

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Barka Desalination Company SAOG (the “Company”/“BDC”) was registered and incorporated as a closed Omani joint stock company established on 21 January 2016 under the Commercial Companies Law of Oman. The shareholders at the Company’s Extraordinary General Meeting held on 31 May 2021 approved the conversion of the Company from a closed joint stock company (SAOC) to a public joint stock company (SAOG) by offering its shares for the public subscription. The Company was listed on the Muscat Stock Exchange (“MSX”) on 27 February 2022 and became a listed public company. There is no parent and ultimate parent of the company.

The objectives of the Company are to develop, finance, design, construct, own, operate, maintain a desalination facility at Barka (the “Barka IWP”) in the Sultanate of Oman. The registered address of the Company is at PO Box 252, Postal Code 103, Al Qurm, Bousher, Muscat, Sultanate of Oman.

2. SIGNIFICANT AGREEMENTS

Water purchase agreement

Water Purchase Agreement (“WPA”) dated 2 March 2016 with Oman Power and Water Procurement Company (“OPWP”) for a period 20 years from the scheduled Commercial Operation Date (“COD”), as defined in the WPA. Currently the name changed to Nama Power and Water Procurement (“NPWP”).

Obligation of BDC

BDC as per the WPA shall sell or deliver water produced at the Barka IWP plant only to NPWP. Further, NPWP shall pay BDC for the available water capacity and purchase the water output delivered.

During the construction period, BDC shall construct the seawater desalination facilities (“Plant”), in strict compliance with the terms of the WPA and comply with the applicable requirements during the construction period.

In addition, BDC shall not remove, decommission, dismantle, replace, change, amend or modify any part of the Plant that would affect its obligations under the WPA.

Termination

NPWP has the right to terminate the WPA by serving written notice to BDC in the event of insolvency of BDC, on a material default or on other terms as mentioned in the WPA.

Land agreement

Usufruct Agreement for the plant site dated 2 March 2016 was signed with the Ministry of Housing and Urban Development for grant of exclusive right to use and benefit from the site area for an initial period of 25 years from its execution date. The lease term can be extended for an additional 25 years at the request of the Company, during which the Company has the right to cancel the usufruct agreement, once there is no future benefit to continuing the usufruct agreement.

Engineering Procurement and Construction Contract

Turnkey Engineering Procurement and Construction Contract (“EPC Contract”) dated 3 March 2016 was signed with Vigie Groupe ((formerly Suez Groupe SAS (as novated by Suez International SAS) (formerly Degremont SAS)) to perform the engineering, procurement and construction of the Barka IWP plant.

Operation and Maintenance Contract

Operation and Maintenance Contract (“O&M Contract”) was signed dated 3 March 2016 with Veolia Environment Services SPC (formerly Suez SPC / Suez LLC / Degremont Middle East LLC) for a period of 20 years from the scheduled COD of 1 April 2018.

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For the period ended 30 June 2025 (continued)

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

Statement of compliance and Going Concern

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

Basis of measurement

These financial statements have been prepared on a historical cost basis except for derivative financial instruments which are measured at fair value.

These financial statements are presented in Rial Omani (RO) which is considered as the currency of the primary economic environment in which the Company operates ('the functional and presentation currency'). All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Going Concern

As at 30 June 2025, the Company's current liabilities exceeded current assets by RO 2.513M (31 December 2024 - RO 2.486M). This is because current liabilities include current portion of long-term facilities which will become due for payment in next 12 months. These liabilities are settled, in normal course of business through receipts from revenue contract from customer and if required from existing facilities from lenders or shareholders. Further, the management believes Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the management believes that the Company will continue to operate as a going concern for the foreseeable future and these financial statements are prepared on a going concern basis.

3.2 CHANGES IN ACCOUNTING POLICIES

a) New standards or amendments for 2025 and forthcoming requirements

New standards, amendments to standards and interpretations are effective for the periods beginning on or after 1 January 2025, are set out below:

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

The new standards have no impact on the Company's financial statements as at the period ending 30 June 2025.

b) 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 standards or amendments	Effective date
• <i>Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7</i>	01 January 2026
• <i>Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7</i>	01 January 2026

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For the period ended 30 June 2025 (continued)

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

3.2 CHANGES IN ACCOUNTING POLICIES (continued)

b) New and revised IFRS in issue but not yet effective (continued)

New standards or amendments	Effective date
• Annual Improvements to IFRS Accounting Standards – Volume 11	01 January 2026
• IFRS 18 Presentation and Disclosure in Financial Statements	01 January 2027
• IFRS 19 Subsidiaries without Public Accountability: Disclosures	01 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.

3.3 MATERIAL ACCOUNTING POLICIES

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

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes the amount of cash and cash equivalents paid and the fair value of other consideration given to acquire an asset at the date of acquisition or construction. Each component of an item of property, plant and equipment with a cost that is significant in relation to the item's total cost is depreciated separately. 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 as a difference between sales proceeds and carrying amount of the asset and is recognized in profit or loss. Repairs are charged to profit or loss when the expense is incurred.

Depreciation

Depreciation is calculated so as to write off the cost of property and equipment (other than capital work in progress) on a straight-line basis over their estimated useful lives after taken into consideration residual value of assets and is recognized in profit or loss. The estimated useful lives for this purpose are:

	Years
Civil and structural works	40
Plant and machinery	20 - 40
Pipelines	40
IT systems and office equipment	3
Furniture and fixtures	3
Transportation equipment	3

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NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

3.3 MATERIAL ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Depreciation *(continued)*

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.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits associated in the item of property and equipment. All other maintenance expenditure is recognized in profit and loss as an expense as and when incurred.

Capital work-in-progress

Capital work in progress is measured at cost and is not depreciated until it is transferred into one of the above categories, which occurs when the asset is ready for intended use.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss unless it reverses a previous revaluation that was credited to equity, in which case it is charged to equity.

The recoverable amount of the cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the plant.

The management determines whether there are any indications of impairment to carrying value of property, plant and equipment on an annual basis because of the difference between the duration of the contracted cash flows and accounting depreciation of assets. This requires an estimation of the value in use of the cash generating unit. Estimating the value in use requires the Company to make an estimate of the residual value of the cash generating unit at the end of the term of the WPA considering the expected future cash flows for the period beyond the term of the WPA and also a suitable discount rate in order to calculate the present value of those cash flows.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

Leases

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

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NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

3.3 MATERIAL ACCOUNTING POLICIES *(continued)*

Leases (continued)

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right-of-use assets

The Company recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, as follows:

	Years
Site rent	40
Office rent	3

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.

Lease liabilities

At the commencement date of the lease, lease liabilities is measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

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NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

3.3 MATERIAL ACCOUNTING POLICIES *(continued)*

Short-term leases and leases of low-value assets

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

Company as a lessor

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

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

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

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

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

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

The Company recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of 'other revenue'.

Financial instruments

IFRS 9 Financial Instruments has principle-based requirements for the classification of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. The classification of financial assets under IFRS 9 is generally based on the business model in which the financial asset is managed and contractual cash flows characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade receivables and debt securities are recognised when they are originated. The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

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NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

3.3 MATERIAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

1. Trade and other receivables;
2. Cash and cash equivalents;
3. Short term deposits;
4. Long term loans;
5. Shareholders' loan
6. Trade and other payables;
7. Lease liabilities;
8. Derivatives.

Recognition and initial measurement

Financial assets

On initial recognition, a financial asset (unless it is trade receivable without a significant financing components) is classified as measured at amortised cost; fair value through other comprehensive income – debt instruments; fair value through other comprehensive income – equity instruments; or fair value through profit or loss account. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets 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 fair value through profit or loss account:

It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to prevent subsequent changes in the investments fair value through other comprehensive income. This election is made on an investment-by-investment basis.

Debt instruments where the contractual cash flows are solely principal and interest and the objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.

Financial assets at fair value through profit or loss account

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss account.

This category only includes debt instruments, which the Company intends to hold for the foreseeable future and which the Company has irrevocably elected to classify upon initial recognition or transition. The Company classified its debt instruments at FVTOCI. Debt instruments at FVTOCI are not subject to an impairment assessment under IFRS 9.

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For the period ended 30 June 2025 (continued)

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

3.3 MATERIAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Recognition and initial measurement *(continued)*

Financial liabilities

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss account. A financial liability is classified as at fair value through profit or loss account if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities, at initial recognition, may be designated at fair value through profit or loss if the following criteria are met:

- (i) The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;
- (ii) The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or
- (iii) The financial liability contains an embedded derivative that would otherwise need to be separately recorded.

Financial liabilities at fair value through profit or loss account are measured at fair value and net gains and losses, including any interest expense, are recognised in the profit or loss account.

Subsequent measurement of financial assets

Financial assets

Financial assets carried at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the profit or loss account. Any gain or loss on derecognition is recognised in the profit or loss statement.

Financial assets carried at fair value through other comprehensive income (FVTOCI)

i) Debt instruments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the profit or loss account. Other net gains and losses are recognised in the statement of other comprehensive income. On derecognition, gains and losses accumulated in the statement of other comprehensive income are reclassified to the profit or loss account.

ii) Equity instruments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in the profit or loss account unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in the statement of other comprehensive income and are never reclassified to the profit or loss account.

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NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

3.3 MATERIAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Subsequent measurement of financial assets *(continued)*

Financial assets carried at fair value through other comprehensive income (FVTOCI) (continued)

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

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the profit or loss account. However, see note Derivative financial instruments and hedging for derivatives designated as hedging instruments.

Subsequent measurement of financial liabilities

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

The Company designates a financial liability as measured at FVTPL when it meets the definition of held for trading or when they are designated as such on initial recognition using the fair value option.

Gains and losses on financial liabilities designated as at FVTPL are split into the amount of change in fair value attributable to changes in credit risk of the liability, presented in other comprehensive income, and the remaining amount in profit or loss.

The Company recognises the full amount of change in the fair value in profit or loss only if the presentation of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. That determination is made at initial recognition and is not reassessed.

Cumulative gains or losses presented in other comprehensive income is subsequently transferred within equity.

Financial liabilities not held at FVTPL are subsequently measured at amortised cost using the effective interest method.

The Company's financial liabilities include accounts payable, due to related parties, fair value of derivatives, short term borrowings 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.

Derecognition of financial assets

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

- (i) The rights to receive cash flows from the asset have expired; or
- (ii) The Company retains the right to receive cash flows from the asset, but assumes an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

3.3 MATERIAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition of financial assets (continued)

- (iii) The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in the statement of other comprehensive income is recognised in the profit or loss account.

Any cumulative gain/loss recognised in the statement of other comprehensive income in respect of equity instrument designated as fair value through other comprehensive is not recognised in the profit or loss account on derecognition of such instrument. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

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

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

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 the profit or loss account.

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NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

3.3 MATERIAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets

The Company recognises the loss allowances for 'expected credit loss' ('ECL') on all financial assets at amortised costs. The Company also recognises ECLs on lease receivables, which are part of trade and other receivables.

The Company measures loss allowances at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since the 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 and including forward-looking information.

Lifetime ECL are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from possible default events within the 12 months after the reporting date.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Credit-impaired financial assets

The Company assesses whether there is objective evidence that financial assets carried at amortised cost are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the issuer, default or delinquency by an issuer, indications that an issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Company of assets such as adverse changes in the payment status of issuers. or economic conditions that correlate with defaults in the Company.

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For the period ended 30 June 2025 (continued)

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

3.3 MATERIAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derivative financial instruments and hedge accounting

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk.

A hedging relationship qualifies for hedge accounting only if all of the following criteria are met:

- (i) There is formal designation and documentation of the hedging relationship at the inception of hedge;
- (ii) there is an economic relationship between the hedged item and hedging instrument;
- (iii) the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- (iv) the hedge ratio of the hedging relationship is the same as that resulting from the quantity of hedge item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

As part of risk management strategies, the Company uses derivative financial instruments, such as interest rate swaps, to hedge interest rate sensitivities. These derivative financial instruments qualify for hedge accounting and are designated as cash flow hedges. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Company adjusts the effective portion of the cash flow hedge reserve in equity to the lower of the following:

- (i) the cumulative gain or loss on the hedging instrument from inception of the hedge; and
- (ii) the cumulative change in fair value of the hedged item from inception of the hedge.

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NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

3.3 MATERIAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Effectiveness testing, rebalancing and discontinuation

The Company performs prospective assessment of effectiveness of its cash flow hedges at each reporting date. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and any remaining gain or loss is hedge ineffectiveness which is recognised in profit or loss.

When the Company discontinues hedge accounting for a cash flow hedge, the amount that has been accumulated in the cash flow hedge reserve remains in equity if the hedged future cash flows are still expected to occur, until such cash flows occur. If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified to profit or loss.

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.

The Company discontinues hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after any rebalancing). This includes instances when the hedging instrument expires or is sold, terminated or exercised.

Offsetting of financial instruments

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

Presentation of expected credit losses

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and is charged to the statement of profit or loss.

Write - off

The gross carrying amount of a financial asset is written off when the Company has no reasonable of expectation of recovering a financial asset in its entirety or portion thereof. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, short-term deposits with an original maturity of three months or less from date of placement.

Deposits

Deposits are balances with banks with an original maturity exceeding three months from date of placement.

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

3.3 MATERIAL ACCOUNTING POLICIES *(continued)*

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds, other balances representing a residual interest in the Company's net asset are also presented within the equity.

Legal reserve

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

Dividend

The Board of Directors takes into account appropriate parameters including the requirements of the Capital Market Authority while recommending the dividend. The Company recognises a liability to pay a dividend when it is approved by Board of Directors upto the cap which is approved by the shareholders at the annual general meeting. A corresponding amount is recognised directly in equity.

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.

Interest bearing loans and borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Deferred financing costs

The cost of obtaining 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 the loan.

Employee benefits

End of service benefits are accrued in accordance with the terms of employment of the Group employees at the reporting date, having regard to the requirements of the applicable law and in compliance with IAS-19: 'Employee Benefits'. Employee entitlements to annual leave and leave

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

3.3 MATERIAL ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

salary are recognised when they accrue to employees and an accrual is made for the estimated liability as a result of services rendered by employees up to the reporting date. These accruals are disclosed in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

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

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.

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 profit or loss and as a finance cost.

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

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, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flow estimated to settle the present obligation, the carrying amount is the present value of those cash flows.

Revenues

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

3.3 MATERIAL ACCOUNTING POLICIES (continued)

Revenues (continued)

Capacity charge includes investment charge. Capacity charge compensates the Company for capital and related costs of the Plant. Capacity charge is paid on the basis of Demonstrated Water Capacity made available to the Buyer by the Company, in accordance with contractual terms stipulated in WPA agreement. Capacity charge is recognised on a straight line basis over the term of agreement.

Revenue from operations and maintenance charges, electricity and water charges are recognized overtime when the services are provided.

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

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

Taxation

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

Current tax

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

Deferred tax

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

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

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

3.3 MATERIAL ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax (continued)

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

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

Segment information

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

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

Foreign currency transactions

Transactions in foreign currencies are initially recorded by the Company at its functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Foreign exchange gains and losses are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in statement of profit or loss or statement of other comprehensive income are also recognised in statement of profit or loss or statement of other comprehensive income, respectively).

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.

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

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:

Classification of desalination plant as operating lease

Judgement is required to ascertain whether the WPA agreement with NPWP is a concession arrangement as per IFRIC 12: Service Concession Arrangements or contains a lease as per IFRS 16: Leases and if the agreement contains a lease, judgement is required to classify the lease as an operating lease or a finance lease as per IFRS 16 Leases. Management has evaluated the applicability of IFRIC12: Service Concession Arrangements and concluded that IFRIC12 is not applicable to the arrangement as the useful life of the asset significantly higher than the duration of the WPA and the residual interest is controlled by the Company and not NPWP. Therefore, the Company will be able to continue to generate revenue through use of PPE outside the country as there are no restrictions in the transfer of PPE post the 20 years of WPA.

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.

Significant judgement in determining the lease term of contracts with renewal and termination options – Company as lessee

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

The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or to terminate (e.g., a change in business strategy, construction of significant leasehold improvements or significant customization to the leased asset).

Key estimates

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment in the carrying amounts of assets and liabilities within the next financial year are discussed below:

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key estimates *(continued)*

Useful life and residual value of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful life and residual value of the desalination plant. The useful life of the plant has been determined by the management taken into account various consideration such as appropriate level of componentization, comprehensive maintenance and replacement program in place and technical assessment carried out by the consultant.

Decommissioning obligation

Site restoration costs are based on management's technical assessment of the probable future costs to be incurred in respect of the decommissioning of the plant facilities. The significant uncertainty in estimating the provision is the cost that will be incurred and the applicable discount rate. The expected cost of decommissioning has been determined on the basis of a study by an independent contractor and discounted over 40 years using risk free adjusted discount rate (Note 15).

Hedge accounting

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

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

5. PROPERTY, PLANT AND EQUIPMENT

	Civil and structural works RO'000	Plant and machinery RO'000	Pipeline RO'000	Office equipment RO'000	Furniture and fixtures RO'000	Transportation equipment RO'000	Total RO'000
1 January 2025	42,882	42,099	26,983	41	28	18	112,051
30 June 2025	42,882	42,099	26,983	41	28	18	112,051
Accumulated depreciation							
1 January 2025	(6,970)	(9,834)	(4,386)	(41)	(28)	(18)	(21,277)
Charge for the period	(532)	(750)	(335)	-	-	-	(1,617)
30 June 2025	(7,502)	(10,584)	(4,721)	(41)	(28)	(18)	(22,894)
Net book value							
30 June 2025	35,380	31,515	22,262	-	-	-	89,157
1 January 2024	42,882	42,099	26,983	41	28	18	112,051
31 December 2024	42,882	42,099	26,983	41	28	18	112,051
Accumulated depreciation							
1 January 2024	(5,905)	(8,331)	(3,716)	(40)	(28)	(18)	(18,038)
Charge for the period	(1,065)	(1,503)	(670)	(1)	-	-	(3,239)
31 December 2024	(6,970)	(9,834)	(4,386)	(41)	(28)	(18)	(21,277)
Net book value							
31 December 2024	35,912	32,265	22,597	-	-	-	90,774

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

	30 June 2025 RO'000	30 June 2024 RO'000
Depreciation for Civil and structural works, Plant & machinery and Pipeline form part of Operating cost (note 18)	1,617	1,617
Depreciation for IT systems and office equipment, Furniture and fixtures and Transportation equipment form part of General & administrative cost (note 19)	-	1
	<u>1,617</u>	<u>1,618</u>

The above assets consisting of civil and structural work, plant and machinery and pipeline are subject to operating lease as per Water Purchase Agreement ("WPA") dated 2 March 2016 with Oman Power and Water Procurement Company ("NPWP") for a period 20 years. Depreciation is calculated for the period of 40 years which is same period considered for the usufruct agreement.

The long term loan facilities are secured by a comprehensive legal and commercial mortgage on all the assets of the Company (note 12).

During 2024, 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 7.8%. Based upon impairment testing, no impairment loss recognized as non-financial assets of the Company have lower carrying value as compared to the recoverable amount. Based on the impairment assessment conducted by management, no impairment loss has been recognized, as the carrying amount of the Company's non-financial assets is lower than their recoverable amount. Management has also evaluated the sensitivity of key assumptions, including cost and discount rate, and determined that a 1% increase or decrease in these assumptions would not result in an impairment loss.

6. RIGHT-OF-USE ASSETS

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 2 March 2016. The lease term can be extended by an additional 25 years at the request of the Company. Company calculated both right of use and lease liability for the period of 40 years.

Details of right-of-use assets (ROU) of usufruct contract and office rent is as under:

	30 June 2025 RO'000	31 December 2024 RO'000
Cost		
1 January	620	620
As at period end	<u>620</u>	<u>620</u>
Less: Depreciation		
1 January	(93)	(76)
Charge for the period	(7)	(17)
As at period end	<u>(100)</u>	<u>(93)</u>
Carrying value		
As at period end	<u>520</u>	<u>527</u>

During 2023 the lease contract of office was expired no lease recorded due to which cost and accumulated depreciation derecognized from opening balance.

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

6. RIGHT-OF-USE ASSETS (continued)

	30 June 2025	31 December 2024
	RO'000	RO'000
Amortization for land forming part of Operating cost (note 18)	7	17
Amortization for office rent forming part of General & administrative cost (note 19)	-	-
	<u>7</u>	<u>17</u>

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 12).

7. TRADE AND OTHER RECEIVABLES

	30 June 2025	31 December 2024
	RO'000	RO'000
Trade receivables	1,632	1,631
Due from related parties (note 22)	11	5
Prepayments	98	118
Other receivables	297	303
	<u>2,038</u>	<u>2,057</u>

Trade receivables is amount due from NPWP, the only customer of the company the amount is not past due and the related ECL is immaterial to the financial statement.

8. CASH AND CASH EQUIVALENTS AND SHORT TERM DEPOSITS

	30 June 2025	31 December 2024
	RO'000	RO'000
Cash at bank	2,205	848
Cash and cash equivalents	<u>2,205</u>	<u>848</u>
Short term deposits (maturity exceeding 3 months) (i)	-	1,320
	<u>2,205</u>	<u>2,168</u>

- (i) Bank balances and deposit accounts are placed with reputed financial institutions in Sultanate of Oman and in London with currencies denominated in Rial Omani and USD and carrying interest rate ranging between 3.85% to 4.10%. The management believes that the ECL is immaterial to the financial statements as a whole.

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

9. SHARE CAPITAL

The Company's authorized, issued and paid-up capital consists of 75,522,000 shares of Baisa 100 each. The details of the shareholders are as follows:

	Percentage of share holding	Number of shares	30 June 2025 RO	Percentage of share holding	Number of shares	31 December 2024 RO
I-Environment Investments Middle East Ltd	21.6	16,312,752	1,631,275	21.6	16,312,752	1,631,275
Vigie Groupe (formerly Suez Groupe SAS)	16.2	12,234,564	1,223,457	16.2	12,234,564	1,223,457
Kahrabel FZE	16.2	12,234,564	1,223,456	16.2	12,234,564	1,223,456
W J Towell & Co LLC	6	4,531,320	453,132	6	4,531,320	453,132
Shareholders with less than 5% shareholding	40	30,208,800	3,020,880	40	30,208,800	3,020,880
		<u>75,522,000</u>	<u>7,552,200</u>		<u>75,522,000</u>	<u>7,552,200</u>

Movement of issued and paid up capital

	30 June 2025 RO'000	31 December 2024 RO'000
At the beginning of the period	75,522	75,522
Increase in issued and paid up number of shares	-	-
At the end of the period	<u>75,522</u>	<u>75,522</u>

On 25 February 2021, the Extra-ordinary General Meeting (EGM) of the Company approved the nominal value of the Company's shares to become Baisas 100 instead of one Omani Rial for each share and increasing the authorised capital from 2,000,000 to 7,552,200. EGM also approved increasing Company's issued share capital from OMR 500,000 to OMR 7,552,200, each share of a value of 100 Baisa by issuing new shares as a partial settlement of the Shareholders' loans given to the Company by conversion of OMR 7,052,200 received by the Company under the loans into shares in the Company. On 6 December 2021, Vigie Groupe (formerly Suez Groupe) acquired 20,390,940 shares of the Company from Suez International.

Pursuant to the Extra Ordinary General Meeting held on 31 May 2021, for conversion of the Company to become a Public Joint Stock company (SAOG), the existing shareholders at the time of IPO sold their 40% shares in the Company to the new investors. The Company was listed on the Muscat Stock Exchange ("MSX") on 27 February 2022 and became a listed public company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Dividend

The Board of Directors, at its meeting held on 18 February 2025, resolved the distribution of cash dividends in May and November 2025, 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

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

9. SHARE CAPITAL (continued)

Dividend (continued)

Company as reflected in the Company's audited financial statements for the financial year ended 31 December 2024, provided that the aggregate amount of the dividends shall not exceed 12 Baiza per share. This dividend distribution was approved by the shareholders at the Annual General Meeting held on 19 March 2025 and which was in compliance with the Commercial Companies Law, other applicable Omani legislation and also covenants stipulated in term loan facilities agreements.

On 30 April 2025, the Board of Directors approved for the release of payment pertaining to cash dividend of Baizas 6 per share amounting to RO 453,132 (2024: RO 453,132) to the shareholders of the Company registered with Muscat Clearing and Depositary Company (MCDC) as on 5 May 2025.

10. LEGAL RESERVE

The Commercial Companies Law requires 10% of a Company's net profit to be transferred to a non-distributable legal reserve until the amount of the legal reserve becomes equal to one-third of the Company's fully paid share capital. During the period, 81 KOMR (31 December 2024: 124 KOMR) was transferred to the legal reserve.

11. HEDGING RESERVE

Derivative instruments assets (liabilities) were as follows:

	30 June 2025	31 December 2024
	RO'000	RO'000
<i>Interest rate swaps:</i>		
Term loans (note 12)		
MUFG Securities EMEA plc	3,556	4,283
Credit Agricole Corporate & Investment Bank	1,664	2,093
Total fair value of interest rate swaps	5,220	6,376
Deferred tax (liability)	(783)	(956)
Fair value of interest rate swaps net of tax	4,437	5,420
Hedging reserve net of tax at the end of the period	4,437	5,420
Less: Hedging reserve net of tax at the beginning of the period	(5,420)	(5,048)
Effective portion of change in fair value of cash flow hedge for the period	(983)	372

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

11. HEDGING RESERVE (continued)

The table below shows the fair values of the interest rate swaps, which are equivalent to the market values, together with the net exposure analyzed by the term to maturity.

	Fair value RO'000	Notional amount RO'000	Net exposure by term to maturity		
			1 – 12 month RO'000	More than 1 up to 5 years RO'000	More than 5 years RO'000
30 June 2025					
Interest rate swaps	<u>5,246</u>	<u>34,274</u>	<u>2,406</u>	<u>10,280</u>	<u>21,588</u>
 31 December 2024					
Interest rate swaps	<u>6,376</u>	<u>35,440</u>	<u>2,387</u>	<u>10,086</u>	<u>22,967</u>

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

After the transition, the interest rate swaps have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Company applies hedge accounting and the mismatch between the hedging instrument and the hedged item is recognised into profit or loss. As of 30 June 2025, hedge was 82.5% effective.

Long term loan

The long-term loan facilities – tranche A (note 12) of the Company bears interest at SOFR plus applicable margins.

In accordance with the Facilities Agreement, the Company is required to enter into interest rate hedging agreements to mitigate exposure to fluctuating interest rates. Tranche B carries a fixed interest rate of 2.21% per annum plus the fixed margin. Additionally, for this facility, there is no hedge agreement in place.

The Company has entered into an interest rate swap agreement with Mitsubishi UFJ Securities International plc and Credit Agricole Corporate and Investment Bank related to the long-term loan facility – tranche A at the fixed rate of 1.1425% per annum.

As at the reporting date, 82.5% (2024: 82.5%) of the principal amount was covered under these agreements.

The fair value movement of Negative RO 983,000 (31 December 2024: Positive RO 372,000) has been included in other comprehensive income, net of deferred tax.

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

12. HEDGING RESERVE (continued)

The interest rate swaps have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Company applies hedge accounting to remove the accounting mismatch between the hedging instrument and the hedged item since all critical terms matched during the period and the economic relationship was 100% effective. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate loans.

Hedge ineffectiveness for interest rate swaps may occur due to:

- (i) the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- (ii) differences in critical terms between the interest rate swaps and loans.

Derivatives are only used for economic hedging purposes and not as speculative investments.

12. LONG TERM LOAN

	30 June 2025	31 December 2024
	RO'000	RO'000
Long term loan – tranche A	51,460	53,039
Long term loan – tranche B	17,153	17,680
Less: un-amortised transaction costs (i)	(906)	(974)
	<u>67,707</u>	<u>69,745</u>
Less: current portion	<u>(4,172)</u>	<u>(4,133)</u>
Non-current portion	<u>63,535</u>	<u>65,612</u>

The Company has entered into an agreement dated 3 March 2016 to obtain term loan facilities up to RO 96,569,734 (USD 251,156,655) composed of Tranche A with floating interest rate at a rate of USD LIBOR changed to LIBOR to SOFR plus applicable margin and Tranche B with fixed interest rate of 2.21% per annum plus applicable fixed margin. The Company only hedged interest rate exposure for long term loan – tranche A.

The above facilities are secured by comprehensive legal and commercial mortgages on all the assets of the Company.

The term loan facilities contain certain covenants pertaining to, amongst other things, liquidation and merger, entering into material new agreements, negative pledge, disposal of asset, granting of loan and guarantee, acquisition of capital assets, debt service coverage ratio, change of business, etc., which the Company is required to comply.

The facilities agreements contain certain covenants relating to liquidity. These include restrictions on the debt / equity ratio, the debt service coverage ratio. The Company satisfied these covenants for the interest period in 2025. The Company expects to comply with the covenants for at least 12 months after the reporting date.

The term loan facilities are repayable in bi-annual installments due from 30 September 2018 until 30 September 2037.

In July 2017, the United Kingdom Financial Conduct Authority ('FCA'), which regulates the London Interbank Offered Rate ('LIBOR'), announced that 6 month USD Libor would cease after June 2023. In a process of LIBOR transition to new bench mark, the Company entered into Amendment Agreement on 13 March 2024, by which, the Company changed the benchmark from LIBOR to SOFR plus ISDA fallback Credit Adjustment Spread.

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

12. LONG TERM LOAN (continued)

- (i) The un-amortised transaction costs are commitment and upfront fees that are directly attributable to the acquisition of aforementioned credit facility. The Company has included these transaction costs in the loan amount initially recognized dated 3 March 2016 and amortize these costs over the life of the credit facility using effective interest rate.

The movement in unamortized transaction costs is as follows:

	30 June 2025	31 December 2024
	RO'000	RO'000
At the beginning of the period	974	1,117
Amortised during the period	(68)	(143)
At the end of the period	<u>906</u>	<u>974</u>

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	Repayments during the period	Non-cash changes	At Period End
	RO'000	RO'000	RO'000	RO'000
30 June 2025				
Loan from shareholders	3,936	(262)	28	3,702
Long term loans	69,745	(2,105)	68	67,708
Interest on long term loans	1,161	(2,032)	1,946	1,075
Interest on loan from shareholders	35	(102)	97	30
	<u>74,877</u>	<u>(4,501)</u>	<u>2,139</u>	<u>72,515</u>
31 December 2024				
Loan from shareholders	4,442	(574)	68	3,936
Long term loans	73,503	(3,901)	143	69,745
Interest on long term loans	1,235	(3,201)	3,127	1,161
Interest on loan from shareholders	38	(183)	180	35
	<u>79,218</u>	<u>(7,859)</u>	<u>3,518</u>	<u>74,877</u>

13. SHAREHOLDERS' LOAN

The Company has entered into an agreement with WJ Towell & Co LLC dated 3 March 2016 to obtain unsecured shareholder loan facility. The Company has also entered into agreements with I-Environment Investments Middle East Ltd, Vigie Groupe (formerly Suez Groupe SAS) (as novated by Suez International SAS) and Kahrabel FZE on 9 September 2019 for unsecured shareholder loan facilities.

	30 June 2025	31 December 2024
	RO'000	RO'000
Proceeds from shareholders' loan (note 22)	4,099	4,361
Fair value adjustment	(397)	(425)
	<u>3,702</u>	<u>3,936</u>
Less: current portion	(477)	(507)
Non-current portion	<u>3,225</u>	<u>3,429</u>

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

13. SHAREHOLDERS' LOAN (continued)

These loans are repayable by the Company as per the terms and conditions of the Financing Documents (timing of repayment is discretionary and will take into account availability of cash flows). Interest on the facilities is charged at a fixed rate of 4.6%. The Company measures its shareholders' loan at fair value at initial recognition.

The fair value differential, being the difference between the proceeds of shareholders' loan received and its fair value, is recognized as shareholder loan reserve within equity with a corresponding increase in shareholders' loan liability. Subsequently, these loans are amortized using market effective interest rate and the differential between contractual interest and markup charged to profit or loss is adjusted from shareholders loan reserve to retained earning within equity. Accumulated interest as at 30 June 2024 is RO 30K (31 December 2024: RO 34K).

14. LEASE LIABILITIES

The Company has entered into a lease agreement with Ministry of Housing and Urban Development, on 2nd March 2016 in respect of the land used for the plant, which is valid for the period of 25 years (refer note 1.1). The lease term can be extended for additional 25 years at the request of the Company. Also, the Company has the right to cancel the usufruct agreement once there is no future benefits to continue in the usufruct agreement.

As per the management assessment, the Company controls the residual interest of the assets and they are able to utilize the assets for its useful life in the appropriate place of their option.

	30 June 2025	31 Decem ber 2024
	RO'000	RO'000
Gross lease liability related to right-of-use assets	1,385	1,405
Future finance charges on finance leases	(799)	(814)
Present value of lease liabilities	586	591
The maturity of lease liabilities is as follows:		
Current	6	6
Non-Current	580	585

i. Amounts recognized in profit or loss:

	30 June 2025 RO'000	30 June 2024 RO'000
Finance cost (note 20)	18	18
Depreciation for the period (note 6)	7	10

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

14. LEASE LIABILITIES (continued)

ii. Amounts recognised in statement of cash flows:

	30 June 2025 RO'000	30 June 2024 RO'000
Total cash outflow for leases	41	41

15. PROVISION FOR DECOMMISSIONING OBLIGATION

	30 June 2025 RO'000	31 December 2024 RO'000
At the beginning of the period	1,175	1,102
Unwinding of discount during the period (note 20)	38	74
At the end of the period	<u>1,213</u>	<u>1,176</u>

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 2 March 2016 and is subject to renewal for a further period of 25 years. Accordingly the provision calculated an assumption of decommissioning on the year 2058 which match with the end of useful life of the plant.

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.

As at 31 December 2022, a study was carried out by an independent consultant to re-evaluate the asset retirement obligation provision. Based on the valuation report, the asset retirement obligation provision was reduced by RO 354,000 and recorded as remeasurement of asset retirement obligation liability. The provision has been calculated by the Company using a discount rate of 6.5% per annum which is a risk free rate.

At the reporting date, management assess that there are no significant changes as compared to the last independent study conducted as at 31 December 2022 on the Asset retirement obligation and hence the management amortized the retirement cost accordingly.

16. TRADE AND OTHER PAYABLES

	30 June 2025 RO'000	31 December 2024 RO'000
Due to related parties (note 22)	380	362
Accrued interest on term loans	1,075	1,128
Other accrued expenses	646	575
	<u>2,101</u>	<u>2,065</u>

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

17. REVENUE

	30 June 2025	30 June 2024
	RO'000	RO'000
Water capacity charges	4,101	4,123
Operating and maintenance charges	1,843	1,854
Water output charges	598	665
Electricity charge	2,992	3,303
	<u>9,534</u>	<u>9,945</u>

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

18. OPERATING COSTS

	30 June 2025	30 June 2024
	RO'000	RO'000
Electricity cost	2,923	3,255
Capacity fee	1,342	1,459
Contract variable fee for plant operation	678	715
Depreciation on property, plant and equipment (note 5)	1,619	1,618
Insurance plant related	81	80
Depreciation on right-of-use assets (note 6)	7	10
Other operating costs	19	13
	<u>6,669</u>	<u>7,150</u>

19. GENERAL AND ADMINISTRATIVE EXPENSES

	30 June 2025	30 June 2024
	RO'000	RO'000
Staff costs (see below)	63	69
Professional and consultancy fees (a)	22	32
Director sitting fees	10	14
Agency fees	12	18
Director & Officers Insurance	3	5
Depreciation on right-of-use assets (note 6)	-	-
Depreciation on property, plant and equipment (note 5)	-	1
Other general and administrative expenses	78	78
	<u>185</u>	<u>217</u>

In 2023, the office lease contract expired, and no lease was recorded as the office is part of a shared service arrangement (refer note 22)

Staff costs are as follows:

	30 June 2025	30 June 2024
	RO'000	RO'000
Salaries, wages, and other benefits	58	67
End of service benefit	-	-
Contributions to Omani Social Insurance Scheme	5	2
	<u>63</u>	<u>69</u>

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

19 (b) EMPLOYEE END OF SERVICE BENEFIT

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

	30 June 2025	31 December 2024
	RO'000	RO'000
Balance as at 1 January	-	-
Accrued during the period	-	-
Paid during the period	-	-
Balance as at the period end	-	-

There are no expat employees on the payroll of the company.

20. FINANCE EXPENSE

	30 June 2025	30 June 2024
	RO'000	RO'000
Finance Costs		
Interest on long term loans	1,978	2,390
Interest on shareholders' loan	128	137
Interest (income)/expense on interest rate swap	(555)	(818)
Amortization of deferred finance cost (note 12)	68	72
Unwinding of interest on decommissioning cost (note 15)	38	36
Interest expense on lease liability (note 14)	18	18
Others	3	3
	<u>1,678</u>	<u>1,838</u>
Finance income		
Interest income-short term deposit/call account	38	33
	<u>38</u>	<u>33</u>

21 TAXATION

Tax expense recognised in the statement of profit or loss:

The Company is liable for income tax at the rate of 15% as per the Omani tax laws. The taxation charge for the period is comprised of:

	30 June 2025	30 June 2024
	RO'000	RO'000
Deferred taxation (Origination and reversal of temporary difference)		
- Current period	245	276
- Prior period	-	-
	<u>245</u>	<u>276</u>

The following is a reconciliation of income tax on the accounting profit with the tax expenses at the applicable tax of 15% (2024:15%):

	30 June 2025	30 June 2024
	RO'000	RO'000
Profit before tax	1,052	797
Income tax @ 15%	158	120
Tax effect on non-deductible expenses	19	21
Deferred tax asset not recognised on tax losses	68	135
Prior period deferred tax	-	-
	<u>245</u>	<u>276</u>

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

21 TAXATION (continued)

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

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

	Asset / (liability) as at 1 January 2025 RO'000	Recognised in profit or loss and other comprehensive income during the period RO'000	Asset / (liability) as at 30 June 2025 RO'000
Decommissioning cost	24	6	30
Carry forward tax losses	593	-	593
Property, plant and equipment	(5,335)	(251)	(5,586)
	<u>(4,718)</u>	<u>(245)</u>	<u>(4,963)</u>

Deferred tax assets recognized in other comprehensive income

Fair value adjustment of interest rate swap

	(956)	173	(783)
	<u>(5,674)</u>	<u>(72)</u>	<u>(5,746)</u>

	Asset / (liability) as at 1 January 2024 RO'000	Recognised in profit or loss and other comprehensive income during the period RO'000	Asset / (liability) as at 31 December 2024 RO'000
Decommissioning cost	13	11	24
Carry forward tax losses	593	-	593
Property, plant and equipment	(4,776)	(560)	(5,336)
	<u>(4,170)</u>	<u>(549)</u>	<u>(4,719)</u>

Deferred tax assets recognized in other comprehensive income

Fair value adjustment of interest rate swap

	(891)	(65)	(956)
	<u>(5,061)</u>	<u>(615)</u>	<u>(5,675)</u>

Status of tax returns

The tax returns for the year 2016 to 2020 have been assessed by the Secretariat General of Taxation at the Ministry of Finance. Whereas the returns for 2021 to 2023 have not yet been assessed. The management is of the opinion that the final tax liability for the years from 2021 to 2023 would not be material to the Company's financial position as at 30 June 2025.

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

21 TAXATION (continued)

The Company has recognized deferred tax asset of RO 593,000 on tax losses of RO 3,950,561 for the year 2020. Government of Oman declared Economic Stimulus Plan (ESP) allowing to carry forward the losses for unlimited period. 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.

Tax Losses Carried forward

Tax losses for which no deferred tax assets recognised expire as follows

	30 June 2025 RO	Expiry Date	31 December 2024 RO	Expiry Date
Expire	8,958,925	2025-2028	8,958,925	2025-2028

22. RELATED PARTIES

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.

The Company maintains significant balances with these related parties which arise in the normal course of business from commercial transactions and are entered into on mutually agreed terms and conditions. These balances are unsecured.

Following transactions were incurred with the entities having significant influence over the Company:

	Nature of Relationship	30 June 2025 RO'000	31 December 2024 RO'000
Balances			
Due from related parties (note 7)			
Veolia LLC	Subsidiary of shareholder having significant influence	11	5
		<u>11</u>	<u>5</u>
Balances			
Due to related parties (note 16)			
Operational activities (i)			
Veolia Environment Services SPC (O&M)	Subsidiary of shareholder having significant influence	349	328
Accrued interest on shareholders' loan (note 13)			
I-Environments Investments Middle East Ltd	Shareholder	11	12
Vigie Groupe (formerly Suez Groupe SAS)	Shareholder	8	9
Kahrabel FZE	Shareholder	8	9
W J Towell & Co	Shareholder	3	4
		<u>30</u>	<u>34</u>
		<u>379</u>	<u>362</u>

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

22. RELATED PARTIES (continued)

- (i) Operation and Maintenance Contract ("O&M Contract") was signed dated 3 March 2016 with Veolia Environment Services SPC (formerly Suez SPC / Suez LLC / Degremont Middle East LLC) for a period of 20 years from the scheduled COD of 1 April 2018.

	30 June 2025 RO'000	31 December 2024 RO'000
Shareholders' loan (note 14)		
I-Environments Investments Middle East Ltd	1,475	1,569
Vigie Groupe (formerly Suez Groupe SAS)	1,106	1,177
Kahrabel FZE	1,107	1,177
W J Towell & Co	410	438
	<u>4,098</u>	<u>4,361</u>

Following transactions were incurred with the entities having significant influence over the Company:

	30 June 2025	30 June 2024
Vigie Groupe (formerly Suez Groupe SAS) (Shareholder)		
Shareholder loan repayment	70	80
DSRA Fees	-	-
Interest accrued	27	27
	<u>97</u>	<u>107</u>
Transactions		
I-Environments Investments Middle East Ltd (Shareholder)		
Shareholder loan repayment	94	107
Interest accrued	37	36
	<u>131</u>	<u>143</u>
Itochu Corporation (Subsidiary of shareholder having significant influence)		
DSRA fees	1	-
Kahrabel FZE (Shareholder)		
Shareholder loan repayment	70	80
Interest accrued	27	27
	<u>97</u>	<u>107</u>
International Power SA (Subsidiary of shareholder having significant influence)		
DSRA Fees	-	-
W J Towell & Co LLC (Shareholder)		
DSRA Fees	1	1
Shareholder loan repayment	26	30
Interest accrued	10	10
	<u>37</u>	<u>41</u>
SMN Barka Power Company SAOC (Subsidiary of shareholder having significant influence)		
Reimbursement of office electricity	-	-

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

22. RELATED PARTIES (continued)

	30 June 2025 RO'000	30 June 2024 RO'000
Veolia LLC (Subsidiary of shareholder having significant influence)		
Advisory services rendered	(12)	(25)
Shared services received	44	37
	<u>32</u>	<u>12</u>
Veolia Environment Services SPC (formerly Suez SPC) (Subsidiary of shareholder having significant influence)		
Operating costs (capacity and variable operating fees including owners' risks)	2,020	2,174

All above transactions doesn't contain funding component, except for shareholders' loan related transactions.

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 top two employees including key management personnel for the period ended are as follows:

	30 June 2025 RO'000	30 June 2024 RO'000
Key management benefits		
Short term employee benefits	27	51
Post employment benefits	-	-

23. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management is carried out in order to identify, evaluate, mitigate and monitor financial risks.

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

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 receivables from customers.

The potential risk in respect of amounts receivables is limited to their carrying values as management regularly reviews these balances whose recoverability is in doubt.

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

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

23. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

	30 June 2025	31 December 2024
	RO'000	RO'000
Derivative instruments (note 11)	5,220	6,376
Trade receivables (note 7)	1,632	1,631
Other receivables (note 7)	297	303
Due from a related party (note 22)	11	5
Short term deposit (note 8)	-	-
Cash and cash equivalents (note 8)	2,205	2,168
	<u>9,365</u>	<u>10,483</u>

The exposure to credit risk for trade receivables at the reporting date was due entirely from NPWP.

Age analysis of trade receivables as at period end was:

	30 June 2025	31 December 2024
	RO'000	RO'000
Not past due	1,632	1,631
Past due 0 < 3 months	-	-
Past due > 3 months and < 1 year	-	-
	<u>1,632</u>	<u>1,631</u>

There is no impairment of receivables at the reporting date.

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

	Rating	30 June 2025	31 December 2024
		RO'000	RO'000
Bank			
Bank balances:			
Oman Arab Bank	Ba3	2,182	815
SMBC Bank International	A1	23	33
		<u>2,205</u>	<u>848</u>
Deposits			
Oman Arab Bank	Ba3	-	-
Trade receivables			
NPWP	Ba1	1,631	1,631
Short term deposits			
Oman Arab Bank	Ba3	-	1,320
		<u> </u>	<u> </u>

23. FINANCIAL RISK MANAGEMENT (continued)

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet 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 limits its liquidity risk by ensuring that a working capital facility is available, when required.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

The following are the contractual maturities of financial liabilities, including interest payments:

	Carrying amount RO'000	Contractual cash flows RO'000	Up to 1 year RO'000	1 to 5 year RO'000	Above 5 year RO'000
30 June 2024					
Long term loan	67,674	87,352	8,145	26,337	52,870
Shareholders' loan	3,949	10,219	659	1,375	8,185
Lease liabilities	586	1,385	41	165	1,179
Trade and other payables	1,269	2,101	2,101	-	-
	<u>73,478</u>	<u>101,057</u>	<u>10,946</u>	<u>27,877</u>	<u>62,234</u>
31 December 2024					
Long term loan	70,719	87,841	8,634	26,337	52,870
Shareholders' loan	3,936	10,320	760	1,375	8,185
Lease liabilities	591	1,405	41	165	1,199
Trade and other payables	2,065	2,065	2,065	-	-
	<u>77,311</u>	<u>101,631</u>	<u>11,500</u>	<u>27,877</u>	<u>62,254</u>

Market risk

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

1 Currency risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the US Dollar. The foreign currency risk is minimal as the US Dollar is effectively pegged to the Rial Omani.

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

23. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

2 Interest rate risk

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

	Interest rate	30 June 2025	31 December 2024
	%	RO'000	RO'000
Floating rate instruments			
Long term loans – tranche A	SOFR + margins	<u>51,460</u>	<u>53,039</u>
Fixed rate instruments			
Long term loans – tranche B		17,153	17,680
Shareholders' loan		<u>4,099</u>	<u>4,361</u>
		<u>21,252</u>	<u>22,041</u>

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

Interest on long term loans - tranche A

Period	% of Cover
3 March 2016 – 1 April 2019	90
1 April 2019 – 1 August 2019	70
1 August 2019 – 30 September 2021	100
30 September 2021 – 31 March 2026	82.5
From 1 April 2026	80

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Company does not designate hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rate at the reporting date would not affect profit or loss.

The Company has hedged this cash flow risk at 100% through interest rate swaps for the period from 30 August 2019 to 30 September 2021. From that date till 31 March 2026, the Company has hedged this cash flow at 82.5% through interest rate swaps.

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

23. FINANCIAL RISK MANAGEMENT (continued)

2 Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss		Equity, net of tax	
	100 bps Increase RO'000	100 bps Decrease RO'000	100 bps Increase RO'000	100 bps Decrease RO'000
30 June 2025				
Variable rate instrument	437	(437)	-	-
Interest rate swap	(89)	89	1,142	(1,142)
	<u>348</u>	<u>(348)</u>	<u>1,142</u>	<u>(1,142)</u>
31 December 2024				
Variable rate instrument	451	(451)	-	-
Interest rate swap	(238)	238	1,272	(1,272)
	<u>213</u>	<u>(213)</u>	<u>1,272</u>	<u>(1,272)</u>

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

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

Fair value of financial instruments

The management believes that the fair value of the financial assets and liabilities are not significantly different from their carrying amounts as shown in the financial statements at the reporting date.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Level 2	Valuation technique	Significant un-observable inputs
Derivative instruments (assets / (liabilities))	Market comparison technique: fair value is calculated by the respective financial institutions	Not applicable

There are no other financial assets at fair value at the reporting date. Further, there were no transfers between Level 1, Level 2 and Level 3 during the period.

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

23. FINANCIAL RISK MANAGEMENT (continued)

Embedded derivatives

The following agreements contain embedded derivatives:

- i. The WPA between the Company and NPWP contains embedded derivatives in the pricing formula that adjusts the charge rates to reflect changes in USD / RO currency exchange rates and changes in US price index and the Oman price index.
- ii. The O&M Agreement contains embedded derivatives in the pricing formula that adjust the payments to reflect changes in USD / RO currency exchange rates and changes in US price index and the Oman price index.

These embedded derivatives are not separated from the host contract, the WPA and the O&M Agreement, and is not accounted for as a standalone derivative under IFRS 9, as the management believes that the economic characteristics and risks associated with the embedded derivatives are closely related to those of the host contracts.

Equity price risk

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

Capital management

The capital of the Company comprises paid-up capital, retained earnings, shareholder loan reserve and hedging reserve. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and benefit other stakeholders. The management's policy is to maintain a strong capital base so as to sustain future development of the business. Capital requirements are prescribed by the Commercial Companies Law of Sultanate of Oman and the loan agreements.

24. COMMITMENTS

Operation and maintenance commitment

As per the O&M Agreement, Veolia Environment Services SPC will operate and maintain the Company's plant until 31 March 2038. 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 are as follow:

	30 June 2025	31 December 2024
	RO'000	RO'000
Less than one year	2,880	2,802
One to two years	3,001	2,927
Two to three years	3,091	3,106
Three to four years	3,136	2,930
Four to five years	3,787	3,714
More than five years	27,055	28,832
	<u>42,905</u>	<u>44,311</u>

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NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

25. OPERATING LEASE ARRANGEMENT WHERE THE COMPANY ACTS AS A LESSOR

As disclosed in note 1 to these audited financial statements, the Company has entered into a WPA with NPWP for a substantial element of the production of water based on availability. As disclosed in note 4, management has determined that the WPA with NPWP is covered under IFRS 16 Leases and such arrangement in substance represents an operating lease under IFRS 16 Leases. The agreement expires 20 years after the Scheduled Commercial Operation Date of 1 April 2018.

The following is the total of future minimum lease receipts expected to be received under the WPA:

	30 June 2025	31 December 2024
	RO'000	RO'000
Less than one year	12,104	12,073
One to two years	12,168	12,136
Two to three years	12,267	12,201
Three to four years	12,328	12,300
Four to five years	12,457	12,402
More than five years	100,703	106,894
	<u>162,027</u>	<u>168,006</u>

26. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the net profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

	30 June 2025	30 June 2024
Net profit for the period (RO'000)	807	521
Weighted average number of shares outstanding during the period ('000s) (i)	75,522	75,522
Basic and diluted earnings per share (RO)	<u>0.0107</u>	<u>0.0069</u>

(i) *Weighted average number of shares outstanding during the period*

	30 June 2025	31 December 2024
At 1 January	75,522	75,522
Increase in issued number of shares	-	-
At period end	<u>75,522</u>	<u>75,522</u>

BARKA DESALINATION COMPANY SAOG

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the period ended 30 June 2025 (continued)

27. NET ASSETS PER SHARE

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

	30 June 2025	31 December 2024
Net assets (RO in '000)	18,085	18,714
Number of shares outstanding at period end ('000s)	75,522	75,522
Net asset value per share (RO)	<u>0.239</u>	<u>0.248</u>

28. APPROVAL OF THE AUDITED FINANCIAL STATEMENTS

The audited financial statements were approved by the Board of Directors and authorised for issue in their meeting held on 23 July 2025.