

**Notes to the financial statements  
for the year ended 31 December 2025****1. Legal status and principal activities**

Muscat City Desalination Company SAOG (the “Company”) is a public joint stock Company registered in the Sultanate of Oman. The Company was incorporated on 19 January 2013. The Company’s principal activity is the sale of desalinated water. The Company commenced commercial production of potable water on 19 February 2016. The Company was listed on the Muscat Stock Exchange on 2 January 2018. The registered address of the Company is at PO Box 1935, PC 114, Muscat, Sultanate of Oman. There is no parent and ultimate parent of the Company.

**1.1 Key agreements***Water Purchase Agreement*

On 11 February 2013 the Company signed a long term Water Purchase Agreement (WPA) with Nama Power and Water Procurement Company SAOC (PWP) for the supply of 42 million Million Imperial Gallons Per Day (MIGD). The agreement expires 20 years after the Scheduled Commercial Operation Date of 12 October 2014, subject to any extension period or early termination arising under the terms of the agreement.

*Engineering, Procurement and Construction Contract*

The Company entered into an agreement for the construction of a desalination plant with a capacity of 42 million MIGD with International Water Treatment LLC (“the EPC Contractor”) on a turnkey basis which was completed during 2016.

*Operation and Maintenance (O&M) contract*

The O&M contract, which runs for 20 years after the Scheduled Commercial Operation Date of 12 October 2014, was entered into by the Company on 27 November 2013 and amended on 21 October 2017 with Muscat City Desalination Operation and Maintenance Co LLC, a related party, a company registered in the Sultanate of Oman, for operation and maintenance of the plant.

*Usufruct Agreement*

The Usufruct Agreement for Site (“UAS”) was executed between the Ministry of Housing and the Company on 11 February 2013. The UAS has a term of 25 years from the date of ratification of the UAS by the Government, subject to a further extension of 25 years.

**1.2 Going Concern**

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue its operations for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the Company’s financial statements.

## Notes to the financial statements for the year ended 31 December 2025

### 2. Application of new and revised International Financial Reporting Standards (“IFRS”)

#### 2.1 Change in 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:

#### 2.2 New standards or amendments for 2025 and forthcoming requirements

- *Lack of Exchangeability - Amendment to IAS 21.*

The change in accounting policy is reflected in the Company’s financial statements as at and for the year ending 31 December 2025.

#### 2.3 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.

<b>New accounting standards or amendments</b>	<b>Effective for annual periods beginning on or after</b>
Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)	1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	01 January 2027
Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7	1 January 2026
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	1 January 2026
IFRS 19, Subsidiaries without Public Accountability: Disclosures	1 January 2027
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	Available for optional adoption / effective date deferred indefinitely

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

**Notes to the financial statements  
for the year ended 31 December 2025****3. Material accounting policies****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 Law of 2019.

**Basis of measurement**

The financial statements are prepared under the historical cost basis except for derivative financial instruments which are measured at fair value.

**Functional and presentation currency**

These financial statements are presented in Rial Omani (﷋), which is the Company's functional currency and rounded to the nearest thousand unless stated otherwise.

**Foreign currencies**

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. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance cost.

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

**Property, plant and equipment***Recognition and measurement*

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes the amount of cash and cash equivalents paid or the fair value of other consideration given to acquire an asset at the date of acquisition or construction.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised.

The cost of self-constructed assets includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of overheads and any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit or loss. Repairs and renewals are charged to profit or loss when the expense is incurred.

*Subsequent costs*

The Company recognises in the carrying amount of property, plant and equipment the cost of major inspections and the cost of replacing part of such an item when the cost is incurred, if it is probable that the future economic benefits embodied in the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised as an expense as incurred.

## Notes to the financial statements for the year ended 31 December 2025

### 3. Material accounting policies (continued)

#### *Depreciation*

Depreciation is calculated so as to write off the cost of property, plant and equipment, other than capital work-in-progress, over their estimated economic useful lives, using the straight-line method, from the date that the asset is brought into use.

Where components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Major repairs are depreciated over the remaining useful life of the related asset, or up to the date of the next major repair, whichever is shorter.

The estimated useful lives for the current period are as follows:

	<b>Years</b>
Civil and structural works	35 - 40
Plant and machinery	35 - 40
Pipelines	35 - 40
Decommissioning asset	40
Spares	40
Furniture, fixtures and office equipment	4
Motor vehicles	4

The useful lives, depreciation method, and residual values of property, plant and equipment are assessed by the management at reporting date and adjusted if appropriate. Membrane, cartridge filters and other tools were capitalised along with useful life of plant, as this will remain as a part of plant till the end of plant's life without any further cost.

#### *Capital work-in-progress*

Capital work-in-progress is stated at cost less any impairment losses. When commissioned, capital work-in-progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with depreciation policies of the Company.

#### *Derecognition of asset*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the net carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the period the asset is derecognised.

#### **Employees' end of service benefits**

Obligations for contributions to a defined contribution retirement plan, for Omani employees, in accordance with the Omani Social Insurance Scheme, are recognised as an expense in profit and loss as the related service is provided.

The Company's obligation in respect of non-Omani employees' end of service benefits is the amount of future benefit that such employees have earned in return for their service in the current and prior periods having regard to the employee contract and Oman Labour Law 2003, as amended.

With respect to its Omani employees, the Company makes contributions to the Public Authority for Social Insurance under Royal Decree 72/91 calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due. Provision for

**Notes to the financial statements  
for the year ended 31 December 2025****3. Material accounting policies (continued)****Employees' end of service benefits (continued)**

non-Omani employee terminal benefits under an unfunded defined benefit retirement plan, is made in accordance with Omani Labour Laws and is calculated by estimating the amount of Future benefits that employees have earned in return for their service in the current and prior periods.

**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.

**Provision for decommissioning obligation**

The provision for asset retirement obligation is recognised when there is a present obligation as a result of assets constructed on land under usufruct contracts with the Ministry of Housing, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of provision can be measured reliably. The estimated future obligations include the costs of removing the facilities and restoring the affected areas. A corresponding asset is recognised as part of plant and machinery in property, plant and equipment and depreciated accordingly.

**Provision for decommissioning obligation**

The provision for decommissioning obligation is a best estimate of the present value of expected costs required to settle the obligation, at the reporting date based on the current requirements of the Usufruct agreement, using estimated cash flows. The cash flows are discounted at a current pre tax rate that reflects the risks specific to the asset retirement obligation. The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss and other comprehensive income as a finance cost.

The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are dealt with prospectively and reflected as an adjustment to the provision and corresponding decommissioning asset recorded as property, plant and equipment. If there is an indication that the new carrying amount of the asset is not fully recoverable, the asset is tested for impairment and an impairment loss is recognised where necessary.

**Equity**

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.

**Revenue**

The Company's revenue stream comprises water capacity investment charge, water capacity operation and maintenance charge, water output operation and maintenance charge and electricity charges calculated in accordance with the agreement with Nama Power and Water Procurement Company SAOC ("NPWP") for sale of desalinated water.

Water capacity charge includes water capacity investment charge and water capacity operations and maintenance charge.

**Notes to the financial statements  
for the year ended 31 December 2025****3. Material accounting policies (continued)****Revenue (continued)**

The Water Purchase Agreement provides that the Company will make available and sell to NPWP a guaranteed water capacity for which the Company will receive payment that will compensate for the investments made and the operating costs.

Water capacity investment charge is recognised based on the capacity made available in accordance with contractual terms stipulated in WPA. Fixed O&M charge is recognised based on the capacity made available in accordance with contractual terms stipulated in WPA.

Revenue from sale of water to NPWP is recognised in the accounting period in which the actual production and sale of water take place and the capacity is made available as per the contract. 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.

The revenue disclosed in note 18 is based on actual invoiced amounts.

**Finance expenses**

Finance costs comprise interest on borrowings. Borrowing costs, net of interest income, which are directly attributable to the acquisition or construction of qualifying assets such as items of property, plant and equipment are capitalised as part of the cost of property, plant and equipment. All other interest expenses are recognised as an expense in profit or loss using the effective interest rate method.

**Deferred financing costs**

The cost of obtaining senior facility loan is deferred and amortised over the term of the respective loans using the effective interest rate method. Deferred financing costs less accumulated amortisation are offset against the drawn amount of senior facility loan.

**Financial instruments***Initial measurement of financial instruments*

All financial assets and financial liabilities are 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.

*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.

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);

*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

**Notes to the financial statements  
for the year ended 31 December 2025****3. Material accounting policies (continued)****Financial instruments (continued)**

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.

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.

*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.

*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 FVTPL or recognised in other comprehensive income FVOCI.

*Subsequent measurement of financial liabilities*

The Company categorises its financial liabilities into two measurement categories: FVTPL and amortised 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.

*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.

**Notes to the financial statements  
for the year ended 31 December 2025****3. Material accounting policies (continued)****Financial instruments (continued)**

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

For 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 considers 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.

*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.

**Notes to the financial statements  
for the year ended 31 December 2025****3. Material accounting policies (continued)****Financial instruments (continued)**

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 period 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.

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.

*Hedge accounting*

The Company designates derivatives as hedging instruments in respect of interest rate risk in cash flow hedges 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:

**Notes to the financial statements  
for the year ended 31 December 2025****3. Material accounting policies (continued)****Financial instruments (continued)***Hedge accounting (continued)*

- 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.

*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 items.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods 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.

*Cash and cash equivalents*

Cash and cash equivalents 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.

*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:

**Notes to the financial statements  
for the year ended 31 December 2025****3. Material accounting policies (continued)****Financial instruments (continued)***Derecognition of financial assets and financial liabilities (continued)**Financial assets (continued)*

- 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.

**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.

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 recognised 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 recognised for unused tax losses, unused tax credits and deductible temporary differences to the 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 recognise 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 financial statements  
for the year ended 31 December 2025****3. Material accounting policies (continued)****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.

**Dividend**

The Board of Directors take into account appropriate parameters including the requirements of the Commercial Companies Law and also certain covenants stipulated in term loan facilities agreements while recommending the dividend.

Dividends on ordinary shares are recognised when they are approved by shareholders in the Annual General Meeting for payment, accordingly deducted from equity and recognised as liability.

**Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments and 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.

**Leases****Lease liability**

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease or, if that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

**Notes to the financial statements  
for the year ended 31 December 2025****3. Material accounting policies (continued)****Leases (continued)****Lease liability (continued)**

- Uses a build-up approach that starts with a risk-free interest rate; and
- Makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives; and
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

The lease liability is presented as a separate line item in the statement of financial position.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

**Right-of-use asset**

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

**Notes to the financial statements  
for the year ended 31 December 2025****3. Material accounting policies (continued)****Leases (continued)****Right-of-use asset (continued)**

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Operating expenses" in the statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

**The Company as lessor**

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

**Directors' remuneration**

Directors' remuneration has been computed in accordance with the Commercial Companies Law of the sultanate of Oman and as per the requirements of Financial Services Authority ("FSA") and are recognised as an expense in the statement of comprehensive income.

**Basic and diluted 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.

**Net assets per share**

Net assets per share is calculated by dividing the net assets attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the period. Net assets for the purpose is defined as net equity.

**Notes to the financial statements  
for the year ended 31 December 2025****4. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

**Critical judgements**

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

*Lease classification as operating lease*

The Company has entered into the WPA with NPWP to make available the guaranteed contracted capacity of desalinated water from its Plant.

Management believes that IFRIC 12 is not applicable to the arrangement as the residual interest is borne by the Company and not NPWP. The estimated useful life of the plant of 40 years takes into account the Company's right to extend the land lease under a Usufruct Agreement for an additional term of 25 years. Furthermore, the residual value of the assets will have substantial value at the conclusion of the WPA and the Company will be able to continue to generate revenue through supply of desalinated water.

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.

Based on management's evaluation, the WPA with NPWP is considered as a lease within the context of IFRS 16 Leases and has been classified as an operating lease under IFRS 16 Leases since significant risks and rewards associated with the ownership of the plant lies with the Company and not with NPWP.

The primary basis for this conclusion is that the WPA is for a term of 20 years while the economic life of the power plant is estimated to be 40 years. The present value of minimum lease payments under the WPA does not substantially recover the fair value of the plant at the inception of the lease.

**Notes to the financial statements  
for the year ended 31 December 2025****4. Critical accounting judgements and key sources of estimation uncertainty  
(continued)****Key sources of estimation uncertainty**

The following are the significant estimates used in the preparation of the financial statements:

*Impairment of property, plant and equipment*

Property, plant and equipment is stated at cost. Management considers that there are no indications of impairment considering that the plant has successfully started commercial operations and expects to comply with the requirement of the WPA and sell potable water thereafter.

**Other estimates***Useful life of property, plant and equipment*

Depreciation is charged so as to write-off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating life, the maintenance programs, and normal wear and tear using its best estimates.

*Effectiveness of hedge relationship*

At the inception of the hedge, the management documents the hedging strategy and performs hedge effectiveness testing to assess whether the hedge is effective. This exercise is performed at each reporting date to assess whether the hedge will remain effective throughout the term of the hedging instrument. Management has further updated the hedge document after LIBOR reform (Note 10).

*Valuation of derivatives*

Derivative financial instruments are used to manage and hedge interest rate risk. These derivative instruments are designated as cash flow hedges by the management. The valuation of the derivatives is based on valuation models using observable input data. This exercise is performed at each reporting date to assess the value of the derivative financial instrument (Note 10).

*Provision for decommissioning*

Upon expiry of their respective Usufruct Agreement (in relation to land lease), the Company will have an obligation to remove the facilities and restore the affected area. The estimated cost, discount rate and risk rate used in the provision for decommissioning costs calculation is based on management's best estimates.

Notes to the financial statements  
for the year ended 31 December 2025

5. Property, plant and equipment

	Civil and structural works £'000s	Plant and machinery £'000s	Pipelines £'000s	Decommissioning asset £'000s	Spares £'000s	Furniture, fixtures and office equipment £'000s	Motor vehicles £'000s	Capital work-in- progress £'000s	Total £'000s
<b>Cost</b>									
1 January 2024	31,347	46,909	19,951	133	655	150	43	-	99,188
Additions	-	15	13	-	12	51	11	3	105
Disposal	-	-	-	-	-	(6)	(9)	-	(15)
Adjustments	-	-	-	446	-	-	-	-	446
31 December 2024	<u>31,347</u>	<u>46,924</u>	<u>19,964</u>	<u>579</u>	<u>667</u>	<u>195</u>	<u>45</u>	<u>3</u>	<u>99,724</u>
<b>1 January 2025</b>	<b>31,347</b>	<b>46,924</b>	<b>19,964</b>	<b>579</b>	<b>667</b>	<b>195</b>	<b>45</b>	<b>3</b>	<b>99,724</b>
Additions	-	24	13	-	2	42	-	-	81
Disposal	(5)	-	-	-	-	-	-	-	(5)
Adjustment	-	-	-	191	-	-	-	-	191
Transfer	-	-	-	-	3	-	-	(3)	-
31 December 2025	<u>31,342</u>	<u>46,948</u>	<u>19,977</u>	<u>770</u>	<u>672</u>	<u>237</u>	<u>45</u>	<u>-</u>	<u>99,991</u>
<b>Accumulated depreciation</b>									
1 January 2024	6,160	9,158	3,916	54	127	81	33	-	19,529
Charge for the year	784	1,198	499	16	17	32	10	-	2,556
Disposal	-	-	-	-	-	(6)	(9)	-	(15)
31 December 2024	<u>6,944</u>	<u>10,356</u>	<u>4,415</u>	<u>70</u>	<u>144</u>	<u>107</u>	<u>34</u>	<u>-</u>	<u>22,070</u>
<b>1 January 2025</b>	<b>6,944</b>	<b>10,356</b>	<b>4,415</b>	<b>70</b>	<b>144</b>	<b>107</b>	<b>34</b>	<b>-</b>	<b>22,070</b>
Charge for the year	784	1,200	500	22	17	31	3	-	2,557
Disposal	(1)	-	-	-	-	-	-	-	(1)
31 December 2025	<u>7,727</u>	<u>11,556</u>	<u>4,915</u>	<u>92</u>	<u>161</u>	<u>138</u>	<u>37</u>	<u>-</u>	<u>24,626</u>
<b>Carrying value</b>									
31 December 2025	<u>23,615</u>	<u>35,392</u>	<u>15,062</u>	<u>678</u>	<u>511</u>	<u>99</u>	<u>8</u>	<u>-</u>	<u>75,365</u>
31 December 2024	<u>24,403</u>	<u>36,568</u>	<u>15,549</u>	<u>509</u>	<u>523</u>	<u>88</u>	<u>11</u>	<u>3</u>	<u>77,654</u>

**Notes to the financial statements  
for the year ended 31 December 2025 (continued)**

**5. Property, plant and equipment (continued)**

Depreciation charge for the period is recognised as follows:

	2025 ₹'000s	2024 ₹'000s
Cost of sales (note 19)	2,523	2,514
Administrative and general expenses (note 21)	34	42
	<u>2,557</u>	<u>2,556</u>

The above assets consisting of civil and structural work, plant and machinery and pipeline are subject to operating lease as per WPA dated 11 February 2013 with NPWP for a period of 20 years.

The long term loan facilities are secured by a comprehensive legal and commercial mortgage on property, plant and equipment of the Company (note 11).

As explained in note 1.1, the WPA for plant expires 20 years after the Scheduled Commercial Operation Date of 12 October 2014, subject to any extension period or early termination arising under the terms of the agreement. Accordingly, the management has identified this as an impairment indicator for its plant and performed an impairment assessment. The Company carried out an impairment testing for the plant using the discounted cash flow method in which the Company considered the present value of the net cash flows expected to be generated from the plant facility, taking into account the budgeted EBITDA and budgeted maintenance expenditure. The expected net cash flows are discounted using a risk adjusted discount rate of 7.9%. Based on the impairment testing carried out by management, no impairment loss was recognised as the non-financial assets of the Company have a lower carrying value as compared to the recoverable amount. Management has assessed that a 1% increase/decrease in key assumptions including cost and discount rate would not result in an impairment loss.

**6. Right-of-use asset**

The land on which the plant is constructed has been leased from the Government of the Sultanate of Oman (represented by the Ministry of Housing) for a period of 25 years from 11 February 2013. The lease term can be extended by an additional 25 years at the request of the Company. Considering useful life of plant and machinery, management has decided to incorporate an additional 15 years to account for this extension in lease liability computation. The management has not yet opted to exercise the option. Lease rentals are paid at the rate of RO 15,045 per annum.

Details of right-of-use asset (ROU) of usufruct contract is as under:

	2025 ₹'000s	2024 ₹'000s
<b>Cost</b>		
As at 1 January and 31 December	<u>264</u>	<u>264</u>
<b>As at 31 December</b>	<u>264</u>	<u>264</u>
<b>Depreciation</b>		
As at 1 January	42	35
Charge for the year (Note 19)	7	7
<b>As at 31 December</b>	<u>49</u>	<u>42</u>
<b>Carrying value</b>		
<b>As at 31 December</b>	<u>215</u>	<u>222</u>

**Notes to the financial statements  
for the year ended 31 December 2025 (continued)**

**6. Right-of-use asset (continued)**

The above right-of-use assets are not part of the assets which are secured against the comprehensive legal and commercial mortgages for the term loan facilities (note 11).

The Company has elected not to recognise right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and lease of low value assets. The Company recognises the lease payment associated with these lease as expenses on a straight line basis over the lease term.

**7. Trade and other receivables**

	2025 £'000s	2024 £'000s
Trade receivables	1,438	1,479
Prepayments and other receivables	95	86
Rental deposits	3	3
	<u>1,536</u>	<u>1,568</u>

The Company has one customer NPWP which is included in the trade receivables balance as at 31 December 2025 and 31 December 2024. The average credit period on the invoice raised to NPWP on sale of water is within 25 days. No interest is charged on outstanding trade receivables. The trade receivables as at 31 December 2025 is in the 'not due' category.

For management's assessment of expected credit loss on the trade and other receivables balance refer to note 29.

**8. Cash and cash equivalents**

	2025 £'000s	2024 £'000s
Cash at bank	1,198	556
Short term deposits ( <i>maturity within 3 months</i> )	1,154	1,730
	<u>2,352</u>	<u>2,286</u>

The short-term deposits are denominated in US Dollars and are with Sumitomo Mitsui Banking Corporation Limited in London with maturities of less than one month. These deposits yield interest at an insignificant rate. The management believes that the ECL is immaterial to the financial statements as a whole.

**9. Capital and reserves**

**9.1 Share capital**

	Authorised 2025 £'000s	2024 £'000s
250,000,000 ordinary shares of 100 Baiza each	<u>25,000</u>	<u>25,000</u>
	<b>Issued and fully paid</b>	
155,550,400 shares of 100 Baiza each	<u>15,555</u>	<u>15,555</u>

## Notes to the financial statements for the year ended 31 December 2025 (continued)

### 9. Capital and reserves

#### 9.1 Share capital (continued)

##### Shareholders

The Shareholders of the Company are:

	% holding		Country of incorporation
	2025	2024	
Summit Water Middle East Company	32.5	32.5	Cayman Islands
Malakoff Oman Desalination Company Limited	32.5	32.5	British Virgin Islands
Others	35.0	35.0	Others
	<u>100.0</u>	<u>100.0</u>	

#### 9.2 Legal reserve

Article 132 of the Commercial Companies Law 2019 requires that 10% of a company's net profit be transferred to a non-distributable legal reserve until the amount of the legal reserve becomes equal to at least one-third of the Company's paid up share capital.

The Company had used the share premium received on the issue of share capital during 2014 and 2015 to increase the legal reserve. Further during the year, the Company has transferred an amount equal to RO 243,643 (2024: RO 251,940) from its retained earnings being 10% of its net profit.

#### 9.3 Dividend

Pursuant to the authority granted by the shareholders at the Annual General Meeting held on 23 March 2025, the Board of Directors has resolved the distribution of cash dividends of the retained profits for the year ended 31 December 2024 as below:

- At its meeting held on 23 April 2025, the distribution of cash dividends of value 2.572 baizas per share to the shareholders who are registered in the Company's register as at 15 May 2025. The dividend was paid amounting ~~₹~~ 400,000 in May 2025 (31 December 2024: ~~₹~~ 375,000).
- At its meeting held on 23 October 2025, the distribution of cash dividends of value 2.571 baizas per share to the shareholders who are registered in the Company's register as at 17 November 2025 and was paid amounting ~~₹~~ 400,000 in November 2025. (31 December 2024: ~~₹~~ 375,000).

The Board of Directors, at its meeting held on 16 February 2026, resolved the distribution of cash dividends in May and November 2026, to the Company's Shareholders who are registered in the Company's register as at the dates to be determined by the Board, out of retained earnings of the Company as reflected in the Company's audited financial statements for the financial year ended 31 December 2025, provided that the aggregate amount of the dividends shall not exceed Baiza 5.464 per share. The dividend distribution is subject to Shareholders' approval at the Annual General Meeting to be held on 26 March 2026 and in compliance with the Commercial Companies Law, other applicable Omani legislation and also certain covenants stipulated in term loan facilities agreements.

### 10. Derivative financial instruments

In accordance with the Common Terms Agreement, the Company is required to enter into interest rate hedging agreements to cap the Company's exposure to fluctuating interest rates. This requirement covers the term loans.

## Notes to the financial statements for the year ended 31 December 2025 (continued)

### 10. Derivative financial instruments (continued)

As at the reporting date, a principal amount of approximately ~~₹~~ 31,216,273 (USD 81,186,666) (31 December 2024: ~~₹~~ 34,337,285 (USD 89,303,732) was covered under this agreement for the term loans.

In order to comply with IFRS 9 “Financial Instruments: Recognition and Measurement” this hedge is being tested for its effectiveness and, consequently, ineffective and effective portions are being recognised in the statement of profit or loss and other comprehensive income, respectively. The fair value of the hedge instruments’ indicative (loss)/gain at 31 December 2025 is approximately ~~₹~~ (1.0 million) (31 December 2024: ~~₹~~ 0.3 million), net of deferred tax asset, which has been recorded in other comprehensive income, net of deferred tax and the gross gain in the amount of ~~₹~~ 1.1 million (31 December 2024: ~~₹~~ 2.1 million) is recorded under assets.

The hedging agreements cap the Company’s exposure to fluctuating interest rates. The Company releases a portion of the hedging arrangements in line with the repayment of the term loans.

The hedging arrangement obliges the Company to pay fixed interest at the rate of 2.86% per annum on a quarterly basis for the term loans. These cash flow hedges were assessed as effective as at 31 December 2025 (For the year ended 31 December 2024: highly effective).

In a process of Libor transition to new benchmark, the Company entered into revised IRS Confirmation Agreements in 2023, by which, the Company changed the reference rate from Libor to Daily Cumulative Compounded Secured Overnight Financing Rate (SOFR) with the adjustment of International Swaps and Derivatives Association (ISDA) fallback Credit Adjustment Spread.

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 classification of the fair values of the derivative financial instruments based on the remaining period to maturity from the reporting date is as follows:

	2025 <del>₹</del> '000s	2024 <del>₹</del> '000s
<b>Current Assets -Less than 1 year</b>	<u>110</u>	<u>189</u>
1 to 5 years	518	808
More than 5 years	<u>477</u>	<u>1,084</u>
<b>Non Current Assets -Total more than 1 year</b>	<u>995</u>	<u>1,892</u>
<b>Cumulative changes in fair value</b>	<u><u>1,105</u></u>	<u><u>2,081</u></u>

The table below shows the fair values of the interest rate swaps, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity.

	Fair value <del>₹</del> '000s	Notional amount <del>₹</del> '000s	Notional amounts by term to maturity		
			1 - 12 month <del>₹</del> '000s	More than 1 up to 5 years <del>₹</del> '000s	More than 5 years <del>₹</del> '000s
<b>31 December 2025</b>					
Interest rate swaps	<u>1,105</u>	<u>31,216</u>	<u>3,115</u>	<u>14,629</u>	<u>13,472</u>
<b>31 December 2024</b>					
Interest rate swaps	<u>2,081</u>	<u>34,337</u>	<u>3,121</u>	<u>13,336</u>	<u>17,880</u>

**Notes to the financial statements  
for the year ended 31 December 2025 (continued)**

**10. Derivative financial instruments (continued)**

*Cumulative changes in fair value are recognised as follows:*

	2025 ₹'000s	2024 ₹'000s
As at 1 <sup>st</sup> January	1,769	1,478
Cumulative changes in fair value	(976)	342
Related deferred tax liability (Note 24)	146	(51)
Cumulative changes in fair value, net of deferred tax	<u>939</u>	<u>1,769</u>

Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions.

**11. Term loans**

	2025 ₹'000s	2024 ₹'000s
Term loans	39,422	43,340
Less: deferred finance charges	(627)	(703)
	<u>38,795</u>	<u>42,637</u>
Less: current portion of term loans and deferred finance charges	(3,873)	(3,841)
Non-current portion of term loans	<u>34,922</u>	<u>38,796</u>

**Facilities**

On 25 July 2013, the Company entered into a long-term financing agreement for loan facilities (“the term loans”) in the aggregate maximum amount of ₹ 81,451,616 (USD 211,837,752) with a consortium of international banks. On 28 June 2023, the Company entered into rate switch amendment agreements, for loan facilities and interest rate swap derivatives with the lenders and hedging providers respectively, which are to provide for the transition from USD LIBOR to the secured overnight financing rate (SOFR) administered by the Federal Reserve Bank of New York.

**Facilities drawn down**

At 31 December 2025, the total drawn down amount of the facilities amounted to ₹ 81,244,505 (USD 211,299,102) (31 December 2024: ₹ 81,244,505 (USD 211,299,102)) and the remaining undrawn amount has been cancelled.

**Facilities repayments**

The term loans are due for repayment in 76 quarterly instalments. Four instalments totalling ₹ 3,917,163 (31 December 2024: ₹ 3,784,492) were paid during the year.

**Interest**

The term loans bear interest at three-months USD Libor plus margin until 11 July 2023. Effective from 12 July 2023, the term loans bear interest at cumulative compounded SOFR plus credit adjustment spread and margin. The effective interest rate for the period was 5.16% (31 December 2024: 5.24%).

**Security**

The term loans are secured by a commercial mortgage over the Company’s property, plant and equipment and a legal mortgage over the Company’s rights, title and interest in the Usufruct Agreement dated 11 February 2013.

**Notes to the financial statements  
for the year ended 31 December 2025 (continued)**

**11. Term loans (continued)**

**Deferred financing costs**

The cost of obtaining senior facility loan is deferred and amortised over the term of the respective loans using the effective interest rate method. Deferred financing costs less accumulated amortisation are offset against the drawn amount of senior facility loan.

**Covenants**

The facilities agreements contain certain covenants relating to liquidity. These include restrictions on the debt / equity ratio, the debt service coverage ratio and the loan life cover ratio. The Company was compliant with these covenants for the year ending 31 December 2025.

**11.1 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:

<b>Borrowings</b>	<b>At 1 January ₹'000</b>	<b>Repayments during the year ₹'000</b>	<b>Non-cash changes ₹'000</b>	<b>At 31 December ₹'000</b>
<b>2025</b>				
Shareholders bridge loan	6,437	(600)	-	5,837
Term loans	42,637	(3,918)	76	38,795
Interest on term loans	492	(2,201)	2,149	440
Land lease	245	(15)	11	241
Interest on shareholders bridge loan	34	(132)	129	31
Shareholders stand-by equity loan	754	-	-	754
	<u>50,559</u>	<u>(6,866)</u>	<u>2,365</u>	<u>46,098</u>
<b>2024</b>				
Shareholders bridge loan	6,946	(509)	-	6,437
Term loans	46,346	(3,785)	76	42,637
Interest on term loans	555	(2,453)	2,390	492
Land lease	248	(15)	12	245
Interest on shareholders bridge loan	37	(143)	140	34
Shareholders stand-by equity loan	754	-	-	754
	<u>54,886</u>	<u>(6,905)</u>	<u>2,618</u>	<u>50,599</u>

**12. Provision for decommissioning obligation**

	<b>2025 ₹'000s</b>	<b>2024 ₹'000s</b>
As at 1 January	724	234
Change during the period	191	446
Unwinding of interest on decommissioning cost provision	54	44
<b>As at 31 December 2025</b>	<u>969</u>	<u>724</u>

**Notes to the financial statements  
for the year ended 31 December 2025 (continued)**

**12. Provision for decommissioning obligation (continued)**

In accordance with the Usufruct Agreement, the Company is required to restore the plant site to its original condition before the expiry of the Usufruct term. The initial term is for 25 years from 11 February 2013 and is subject to renewal for a further period of 25 years. Considering useful life of plant and machinery, management has decided to incorporate an additional 15 years to account for this extension and calculation of provision for decommissioning obligation.

Because of the long-term nature of the liability, the greatest uncertainty in estimating the provision is the cost that will be incurred. The Company has assumed that the site will be restored using technology and materials that are currently available. The Company has been provided with a range of reasonably possible outcomes for the total cost, reflecting different assumptions about pricing of individual components of the costs. The estimate has been made on the basis of an independent report by a professional consultant.

The estimate has been made on the basis of an independent report by a professional consultant which estimated that ~~₹~~ 5,440,000 will be incurred to remove assets. This amount has been discounted at 5.89% (2024: 6.50%) to its present value over the plant's estimated remaining useful life of 32 years.

**13. Shareholders' bridge loans**

	2025 <del>₹</del> '000s	2024 <del>₹</del> '000s
Summit Water Middle East Company	789	1,089
Malakoff Oman Desalination Company Limited	789	1,089
Sumitomo Corporation	2,129	2,129
Malakoff International Limited	2,129	2,129
Interest accrued	31	34
	<u>5,867</u>	<u>6,470</u>
Less: current portion of Shareholders' bridge loans	(700)	(600)
Non-current portion of Shareholders' bridge loans	<u>5,167</u>	<u>5,870</u>

**Facilities**

The Shareholders' loans of ~~₹~~ 1,691,800 (USD 4,400,000) were provided in October 2015. Further Shareholders' loans of ~~₹~~ 4,037,250 (USD 10,500,000) were provided during the year ended 31 December 2016. Additional Shareholders' loans of ~~₹~~ 4,257,842 (USD 11,073,711) were provided in July 2017.

**Facilities repayments**

The Shareholders' loans are due for repayment subject to the consent of the term loan lenders which is dependent on cash flows.

The Shareholders' loan will be repaid in line with the projections in IPO prospectus and waterfall mechanism. An amount of ~~₹~~ 600,000 (31 December 2024: ~~₹~~ 509,000) were paid during the year. An amount of ~~₹~~ 700,000 will be repaid within the next 12 months.

**Interest**

The Shareholders' loans carry interest at the rate of 2% per annum.

**Notes to the financial statements  
for the year ended 31 December 2025 (continued)**

**13. Shareholders' bridge loans (continued)**

**Security**

The Shareholders' bridge loans are unsecured.

**14. Shareholders' stand-by equity loans**

	2025 ﷮'000s	2024 ﷮'000s
Summit Water Middle East Company	377	377
Malakoff Oman Desalination Company Limited	377	377
	<u>754</u>	<u>754</u>

The Shareholders' stand-by equity loans of ﷮ 837,031 (USD 2,176,932) were provided in November 2015.

**Facilities repayments**

The Shareholders' stand-by equity loans are due subject to the consent of the term loan lenders which is dependent on cash flows.

**Interest**

The Shareholders' stand-by equity loans are interest free.

**Security**

The Shareholders' stand-by equity loans are unsecured.

**15. Lease liability**

The Company adopted IFRS 16 from 1 January 2019 for a plot of land on which the plant is built and which has been leased from the Government of the Sultanate of Oman (represented by the Ministry of Housing) for a period of 25 years from 11 February 2013. The lease term can be extended by an additional 25 years at the request of the Company. Lease rental is paid at the rate of ﷮ 15,045 per annum. A discount rate of 4.64% is employed to discount future lease payments.

At 31 December 2025, future minimum lease commitments under non-cancellable operating leases are as follows:

	2025 ﷮'000s	2024 ﷮'000s
<b>Lease liability recognised in the current year as follows;</b>		
At the beginning of the year	245	248
Finance cost	11	12
Less: lease interest paid	(11)	(11)
Less: lease rentals paid	(4)	(4)
At 31 December	<u>241</u>	<u>245</u>
Current lease liabilities	4	4
Non-current lease liabilities	<u>237</u>	<u>241</u>
	<u>241</u>	<u>245</u>

**Notes to the financial statements  
for the year ended 31 December 2025 (continued)**

**15. Lease liability (continued)**

	Contractual undiscounted cash flows 2025 S'000s	Present value of lease payments 2025 S'000s
Within one year	15	4
In 2 to 5 years	60	17
More than 5 years	376	220
	<u>451</u>	<u>241</u>

	Contractual undiscounted cash flows 2024 S'000s	Present value of lease payments 2024 S'000s
Within one year	15	4
In 2 to 5 years	60	26
More than 5 years	391	215
	<u>466</u>	<u>245</u>

**16. End of service benefits**

	2025 S'000s	2024 S'000s
1 January	52	36
Provided during the year	17	16
Paid during the year	(31)	-
31 December	<u>38</u>	<u>52</u>

**17. Trade and other payables**

	2025 S'000s	2024 S'000s
Trade payables	1,233	1,371
Other payables	650	710
31 December	<u>1,883</u>	<u>2,081</u>

Trade and other payables include an amount of S 1,006,673 (31 December 2024: S 1,114,616), due to Muscat City Desalination Operation and Maintenance Company LLC, a related party.

**Notes to the financial statements  
for the year ended 31 December 2025 (continued)**

**18. Revenue**

	2025 <u>₹'000s</u>	2024 <u>₹'000s</u>
Water capacity charges	10,394	10,452
Electricity charges	4,182	4,584
Water Output O&M Charges	2,937	3,170
	<u>17,513</u>	<u>18,206</u>

**19. Cost of sales**

	2025 <u>₹'000s</u>	2024 <u>₹'000s</u>
Operation and maintenance cost	4,470	4,709
Electricity charges	4,182	4,584
Depreciation of right-of-use asset	7	7
Depreciation of property plant & equipment	2,523	2,514
	<u>11,182</u>	<u>11,814</u>

**20. Other income**

	2025 <u>₹'000s</u>	2024 <u>₹'000s</u>
Warranty settlement claim	15	122
Material adverse claim recoveries from NPWP	11	39
Other income	2	7
	<u>28</u>	<u>168</u>

**21. Administrative and general expenses**

	2025 <u>₹'000s</u>	2024 <u>₹'000s</u>
Employee costs	420	406
Insurance	215	210
Legal and professional expenses*	119	114
Depreciation	34	42
Directors' sitting fees	37	32
Others	171	163
	<u>996</u>	<u>967</u>

**\* Professional Services**

This includes audit fee paid to auditors' for the year 2025, which amounts to ₹ 20,200 for audit services and ₹ 10,100 for non-assurance services, which includes audit related services amounting to ₹ 100 for Arabic translation and ₹ 400 for agreed-upon procedures and ₹ 9,600 for tax-related services.

**Notes to the financial statements  
for the year ended 31 December 2025 (continued)**

**21. Administrative and general expenses (continued)**

Employee costs are as follows:

	2025 ₹'000s	2024 ₹'000s
Salaries, wages, and other benefits	389	377
End of service benefit (note 16)	17	16
Contributions to Omani Social Insurance Scheme	14	13
	<u>420</u>	<u>406</u>

**22. Finance costs**

	2025 ₹'000s	2024 ₹'000s
Interest expense on term loans and interest swaps	2,149	2,390
Interest expense on Shareholders' loan	129	140
Amortisation of deferred finance cost	76	76
Other finance cost	103	95
	<u>2,457</u>	<u>2,701</u>

**23. Finance income**

	2025 ₹'000s	2024 ₹'000s
Interest income on term deposits	46	41
	<u>46</u>	<u>41</u>

**24. Income tax**

The Company is liable to income tax at the rate of 15% (31 December 2023: 15%). No provision for income tax has been made for the year ended 31 December 2024 in view of the taxable losses for the year.

**Recognised in the statement of comprehensive income**

	Recognised in profit or loss 2025 ₹'000s	Recognised in profit or loss 2024 ₹'000s
<b>Current tax</b>		
Tax payable for the year	-	-
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>515</u>	<u>413</u>
	<u>515</u>	<u>413</u>

**Notes to the financial statements  
for the year ended 31 December 2025 (continued)**

**24. Income tax (continued)**

**Tax reconciliation**

The reconciliation of income tax expense is as follows:

	2025 ₹'000s	2024 ₹'000s
Profit for the year	<u>2,952</u>	<u>2,933</u>
Income tax @15%	443	440
Tax effect on non-deductible expenses	24	22
Deferred tax asset reversed/(recognised) on carry forward losses	<u>48</u>	<u>(49)</u>
	<u><u>515</u></u>	<u><u>413</u></u>

Deferred tax assets and liabilities represent origination and reversal of temporary differences and comprise:

	Asset / (liability) as at 1 January ₹'000s	Recognised in profit or loss ₹'000s	Recognised in other comprehensive income ₹'000s	Asset / (liability) as at 31 December ₹'000s
<b>31 December 2025</b>				
Property, plant and equipment	(6,527)	(398)	-	(6,925)
Carried forward business losses	553	(154)	-	399
Provision for decommissioning obligation	109	36	-	145
Provision for land lease	4	-	-	4
Derivative financial instrument	<u>(312)</u>	<u>-</u>	<u>146</u>	<u>(166)</u>
Net deferred tax liability	<u><u>(6,173)</u></u>	<u><u>(516)</u></u>	<u><u>146</u></u>	<u><u>6,543</u></u>
<b>31 December 2024</b>				
Property, plant and equipment	(6,044)	(483)	-	(6,527)
Carried forward business losses	557	(4)	-	553
Provision for decommissioning obligation	36	73	-	109
Provision for land lease	3	1	-	4
Derivative financial instrument	<u>(261)</u>	<u>-</u>	<u>(51)</u>	<u>(312)</u>
Net deferred tax liability	<u><u>(5,709)</u></u>	<u><u>(413)</u></u>	<u><u>(51)</u></u>	<u><u>(6,173)</u></u>

**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.

Government of Oman declared Economic Stimulus Plan (ESP) allowing to carry forward the losses of 2020 for unlimited period except for taxable losses after 2020 which will expire after 5 years from each taxable year. The Company considers it is probable that future taxable profits would be available against which such losses can be used and therefore, the related deferred tax asset can be realised.

**Notes to the financial statements  
for the year ended 31 December 2025 (continued)**

**24. Income tax (continued)**

Deferred tax arises on account of tax losses and temporary differences between the tax base of assets and liabilities and their carrying values in the statement of financial position. The Company has recognised deferred tax asset of ~~£~~ 198,897 (Tax year-2020) and ~~£~~ 113,796 (Tax year-2021), ~~£~~ 53,706 (Tax year-2022) and ~~£~~ 32,641 (Tax year-2023) on tax losses of ~~£~~ 2,005,616 (Tax year-2020) and ~~£~~ 1,171,999 (Tax year-2021) and ~~£~~ 358,040 (Tax year-2022) and ~~£~~ 217,604 (Tax year-2023). A deferred tax asset of ~~£~~ 374,064 on tax loss of ~~£~~ 2,493,757 was not recognized for tax year 2019 which was expired on 2024.

**25. Related party transactions**

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.

Significant related party transactions during the year are as follows:

	<b>Relationship</b>	<b>2025</b> <del>£</del> '000s	<b>2024</b> <del>£</del> '000s
Operation and maintenance cost to Muscat City Desalination Operation and Maintenance Company LLC	<i>Subsidiary of shareholder having significant influence over the Company</i>	<u>4,694</u>	<u>4,945</u>
Electricity bonus transferred to Operation and Maintenance Company LLC	<i>Subsidiary of shareholder having significant influence over the Company</i>	<u>233</u>	<u>294</u>
Other cost to Muscat City Desalination Operation and Maintenance Company LLC	<i>Subsidiary of shareholder having significant influence over the Company</i>	<u>111</u>	<u>132</u>
Interest expense on Shareholders' loans	<i>Entity exercising significant influence over the Company</i>	<u>129</u>	<u>140</u>
Key management compensation		<u>302</u>	<u>293</u>

**25. Related party transactions (continued)**

**Key Management benefits**

**Notes to the financial statements  
for the year ended 31 December 2025 (continued)**

**Key Management benefits**

Key management personnel are those having authority for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise).

Total compensation paid to the key management personnel for the year ended 31 December are as follows:

	2025 ﷮'000	2024 ﷮'000
Short term employee benefits*	<u>288</u>	<u>276</u>
Post employment benefits	<u>14</u>	<u>17</u>
Termination benefits	<u>-</u>	<u>-</u>

\*Key management benefits includes Director's sitting fee amounting to ﷮ 36,800 (2024: ﷮ 32,000).

Balances with related parties included in the statement of financial position are as follows:

	<b>Relationship</b>	2025 ﷮'000s	2024 ﷮'000s
<b>Amount due to related parties</b>			
	<i>Subsidiary of shareholder having significant influence over the Company</i>		
Muscat City Desalination Operation and Maintenance Company LLC		<u>1,007</u>	<u>1,115</u>
	<i>Entity exercising significant influence over the Company</i>		
Summit Water Middle East Company		<u>1,170</u>	<u>1,472</u>
	<i>Entity exercising significant influence over the Company</i>		
Malakoff Oman Desalination Company Limited		<u>1,170</u>	<u>1,472</u>
	<i>Entity exercising significant influence over the Company</i>		
Malakoff International Limited		<u>2,140</u>	<u>2,140</u>
	<i>Entity exercising significant influence over the Company</i>		
Sumitomo Corporation		<u>2,140</u>	<u>2,140</u>

**26. Earnings per share**

	2025	2024
Profit for the year (﷮ in '000)	<u>2,437</u>	<u>2,520</u>
Weighted average number of shares outstanding during the year (in thousands)	<u>155,550</u>	<u>155,550</u>

**Notes to the financial statements  
for the year ended 31 December 2025 (continued)**

Earnings per share (basic and diluted) (Baiza)	<u>16</u>	<u>16</u>
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**27. Net assets per share**

Net assets per share is calculated by dividing the equity attributable to the shareholders of the Company at the reporting date by the number of shares outstanding as follows:

	2025	2024
Net assets (₹ in '000)	<u>25,482</u>	<u>24,675</u>
Number of shares outstanding at year end (in thousands)	<u>155,550</u>	<u>155,550</u>
Net assets per share (Baiza)	<u>164</u>	<u>159</u>
Net assets per share excluding hedging reserve (Baiza)	<u>158</u>	<u>147</u>

**28. Commitments**

**Operation and maintenance commitment**

As per the O&M Agreement, Muscat City Desalination Operation and Maintenance Co LLC will operate and maintain the Company's plant until 11 October 2034. Under the O&M agreement, the Company has to pay the fixed operating fee subject to availability.

The minimum future payments under the O&M agreement (excluding indexation) are as follow:

	2025	2024
	₹'000s	₹'000s
Due within one year	1,281	1,281
One to two years	1,281	1,281
Two to three years	1,285	1,281
Three to four years	1,281	1,285
Four to five years	1,281	1,281
Due after five years	4,913	6,194
	<u>11,322</u>	<u>12,603</u>

**29. Financial instruments**

This note presents information on the risks arising from the Company's use of financial instruments, namely; credit risk, liquidity risk and market risk to which the Company is exposed, its 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.

## Notes to the financial statements for the year ended 31 December 2025 (continued)

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

Risk management policies and systems are reviewed regularly to ensure that they reflect any changes in market conditions and the Company's activities. The Company, through its induction and training program, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's deposits with banks.

As at reporting date, the Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

The Company has significant concentration of credit risk with the Government of the Sultanate of Oman represented by NPWP. Under the terms of the WPA, the Company's water sales are billed wholly to NPWP which is indirectly owned wholly by the Government. Therefore, the Company's credit risk on receivables from NPWP is limited.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2025 ₹'000s	2024 RO'000s
Cash at bank and deposits	2,352	2,286
Trade receivables	1,438	1,479
Non current portion of fair value of derivative financial instruments	995	1,892
Current portion of fair value of derivative financial instruments	110	189
	<u>4,895</u>	<u>5,846</u>

The exposure to credit risk for trade receivables at the reporting date by type of customer is:

	Rating	2025 ₹'000s	2024 ₹'000s
Nama Power and Water Procurement Co. SOAC	<u>Baa3</u>	<u>1,438</u>	<u>1,479</u>

## 29. Financial instruments (continued)

### Credit risk (continued)

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECL using the simplified approach. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's

## Notes to the financial statements for the year ended 31 December 2025 (continued)

current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company has not accounted for ECL against NPWP because these are government and/or government owned entities and taking into account the historical default experience and the current credit ratings of the Government, the management of the Company have assessed that there is no significant impairment loss.

Age analysis of trade receivables as at 31 December was:

	2025 ₹'000s	2024 ₹'000s
<b>Not past due</b>	<b>1,438</b>	1,479
Past due 0 < 3 months	-	-
Past due > 3 months and < 1 year	-	-
	<u><b>1,438</b></u>	<u>1,479</u>

The table below shows the balances with banks categorised by short-term credit ratings as published by Moody' Service at the reporting date:

<b>Bank</b>	<b>Rating</b>	2025 ₹'000	2024 ₹'000
<b>Bank balances:</b>			
Oman Arab Bank	<b>Baa3</b>	<b>438</b>	538
SMBC Bank International	<b>A1</b>	<b>760</b>	18
		<u><b>1,198</b></u>	<u>556</u>
<b>Short term deposits</b>			
SMBC Bank International	<b>A1</b>	<u><b>1,154</b></u>	<u>1,730</u>

Balances with banks are assessed to have a low credit risk of default since these banks are highly regulated by the central banks of the respective countries. Accordingly, the management of the Company estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12-month ECL. The management of the Company have assessed that there is no significant impairment loss.

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates 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.

### Currency risk

The Company is not exposed to foreign currency risk on its bank deposits designated in US Dollars as the Omani Rial is effectively pegged to the US Dollar and the US Dollar exchange rate has remained unchanged since 1986.

## 29. Financial instruments (continued)

### Interest rate risk

The Company's interest rate risk arises principally from medium and long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company maintained

## Notes to the financial statements for the year ended 31 December 2025 (continued)

approximately 79% of its borrowings in fixed rate or hedged in accordance with the Common Terms Agreement with its lenders.

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

	Interest rate %	2025 ₹'000	2024 ₹'000
<b>Floating rate instruments</b>			
Long term loans	SOFR + margins	<u>38,795</u>	<u>42,637</u>
<b>Fixed rate instruments</b>			
Shareholders' bridge loan		<u>5,867</u>	<u>6,470</u>
		<u>5,867</u>	<u>6,470</u>

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
30 September 2015 – 12 October 2019	88
12 October 2019 – 12 October 2024	85
12 October 2024 – 12 January 2026	79
From 12 January 2026	79

### 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 as stated above through interest rate swap 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.

## 29. Financial instruments (continued)

### Cash flow sensitivity analysis for variable rate instruments (continued)

Impact in P&L (100 bp increase) ₹'000s	Impact in P&L (100 bp decrease) ₹'000s
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**Notes to the financial statements  
for the year ended 31 December 2025 (continued)**

**31 December 2025**

Term Loans	<u>388</u>	<u>(388)</u>
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## 31 December 2024

Term Loans	<u>426</u>	<u>(426)</u>
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<b>Impact in OCI (100 bp increase) ₹'000s</b>	<b>Impact in OCI (100 bp decrease) ₹'000s</b>
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**31 December 2025**

Fair value of derivative financial instruments	<u>11</u>	<u>(11)</u>
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## 31 December 2024

Fair value of derivative financial instruments	<u>21</u>	<u>(21)</u>
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**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company'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 Company uses cash flow forecasting methods which assist it in monitoring cash flow requirements and optimising its cash flow cycle. The Company ensures that it has sufficient cash available to meet its expected operational expenses, including the servicing of financial obligations.

The maturities of the Company's financial liabilities after adding back deferred finance charges at the reporting date are shown below:

<b>31 December 2025</b>	<b>Carrying amount</b>	<b>Total</b>	<b>Less than 1 year</b>	<b>1 to 5 Years</b>	<b>More than 5 years</b>
	₹'000s	₹'000s	₹'000s	₹'000s	₹'000s
		-----Contractual Cash flows-----			
<b>Financial liabilities</b>					
Term loans	38,795	49,015	5,929	23,286	19,801
Shareholders' stand-by equity loans	754	754	-	754	-
Shareholders' bridge loans	5,867	6,656	816	2,451	3,389
Lease liabilities	241	451	15	60	376
Trade and other payables	1,884	1,884	1,884	-	-
	<u>47,541</u>	<u>58,760</u>	<u>8,644</u>	<u>26,551</u>	<u>23,566</u>

**29. Financial instruments (continued)****Liquidity risk (continued)**

31 December 2024	Carrying amount	Total	Less than 1 year	1 to 5 Years	More than 5 years
		-----Contractual Cash flows-----			

**Notes to the financial statements  
for the year ended 31 December 2025 (continued)**

	₹'000s	₹'000s	₹'000s	₹'000s	₹'000s
Financial liabilities					
Term loans	42,637	55,288	6,110	23,587	25,591
Shareholders' stand - by equity loans	754	754	-	754	-
Shareholders' bridge loans	6,470	7,340	737	2,064	4,539
Lease liabilities	245	466	15	60	391
Trade and other payables	2,081	2,081	2,081	-	-
	<u>52,187</u>	<u>65,929</u>	<u>8,943</u>	<u>26,465</u>	<u>30,521</u>

**Capital risk management**

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business.

The Company is not subject to externally imposed capital requirements except those under the Commercial Companies Law of 2019.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

**Gearing ratio**

The gearing ratio at the end of the reporting period was as follows:

	2025 RO'000s	2024 RO'000s
Debt (Term loans, Shareholder's bridge and shareholders stand-by equity loans net of transaction costs)	45,416	49,861
Cash and bank balances	<u>(2,352)</u>	<u>(2,286)</u>
Net debt	<u>43,064</u>	<u>47,575</u>
Equity	<u>25,482</u>	<u>24,675</u>
Net debt to equity ratio	<u>1.69</u>	<u>1.93</u>

**Fair value**

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of term loans, shareholders' loans, shareholders' stand-by equity loans and payables. Derivatives consist of interest rate swap arrangements. The fair values of financial instruments are not materially different from their carrying values.

**29. Financial instruments (continued)**

**Fair value hierarchy**

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

**Notes to the financial statements  
for the year ended 31 December 2025 (continued)**

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.

	2025 <u>£'000s</u>	2024 <u>£'000s</u>
Derivative financial instruments – Level 2	<u>1,105</u>	<u>2,081</u>

The Company had no financial instruments in level 1 or level 3. During the year ended 31 December 2025 and 31 December 2024, there were no transfers of financial instruments between the levels for fair value measurement.

**Valuation approach of interest rate swaps**

The fair value of the interest rate swaps is determined using quoted interest rates at the reporting date and present value calculations at a rate that reflects the credit risk of various counterparties.

**30. Capital Commitments**

At 31 December 2025, the Company had capital commitments amounting to ~~£~~ nil (2024: RO nil).

**31. Approval of financial statements**

The financial statements were approved by the Board and authorised for issue on 16 February 2026.