MUSCAT CITY DESALINATION COMPANY SAOG

Annual Report 2025

DELIVERING THE
ESSENTIALS OF LIFE

His Majesty Sultan Haitham bin Tarik

MUSCAT CITY DESALINATION COMPANY SAOG

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Board of Directors

Back row (from left):
Mohd Nazersham bin Mansor - Member
Katsushi Takiguchi - Member
Mohammed bin Yahya bin Mohammed Al-Kamali - Member
Ashish Gupta - Member

Front row (from left):
Vishwanath Sankaranarayanan - Audit Committee Chairman
Balwinder Singh Panesar - Chairman of the Board
Syahrunizam bin Samsudin - Deputy Chairman of the Board

Key Executive Officers

From left
Khairul Falah Bin Zaharin - Chief Financial Officer and Investor Relations
Megumi Kikuta - Chief Executive Officer
Shamsa Mohamed Said Al Touqi - Head of Internal Audit Unit

BOARD OF DIRECTORS' REPORT

Balwinder Singh Panesar

Chairman

Dear Shareholders,

On behalf of the Board of Directors of Muscat City Desalination Company SAOG (Company), I am pleased to present to you the Annual Report of the Company for the year ended 31 December 2025.

The Company was incorporated on 19 January 2013 as a Closed Joint Stock company. In 2017, the Company underwent an Initial Public Offering pursuant to its obligations under the Project Founder's Agreement and was subsequently listed on the Muscat Stock Exchange (MSX) on 2 January 2018.

Operational Highlights

The Company owns and operates the 42 million Imperial Gallons per Day (191,000 m3/day) Al Ghubrah Independent Water Plant (the Plant). The Plant is located in North Al Ghubrah, Muscat Governorate, Sultanate of Oman and was developed under a Build, Own, Operate (BOO) scheme. Commercial operation date (COD) was achieved on 19 February 2016.

The Company currently generates its revenue through the sale of potable water pursuant to a Water Purchase Agreement (WPA) with Nama Power and Water Procurement (PWP). The potable water from the Plant is fully contracted to PWP. Electricity, which is the main energy source, is procured from Nama Electricity Supply Company SAOC (NESC) formerly known as Muscat Electricity Distribution Company (MEDC) pursuant to the Electricity Supply Agreement with NESC. The Operations and Maintenance (O&M) of the Plant is contracted to Muscat City Desalination Operation and Maintenance Company LLC (MCDOMC or the Operator) through a 20-year Operations and Maintenance Contract (O&M Contract).

During the financial year 2025, the Company achieved plant availability of 95.84%, compared with 96.55% during the same period in 2024, which was mainly due to higher scheduled outage rate of 3.66% in 2025, compared with 3.35% for the same period in 2024. Furthermore, the total forced outage rate for the financial year in 2025 was higher, at 0.50%, compared with 0.11% for the same period in 2024.

During the year, the Plant experienced minimal algae bloom events, and the operations and availability of the Plant was adequately controlled with the incorporation of the Dissolved Air Flotation (DAF) system adopted at the Plant. Consequently, the Plant did not experience

any forced outages due to the algae bloom events. In addition, the Plant did not experience any material infestation of jellyfish during this year.

This year, the Company achieved potable water production of 58,897,222 m3 a 7.66% reduction compared with the total water production of 63,780,348 m3 in 2024. This was due to lower dispatch instructions received from Oman Water and Wastewater Services Company SAOC (Nama Water Services) compared to the same period in 2024, coupled with higher outages in 2025 compared to 2024.

Financial Results

In 2025, operating revenue decreased by 3.8% to OMR 17.513 million as compared to OMR 18.206 million in 2024, as a result of lower output charges in 2025. Operating costs in 2025 were OMR 11.182 million, a decrease of 5.3% as compared to 2024 of OMR 11.814 million. On the other hand, financial cost in 2025 were OMR 2.411 million, which is 9.4% lower compared with OMR 2.660 million in 2024. Accordingly, the Company recorded profit before tax of OMR 2.952 million, which is 0.6% higher compared with OMR 2.933 million in 2024.

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

a) At its meeting held on 23 April 2025, the distribution of cash dividends of 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 in May 2025.

b) At its meeting held on 23 October 2025, the distribution of cash dividends of 2.571 baizas per share to the shareholders who are registered in the Company's register as at 15 November 2025. The dividend was paid in November 2025.

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 5.464 Baizas per share. The dividend distribution is subject to Shareholders' approval at the AGM proposed 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.

Health, Safety and Environment

Ensuring full compliance with Health, Safety and Environmental (HSE) standards continue to be a high priority of the Company and its Operator. As of 31 December 2025, the Company achieved 3,594 days without reportable Lost Time Incident since its COD. In April 2017, the Operator was awarded with ISO 14001:2004 Environmental Management System and ISO 45001:2018 Occupational Health and Safety Management System. In September 2018, the Operator successfully migrated its ISO 14001:2004 to ISO 14001:2015, and both ISO Certificates have been re-certified in July 2023, and the annual surveillance audit was conducted in July 2025. It is worth noting that the Operator has been awarded ISO 22301:2019 Business Continuity Management System certification since March 2022.

Corporate Governance

The Board of Directors and Management of the Company believe in the importance of the internal control system. The Company has a comprehensive system of internal controls in place. The Company has carried out a comprehensive review of its key internal policies and procedures to ensure its compliance.

The Company has established an in-house Internal Audit Unit since 2022. The Internal Audit Unit has developed an internal audit plan for 2025 which was approved by the Audit Committee, and fully implemented during the year. The Audit Committee has also approved the Internal Audit Plan for 2026.

There was no significant finding identified for the year ended 31 December 2025. The Management is fully committed to implement the recommendations arising from the findings of the Internal Auditor.

During the year, two non-independent directors have resigned from the Board, namely Mr Tamer Cankardes and Mr Anwar Syahrin bin Abdul Ajib due to personal reasons.

1. Mr Tamer Cankardes was the Vice President, Social Infrastructure for Summit MEA Power FZE, a wholly owned subsidiary of Sumitomo Corporation. Mr Tamer was the Chairman of the Company; and
2. Mr Anwar Syahrin bin Abdul Ajib was the Managing Director and Group Chief Executive Officer for Malakoff Corporation Berhad. Mr Anwar was the Deputy Chairman of the Company.

To replace the resignations, the Board has appointed, on a temporary basis until the next Annual General Meeting, the following two directors to replace the resigned directors. They are Mr. Balwinder Singh Panesar and Mr. Syahrunizam bin Samsudin.

1) Mr Balwinder Singh Panesar is the Chief Executive Officer of Summit MEA Power FZE, a wholly owned subsidiary of Sumitomo Corporation. Mr Balwinder has been appointed as Chairman of the Company; and
2) Mr. Syahrunizam bin Samsudin is the Group Chief Executive Officer for Malakoff Corporation Berhad. Mr Syahrunizam has been appointed as Deputy Chairman of the Company.

Information Security

The Company has developed information technology (IT) and security policy and procedures pursuant to the Financial Services Authority (FSA) Circular No. E/1/2022 on Information Security Guidelines for Public Listed Companies. All enhancements to the Company's IT systems and controls which were recommended by consultants, have been implemented, whereas some longer-term enhancement projects are being implemented. The Internal Audit Unit reviewed the implementation of the enhancement projects with supervision by the Audit Committee.

During the financial year, assessments of the policy, procedure and IT infrastructures were conducted by consultants who are accredited by the relevant authorities in Oman to ensure that the Company's information security measures are compliant with regulations and effectively protect against potential threats and vulnerabilities. There was no significant cyber security breaches identified for the year ended 31 December 2025.

Corporate Social Responsibility (CSR)

Since the outset of our operation, we've been deeply committed to contributing to the wellbeing of the Omani community, placing it at the forefront of our business. This philosophy has taken root throughout our day-to-day operation. Our CSR activities in the year 2025 are sought to build and strengthen our outreach to key areas of the local community, especially focused on the area of education, human development, welfare of certain groups of community and health and safety. CSR activities undertaken by the Company in 2025 are as below:

- **Donation of wheelchairs to Oman Association for Persons with Disabilities**

  On the ground of our CSR philosophy, we donated wheelchairs to Oman Association for Persons with Disabilities with our sincere intention and hope that these wheelchairs would be able to help communities with disabilities in the Sultanate of Oman.

- **Donation of an interferential machine, massage beds and diapers for Child Care Centre**

  The Child Care Centre provides integrated facilities for orphans including a clinic, residential houses, library and sport facilities. The centre objectives are to provide appropriate social, educational and living care for orphans below 12 years old. We hope that this contribution will improve the centre facilities and, eventually, the wellbeing of these children.

- **Donation of physical therapy equipment for Association of Children with Disabilities**

  The Association for Children with Disabilities is a charitable association established pursuant to Ministerial Resolution No. 19/91 issued by the Ministry of Social Development, The Association of children with disability provides free rehabilitation and training services to more than 400 male and female children with various disabilities. The Association offers the following rehabilitation programmes: - (Physical therapy, occupational therapy, psychological therapy, speech therapy, and special education) In addition to providing prosthetic devices for children, such as wheelchairs and others, and providing transportation and nutrition.

- **Donation of fans and a misting system to a local school**

  The Company also donated fans and a misting system to the following school as part of the CSR initiatives:

  - Manbah Al-Eman Basic School.

  We hope this initiative will benefit the school and its students.

- **Donation of lighting facilities and hall maintenance to a local school.**
  The Company also donated lighting facilities and maintenance for the school hall to the following school as part of the CSR initiatives:

  - Faidh Al-Mareefa Basic School for girls

  We hope this initiative will benefit the school and its students.

- **Cash Donation to Oman Charitable Organization**
  We also made a cash donation to Oman Charitable Organization, which is in line with FSA's guideline.

- **Plant tours for school students for water conservation awareness program**
  We invited students from two Omani public schools to our Plant. During the Plant tours, students were given opportunities to learn the importance of water resources and obtained first-hand information about the process of seawater desalination process which is the primary source of water in Muscat and essential for the life of residents in the Sultanate of Oman. Students were from Hazem Bin Hmam School for Basic Education and Faidh Al-Mareefa School for Basic Education.

- **On-the-Job technical training for students**
  In line with our commitment to supporting the human development of young Omanis especially who are aiming at working for industrial sectors, we accepted some young students for the on-the-job-training for the operation and maintenance of water desalination facilities at our Plant. During the year, we accepted, in total, 13 students from the following institutes:

  - University of Technology & Applied Sciences;
  - MEDRC; and
  - Sultan Qaboos University.

  Furthermore, we provided a 1-year training program for fresh graduates to have good working experiences with our Operation and Maintenance Contractor.

Employment

By the end of 2025, the Omanization level in both the Company and its Operator is at 84%, an increase of 2% in comparison to the end of 2024. The Company with its Operator has long-term plans to further increase the Omanization level.

Future Outlook

The Company will continue its efforts to provide reliable supply of water, which meets the required quality of potable water whilst at the same time ensuring full compliance with HSE standards.

Conclusion

On behalf of the Board, I would like to thank our shareholders for their confidence and continued support. I would also like to express my utmost appreciation and gratitude to PWP, the Authority for Public Services Regulation, the FSA and other governmental and non-governmental bodies for their encouragement, guidance and support. Our special thanks to all our employees and the Operator for their unwavering dedication and commitment to the Company. As a result of their contribution, the Company was able to achieve its goals and objectives.

Finally, on behalf of the Board of Directors, I would also like to extend our heartiest appreciation and gratitude to His Majesty Sultan Haitham bin Tariq bin Taimur Al Said and His Government for their continued support and encouragement to the private sector by creating an environment that allows us to participate effectively in the growth of the Sultanate's economy and to contribute towards the building of a strong and prosperous nation.

Balwinder Singh Panesar
Chairman of the Board

DESCRIPTION OF THE COMPANY

Overview

The Company's core business activity is to develop, own and operate the Al Ghubrah Independent Water Project, a Sea Water Reverse Osmosis (SWRO) plant with a contracted capacity of 191,000 m^3/d (42 MIGD) located in North Ghubrah Muscat Governorate, Sultanate of Oman. The Plant has been in commercial operation since 19 February 2016.

The Company currently generates its revenues pursuant to a 20-year term Water Purchase Agreement (WPA) with Nama Power and Water Procurement (PWP) which is indirectly wholly-owned by the Government. The desalinated water from the Plant is fully contracted to PWP and used to meet the growing water demand of the Muscat Zone during the term of the WPA. As of 2025, the contracted water capacity of the Plant represents approximately 26% of the operating capacity in the Muscat Zone as per PWP's 7-year statement (2025-2031).

Electricity is supplied to the Company by Nama Electricity Supply Company (NESC) formerly known as Muscat Electricity Distribution Company (MEDC) pursuant to the Electricity Supply Agreement. The Company, as System User, has entered into the Electricity Connection Agreement to secure connection to the Transmission System over the contracted WPA period. The potable water is delivered to reservoirs of Oman Water and Wastewater Services Company (Nama Water Services) adjacent to the Plant. The Operator is a company controlled by the Project Founders.

The following map displays the approximate location of the Plant:

The Company was incorporated with the commercial registration number 1163374 for an unlimited duration and registered as an S.A.O.C. on 19 January 2013. The Company was listed on Muscat Stock Exchange (MSX) on 2 January 2018 and the legal and commercial name is now Muscat City Desalination Company S.A.O.G. and its registered address is P.O. Box 1935, Postal Code 114, North Ghubrah, Muscat Governorate, Sultanate of Oman.

Technology and Processes

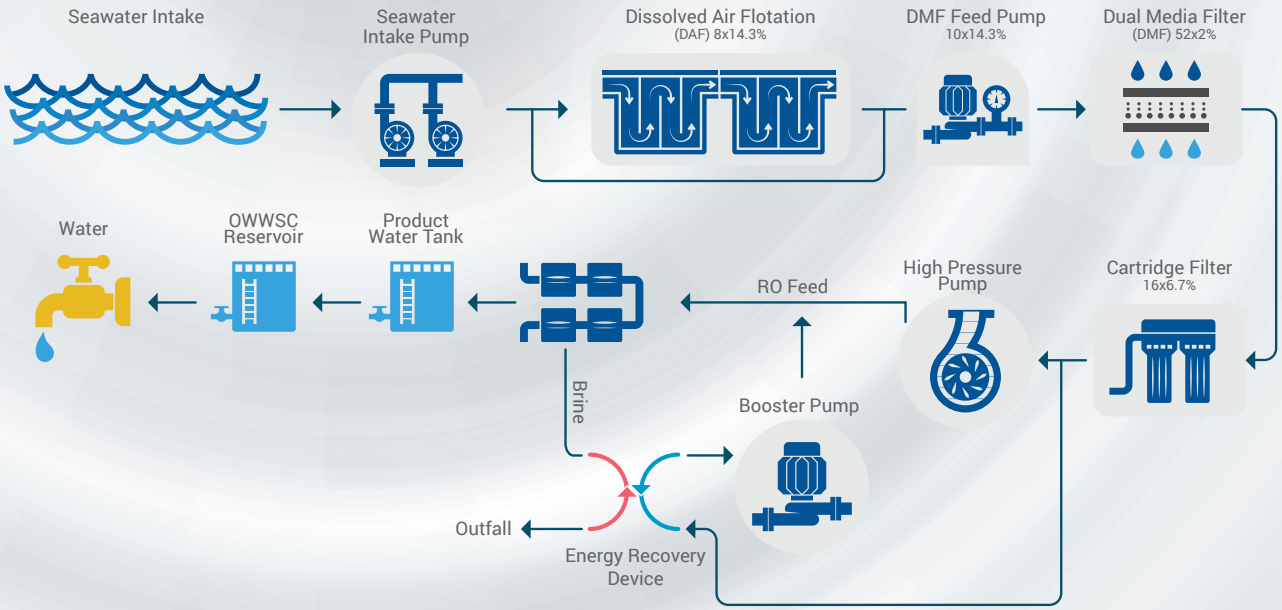
Description of the Plant

The Plant was developed under a BOO scheme and comprises offshore passive screens, submerged seawater intake and outfall pipelines, a Dissolved Air Flotation (DAF) system, Dual Media Filters (DMF) for pre-treatment, a double pass Sea Water Reverse Osmosis (SWRO) system, post treatment with carbon dioxide and a lime dosing remineralisation system plus chlorination and fluoridation, and all other auxiliary systems.

The following pictures display the Plant's water facility in operation:

Desalination process

The desalination process followed by the Plant is shown below:

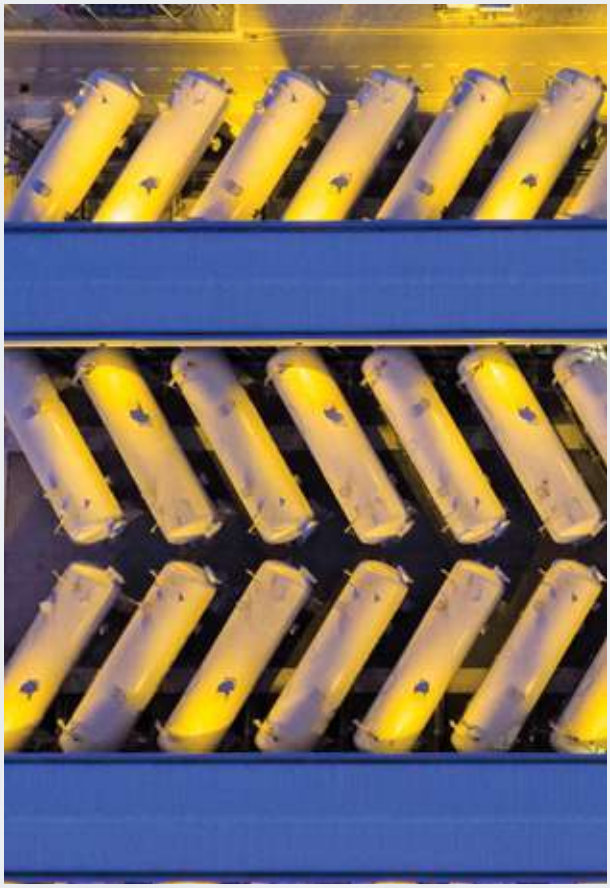


Seawater Intake

The process starts at the seawater intake where seawater is extracted via two pipelines which are laid under the sea bed using four seawater intake pumps. Immersed but elevated passive screens with 5 mm slot size are installed at the off-shore entry point of the pipeline to prevent passage of sediment, debris and aquatic life.

A chlorination system is installed to prevent marine growth in the pipelines.

Seawater from the intake is then transferred to the downstream processes.



Pre-treatment System

The pre-treatment system is required to treat the seawater upstream to the Reverse Osmosis (RO) system. This is accomplished by the DAF, DMF and Cartridge Filter Systems (CFS).

The DAF operation comprises of coagulation and flotation of the seawater particles and the seawater will be further treated at the DMF system where the particles will be filtered through layers of sand and anthracite. The DAF is bypassed during normal seawater conditions as the DMF system alone is sufficient to pre-treat the water. The DAF is only operated during adverse seawater conditions such as during algal blooms and red-tide events.

Seawater is finally treated at the cartridge filter where most particles sized above 5 microns will be filtered before being fed to the RO system.

RO system

The RO system comprises of high-pressure pumps, booster pumps, energy recovery devices and thin filmed RO membranes. The RO process is energy intensive as it requires high pressure of up to 70 bar to overcome the osmosis pressure in order to produce the product water. Energy recovery devices are installed to recover the energy in the high pressure reject water to reduce the overall energy required to produce product water.

The initial design of the Project included a two-pass RO system, however, during the course of construction, the potable water specification was revised due to a relaxation of the boron limits as per revised Omani regulatory standards which resulted in the 2nd pass system no longer being required.

Post-treatment System

The water produced downstream from the RO system is still not suitable for consumption, therefore further treatment is required to make it potable. Potabilisation is achieved with the addition of carbon dioxide that is combined with crushed and purified limestone to produce drinking water which is suitable for consumption. In addition, chlorine is added for disinfection and fluoride to reduce tooth decay. The potable water is then transferred to the Nama Water Services' reservoirs adjacent to the Plant.

Operation and Maintenance

The Plant is operated and maintained throughout the term of the WPA by the Operator. The Operator is primarily responsible for HSE compliance, plant availability and efficiency, meeting dispatch instructions and operational cost control. The Operator is also responsible for ensuring adequate spare parts are available and that the staff is properly qualified and trained.

Revenue Overview

During the term of the WPA

The WPA sets out the terms for the production and supply of water to PWP during the term of the WPA. The WPA imposes an obligation on the Company to operate and maintain the Plant at an agreed level of availability with respect to the guaranteed contracted water capacity following the Commercial Operation Date (COD).

Since the COD, the Plant has had a contracted water desalination capacity of 191,000 m^3/d (42 MIGD) and sells the water to PWP. In return, the Company receives a tariff covering Water Capacity Charges and Water Output Charges from PWP, described as follows:

- The Water Capacity Charges are payable for each hour during which the Plant is available, irrespective of how much water is actually dispatched, and are designed to cover fixed costs, including fixed operating and maintenance costs, debt service, insurance costs, taxes, spare parts, connection fees and return on capital.
- The Water Output Charges are designed to cover variable operating and maintenance costs and electricity charges, and are payable according to the water output delivered under the WPA.
- The electricity charge being imposed by NESC , with effect from 1st of January 2017, will not have a financial impact on the Company as it has been agreed that the electricity charge will be passed through to PWP.

Payments are denominated in Omani Rials. The Water Capacity Investment Charge is linked to the OMR-USD exchange rate. The Water Capacity Operation and Maintenance Charges and Water Output Operation and Maintenance Charges are linked to the OMR-USD exchange rate, the prescribed US PPI for inflation and the Omani CPI for agreed portions of the charge rates. The WPA defines the OMR-USD exchange rate as the mid-rate of the OMR-USD spot rate as published by the Central Bank of Oman (CBO) in the foreign exchange rates indications on the last Omani business day of the relevant billing period.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Description of the Company and Business

Muscat City Desalination Company S.A.O.G. (hereinafter referred to as MCDC or the Company) was incorporated as an S.A.O.C. with the commercial registration number 1163374 for an unlimited duration on 19 January 2013.

The Company underwent an Initial Public Offering (IPO) exercise in late 2017 and was subsequently listed on the Muscat Stock Exchange (MSX) on 2 January 2018.

The Company's core business activity is to develop, own and operate the Al Ghubrah Independent Water Plant, a Sea Water Reverse Osmosis (SWRO) desalination plant, with a contracted capacity of 191,000 cubic meters per day (42 Million Imperial Gallons per Day), located in North Ghubrah, Muscat Governorate, Sultanate of Oman (Plant). Commercial operation date (COD) was achieved on 19 February 2016.

The Company generates its revenues from the sale of desalinated water pursuant to a Water Purchase Agreement (WPA) with the Nama Power and Water Procurement (PWP). The desalinated water from the Plant is fully contracted to PWP to meet the growing water demand of the Main Interconnected Zone (Northern Region of Oman) during the term of the WPA. The contracted water capacity of the Plant represents approximately 26% of the total contracted capacity in Muscat Zone in accordance with PWP's 7-year statement (2023-2029).

The potable water is delivered to the Oman Water and Wastewater Services Company SAOC (Nama Water Services) reservoirs located adjacent to the Plant.

Electricity is supplied to the Plant by Nama Electricity Supply Company SAOC (NESC) formerly known as Muscat Electricity Distribution Company (MEDC) pursuant to an Electricity Supply Agreement (ESA). The Company as System User has entered into the Electricity Connection Agreement (ECA) with Oman Electricity Transmission Company SAOC (OETC) to secure connection to the Transmission System over the contracted WPA period.

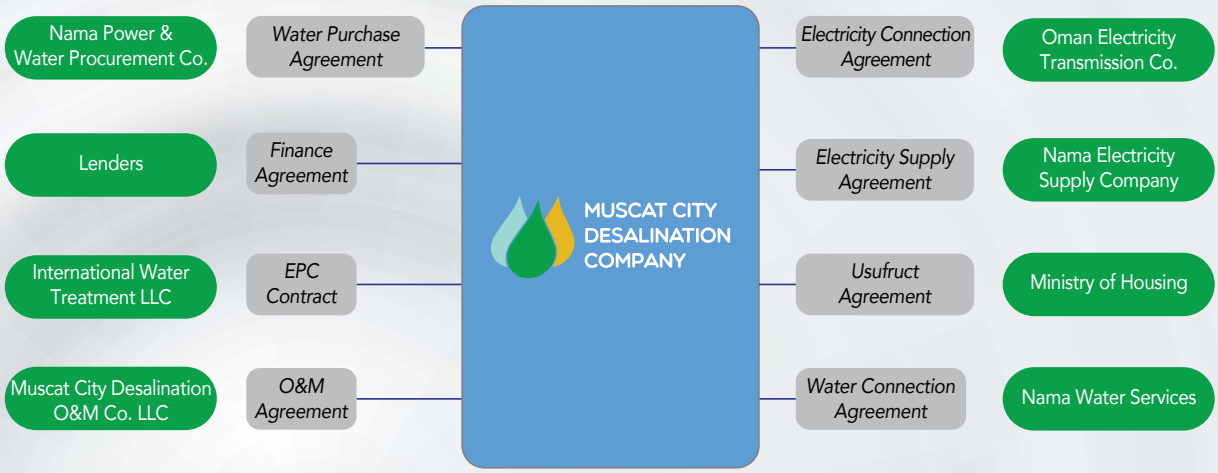
Competitive Strengths

The Company's competitive strengths include the following:

- One of the largest operating SWRO desalination plant at a single location in Muscat, Oman.
- Well-established contractual framework with long term WPA, ensuring cash flow protection against adverse events such as buyer risk events and force majeure.
- Stable and predictable cash flows, resilient to potential shocks in electricity prices and water demand during the term of the WPA.
- Proven, long-term and reliable SWRO desalination technology.
- Experienced Project Founders with an established track record being able to transfer skills and know-how.
- Fully operational Plant operated by experienced and skilled personnel complying fully with the highest levels of Omanisation requirements.

Contractual Framework

MCDC's contractual framework is as shown below.



Water Purchase Agreement

The WPA was executed between the Company and PWP on 11 February 2013. The WPA details the commercial terms agreed between the Company and PWP and sets out standard representations and warranties that the Company is required to provide.

The WPA sets out a number of obligations of the Company throughout the tenure of the agreement. Among other things, the Company must, acting as a reasonable and prudent operator, operate and maintain the Plant in such manner so as to ensure that the Plant is capable of operating and maintaining water production on a continuous and reliable basis.

Under the WPA, the Company is also obliged to exclusively sell water output to PWP and in return, receives from PWP, payment for Water Capacity Charges and Water Output Charges. The Water Capacity Charges are designed to cover fixed costs such as debt service, return on capital, tax payments as well as fixed costs to operate and maintain the Plant (such as manpower, spare parts, maintenance and insurance). The Water Output Charges compensates the Company for variable operation and maintenance costs (such as chemicals, SWRO membranes, cartridge filters, consumables, spare parts) and the electricity charges for the water output delivered.

Electricity charges are calculated on the contracted specific power consumption of the Plant.

The Water Capacity Charges are also adjusted for scheduled unavailability, forced outages, derating of the Plant and also to take into consideration inflation and exchange rate movements. The Water Output Charges are adjusted for changes in the exchange rate, US Producer Price Index (US PPI) and the Omani CPI.

The WPA also outlines various buyer risk events and the relief that the Company will receive should certain specified events occur that will hinder the Company from performing its obligations under the WPA. If a relevant buyer risk event is established in accordance with the terms set out in the WPA, the Company will not be liable for any failure to perform or any delay in its performance and will continue to be entitled to be paid capacity charges during the relevant period in accordance with the terms of the WPA. In the event that it is determined that a material adverse change has occurred and such material adverse change was caused by a buyer risk event or events which constitute a material adverse change, PWP shall propose a mechanism to the Company in order to adjust the Water Capacity Charges and/or the Water Output Charges, as appropriate, or reimburse the Company by an agreed reimbursement mechanism.

The WPA also provides for relief to the Company if various force majeure events hinder the Company from performing its obligations under the WPA. If it can be established that a force majeure event has occurred, or will occur, and that it could not have been mitigated by the Company, acting as a reasonable and prudent operator, the Company will be relieved from liability for

any failure to perform its obligations under the WPA for the duration of the force majeure event and the term of the WPA will be extended by the period for which the force majeure event hindered the Company from performing its obligations.

Subject to certain force majeure, buyer risk events and termination provisions contained therein, the term of the WPA which commenced on 11 February 2013 shall expire on 11 October 2034.

Electricity Supply Agreement (ESA)

The ESA was entered into between NESC and the Company on 11 February 2013 for the supply of electricity up to a maximum of 40MVA in accordance with the Permitted Tariffs in the ESA for operating the Plant. Both NESC and the Company have the right to terminate the ESA by giving at least thirty days prior written notice to the other party.

Electricity Connection Agreement (ECA)

The ECA was entered into between the Company and OETC, a wholly owned Government company established in 2003, on 11 February 2013. The ECA sets out the terms and conditions for the connection to the Transmission System. It establishes a framework to provide for, amongst others:

i) the payment by the Company to OETC of the connection fee; and

ii) enforcement of the Grid Code between OETC and the Company.

The ECA became effective from the date of its execution and shall remain in force for an initial period of 25 years (Initial Term) and will continue in force beyond the expiry of the Initial Term unless and until either party terminates the ECA on six months prior notice to the other, provided that no such notice, shall take effect before the expiry of the Initial Term.

Usufruct Agreements (UAS)

The UAS was executed between the Ministry of Housing and Urban Planning (MoHUP) and the Company on 11 February 2013. The UAS relates to the site on which the Plant is located (Site). It 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 at the option of the Company. The Company is under the obligation to only use the Site for the stated purpose as described in the UAS.

In accordance with the UAS, MoHUP has provided the Site to the Company free and clear of any right adverse to the usufruct right so granted including, but not limited to, any third-party claim that may be made relating to the Site. MoHUP also ensures that the Company has undisturbed enjoyment of the Site throughout the term of the UAS.

Operations and Maintenance Agreement (O&M Agreement)

The O&M Agreement was entered into between the Company and Muscat City Desalination Operations and Maintenance Company LLC (hereinafter referred to as MCDOMC or the Operator) on 27 November 2013. It provides for the provision of O&M services by the Operator. The O&M Agreement requires the Operator to operate and maintain the Plant until 11 October 2034, being 20 years after the Scheduled Commercial Operations Date (SCOD) of 11 October 2014.

The terms of the O&M Agreement may be modified to reflect any extension of the term of the WPA as may be determined between the Company and PWP in accordance with the terms of the WPA. The O&M Agreement was amended in 2017, 2018, and 2021 mainly to revise the water capacity O&M charge due to the non-requirement of the second pass Reverse Osmosis sub-system of the Plant and to provide clarity on the sharing of the savings on the electricity consumption charges with the Operator.

Under the O&M Agreement, the Operator is responsible, amongst others, for:

- operating the Plant during the operation period in accordance with the scheduling requirements and the dispatch instructions issued to the Company by PWP from time to time;
- maintaining the Plant to ensure that the Plant operates at the requisite capacity;
- recruiting, employing and training sufficient staff to operate and maintain the Plant;
- programming and carrying out such performance tests as may be required by the Company or PWP from time to time and any additional performance tests as the Company or PWP may propose in accordance with the testing procedures and restrictions under the WPA;

- performing all operation and maintenance works and procure all resources and materials to comply with the Omanisation Plan specified in the O&M Agreement;
- satisfying all of the Company's operation and maintenance related obligations under the Project Agreements;
- affording all reasonable assistance and co-operation in relation to the performance of the Company's obligations under the Project Agreements; and
- not undertaking any action or failing to take any action which would cause the Company to be in breach of any of its obligations under the Project Agreements.

The fees payable under the O&M Agreement consist of fixed and variable components.

EPC (Engineering, Procurement, and Construction) Contract

The EPC Contract was executed between the Company and International Water Treatment Company (IWT, or EPC Contractor) on 10 April 2013. It established the terms upon which IWT was to design, engineer, manufacture, supply, procure, transport, erect, construct, install, test and commission the Plant and to warrant such works and remedy any defects or non-compliances therein.

In consideration of these works, the Company was to pay IWT the contract price in accordance with the milestone payment schedule.

The EPC Contract sets out the obligations of IWT. Amongst others, IWT was to ensure that the works and materials used in the construction were free from charges or liens and defects in title, design or workmanship and that the works would meet all environmental requirements and all applicable laws. IWT was obliged to attain Taking Over of the Plant on or before the Time for Completion, matching the Scheduled Commercial Operations Date (SCOD). The EPC Contract contains provisions for warranties as well as punch list items of the Works (as defined under the EPC Contract) noted by the Company as requiring rectification by IWT within twenty-four months from Taking Over date. The Taking Over date was 19 February 2016.

If the EPC Contractor repairs, replaces or renews all or any part of the Plant or works, then the Defects Liability Period shall apply to the part of the Plant or the Works so repaired, replaced or renewed until the expiration of 24 months from the date of such repair, replacement or renewal, provided that the defects liability period shall not be greater than 48 months from Taking Over Date. As a result, IWT was responsible for carrying out at its cost all works of redesign, repair, reconstruction, rectification, renewal and replacement for the purpose of remedying Defects (as defined under the EPC Contract) or damage to the Plant or any part of the Works which might appear as a result of a Defect and for which IWT was responsible pursuant to the terms of the EPC Contract. During the defects liability period, a total of 133 warranty items had been raised, which have all been closed or commercially settled with the EPC Contractor in 2020.

Risk Management

MCDC affirms its commitment towards ensuring and maintaining a sound internal control system which encompasses good governance, risk management and control processes. In light of this, the Company confirms that there is a proper risk management assurance process in place to identify, evaluate and manage significant risks impacting the Company's achievement of its objectives. The Company also acknowledges the presence of a sound system of internal control in safeguarding shareholders' investments, the Company's assets and other stakeholders' interests as well as ensuring compliance with applicable laws and regulations.

MCDC's risk management objectives are:

- Creating the right awareness and understanding of risk at all levels of the organisation.
- Instilling a culture of risk management and risk ownership as everyone's responsibility.
- Identifying risks and managing them well within the risk appetite of the organisation.
- Embedding risk management in the way the business is run.
- Developing a common risk language.
- Complying with appropriate risk management practises in terms of corporate governance guidelines.

Financial Arrangement

The Company has entered into financing agreements with a consortium of international banks, for an aggregate amount of OMR 81.25 million (US$211.30 million). Senior debts are hedged in compliance with the requirement of the financing agreements via interest rate swap agreements. This further improves the predictability of the cashflows of the Company.

Operation and Maintenance

The Plant is operated and maintained during the term of the WPA by the Operator, through the O&M Agreement with the Company. The Operator is primarily responsible for the Plant's availability and efficiency, meeting dispatch instructions, operational cost control and most importantly, the Health, Safety & Environment (HSE) compliance. The Operator is also responsible for ensuring adequate spare parts are available and that its employees are properly qualified and trained.

The maintenance of the Plant was undertaken in accordance with the Original Equipment Manufacturer (OEM) recommendations and in accordance with the O&M manuals. The maintenance schedule is maintained in the Computerized Maintenance Management System (CMMS).

Corporate Governance

The Board of Directors and Management of the Company and the Operator are committed to ensuring that the highest standards of corporate governance are practiced in the Company and the Operator. This is practiced as a fundamental part of their respective responsibilities in managing the businesses and affairs, protecting and enhancing stakeholders' values as well as financial performance while promoting the highest standards of integrity, transparency and accountability.

Environmental, Social and Governance (ESG)

The Board of Directors and Management of the Company are committed to ensuring compliance with the ESG disclosures as prescribed by MSX. The Management is also committed in upholding the Company's policy which prohibits the employment of forced and child labor.

Discussion on Operational Highlights and Financial Performance

Health, Safety and Environment (HSE)

The HSE Policy commits the Company and the Operator in creating a safe, secure and healthy working environment and the elimination of all work-related incidents and injuries. The Company and its Operator have HSE policies in place to conduct all operations in a manner that protects the HSE of employees, sub-contractors and the public while complying with all applicable legal and other requirements.

All employees and contractors are required to perform their work in accordance with the implemented HSE policy, which is carried out through the following practices:

- communicating the HSE policy to all interested parties;
- providing the necessary resources to prevent ill health and injury of all working personnel and to minimize pollution and environmental impact associated with activities;
- ensuring employees and contractors are provided with adequate training and supervision for the safe performance of the work;
- making all employees and contractors responsible and accountable for health, safety and environment in their daily work activities;
- establishing, maintaining, rehearsing and reviewing with concerned groups all emergency response plans to prevent injury and accidental environmental impact while minimising any damage to company property and the community; and
- seeking continual improvement in HSE performance through periodic monitoring and reviewing of policy, objectives and targets.

During the year, there were neither Lost Time Incidents (LTI) nor environmental incidents. As at 31 December 2025, the Company achieved 3,594 days without an LTI since its COD. The total man-hour is 69,344 hours.

In April 2017, the Operator was awarded with ISO 14001:2004 Environmental Management System, which was migrated to ISO14001:2015 in September 2018, and ISO 45001:2018 Occupational Health and Safety Management System. Both ISO Certificates have been re-certified in July 2023, and the annual surveillance audit was conducted in July 2025. It is worth noting that the Operator has been awarded ISO 22301:2019 Business Continuity Management System certification since March 2022.

Capacity

The capacity of the Plant is defined by the total capacity of water (m^3/day or MIGD) which can be delivered by the plant into the Nama Water Services' water transmission system.

The contracted capacity of the Al Ghubrah Independent Water Plant under the WPA is 42 MIGD applicable from April 2025 to March 2026, following the Annual Performance Tests conducted in March 2025 which demonstrated that the plant met the contractual requirements under the WPA.

Plant Availability & Output

The reliability of the Plant is a measure of its availability to deliver the declared capacity in accordance with the WPA. For the financial year 2025 (FY 2025), the Company achieved availability of 95.84% after scheduled and forced outages compared to 96.55% in 2024.

During the year, the Plant experienced minimal algae bloom events, and the operations and availability of the Plant was adequately controlled with the incorporation of the Dissolved Air Flotation (DAF) system adopted at the Plant. Consequently, the Plant did not experience any forced outages due to the algae bloom events. In addition, the Plant did not experience any material infestation of jellyfish during this year.

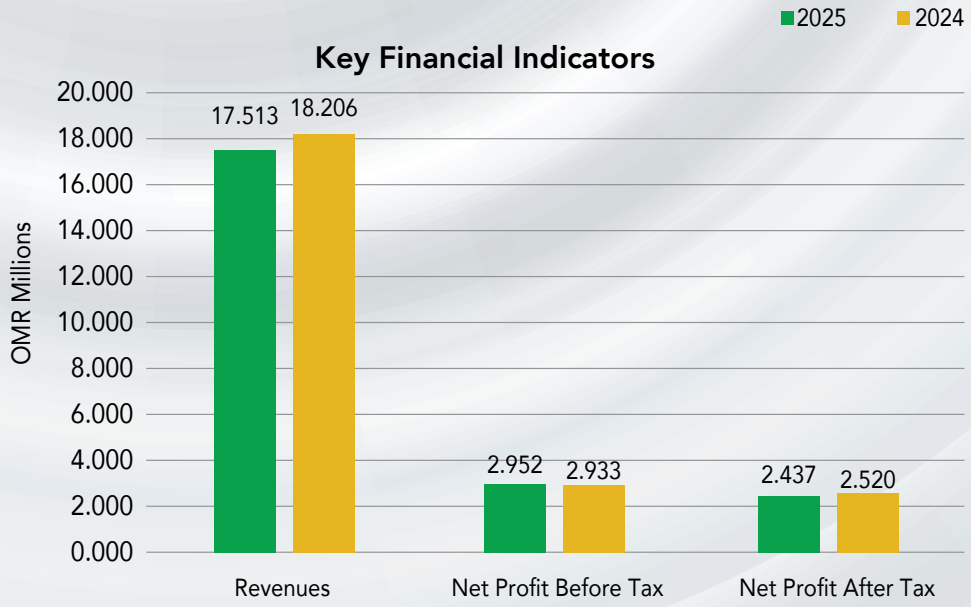
Overall, total forced outages in 2025 were 0.50% against 0.11% for 2024.

Notwithstanding the above, during FY2025, the Plant produced a total of 58,897,222m^3 of potable water with a utilization factor averaging 84.52% of total plant capacity. Plant production is determined by the daily dispatch instruction issued by Nama Water Services.

Financial Highlights

All figures in OMR million		2025	2024
Revenues	1	**17.513**	18.206
Net Profit After tax	2	**2.437**	2.520
Net Profit before Finance Costs	3	**4.848**	5.180
Total Assets	4	**80.573**	83.811
Capital (Paid-up)	5	**15.555**	15.555
Shareholder's Fund (Net Assets)	6	**25.482**	24.675
Term Loan (*1)	7	**39.422**	43.340
Weighted average number of shares	8	**155,550,400**	155,550,400
Actual number of shares outstanding	9	**155,550,400**	155,550,400
Ordinary dividends	10	**0.800**	0.750

(*1) Excluding unamortized transaction costs



Key Financial Indicators		2025	2024
Net Profit Margin	= 2/1	**13.92%**	13.84%
Return on Capital (Paid-up)	= 2/5	**15.67%**	16.20%
Return on Capital Employed	=3/(6+7)	**7.47%**	7.62%
Debt Equity Ratio	= 7:6	**61:39**	64:36
Net assets per share (RO)	= 6/8	**0.164**	0.159
Basic Earnings Per Share (RO)	= 2/8	**0.016**	0.016
Dividend per share (Baiza)	= 10/9	**5.143**	4.822

Analysis of Profit and Loss

The Company managed to generate operating revenue of OMR 17.513 million in FY2025, 3.8% lower than OMR 18.206 million in FY2024. This decrease is mainly due to higher outages in FY2025.

The profit before tax for FY2025 was OMR 2.952 million, higher compared to OMR 2.933 million in FY2024. The net profit after tax was lower in FY2025 OMR 2.437 million compared to OMR 2.520 million in FY2024.

Analysis of Balance Sheet

Total assets of the Company stood at OMR 80.573 million as at 31 December 2025 compared to OMR 83.811 million in FY2024. The decrease in the total assets was mainly due to depreciation charge for the period in FY2025.

The cash and cash equivalents as at 31 December 2025 was OMR 2.352 million compared to OMR 2.286 million as at 31 December 2024.

The shareholders' funds as at 31 December 2025 was OMR 25.482 million compared to OMR 24.675 million as at 31 December 2024. The increase in the shareholders' funds was mainly contributed by the profit during the year and further offset by lower Hedging Reserve in FY2025 as compared to FY2024.

Term loans (including non-current and current balances) were reduced to OMR 39.422 million as a result of scheduled repayments made in accordance with finance agreements.

The Company continues to make adequate provision for asset retirement obligations to fulfil its legal responsibilities to remove the Plant at the end of its useful life and restore the site to its original state, prior to handing over.

Dividend Distribution

Pursuant to the authority granted by the shareholders at the Annual General Meeting held on 23 March 2025, the Board of Directors, at its meeting held on 23 April 2025, have resolved the distribution of cash dividends of 2.572 baizas per share out of the retained profits for the period ended 31 December 2024 to the shareholders who are registered in the Company's register as at 15 May 2025. The dividend was paid in May 2025.

Moreover, the Board of Directors, at its meeting held on 23 October 2025, have resolved the distribution of cash dividends of 2.571 baizas per share out of the retained profits for the period ended 31 December 2024, pursuant to the authority granted by the shareholders at the Annual General Meeting held on 23 March 2025, to the shareholders who are registered in the Company's register as at 17 November 2025 and was paid in November 2025.

The Board of Directors, at its meeting held on 16 February 2026, have resolved distribution of cash dividends of a total value not exceeding 5.464 Baizas per share to the shareholders of the Company, who are registered in the Company's shareholders register with the Muscat Clearing & Depository Company SAOC as at a date to be determined by the Board, in May 2026 and December 2026 out of the retained earnings as per the audited financial statements for the financial year ended 31 December 2025, which are subject to shareholders' approval at the Annual General Meeting proposed to be held on 26 March 2026 and in compliance with the Commercial Companies Law (RD 18/2019), other applicable Omani legislation and also certain covenants stipulated in term loan facilities agreements.

Employees, Training and Omanisation

MCDC and its Operator take Omanisation as a responsibility to assist in the building of Omani expertise in the water desalination sector. Together, the Company and its Operator employ a total of 49 employees, of which 41 employees are Omani citizens. The Project had achieved an overall Omanisation ratio of 84% as at 31 December 2025.

Training is conducted frequently, with strong emphasis on HSE, operational improvements and personal development. The employees are encouraged to attend the continuous education programmes and seminars from time to time to keep themselves abreast with the latest developments as well as to further enhance their competency and professionalism in discharging their duties.

Internal Control Systems

The management acknowledges the importance of sound Internal Control Systems which require effective frequent interactions among the Board, its committees and auditors.

MCDC also has a comprehensive system of internal controls in place, comprising a well-defined governance structure, clearly outlined delegated levels of authority, annual budgets and plans to deliver the Company's strategy, supported by regular reporting of these plans and budgets to the Board of Directors. The management has periodically carried out comprehensive reviews of its key internal policies and procedures in order to ensure its compliance.

Information Security

The Company has developed information technology ("IT") and security policy and procedures pursuant to the Financial Services Authority Circular No. E/1/2022 on Information Security Guidelines for Public Listed Companies. All enhancements to the Company's IT systems and controls which were recommended by consultants have been implemented, whereas some longer-term enhancement projects are being implemented.

During the financial year, assessments of the policy, procedure and IT infrastructures were conducted by consultants who are accredited by the relevant authorities in Oman to ensure that the Company's information security measures are compliant with regulations and effectively protect against potential threats and vulnerabilities.

Outlook

The Company will endeavor to ensure that it continues to take reasonable and prudent measures to improve its performance for FY2025, by improving the Plant's reliability and availability, without compromising on HSE matters.

سلطنة عمان
وزارة التربية والتعليم
المديرية العامة للتربية والتعليم بمحافظة مسقط
مدرسة منح الإحسان(٩-١)

المحترم الفاضل/ شركة مدينة مسقط للتحلية

الموضوع/ شكر وتقدير

تحية إجلال وتقدير تهديها لشركة مدينة مسقط للتحلية وذلك لمساهمتهم الكريمة في دعم مبادرات ومشاريع المدرسة المتمثلة في تهيئة البيئة المدرسية لتكون آمنة وجاذبة للتعلم من خلال تركيب مراوح بحجم 36 انش مجهزة بنظام التبريد سائلين المولى عزوجل أن يكون ذلك في ميزان حسناتهم وأن يظل جميع جهودهم لما يحب ويرضا.

وتفيئوا فائق التقدير والاحترام،،،

يعتمد مديرة المدرسة/ رحاب الحرصية

Sultanate of Oman
Association for Children with Disability

سلطنة عمان
جمعية الأطفال ذوي الإعاقة

Ref. :
Date :

MR:Meguni Kikuta
Chief Executive Officer
After compliments,

Subject: Thank you Letter for Donation to Association for the Children with Disability .

I am pleased to extend my sincere thanks and appreciation to you for your generous donation of several devices to the children of Al-Adhaiba Center. This donation will contribute to the development and improvement of services and programs provided to these children.

Thank you again for your support

Best regards,

Khadija Naser Jawad
chairwoman board of the Association for children with Disability

الرقم : ٢٠٢
التاريخ : ٢٩ ربيع الأول ١٤٣٢ هـ
الموافق : ٠٤ سبتمبر ٢٠١١م

المحترمين الفاضل / شركة مدينة مسقط للتحلية

بعد التحية ،

ستمنن لكم التوفيق والسداد وأن يجعل ذلك في ميزان حسناتكم

وتقبلوا فائق الاحترام و التقدير

قرية بنت بشير الكثيرية
المقابلة بأصالة
مديرة مركز رعاية المكفوفات

SULTANATE OF OMAN | MINISTRY OF SOCIAL DEVELOPMENT

CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORT

Since the outset of our operation, we've been deeply committed to contributing to the wellbeing of the Omani community, placing it at the forefront of our business. This philosophy has taken root throughout our day-to-day operation. Our CSR activities in the year 2025 are sought to build and strengthen our outreach to key areas of the local community, especially focused on the area of education, human development, welfare of certain groups of community and health and safety. CSR activities undertaken by the Company in 2025 are as below:

Donation of wheelchairs to Oman Association for Persons with Disabilities

Oman Association for Disabled was registered with the Ministry of Social Development in 1995 pursuant to the Ministerial Decision No. 19/91. It is a non-governmental organisation (NGO) which was established to provide support, education and recreational activities for people with disabilities. The association also works towards achieving a better understanding of the needs of people with disabilities in the wider community.On the ground of our CSR philosophy, we donated wheelchairs to Oman Association for Persons with Disabilities with our sincere intention and hope that these wheelchairs would be able to help communities with disabilities in the Sultanate of Oman.

Donation of an interferential machine, massage beds and diapers for Child Care Centre

The Child Care Centre in Seeb, Muscat was registered with the Ministry of Social Development in 2011, pursuant to the Ministerial Decision No. 19/91. The Child Care Centre provides integrated facilities for orphans including a clinic, residential houses, library and sport facilities. The centre objectives are to provide appropriate social, educational and living care for orphans below 12 years old. We hope that this contribution will support centers clinic and, improving, the quality of care provided for these children.

Donation of physical therapy equipment for Association of children with disabilities

The Association for Children with The Association for Children with Disabilities in Al-Azaiba,Muscat was registered with the Ministry of Social Development in 1991.The Association of children with disability provides free rehabilitation and training services to more than 400 male and female children with various disabilities. The Association offers the following rehabilitation programmes: - (Physical therapy, occupational therapy, psychological therapy, speech therapy, and special education) In addition to providing prosthetic devices for children, such as wheelchairs and others, and providing transportation and nutrition. We hope that this contribution will support centers rehabilitation programmes and improving Physical therapy services provided to children with disability.

Donation of fans and a misting system to a local school

The Company also donated fans and a misting system to the following school as part of the CSR initiatives:

- Manbah Al-Eman Basic School.

We hope this initiative will benefit the school and its students.

Donation of lighting facilities and hall maintenance toa local school.

The Company also donated lighting facilities and maintenance for the school hall to the following school as part of the CSR initiatives:

- Faidh Al-Mareefa Basic School for girls

We hope this initiative will benefit the school and its students.

Cash Donation to Oman Charitable Organization

We also made a cash donation to Oman Charitable Organization, which is in line with FSA's guideline.

Plant tours for school students for water conservation awareness program

We invited students from two Omani public schools to our Plant. During the Plant tours, students were given opportunities to learn the importance of water resources and obtained first-hand information about the process of seawater desalination process which is the primary source of water in Muscat and essential for the life of residents in the Sultanate of Oman. Students were from Hazem Bin Hmam School for Basic Education and Faidh Al-Mareefa School for Basic Education.

On-the-Job technical training for students

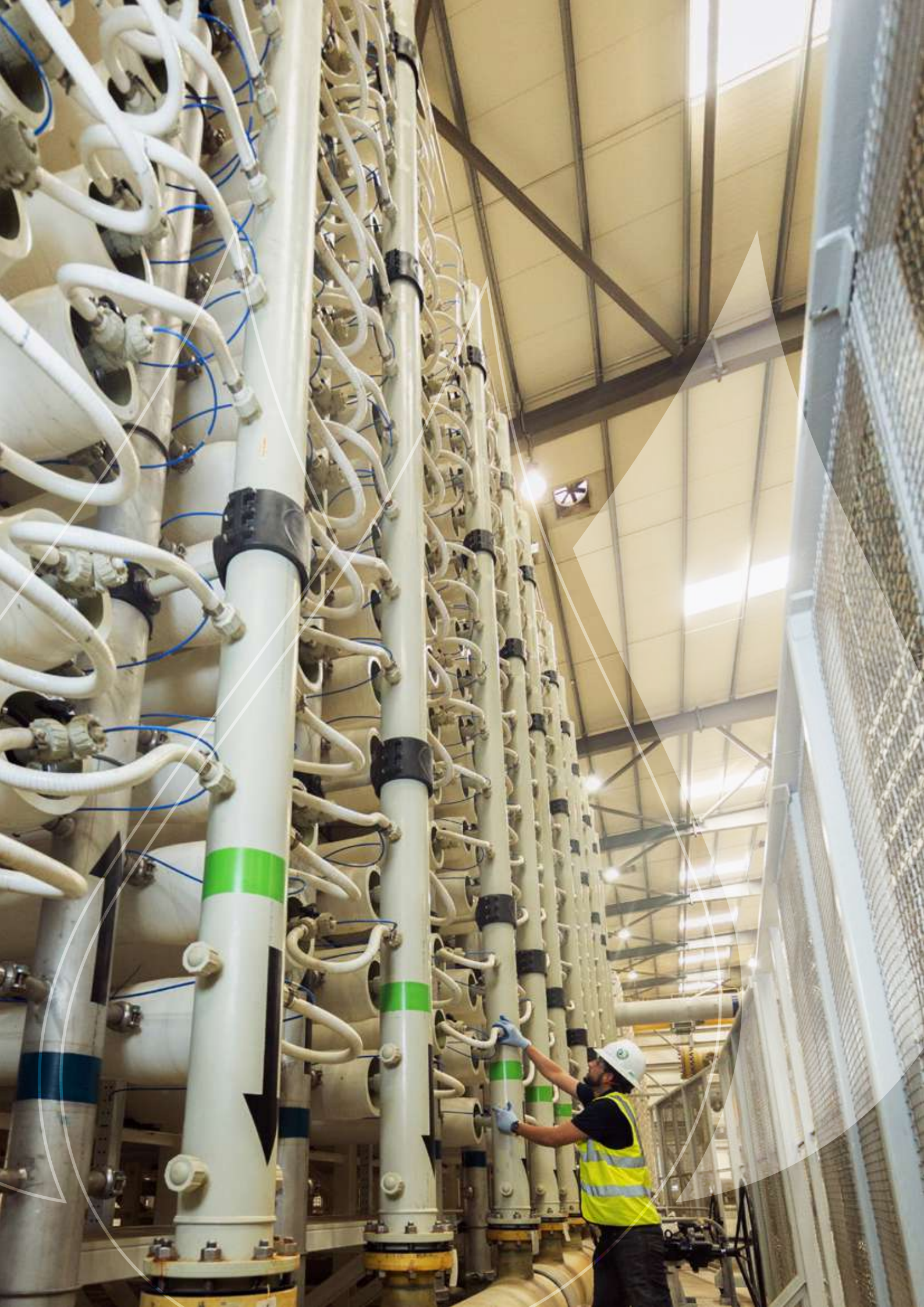
In line with our commitment to supporting the human development of young Omanis especially who are aiming at working for industrial sectors, we accepted some young students for the on-the-job-training for the operation and maintenance of water desalination facilities at our Plant. During the year, we accepted, in total, 13 students from the following institutes:

- University of Technology & Applied Sciences;

- MEDRC; and

- Sultan Qaboos University.

Furthermore, we provided a 1-year training program for fresh graduates to have good working experiences with our Operation and Maintenance Contractor.



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Sultanate of Oman
Tel. +968 24 749600, www.kpmg.com/om

Private and confidential
Our ref. aud/mc/yi/25226/26

Agreed-Upon Procedures Report on Code of Corporate Governance of Muscat City Desalination Company SAOG

To the Board of Directors of Muscat City Desalination Company SAOG

Purpose of this Agreed-Upon Procedures Report and Restriction on Use and Distribution

Our report is solely for the purpose of assisting the Muscat City Desalination Company SAOG for submission of agreed upon procedures report on the compliance with the Code of Corporate Governance (the "Code") to Financial Services Authority ("FSA") to assist in compliance of requirements prescribed in the FSA Circular No. E/10/2016 dated 1 December 2016 (together the "Governance Code") and may not be suitable for another purpose. This report is intended solely for the Muscat City Desalination Company SAOG and the intended users and should not be used by, or distributed to, any other parties.

Responsibilities of the Muscat City Desalination Company SAOG

The Board of Directors has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Management of Muscat City Desalination Company SAOG is responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioners' Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with Muscat City Desalination Company SAOG, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

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Practitioners' Responsibilities (continued)

Professional Ethics and Quality Control

We have complied with the relevant ethical requirements including independence requirements of the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethical Standards Board for Accountants.

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

Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Muscat City Desalination Company SAOG in the terms of engagement dated 10 September 2025, on the compliance with the Code:

S. No	Procedures	Findings
1	We checked that the corporate governance report (the Report) issued by the Board of Directors includes as a minimum, all items suggested by FSA to be covered by the Report as detailed in the Annexure 3 of the Code by comparing the Report with such suggested content in the Annexure 3.	No exceptions noted.
2	We obtained the details regarding areas of non-compliance with the Code identified by the Muscat City Desalination Company SAOG Board of Directors for the year ended 31 December 2025. With respect to procedure above, we inquired from and obtained written representation from management and those charged with governance for non-compliance with the Code for the year ended 31 December 2025.	No non-compliance with the Code noted during the year.

This report relates only to the items specified above and does not extend to the Muscat City Desalination Company SAOG financial statements taken as a whole.

Mobeen Chaudhri
Date 18 February 2026

KPMG LLC

KPMG LLC
Children's Public Library Building
4th floor, Shatti Al Qurum
P.O Box 641, PC 112
Sultanate of Oman
CR.No: 1358131

Enclosures:
Muscat City Desalination Company SAOG Corporate Governance Report

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CORPORATE GOVERNANCE REPORT

Company's philosophy

Muscat City Desalination Company S.A.O.G ("Company") is a purpose driven organisation. The Company has a strong business foundation due to its core values.

Corporate governance is a framework of principles, criteria and procedures, which a company adopts to achieve organisational discipline, ensure accountability, transparency and fairness.

The Company's Board of Directors ("Board") is constantly striving towards better governance and has undertaken the necessary measures to implement the Financial Services Authority's ("FSA") prescribed SAOG Code of Corporate Governance ("Code") and applicable rules. The Board oversees the executive management's functions and safeguards the long-term interests of the Company. The Board is fully committed to apply the highest possible standards of corporate governance.

Board of Directors

All members of the Board are non-executive in accordance with the requirement of the Code. During the Financial Year ended 31 December 2025, the Board consisted of the following Directors:

No.	Name of Director	Date of Appointment	Independent / Non independent
1.	Anwar Syahrin bin Abdul Ajib[1]	29 March 2022	Non-independent
2.	Tamer Cankardes[1]	29 March 2022	Non-independent
3.	Mohd Nazersham bin Mansor	29 March 2022	Non-independent
4.	Katsushi Takiguchi	29 March 2022	Non-independent
5.	Vishwanath Sankaranarayanan	29 March 2022	Independent
6.	Ajeev K. Gopinathan	29 March 2022	Independent
7.	Ashish Gupta	29 March 2022	Independent
8.	Mohammed bin Yahya bin Mohammed Al-Kamali	23 March 2025	Independent
9.	Balwinder Singh Panesar[2]	30 September 2025	Non-independent
10.	Syahrunizam bin Samsudin[3]	30 September 2025	Non-independent

All of the above members of the Board were re-elected at the Company's Annual General Meeting (AGM) held of 23 March 2025, except for Ajeev K. Gopinathan

[1] Anwar Syahrin bin Abdul Ajib and Tamer Cankardes resigned on 30 September 2025

[2] Balwinder Singh Panesar was appointed as a temporary Board Member, Chairman of the Board and Chairman of Board Nomination and Remuneration Committee on 30 September 2025

[3] Syahrunizam bin Samsudin was appointed as a temporary Board Member, Deputy Chairman of the Board and member of Board Nomination and Remuneration Committee on 30 September 2025.

Board meetings / shareholders meetings and attendance in 2025

No	Name of Directors	Position	Attendance						
			Board Meetings						AGM
			Feb 13	Mar 23	Apr 23	Jul 24	Oct 23	Total	Mar 23
1	Anwar Syahrin bin Abdul Ajib1	Chairman	•	•	•	•	N/A	4	•
2	Tamer Cankardes1	Deputy Chairman	•	•	•	•	N/A	4	•
3	Mohd Nazersham bin Mansor	Member	•	•	•	•	•	5	•
4	Katsushi Takiguchi	Member	•	•	•	•	•	4	•
5	Vishwanath Sankaranarayanan	Member	•	•	•	•	•	5	•
6	Ajeev K. Gopinathan2	Member	•	N/A	N/A	N/A	N/A	1	•
7	Ashish Gupta	Member	•	•	•	•	•	5	•
8	Mohammed bin Yahya bin Mohammed Al-Kamali3	Member	N/A	•	•	•	•	4	N/A
9	Balwinder Singh Panesar4	Chairman	N/A	N/A	N/A	N/A	•	1	N/A
10	Syahrunizam bin Samsudin5	Deputy Chairman	N/A	N/A	N/A	N/A	P	-	N/A

• Attended, P: Proxy

[1] Anwar Syahrin bin Abdul Ajib and Tamer Cankardes resigned on 30 September 2025

[2] Ajeev K. Gopinathan was not elected at the Company's Annual General Meeting held on 23 March 2025

[3] Mohammed bin Yahya bin Mohammed Al-Kamali was elected at the Company's Annual General Meeting held on 23 March 2025.

[4] Balwinder Singh Panesar was appointed as temporary member and Chairman from 30 September 2025 until the next AGM

[5] Syahrunizam bin Samsudin was appointed as temporary member and Deputy Chairman from 30 September 2025 until the next AGM

Performance Appraisal for the Board of Directors

The FSA has announced that the Board evaluation should be conducted once during the term of the Board. In light of this announcement and given that the current Board's term ends on 23 March 2028, The Board propose to undertake the next Board evaluation assessment in Financial Year 2026, and the evaluation report shall be presented at the shareholders annual general meeting to be held in 2027.

Board Audit Committee

The role of the Board Audit Committee includes the following:

a) To consider the external auditor in the context of their independence (particularly with reference to any other non-audit services), fee and terms of engagement, and recommending the auditors to the Board and shareholders for appointment.

b) To review the audit plan and results of the audit.

c) To implement appropriate systems to check financial fraud and ensure the fairness of financial statements;

d) Ensure oversight of the internal audit function.

e) Ensure oversight of the adequacy of the internal control systems.

f) Ensure oversight of financial statements in general including the review of annual and quarterly financial statements before issue, qualifications contained in draft financial statements, and discussions of accounting principles therein and changes in accounting standards adopted by the Company.

g) Serve as a channel of communication for the Board with the external and internal auditors.

h) Review risk management policies.

i) Review all related party transactions and provide recommendations to the Board, in relation to the transactions.

The Board Audit Committee comprises the following members during the Financial Year 2025:

No.	Name of the Board Audit Committee Members	Position	Dates of Board Audit Committee Meetings			
			Feb 13	Apr 23	Jul 23	Oct 23
1	Vishwanath Sankaranarayanan	Chairman	•	•	•	•
2	Ajeev Gopinathan[1]	Member	•	N/A	N/A	N/A
3	Ashish Gupta	Member	•	•	•	•
4	Mohd Nazersham bin Mansor	Member	•	•	•	•
5	Mohammed bin Yahya bin Mohammed Al-Kamali[2]	Member	N/A	•	•	•

• Attended, P: Proxy

[1] Ajeev K. Gopinathan was not elected at the Company's Annual General Meeting held on 23 March 2025

[2] Mohammed bin Yahya bin Mohammed Al-Kamali was elected as a member of Board Audit Committee following his appointment as Director of MCDC.

Board Nomination and Remuneration Committee (BNRC)

With the aim of adopting a transparent nomination policy, and to attract directors and key executives with high competence, the Board in accordance with the requirements of the Code established the BNRC.

The primary purpose of the BNRC is to review and approve the Directors' selection criteria and relevant procedures for the appointment of the Chief Executive Office, senior management and other key positions as may be required from time to time. Another important task of the BNRC is to ensure that proper succession planning is implemented.

The BNRC comprises the following members during the Financial Year 2025:

No.	Name of the BNRC Members	Position	Dates of BNRC Meetings		
			Feb 14	Apr 23	Oct 23
1	Anwar Syahrin bin Abdul Ajib[1]	Chairman	•	•	N/A
2	Tamer Cankardes[1]	Member	•	•	N/A
3	Katsushi Takiguchi	Member	•	P	•
4	Balwinder Singh Panesar[2]	Chairman	N/A	N/A	•
5	Syahrunizam bin Samsudin[3]	Member	N/A	N/A	•

• Attended, P: Proxy

[1] Anwar Syahrin bin Abdul Ajib and Tamer Cankardes resigned on 30 September 2025

[2] Balwinder Singh Panesar was appointed as Chairman of Board Nomination and Remuneration Committee from 30 September 2025 until the next AGM

[3] Syahrunizam bin Samsudin was appointed as temporary member of Board Nomination and Remuneration Committee 30 September 2025 until the next AGM

Procedure for Nomination of Directors

Directors are nominated and elected in accordance with the applicable statutory provisions including but not limited to the rules prescribed by the FSA and the Articles of Association of the Company. Directors have a three-year term, subject to re-election.

If the office of a director becomes vacant in the period between two ordinary general meetings, the Board may appoint a temporary director in accordance with the Commercial Companies Law promulgated by Royal Decree 18/19 ("Companies Law") and the Company's Articles of Association.

Related Party transactions

All the related party transactions are mutually agreed in the normal course of business and are disclosed in the financial statements.

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

Remuneration

a) Sitting Fees to Members of the Board and Its Committees

A total amount of OMR 36,800 is expensed as sitting fees for the Financial Year ended 31 December 2025. The Board Audit Committee and BNRC have also accrued sitting fees of OMR 8,000 and OMR 2,400 respectively. The aggregate sitting fee for each Director did not exceed OMR 10,000 per Director as per the guidelines issued by the FSA. This will be tabled for shareholders' approval at the upcoming Annual General Meeting on 26 March 2026.

b) Other Payments to Directors

There was no other payment to the Directors other than their sitting fees as stated above.

c) Key Executives of the Company

The Executive Management (as defined in the Companies Law) of the Company received an aggregate amount of OMR 265,057 for the Financial Year ended on 31 December 2025. This includes salaries, bonus and other benefits. Bonuses and other incentives for Key Executives are determined by predefined key performance indicators, encompassing financial performance and other elements. The assessment and approval are carried out by the Board Nomination and Remuneration Committee based on actual performance.

d) Employee contracts, notice periods and severance fee

The notice period and severance fees for employees are determined in accordance with Omani law and are appropriately contracted based on the employee's status.

Internal Auditor

The Board appointed a full-time internal auditor with effect from 2 January 2022. The Audit Committee has approved the Internal Audit Plan for 2025 which has been implemented throughout the financial year.

Details of non-compliance by the Company during the last three years

There were no penalties levied on the Company by the FSA, Muscat Stock Exchange (MSX) or any other statutory authority on any matter for the past 3 years up to 31 December 2025.

Means of Communication with the Shareholders and Investors

The Company's means of communication and disclosures are in accordance with the regulatory requirements. The Company discloses its annual un-audited financial results, un-audited interim financial statements and audited annual financial statements on the MSX website within the regulatory deadlines. The Company has conducted interactive discussion sessions with the investor community on 12 March 2025 and 6 August 2025, to present its audited financial results for the Financial Year 2024 and unaudited financial results for the period ended 30 June 2025 respectively. The Company also publishes relevant financial information in two local newspapers. Communication with the shareholders is conducted in both English and Arabic languages. Annual report posted on the MSX website contain Board of directors' report, Corporate social responsibility (CSR) report and Management discussion and analysis report. All official press releases are uploaded on Company's official website, https://www.mcdcoman.com.

Market Price Data

a) High/low share price and performance comparison during each month in 2025.

Month	Price (Baizas)				MSX Index (Service sector)	
	High	Low	Closing	Change from 1 January 2025 Opening Price	Closing	Change from 1 January 2025 Opening MSX Index
January	70.00	66.00	67.00	3.08%	1,692.27	-2.91%
February	69.00	61.00	65.00	0.00%	1,632.89	-6.32%
March	68.00	62.00	68.00	4.62%	1,599.49	-8.24%
April	68.00	64.00	67.00	3.08%	1,538.02	-11.76%
May	72.00	66.00	70.00	7.69%	1,625.07	-6.77%
June	72.00	65.00	70.00	7.69%	1,599.43	-8.24%
July	75.00	65.00	70.00	7.69%	1,807.93	3.72%
August	76.00	72.00	75.00	15.38%	1,958.31	12.35%
September	80.00	73.00	80.00	23.08%	2,080.92	19.38%
October	85.00	78.00	85.00	30.77%	2,268.68	30.15%
November	87.00	76.00	80.00	23.08%	2,357.79	35.27%
December	92.00	77.00	89.00	36.92%	2,405.16	37.98%

Source: MSX's website.

b) High/low share price and performance comparison during each month in 2024.

Month	Price (Baizas)				MSX Index (Service sector)	
	High	Low	Closing	Change from 1 January 2024 Opening Price	Closing	Change from 1 January 2024 Opening MSX Index
January	80.00	75.00	77.00	-1.28%	1569.6770	0.36%
February	82.00	72.00	72.00	-7.69%	1733.2000	10.81%
March	77.00	71.00	74.00	-5.13%	1847.6760	18.13%
April	84.00	74.00	75.00	-3.85%	1833.6250	17.23%
May	79.00	74.00	74.00	-5.13%	1801.7840	15.20%
June	77.00	70.00	71.00	-8.97%	1820.3880	16.39%
July	77.00	71.00	72.00	-7.69%	1819.3970	16.32%
August	72.00	70.00	71.00	-8.97%	1823.7370	16.60%
September	73.00	70.00	71.00	-8.97%	1831.4620	17.10%
October	72.00	70.00	71.00	-8.97%	1827.7850	16.86%
November	72.00	67.00	67.00	-14.10%	1743.5650	11.48%
December	68.00	65.00	65.00	-16.67%	1743.0820	11.44%

c) Distribution of shareholdings as at 31 December 2025

Category	Number of Shareholders	Number of Shares Held	Share Capital %
5 % and above	3	125,909,217	80.94%
Less than 5%	2,103	29,641,183	19.06%
Total	**2,106**	**155,550,400**	**100.00%**

Source: Muscat Clearing and Depository's Website.

Professional Profile of Statutory Auditor

The shareholders of the Company appointed KPMG LLC as its external auditors for 2025. KPMG has been operating in Oman since 1974 and is part of KPMG Lower Gulf Limited. KPMG in Oman employs more than 160 people, amongst whom are six partners and Seven directors, including Omani nationals. KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. It operates in 143 countries and territories and have 265,000 people working in member firms around the world. KPMG LLC and KPMG Lower Gulf Limited are member firms of the KPMG global organization of independent member firms affiliated with KPMG International Limited.

During the year 2025, KPMG total fees amounted to OMR 30,300 in relation to professional services rendered to the Company (OMR 20,200 for audit and OMR 10,100 for other services).

Specific areas of Non-Compliance of Corporate Governance

There was no penalty levied on the Company by any statutory authority on any matter related to corporate governance in 2025.

Board Acknowledgement

The Board accepts responsibility for the preparation of the financial statements in line with International Financial Reporting Standards (IFRS), the disclosure requirements of the FSA and the Companies Law. The Board confirms that it has reviewed the efficiency and adequacy of the internal control systems of the Company and is pleased to inform the shareholders that adequate and appropriate internal controls are in place, which are in compliance with the relevant rules and regulations. The Board also confirms that there are no material matters that would affect its sustainability and ability to continue its operations up to the end of the next financial year.

Chairman

SUSTAINABILITY REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

ABOUT THIS SUSTAINABILITY REPORT

Muscat City Desalination Company S.A.O.G. (MCDC or the Company) acknowledge the publication of the ESG disclosure guideline (the ESG Guideline) by the Muscat Stock Exchange (MSX) requesting all companies publicly listed on MSX to report their performance against the sustainability Environmental, Social and Governance (ESG) metrics set out in the ESG Guideline.

MCDC acknowledges that the sustainability reporting to MSX is mandatory and welcomes this Sustainability Report as an opportunity to review its activities and to re-state its values and commitments.

Understanding the positive impact that sustainability disclosures against ESG metrics have not only on its commercial activities, but also in enhancing relationships with its shareholders, investors, the community and other third parties, MCDC takes this opportunity to disclose the Company's performance, as applicable, against the 30 metrics set out in the ESG Guideline for the Financial Year ended 31 December 2025(FY 2025).

Our Vision and Values

At MCDC we are conscious that water is crucial to sustaining life, supporting economic prosperity and growth, and contributing to a better quality of life. Thus, our mission is to ensure that citizens have access to life's most basic need – clean drinking water – and this is achieved by upholding the environmental standards set by Oman laws and regulations and ensuring the sustainability and integrity of our operations safeguard both the marine ecosystem and public health.

Ensuring the health and safety of our employees is paramount and MCDC achieves this through adherence to the relevant health and safety laws, regulations, policies, and standards. MCDC are committed to have a positive impact in the Omani community and this is demonstrated by its Corporate Social Responsibility (CSR) initiatives and efforts to build a skilled and empowered Omani workforce.

MCDC is a purpose-driven organisation. The Company has a strong business foundation due to its core values. MCDC acknowledges that corporate governance is a framework of principles, criteria, and procedures, which a company adopts to achieve organisational discipline, ensure accountability, transparency, and fairness. Thus, MCDC affirms its commitment towards ensuring and maintaining a sound internal control system which encompasses good governance, risk management, and internal control processes.

ENVIRONMENTAL

Our Mission

On the back of its population growth and economic development, Oman's daily water demand has been growing by 2%-3% per year. Demand has been notably increasing in the metropolitan area centred around Muscat and our Plant is essential for ensuring the citizens in this area have access to clean, potable water. At the same time, MCDC maintains a minimal impact on the marine and terrestrial ecosystems through careful planning and advanced mitigation strategies.

Our Plant

The Plant is based on Sea Water Reverse Osmosis (SWRO) technology and is one of the largest operational desalination plants in Muscat, Sultanate of Oman. The SWRO technology employed at the Plant is a proven technology that has been implemented globally on numerous projects.

Through the SWRO process, water is extracted from the incoming seawater by pushing it under pressure through semipermeable RO membranes to produce pure and high-quality water. This is a low temperature process where no heating is required, and does not require any other input other than electricity to drive pumps. The Plant also contains a Dissolved Air Flotation unit (DAF) as a pre-treatment system designed to remove solids from seawater, which enables the Plant to operate at full capacity during unforeseen red tide algal blooms and other adverse events such as oil contamination.

The SWRO system is designed with Energy Recovery Devices (ERDs), the most effective option currently available which can reduce the energy consumption by recovering the excess energy of brine before discharging to the sea. This leads to lower greenhouse gas emissions, making the desalination process more sustainable.

The Plant has a capacity of 42 MIGD (191,000 m^3/d) and comprises off-shore passive screens, submerged seawater intake and outfall pipelines, a DAF system, dual media filters for pre-treatment, a SWRO system, post-treatment with carbon dioxide and a lime dosing remineralisation system plus chlorination and fluoridation, and all other auxiliary systems.

Electricity, which is the Plant's main energy source, is procured from Nama Electricity Supply Company ("NESC") (formerly known as Muscat Electricity Distribution Company or MEDC) pursuant to the Electricity Supply Agreement. MCDC monitors electricity consumption within the Plant and actively works to optimize energy usage through the implementation of more efficient equipment and technologies.

Our Commitment

MCDC is committed to upholding the environmental standards set by applicable Oman laws and regulations, in particular those relating to the quality of the water produced and delivered and the water rejected back into sea. We prioritise adherence to these regulations to ensure the sustainability and integrity of our operations while safeguarding both the marine ecosystem and public health. We are proud to report that no fines or penalties related to environmental compliance have been issued to MCDC during FY 2025. This reflects our unwavering commitment to adhere to all relevant environmental laws, regulations, and standards.

1. E1 GHG Emissions

The main output factor for MCDC's Scope 1 Emissions is the gasoline used by the Company's cars, used internally for employee transportation. During FY 2025, the total amount of CO_2 emissions generated by MCDC's activity was equal to 13,992.77kg or 13.99tons of CO_2 compared with 10,717.78kg or 10.72tons during the same period in 2024.

The main source of energy used by MCDC for the operation of the Plant is electricity from the grid (where the natural gas is used as a main source for electricity generation). For the Scope 2 Emissions, MCDC reports the following levels of CO_2, CH_4 and N_2O emissions generated by such electricity during FY 2025 and FY 2024. This year, our electricity consumption has decreased compared to the previous year. This reduction reflects improved operational efficiency and optimized resource utilization. In addition to optimizing resources use, MCDC continues to contribute to its broader sustainability goals. This reflects our ongoing commitment towards sustainability.

		FY 2025	FY 2024
GHG emissions 1	CO_2	**62,759.36 tons**	71,951.94 tons
Non-GHG emissions	CH_4	**4.64 tons**	5.77 tons
	N_2O	**0.65 tons**	0.79 tons

2. Emissions Intensity

MCDC uses the water output, measured in cubic metres (m^3), to demonstrate the intensity of emissions generated by certain activities. To this effect, we have calculated the intensity of Scope 1 and Scope 2 Emissions by reference to the relevant type of source of such emissions. The lower emission intensity in FY 2025 (compared to FY 2024) is due to the lower electricity consumption recorded in FY 2025.

		FY 2025	FY 2024
GHG emissions	Scope 1 (CO_2)	**0.000000238tCO_2/m^3**	0.000000168 tCO_2/m^3
	Scope 2 (CO_2)	**0.00107tCO_2/m^3**	0.00113 tCO_2/m^3
Non-GHG emissions	Scope 2 (CH_4)	**0.00000008 tCH_4/m^3**	0.000000090 tCH_4/m^3
	Scope 2 (N_2O)	**0.000000011tN_2O/m^3**	0.0000000123 tN_2O/m^3

3, Energy Usage and Intensity

MCDC is only powered by electricity from the grid which is supplied by NESC pursuant to an Electricity Supply Agreement. At the moment, the Company is unable to disclose the total energy directly consumed due to the commercially-sensitive nature of such information. Consequently, the energy intensity of the Company's activities remains confidential as well.

1 The GHG and Non-GHG emissions for FY2025, the scope 2 (Electricity) are calculated based on 2024 and 2025 US Average emission factor.

4. Water Usage

MCDC uses insignificant amounts of water that are generated by the Plant for auxiliary purposes such as fire-water tanks, gardening, and cleaning. MCDC does not reclaim any amounts of water.

5. Environmental Operations

MCDC does not have a specific environmental policy in place. However, the Operation and Maintenance operator of the Plant (the Operator) obtained the certifications for ISO 14001:2004 Environmental Management System and ISO 45001:2018 Occupational Health and Safety Management System in April 2017. In September 2018, the Operator successfully migrated its ISO 14001:2004 certification to ISO 14001:2015. Both ISO certifications were recertified in July 2023. Last surveillance audit was completed on July 2025.

Moreover, the Operator diligently manages the site with a comprehensive waste management system.

MCDC is committed to compliance with all requirements under the relevant environmental laws and regulations in order to ensure the sustainability of its operations.

6. Environmental Oversight by the Board and the Management

The environmental aspects of the Plant's daily operations are being monitored online. The Management provides updates on all matters pertaining to the Plant's environmental compliance to the Board of Directors on monthly basis. The Plant's environmental issues are also presented and discussed during the meetings of the Board of Directors.

7. Climate Risk Mitigation

An Environmental Impact Assessment was conducted prior to the construction of the Plant and approved by the Ministry of Environmental and Climate Affairs. Therefore, the Plant was constructed in accordance with the environmental and safety standards required at the time and has been maintained accordingly throughout its operational life. MCDC also undertakes constant reviews of the Plant's relevant equipment to ensure compliance with the environmental and safety laws and regulations in force at any point in time.

SOCIAL

Health and Safety (H&S)

The operation and maintenance of the Plant is contracted to the Operator through an operations and maintenance contract.

The Operator is primarily responsible for the Plant's availability and efficiency, meeting dispatch instructions, operational cost control and, most importantly, the Health, Safety & Environment (HSE) compliance. The health and safety of our employees and contractors are of paramount importance. We have implemented robust health and safety policies that adhere to international standards, ensuring that every aspect of our operations prioritises the well-being of our workforce. Regular training programs, risk assessments and strict HSE rules are applied within the compound for both employees and visitors to maintain a zero-incident workplace and to cultivate a culture of safety across all levels of the organisation.

Trainings and mock drills are conducted frequently, with strong emphasis on HSE, operational improvements and personal development. The employees are encouraged to attend continuous education programmes and seminars from time to time to keep themselves abreast with the latest developments and to further enhance their competency and professionalism in discharging their duties.

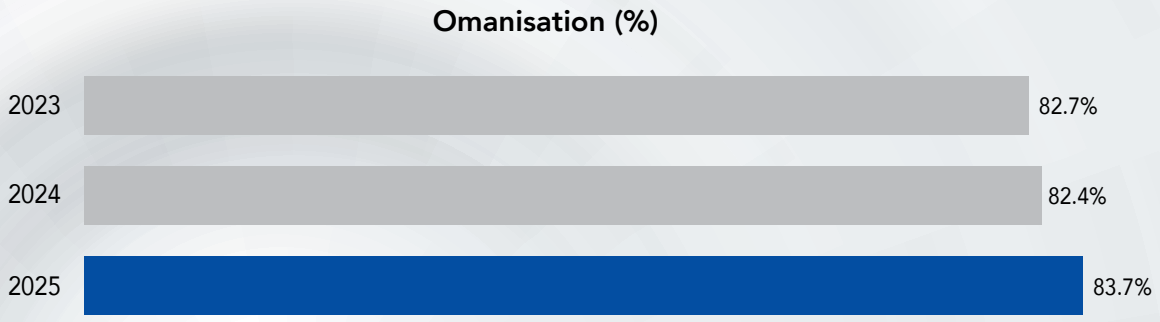
Corporate Social Responsibility (CSR)

Contributing to the prosperity of the Omani community has been at the forefront of MCDC's business and this has been reflected in the Company's day-to-day operations.

Our CSR activities during FY 2025 have sought to construct and fortify our outreach to key regions of the nearby community, focusing on education, human development, human well-being, water awareness programmes for school students and helping the unfortunate groups in the community. The CSR activities undertaken by the Company are further outlined in the Annual Corporate Social Responsibility Report.

Omanization

MCDC and its Operator take Omanization as a responsibility to assist in the building of Omani expertise in the water desalination sector. Together, the Company and its Operator employ a total of 49 employees, of which 41 employees are Omani citizens. By the end of FY 2025, the Omanization level in both the Company and its Operator reached 83.7%. The Company and the Operator have long-term plans to further improve the level of Omanization within the organisation.



Our Commitment

At MCDC, we are dedicated to ensuring the health and safety of our employees by adhering to the relevant health and safety laws, regulations, policies and standards. Moreover, we actively engage in CSR initiatives that support local education, community development and wellbeing. We are also committed to Omanization, prioritising the recruitment, training and development of Omani nationals to build a skilled, empowered local workforce and thus contribute to the socio-economic growth of Oman.

The Company continues its efforts to provide a reliable supply of water which meets the required quality of potable water. At the same time, MCDC ensures full compliance with health, safety and environmental standards, as well as with our human rights and child and/or forced labour policies, such compliance being a priority for both MCDC and the Operator.

1. Pay Ratio

For FY 2025, the ratio of the Chief Executive Officer's (CEO) total compensation against the median full-time employee total compensation was 6.31:1, slightly higher than the ratio of 6.29:1 recorded for FY 2024.

In terms of gender pay ratio, MCDC recorded a ratio of 3.53:1 for the total compensation of male employees against female employees during FY 2025. The ratio is lower as compared to FY 2024 ratio of 3.83:1. The total compensation includes bonus payments, benefits and incentives.

2. Employee Turnover

	FY 2025	FY 2024
Year-over-year turnover Full-time employees	**10%**	10%
Year-over-year turnover Part-time employees	**0%**	0%
Year-over-year Change in Contractors and/or Consultants	**0%**	0%

At MCDC, we pride ourselves with a low turnover which we attribute to a high level of job satisfaction among employees. This, in turn, is due to MCDC maintaining a conducive working environment, providing opportunities for professional growth and actively engaging employees in decision-making processes. MCDC ensures employees are provided with regular feedback and has implemented recognition programs.

3. Gender Diversity

	FY 2025		FY 2024	
	Men	**Women**	Men	Women
Total enterprise headcount	**50%**	**50%**	56%	44%
Entry and mid-level positions	**43%**	**57%**	43%	57%
Senior and executive-level positions	**100%**	**0%**	100%	0%

MCDC promotes gender diversity and provides equal support and opportunities for career development to all employees. All decisions in relation to hiring, promotion and compensation are based solely on merit and performance.

4. Temporary Worker Ratio

During FY 2025 and FY 2024, MCDC did not employ any temporary workers.

5. Non-Discrimination

MCDC does not have a formal non-discrimination policy in place. This principle is at the core of MCDC's ethos and MCDC follows the requirements of all relevant laws in Oman. Moreover, MCDC is committed to fostering an inclusive, respectful, and equitable environment where all individuals are treated equally. We strictly prohibit any form of discrimination within our organization, ensuring equal opportunities for everyone regardless of their background or personal characteristics.

6. Injury Rate

During FY 2025, MCDC reported no injuries events affecting the workforce. As at 31 December 2025, the Company and the Operator had achieved 3594 days without Lost Time Injury (LTI) since the Plant's commercial operations commenced on 19 February 2016.

This is due to the fact that MCDC promotes a culture of safety, where all employees are committed to maintaining a safe working environment. MCDC ensures employees are well informed about internal safety procedures through regular training programs. Additionally, all employees are provided with appropriate Personal Protective Equipment (PPE) which they consistently use while undertaking their tasks and attending the Plant.

7. Global Health & Safety

MCDC complies with its legal obligations under the relevant laws and regulations, as well as under the relevant Water Purchase Agreement and thus has, follows, and enforces a formal Health and Safety policy. The policy covers all the employees, vendors, and business partners. MCDC ensures the health and safety of its employees assumed under the policy in various ways, in collaboration with the Operator of the Plant. MCDC provides, through the Operator, HSE training and supervision for safe performance of the work. MCDC and the Operator also establish, maintain, and review with the concerned groups all emergency response plans required to prevent injuries and environmental accidents that could impact employees and property of nearby community.

MCDC also complies with relevant obligations, such as communicating the HSE policy to all interested parties, undertaking the necessary measures to prevent illness and injury of all working personnel and minimising pollution and environmental impacts or ensuring that employees and the relevant contractors are provided with adequate PPE, training, and supervision for the safe performance of work.

8. Child & Forced Labour and Human Rights

The protection and safeguarding of human rights is part of MCDC's internal Human Resource policy as the Company is prohibited from employing children and practising forced labour. This is stipulated in its Human Resource policy approved by the Board of Directors. Additionally, we require our suppliers and business partners to uphold the same standards.

9. Community Investment

Since the beginning of its operations, MCDC has consistently aimed at contributing to the wellbeing of the community in the vicinity of its business. During FY 2025, MCDC invested OMR8,000 in CSR activities, mainly participating in a variety of actions with a focus on water conservation awareness program, education and creating positive impact on the community, particularly for children and persons with disabilities.

GOVERNANCE

Board and Management

The Board oversees the executive management's functions and safeguards the long-term interests of the Company and thus is fully committed to apply the highest possible standards of corporate governance. Constantly striving towards better governance, the Company's Board has undertaken the necessary measures to implement the Financial Services Authority's (FSA) Code of Corporate Governance and applicable rules. In accordance with such Code, all members of the Board are non-executive.

External Audit

The Annual Corporate Governance Report was audited by the Company's external auditors, and it is published on the Company's website and presented to the Company's shareholders.

Internal Audit

The Board of Directors and Management of the Company acknowledge the importance of sound internal control systems which requires effective frequent interactions among the members of the Board, its committees, and its auditors. MCDC has a comprehensive system of internal controls in place, comprising a well-defined governance structure, clearly outlined delegated levels of authority, annual budgets, and plans to deliver the Company's strategy, supported by regular reporting of these plans and budgets to the Board of Directors. The Management has periodically carried out comprehensive reviews of its key internal policies and procedures in order to ensure its compliance.

The Company has established an in-house Internal Audit Unit which has been active since January 2022. The Internal Audit Unit has developed an internal audit plan for 2025 which was approved by the Audit Committee and fully implemented during the year. While there were no significant findings highlighted to the Audit Committee in 2025. The Management remains fully committed to implement any recommendations arising from future findings of the Internal Audit Unit.

Risk Management

The Company confirms that a proper risk management assurance process has been put in place to identify, evaluate and manage significant risks impacting the Company's achievement of its objectives. The Company also acknowledges the presence of a sound system of internal control in safeguarding shareholders' investments, the Company's assets and other stakeholders' interests as well as ensuring compliance with applicable laws and regulations.

MCDC's objectives in relation to the management of risks for the Company are as follows:

- Create the right awareness and understanding of risk at all levels of the Company.
- Instil a culture of risk management and risk ownership as everyone's responsibility.
- Identify risks and manage them well within the risk profile of the organisation.
- Embed risk management in the way the business is run.
- Develop a common risk language.
- Comply with the appropriate risk management practises in terms of corporate governance guidelines.

Data Privacy

To demonstrate its adherence to applicable laws and regulations intended to ensure the protection of personal and sensitive data, MCDC has implemented certain procedures in relation to data privacy, as follows:

- Controlling access by limiting access to personal data to only those employees who require it for their job responsibilities;
- Securing the data in a physical or digital secure storage location;
- Ensuring compliance with data protection law and regulation; and
- Engaging third-party consultant to develop procedures for the protection of personal data.

Our Commitment

The Board of Directors and overall Management of the Company, as well as the Operator, are committed to ensuring that the highest standards of corporate governance are being practiced. This is a fundamental part of their respective responsibilities in managing the business, protecting, and enhancing the values of

stakeholders, as well as the financial performance of the organisation, while promoting the highest standards of integrity, transparency, and accountability.

This is further demonstrated by the Company's commitment to ensure compliance with all Data Privacy and Data Protection laws and regulations.

1. Board Diversity

MCDC's current Board composition is in compliance with the applicable laws in Oman. All members of the Board are elected at the Company's annual general meeting, with the exception of 2 temporary directors who were replacing resigned directors during the year, pursuant to the Commercial Company Law. During FY 2025, all members of the Board and its Committees were male, same as during FY 2024.

2. Board Independence

Pursuant to the FSA's Code of Corporate Governance, all members of the Board must be non-executive directors. Therefore, the Company's CEO was not a member of the Board of Directors during FY 2025.

During FY 2025, 43% of the total seats in the Board were occupied by independents directors, similar to FY 2024.

For further details, please refer to the Company's Corporate Governance Report.

3. Incentivised Pay

The pay and performance bonus of the key members of the Company's Management are linked to their annual performance reviews which are approved by the Board of Directors at the end of each financial year. The annual performance reviews are measured based on specific key performance indicators (KPIs) which are set and approved by the Board of Directors at the beginning of each financial year.

Certain KPIs are related to ESG metrics, with some referring to CSR activities, energy consumption, corporate governance, and HSE, in addition to financial performance.

4. Supplier Code of Conduct

All suppliers and vendors are required to adhere to the code of conduct of the Plant, which includes the safety induction before visiting the Plant and following all the rules during their visit.

5. Ethics & Anti-Corruption

MCDC follows a robust ethics and/or anti-corruption policy which is in line with applicable laws, including Oman Royal Decree No. 7/2018 promulgating the Penal Code, as amended from time to time, Oman Royal Decree No. 120/2004 promulgating the Civil Service Law, as amended from time to time, and Oman Royal Decree No. 112/2011 promulgating the Law for the Protection of Public Funds and Avoidance of Conflicts of Interest, as amended from time to time, and international standards. The Company's Code of Ethics and Business Conduct Policy were approved by the Board of Directors in 2018 and has been updated from time to time. All members of the Board of Directors and employees are required to sign the Code of Ethics Declaration form annually, pursuant to such policy.

6. Data Privacy

MCDC has developed a few data privacy related policies and has undertaken to comply with those policies, the Oman Personal Data Protection Law and any related rules and regulations issued by the Government of the Sultanate of Oman.

7. Sustainability Reporting

Sustainability reporting is a useful tool for fostering transparency and accountability, enabling organization to communicate their Environmental, Social, and Governance (ESG) performance to stakeholders. In alignment with MSX guidelines, the Company is fully committed to publishing annual sustainability reports that encompass Social, Governance, and Environmental.

8. Disclosure Practices

MCDC submitted its Operational Environmental Monitoring and Auditing Reports to the Environment Authority on a quarterly basis during FY 2025. An Annual Environmental Statement was also submitted to the Authority of Public Service Regulation during FY 2025. In addition, the following permits and licences were successfully renewed during FY 2025 and FY 2024:

- Final Environment Permit;
- Permit for Discharge of Liquid Wastes;
- Hazardous Waste Management Licence;
- Environmental Permit of Hazardous Chemical Substance;
- Licence of Climate Affairs; and
- Desalination Licence.

This reporting framework does not focus on specific United Nations Sustainable Development Goals (UN SDGs), but it is based on the GRI Standards in accordance with the MSX ESG Guideline. That said, the Company is committed to continuous improvements and is considering the future alignment with these Global reporting standards, particularly SDG 6 (Clean Water and Sanitation) which directly relates to the Company's main mission – to ensure that citizens in the Muscat area receive clean drinking water – all while ensuring the sustainability and integrity of our operations safeguard both the marine ecosystem and public health. The Company has undertaken to achieve this by upholding the environmental standards set by Oman laws and regulations.

External Assurance

Only the Company's Corporate Governance Report was audited by the Company's auditor during FY 2025. That said, the Company undertakes to comply with any future ESG reporting and external assurance requirements issued by the Government of the Sultanate of Oman.

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MUSCAT CITY DESALINATION COMPANY SAOG

MUSCAT CITY DESALINATION COMPANY SAOG

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

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Independent auditors' report

To the Shareholders of Muscat City Desalination Company SAOG

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Muscat City Desalination Company SAOG ("the Company"), which comprise the statement of financial position as at 31 December 2025, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), as applicable to audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the financial statements of public interest entities in the Sultanate of Oman. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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Impairment of non-financial assets	
See Note 3, 4 and 5 to the financial statements.	
The key audit matter	**How the matter was addressed in our audit**
As at 31 December 2025 the Company has non-financial assets with impairment indicators amounting to ﷼ 75.34 million. Non-financial assets comprising the carrying value of property, plant and equipment (﷼ 75.37 million) and right of use assets (﷼ 0.215 million) minus the related lease liability (﷼ 0.241 million), are considered as one cash generating unit (CGU). The impairment testing of the non-financial assets of the Company is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgment required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount of the CGU, which is based on higher of the value in use or fair value less costs of disposal, has been derived from discounted forecast cash flow model (value in use). These models use several key assumptions, including estimates of future fixed and variable income, operating costs and the weighted-average cost of capital (discount rate). Refer to note 3 (Summary of material accounting policies) note 4 (critical accounting judgement and key sources of estimation uncertainty) and note 5 (Property plant and equipment) of the financial statements for further details.	Our audit procedures in this area included, among others: • Obtained an understanding of the impairment assessment methodology and key assumptions followed by management in determining the recoverable amount; • Evaluating the design and implementation of key internal controls over the impairment assessment and recoverable amount calculations; • Involved our own valuation specialist to assist in evaluating the appropriateness of the discount rates applied; • Evaluated the appropriateness of the assumptions applied to key inputs such as estimate of future fixed and variable income, operating costs, which included comparing these inputs with our own assessments based on our knowledge of the company and the industry; • Testing the mathematical accuracy of the discounted cash flow model; • Performed a retrospective review of management's prior year cash flow forecasts by comparing forecasted cash flows and key assumptions used in earlier impairment assessments with actual historical performance for the relevant periods; • Performed our own sensitivity analysis, which included assessing the impact of reasonably possible change in the discount rate and reductions in forecast cash flows, to evaluate the effect on the currently estimated headroom of the non-financial assets.;and • Evaluated the adequacy of the financial statement disclosures in accordance with the applicable financial reporting framework.

Other Information

Management is responsible for the other information. The other information comprises the Board of directors's report, Management Discussion and Analysis report and Corporate Governance report.

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

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Other Information (continued)

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

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

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

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

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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Report on Other Legal and Regulatory Requirements

Further, we report that these financial statements as at and for the year ended 31 December 2025, comply, in all material respects, with the:

- relevant requirements of the Financial Services Authority; and
- applicable provisions of the Commercial Companies Law of 2019.

Mobeen Chaudhri
18 February 2026

KPMG LLC

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Notes to the financial statements

for the year ended 31 December 2025 (continued)

Statement of financial position

as at 31 December 2025

Assets	Notes	2025 ﷼'000s	2024 ﷼'000s
Non-current assets			
Property, plant and equipment	5	**75,365**	77,654
Right-of-use asset	6	**215**	222
Derivative financial instruments	10	**995**	1,892
Total non-current assets		**76,575**	79,768
Current assets			
Derivative financial instruments	10	**110**	189
Trade and other receivables	7	**1,536**	1,568
Cash and cash equivalents	8	**2,352**	2,286
Total current assets		**3,998**	4,043
Total assets		**80,573**	83,811
Equity and Liabilities			
Equity			
Share capital	9.1	**15,555**	15,555
Legal reserve	9.2	**3,164**	2,920
Retained earnings		**5,824**	4,431
		24,543	22,906
Hedging reserve	10	**939**	1,769
Total equity		**25,482**	24,675
Non-current liabilities			
Term loans	11	**34,922**	38,796
Provision for decommissioning obligation	12	**969**	724
Shareholders' bridge loans	13	**5,167**	5,870
Shareholders' stand-by equity loans	14	**754**	754
Lease liability	15	**237**	241
End-of-service benefits	16	**38**	52
Deferred tax liabilities	24	**6,543**	6,173
Total non-current liabilities		**48,630**	52,610
Current liabilities			
Term loans	11	**3,873**	3,841
Shareholders' bridge loans	13	**700**	600
Lease liability	15	**4**	4
Trade and other payables	17	**1,884**	2,081
Total current liabilities		**6,461**	6,526
Total liabilities		**55,091**	59,136
Total equity and liabilities		**80,573**	83,811
Net assets per share (Baiza)	27	**164**	159

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

Chairman | **Chief Executive Officer**

The accompanying notes 1 to 31 form an integral part of these financial statements.

The independent Auditor's report is set out on pages 1 to 3.

Notes to the financial statements

for the year ended 31 December 2025 (continued)

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2025

	Notes	2025 ﷼'000s	2024 ﷼'000s
Revenue	18	**17,513**	18,206
Cost of sales	19	**(11,182)**	(11,814)
Gross profit		**6,331**	6,392
Other income	20	**28**	168
Administrative and general expenses	21	**(996)**	(967)
Operating profit		**5,363**	5,593
Finance income	23	**46**	41
Finance costs	22	**(2,457)**	(2,701)
Profit for the year before tax		**2,952**	2,933
Income tax	24	**(515)**	(413)
Profit for the year		**2,437**	2,520
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss			
Changes in fair values of derivative financial instruments		**(976)**	342
Deferred tax on changes in fair values of derivative financial instruments	24	**146**	(51)
Other comprehensive income for the year net of income tax	10	**(830)**	291
Total comprehensive income for the year		**1,607**	2,811
Earnings per share – basic and diluted per (Baiza)	26	**16**	16

The accompanying notes 1 to 31 form an integral part of these financial statements.
The independent Auditor's report is set out on pages 1 to 3.

Notes to the financial statements

for the year ended 31 December 2025 (continued)

Statement of changes in equity

for the year ended 31 December 2025

	Share capital	Legal reserve	Retained earnings	Hedging reserve	Total equity
	﷼'000s	﷼'000s	﷼'000s	﷼'000s	﷼'000s
At 1 January 2024	15,555	2,668	2,913	1,478	22,614
Total comprehensive income for the year					
Profit for the year	-	-	2,520	-	2,520
Other comprehensive income net of deferred tax for the year	-	-	-	291	291
Total comprehensive income for the year	-	-	2,520	291	2,811
Transfer to legal reserve	-	252	(252)	-	-
Transactions with owners of company	-	-	-	-	-
Dividend distributed (Note 9.3)	-	-	(750)	-	(750)
At 31 December 2024	15,555	2,920	4,431	1,769	24,675
At 1 January 2025	**15,555**	**2,920**	**4,431**	**1,769**	**24,675**
Total comprehensive income for the year					
Profit for the year	-	-	**2,437**	-	**2,437**
Other comprehensive income net of deferred tax for the year	-	-	-	**(830)**	**(830)**
Total comprehensive income for the year	-	-	**2,437**	**(830)**	**1,607**
Transfer to legal reserve	-	**244**	**(244)**	-	-
Transactions with owners of company	-	-	-	-	-
Dividend distributed (Note 9.3)	-	-	**(800)**	-	**(800)**
At 31 December 2025	**15,555**	**3,164**	**5,824**	**939**	**25,482**

The accompanying notes 1 to 31 form an integral part of these financial statements.
The independent auditor's report is set out on pages 1 to 3.

Notes to the financial statements

for the year ended 31 December 2025 (continued)

Statement of cash flows

for the year ended 31 December 2025

	Notes	2025 ﷼'000s	2024 ﷼'000s
Cash flows from Operating activities			
Profit before tax		**2,952**	2,933
Adjustment for:			
Depreciation	**5**	**2,557**	2,556
Amortisation of right-of-use assets	**6**	**7**	7
Provision for end of service benefits	**16**	**17**	16
Finance costs	**22**	**2,457**	2,701
Finance income	**23**	**(46)**	(41)
Other income	**20**	**(15)**	(122)
Loss/(gain) on disposal of property plant and equipment	**20**	**4**	(3)
Changes in:-		**7,933**	8,047
Trade and other receivables	**7**	**32**	(40)
Trade and other payables		**(121)**	67
End of service benefits paid	**16**	**(31)**	-
Net cash from generated from operating activities		**7,813**	8,074
Cash flows from investing activity			
Additions to property, plant and equipment	**5**	**(81)**	(105)
Proceeds from property, plant and equipment	**5**	**-**	3
Net cash used in investing activity		**(81)**	(102)
Cash flows from financing activities			
Long term loans – repaid	**11**	**(3,918)**	(3,785)
Finance cost paid	**11**	**(2,201)**	(2,453)
Repayment of lease liability	**15**	**(15)**	(15)
Repayment of shareholders bridge loan	**13**	**(600)**	(509)
Interest paid on shareholders bridge loan	**11**	**(132)**	(143)
Dividend distributed	**9.3**	**(800)**	(750)
Net cash used in financing activities		**(7,666)**	(7,655)
Net change in cash and cash equivalents		**66**	317
Cash and equivalents at the beginning of the year		**2,286**	1,969
Cash and cash equivalents at the end of the year	**8**	**2,352**	2,286

The accompanying notes 1 to 31 form an integral part of these financial statements.
The independent auditor's report is set out on pages 1 to 3.

Notes to the financial statements

for the year ended 31 December 2025 (continued)

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.

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 be reflected in the Company's financial statements as at and for the year ending 31 December 2025.

Notes to the financial statements

for the year ended 31 December 2025 (continued)

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.

New accounting standards or amendments	Effective for annual periods beginning on or after
Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)	1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7	1 January 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	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.

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 transection. 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.

Notes to the financial statements

for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

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.

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:

	Years
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.

Notes to the financial statements

for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

Property, plant and equipment (continued)

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.

Derecognisition 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 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.

Notes to the financial statements

for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

Provision for decommissioning obligation (continued)

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.

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.

Notes to the financial statements

for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

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 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.

Notes to the financial statements

for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

Financial instruments (continued)

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.

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:

Notes to the financial statements

for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

Financial instruments (continued)

***Derivative financial instruments* (continued)**

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

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

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

The Company amends the formal hedge documentation by the end of the reporting 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:

- 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.

Notes to the financial statements

for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

Financial instruments (continued)

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:

- 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.

Notes to the financial statements

for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

Financial instruments (continued)

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 deductable 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.

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.

Notes to the financial statements

for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

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;
- 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.

Notes to the financial statements

for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

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.

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.

Notes to the financial statements

for the year ended 31 December 2025 (continued)

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.

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.

Key sources of estimation uncertainty

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

Notes to the financial statements

for the year ended 31 December 2025 (continued)

4. Critical accounting judgements and key sources of estimation uncertainty

Key sources of estimation uncertainty(continued)

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 (continued)

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
Cost									
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	31,347	46,924	19,964	579	667	195	45	3	99,724
1 January 2025	**31,347**	**46,924**	**19,964**	**579**	**667**	**195**	**45**	**3**	**99,724**
Additions	**-**	**24**	**13**	**-**	**2**	**42**	**-**	**-**	**81**
Disposal	**(5)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5)**
Adjustment	**-**	**-**	**-**	**191**	**-**	**-**	**-**	**-**	**191**
Transfer	**-**	**-**	**-**	**-**	**3**	**-**	**-**	**(3)**	**-**
31 December 2025	**31,342**	**46,948**	**19,977**	**770**	**672**	**237**	**45**	**-**	**99,991**
Accumulated depreciation									
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	6,944	10,356	4,415	70	144	107	34	-	22,070
1 January 2025	**6,944**	**10,356**	**4,415**	**70**	**144**	**107**	**34**	**-**	**22,070**
Charge for the year	**784**	**1,200**	**500**	**22**	**17**	**31**	**3**	**-**	**2,557**
Disposal	**(1)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**
31 December 2025	**7,727**	**11,556**	**4,915**	**92**	**161**	**138**	**37**	**-**	**24,626**
Carrying value									
31 December 2025	**23,615**	**35,392**	**15,062**	**678**	**511**	**99**	**8**	**-**	**75,365**
31 December 2024	24,403	36,568	15,549	509	523	88	11	3	77,654

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	2024
	﷼'000s	﷼'000s
Cost of sales (note 19)	**2,523**	2,514
Administrative and general expenses (note 21)	**34**	42
	2,557	2,556

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	2024
	﷼'000s	﷼'000s
Cost		
As at 1 January and 31 December	**264**	264
As at 31 December	**264**	264
Depreciation		
As at 1 January	**42**	35
Charge for the year (Note 19)	**7**	7
As at 31 December	**49**	42
Carrying value		
As at 31 December	**215**	222

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).

Notes to the financial statements

for the year ended 31 December 2025 (continued)

6. Right-of-use asset (continued)

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	2024
	﷼'000s	﷼'000s
Trade receivables	**1,438**	1,479
Prepayments and other receivables	**95**	86
Rental deposits	**3**	3
	1,536	1,568

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	2024
	﷼'000s	﷼'000s
Cash at bank	**1,198**	556
Short term deposits *(maturity within 3 months)*	**1,154**	1,730
	2,352	2,286

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	2024
	﷼'000s	﷼'000s
250,000,000 ordinary shares of 100 Baiza each	**25,000**	25,000

	Issued and fully paid	
155,550,400 shares of 100 Baiza each	**15,555**	15,555

Notes to the financial statements

for the year ended 31 December 2025 (continued)

9. Capital and reserves (continues)

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
	100.0	100.0	

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:

a) 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).

b) 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.

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.

Notes to the financial statements

for the year ended 31 December 2025 (continued)

10. Derivative financial instruments (continued)

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	2024
	﷼'000s	﷼'000s
Current Assets -Less than 1 year	**110**	189
1 to 5 years	**518**	808
More than 5 years	**477**	1,084
Non Current Assets -Total more than 1 year	**995**	1,892
Cumulative changes in fair value	**1,105**	2,081

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.

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

Cumulative changes in fair value are recognised as follows:

	2025	2024
	﷼'000s	﷼'000s
As at 1st 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	**939**	1,769

Notes to the financial statements

for the year ended 31 December 2025 (continued)

10. Derivative financial instruments (continued)

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)
	38,795	42,637
Less: current portion of term loans and deferred finance charges	**(3,873)**	(3,841)
Non-current portion of term loans	**34,922**	38,796

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 facilties 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.

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.

Notes to the financial statements

for the year ended 31 December 2025 (continued)

11. Term loans (continued)

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:

Borrowings	At 1 January ﷼'000s	Repayments during the year ﷼'000s	Non-cash changes ﷼'000s	At 31 December ﷼'000s
2025				
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**
	50,559	**(6,866)**	**2,365**	**46,098**
2024				
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
	54,886	(6,905)	2,618	50,599

12. Provision for decommissioning obligation

	2025 ﷼'000	2024 ﷼'000s
As at 1 January	**724**	234
Change during the period	**191**	446
Unwinding of interest on decommissioning cost provision	**54**	44
As at 31 December 2025	**969**	724

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.

Notes to the financial statements

for the year ended 31 December 2025 (continued)

13. Shareholders' bridge loans

	2025 ﷼'000s	2024 ﷼'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
	5,867	6,470
Less: current portion of Shareholders' bridge loans	**(700)**	(600)
Non-current portion of Shareholders' bridge loans	**5,167**	5,870

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.

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
	754	754

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.

Notes to the financial statements

for the year ended 31 December 2025 (continued)

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	2024
	﷼'000s	﷼'000s
Lease liability recognised in the current year as follows;		
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	**241**	245
Current lease liabilities	**4**	4
Non-current lease liabilities	**237**	241
	241	245

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

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

16. End of service benefits

	2025	2024
	﷼'000s	﷼'000s
1 January	**52**	36
Provided during the year	**17**	16
Paid during the year	**(31)**	-
31 December	**38**	52

Notes to the financial statements

for the year ended 31 December 2025 (continued)

17. Trade and other payables

	2025 ﷼'000s	2024 ﷼'000s
Trade payables	**1,233**	1,371
Other payables	**650**	710
31 December	**1,883**	2,081

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

18. Revenue

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

19. Cost of sales

	2025 ﷼'000s	2024 ﷼'000s
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
	11,182	11,814

20. Other income

	2025 ﷼'000s	2024 ﷼'000s
Warranty settlement claim	**15**	122
Material adverse claim recoveries from NPWP	**11**	39
Other income	**2**	7
	28	168

21. Administrative and general expenses

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

*** 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	2024
	﷼'000s	﷼'000s
Salaries, wages, and other benefits	**389**	377
End of service benefit (note 16)	**17**	16
Contributions to Omani Social Insurance Scheme	**14**	13
	420	406

22. Finance costs

	2025	2024
	﷼'000s	﷼'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
	2,457	2,701

23. Finance income

	2025	2024
	﷼'000s	﷼'000s
Interest income on term deposits	**46**	41
	46	41

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	Recognised in profit or loss
	2025	2024
	﷼'000s	﷼'000s
Current tax		
Tax payable for the year	**-**	-
Deferred tax		
Origination and reversal of temporary differences	**515**	413
	515	413

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	**2,952**	2,933
Income tax @15%	**443**	440
Tax effect on non-deductible expenses	**24**	22
Deferred tax asset reversed/(recognised) on carry forward losses	**48**	(49)
	515	413

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

31 December 2025	**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**
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	**(312)**	**-**	**146**	**(166)**
Net deferred tax liability	**(6,173)**	**(516)**	**146**	**6,543**
31 December 2024				
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	(261)	-	(51)	(312)
Net deferred tax liability	(5,709)	(413)	(51)	(6,173)

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.

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.

Notes to the financial statements

for the year ended 31 December 2025 (continued)

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:

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

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	2024
	﷼'000s	﷼'000s
Key Management benefits		
Short term employee benefits*	**288**	276
Post employment benefits	**14**	17
Termination benefits	**-**	-

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

Notes to the financial statements

for the year ended 31 December 2025 (continued)

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

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

26. Earnings per share

	2025	2024
Profit for the year (﷼ in '000)	**2,437**	2,520
Weighted average number of shares outstanding during the year (in thousands)	**155,550**	155,550
Earnings per share (basic and diluted) (Baiza)	**16**	16

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)	**25,482**	24,675
Number of shares outstanding at year end (in thousands)	**155,550**	155,550
Net assets per share (Baiza)	**164**	159
Net assets per share excluding hedging reserve (Baiza)	**158**	147

Notes to the financial statements

for the year ended 31 December 2025 (continued)

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
	11,322	12,603

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.

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.

Notes to the financial statements

for the year ended 31 December 2025 (continued)

29. Financial instruments (continued)

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

	2025	2024
	﷼'000s	﷼'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
	4,895	5,846

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

	Rating	2025	2024
		﷼'000s	﷼'000s
Nama Power and Water Procurement Co. SOAC	**Baa3**	**1,438**	1,479

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 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	2024
	﷼'000s	﷼'000s
Not past due	**1,438**	1,479
Past due 0 < 3 months	**-**	-
Past due > 3 months and < 1 year	**-**	-
	1,438	1,479

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

	Rating	2025	2024
Bank		**﷼'000s**	﷼'000s
Bank balances:			
Oman Arab Bank	**Baa3**	**438**	538
SMBC Bank International	**A1**	**760**	18
		1,198	556
Short term deposits			
SMBC Bank International	**A1**	**1,154**	1,730

Notes to the financial statements

for the year ended 31 December 2025 (continued)

29. Financial instruments (continued)

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.

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 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	2024
	%	﷼'000s	﷼'000s
Floating rate instruments			
Long term loans	SOFR + margins	**38,795**	42,637
Fixed rate instruments			
Shareholders' bridge loan		**5,867**	6,470
		5,867	6,470

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.

Notes to the financial statements

for the year ended 31 December 2025 (continued)

29. Financial instruments (continued)

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.

	Impact in P&L (100 bp increase)	Impact in P&L (100 bp decrease)
	﷼'000s	﷼'000s
31 December 2025		
Term Loans	**388**	**(388)**
31 December 2024		
Term Loans	426	(426)

	Impact in OCI (100 bp increase)	Impact in OCI (100 bp decrease)
	﷼'000s	﷼'000s
31 December 2025		
Fair value of derivative financial instruments	**11**	**(11)**
31 December 2024		
Fair value of derivative financial instruments	21	(21)

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:

31 December 2025	Carrying amount	Total	Less than 1 year	1 to 5 Years	More than 5 years
			----------Contractual Cash flows----------		
	﷼'000s	﷼'000s	﷼'000s	﷼'000s	﷼'000s
Financial liabilities					
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**	**-**	**-**
	47,541	**58,760**	**8,644**	**26,551**	**23,566**

Notes to the financial statements

for the year ended 31 December 2025 (continued)

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----------		
	﷼'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	-	-
	52,187	65,929	8,943	26,465	30,521

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	2024
	﷼'000s	﷼'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	**(2,352)**	(2,286)
Net debt	**43,064**	47,575
Equity	**25,482**	24,675
Net debt to equity ratio	**1.69**	1.93

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.

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)

29. Financial instruments (continued)

Fair value hierarchy (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	2024
	﷼'000s	﷼'000s
Derivative financial instruments – Level 2	**1,105**	2,081

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.