refer to note 8 (a).

	2025	2024
	AED	AED
Key management benefits		
Short term employee benefits		
Board of Directors sitting fees	36,600	25,500
Audit committee sitting fees	5,175	6,000
Remuneration committee sitting fees	2,875	6,000
Directors' remuneration – accrual	9,375	8,250
Key management remuneration	79,960	122,502
Post-employment benefits		
Employees' end of service benefit	-	1,991

As of 31st December 2025, the Company has two key management personnel (2024: two key management personnel).

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

22 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The annual general meeting shall approve the remuneration and the sitting fees for the Board of Directors provided that such fees shall not exceed 5% of the annual net profit after deduction of the legal reserve and the optional reserve and the distribution of dividends to the shareholders. Such fees shall not exceed ₺200,000 in one year. The sitting fees for each Director shall not exceed ₺10,000 in one year.

23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial assets are assessed for impairment at each reporting date as disclosed below in credit risk.

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

(i) Credit risk

Credit risk results from the potential inability of customers to respect their payment obligations. The Company has only one domestic customer and debtor, NPWP, which is a government owned entity. The Company limits its credit risk with regard to bank balances by only dealing with reputed banks. Maximum credit exposure is considered to be equal to the nominal value of unimpaired financial assets at the reporting date, not yet due, as under:

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has entrusted the Management with the responsibility of developing and monitoring the Company's risk management policies and procedures and its compliance with them.

	2025	2024
	₺	₺
Particulars		
Derivative instruments	963,736	1,677,677
Finance lease receivable (note 12)	47,376,278	51,592,320
Trade receivables (note 13)	1,347,430	1,465,321
Amount due from related parties (note 22)	69,251	81,258
Bank balances (note 14)	1,809,284	1,842,278
	51,565,979	56,658,854

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(i) Credit risk (continued)

The table below shows the balances with banks and customers categorized by short-term credit rating as published by Moody's investor's service at the reporting date.

Bank	Rating	2025	2024
Bank balances		±	±
Oman Arab Bank (OAB)	Ba3	1,777,934	1,809,238
SMBC Bank	A1	31,350	33,040
Trade receivables			
NPWP	Ba1	1,347,430	1,465,321
Finance lease receivable			
NPWP	Ba1	47,376,278	51,592,320
Due from Related party			
Veolia LLC	Baa1	69,251	81,258

The Company has assessed the Expected Credit Loss (ECL) on the above balances except for trade receivable using general approach. In this regard, The Company has verified the credit rating of the counterparties. Given that the credit rating has remained constant and no significant increase in credit risk has been identified, the Company has applied the 12-month ECL model to calculate the ECL on these balances. Additionally, The Company has reviewed the outstanding balances to determine if they are past due. All the balances shown above are not past due and hence these have not been considered to be credit impaired.

Age analysis of trade receivables is as follows:

	2025		2024	
	Trade Receivable	Allowance for impairment	Trade Receivable	Allowance for impairment
Not past dues	1,347,430	258	1,465,321	411
	1,347,430	258	1,465,321	411

The closing loss allowances for trade receivables, lease receivables and cash and cash equivalent as at 31 December 2025 reconcile to the opening loss allowances as follows:

	2025	2024
Opening loss allowance as at 1 January calculated under IFRS 9	15,208	38,199
Account receivables	(153)	(477)
Lease receivables	(5,426)	(22,407)
Cash and bank balances	(178)	(107)
At 31 December	9,451	15,208

NOTES TO THE AUDITED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. A liquidity report is prepared monthly and reviewed by the Executive Management. Sufficient bank facilities are in place to meet the Company's liquidity needs for the foreseeable future, the Company's bankers will continue to meet their obligations and provide facilities and NPWP will meet its obligations under the WPA to purchase water from the Company at prices determined therein.

The management's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following table presents undiscounted contractual flows of financial liabilities.

	Cash Flows				
	Carrying Amount	Contractual cash flow	Less than 1 year	More than 1 to 5 years	More than 5 years
	₹	₹	₹	₹	₹
31 December 2025					
Derivative Financial Instruments	274,032	(274,032)	(78,828)	(195,204)	-
Term loans (note 17)	30,931,199	(35,422,572)	(2,295,393)	(26,783,375)	(6,343,804)
Trade and other payables (note18)	927,562	(927,562)	(927,562)	-	-
Amounts due to related parties (note 22)	931,043	(931,043)	(931,043)	-	-
Lease liability (note 19)	4,262,955	(5,480,641)	(545,943)	(2,733,358)	(2,201,340)
	<u>37,326,791</u>	<u>(43,035,850)</u>	<u>(4,778,769)</u>	<u>(29,711,937)</u>	<u>(8,545,144)</u>
31 December 2024					
Derivative Financial Instruments	266,302	(266,302)	(64,247)	(202,055)	-
Term loans (note 17)	34,404,379	(40,172,013)	(2,290,764)	(26,099,358)	(11,781,891)
Trade and other payables (note18)	1,134,453	(1,134,453)	(1,134,453)	-	-
Amounts due to related parties (note 22)	1,033,609	(1,033,609)	(1,033,609)	-	-
Lease liability (note 19)	4,590,002	(6,035,747)	(567,218)	(3,120,048)	(2,348,481)
	<u>41,428,745</u>	<u>(48,642,124)</u>	<u>(5,090,291)</u>	<u>(29,421,461)</u>	<u>(14,130,372)</u>

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity price will affect the Company'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 optimising the return on risk.

Interest rate risk

At the end of the reporting period the interest rate profile of the Company's interest-bearing financial instruments was:

	Interest rate %	2025 ₹	2024 ₹
Floating rate instruments			
Long term loans	SOFR + margins	<u>30,931,199</u>	<u>34,404,379</u>

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(iii) Market risk (continued)

The Company's borrowings with floating interest rate are exposed to changes in market interest rates. The Company has hedged this interest rate risk through interest rate swaps. The percentage of interest charges hedged is presented below:

Period	Average % of Cover
From 26 March 2015 to 27 June 2017	82
From 28 June 2017	87

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial asset and liability at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

The Company has hedged this interest rate at as stated above through interest rate swaps contracts in accordance with the Common Terms Agreement with its lenders. Therefore, changes in interest rates during the year will not significantly affect the Company's cashflow and profit or loss.

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity, net of tax	
	100 bps Increase	100 bps Decrease	100 bps Increase	100 bps Decrease
	±	±	±	±
31 December 2025				
Variable rate instrument	262,915	(262,915)		
Interest rate swap	75,420	(75,420)	162,847	(162,847)
	<u>338,335</u>	<u>(338,335)</u>	<u>162,847</u>	<u>(162,847)</u>
31 December 2024				
Variable rate instrument	292,437	(292,437)	-	-
Interest rate swap	118,151	(118,151)	280,953	(280,953)
	<u>410,588</u>	<u>(410,588)</u>	<u>280,953</u>	<u>(280,953)</u>

Adoption of amendments to IFRS 9 and IFRS 7 Interest Rate Benchmark Reform

The company completed its transition to alternative benchmark rates, the interest rate benchmark reform (IBOR reform), in 2022. The Company's remaining IBOR exposures as at 31 December 2025 - corporate debt securities indexed to the US dollar London Inter-bank Offered Rate (LIBOR) - have appropriate fallback clauses. These clauses automatically switch the instrument from USD LIBOR to the Secured Overnight Financing Rate as and when USD LIBOR ceases. As announced by the Financial Conduct Authority, the one-, three- and six-month synthetic USD LIBOR settings will cease on 30 September 2024.

NOTES TO THE AUDITED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

(iii) Market risk *(continued)*

Currency risk

The Company is exposed to foreign currency risk mainly on borrowings that is denominated in a currency other than Rial Omani. The currency giving rise to this risk is primarily US Dollar which is effectively pegged to the Rial Omani and, therefore, Management believes that the Company is not significantly exposed to foreign currency risk.

Equity price risk

The Company does not have investments in securities and is not exposed to market price risk.

(iv) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Financial instruments comprise financial asset, financial liabilities and derivatives. The carrying amount of the financial assets and liabilities reflected in the financial statements approximate their fair values.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There were no transfers between level 1 and level 2 during 2025.

As at 31 December 2025, the Company held interest rate swap derivatives instruments measured at fair value. The fair values of the interest rate swaps arrangements are worked out using level 2 valuation technique and related details are included in note 17.

The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates.

Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Company and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.

The fair values of other financial assets and liabilities carried at amortised cost approximate their carrying value.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(iv) Fair value of financial instruments (continued)

	Fair value				Level 2
	Fair value- hedging instrument	Financial assets at amortized cost	Other financial liabilities	Total	
31 December 2025					
Financial Asset measured at fair value					
Derivative instruments	963,736	-	-	963,736	963,736
Financial assets not measured at fair value					
Trade receivables	-	1,347,172	-	1,347,4172	-
Finance lease receivables	-	47,367,418	-	47,367,418	-
Due from Related parties	-	69,251	-	69,251	-
Cash and bank balances	-	1,808,951	-	1,808,951	-
	<u>963,736</u>	<u>50,592,792</u>	<u>-</u>	<u>51,556,786</u>	<u>963,736</u>
Financial Liability measured at fair value					
Derivative instruments	(274,032)	-	-	(274,032)	(274,032)
Financial liabilities not measured at fair value					
Term loan	-	-	(30,931,199)	(30,931,199)	-
Amount due to related parties	-	-	(931,043)	(931,043)	-
Trade and other payables	-	-	(927,562)	(927,562)	-
	<u>(274,032)</u>	<u>-</u>	<u>(32,789,804)</u>	<u>(33,063,836)</u>	<u>(274,032)</u>
31 December 2024					
Financial Asset measured at fair value (Restated)					
Derivative instruments	1,677,677	-	-	1,677,677	1,677,677
Financial assets not measured at fair value					
Trade receivables	-	1,464,910	-	1,464,910	-
Finance lease receivables	-	51,578,034	-	51,578,034	-
Due from Related parties	-	81,258	-	81,258	-
Cash and bank balances	-	1,841,767	-	1,841,767	-
	<u>1,677,677</u>	<u>54,965,969</u>	<u>-</u>	<u>56,643,646</u>	<u>1,677,677</u>
Financial Liability measured at fair value					
Derivative Instruments	(266,302)	-	-	(266,302)	(266,302)
Financial liabilities not measured at fair value					
Term loan	-	-	(34,404,379)	(34,404,379)	-
Amount due to related parties	-	-	(1,033,609)	(1,033,609)	-
Trade and other payables	-	-	(1,134,453)	(1,134,453)	-
	<u>(266,302)</u>	<u>-</u>	<u>(36,572,441)</u>	<u>(36,838,743)</u>	<u>(266,302)</u>

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(v) Capital management

The capital of the Company comprises paid-up capital, retained earnings, legal reserve and hedging deficit. The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support future development of the business and maximise shareholder value. The Company monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings, lease liabilities, less cash and short-term deposits.

	2025	2024
	AED	AED
Term loans (note 17)	30,095,119	33,474,418
Lease liabilities (note 19)	4,262,955	4,590,002
Less: Cash and bank balances (note 14)	<u>(1,808,951)</u>	<u>(1,841,767)</u>
Net debt	<u>32,549,123</u>	<u>36,222,653</u>
Equity	<u>15,415,455</u>	<u>16,993,512</u>
Capital and net debt	<u>47,964,578</u>	<u>53,216,165</u>
Gearing ratio	68%	68%

24 NET ASSETS VALUE PER SHARE

The calculation of net asset value per share is based on net assets and the number of ordinary shares at the end of the year as follows:

	2025	2024
Net assets (AED)	15,415,455	16,993,512
Number of outstanding shares at the end of the year (Nos.)	<u>97,802,160</u>	<u>97,802,160</u>
Net asset value per share (AED)	<u>0.158</u>	<u>0.174</u>

Net assets per share is not a defined performance measure in IFRS standards.

25 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings / (loss) per share is based on profit / (loss) attributable to ordinary shareholders and the weighted average ordinary number of shares outstanding as follows:

	2025	2024
Profit for the year (AED)	502,395	596,070
Weighted average number of shares (nos.)	<u>97,802,160</u>	<u>97,802,160</u>
Basic earnings per share (AED)	<u>0.005</u>	<u>0.006</u>

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

26 CASH FLOW FROM OPERATING ACTIVITIES

Below is the cashflow using the direct method instead for better understanding of the user of the financial statement.

	2025	2024
OPERATING ACTIVITIES		
Cash received from customers (Cash Inflow)	16,029,744	17,518,462
Cash paid (cash outflow)		
O & M contractor cost	(5,689,369)	(6,165,478)
Electricity cost	(1,501,944)	(2,146,465)
Other O & M cost	(480,422)	(483,095)
Manpower cost	(296,420)	(416,183)
Other G & A cost	(666,204)	(642,856)
Income Tax paid	(34,548)	
Finance Cost Paid	(2,129,240)	(2,433,349)
Net cash from operating activities	<u>5,231,597</u>	<u>5,231,036</u>

27 EVENTS AFTER THE REPORTING DATE

There are no events post the reporting date that require adjustment or disclosure in these financial statements

28 CLIMATE RELATED RISKS

The Company and its customers may face significant climate-related risks in the future. These risks include the threat of financial loss and adverse non-financial impacts that encompass the political, economic and environmental responses to climate change. The key sources of climate risks have been identified as physical and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels and risks. Transition risks may arise from the adjustments to a net-zero economy, e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand. These risks are receiving increasing regulatory, political and societal scrutiny, both within the country and internationally.

While certain physical risks may be predictable, there are significant uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in consumer demands and supply chains. The Company is making progress on embedding climate risk in its risk framework.