

SHARQIYAH DESALINATION COMPANY SAOG

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS For the period ended 30 September 2025 (Unaudited)

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

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

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

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

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

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

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

2 SIGNIFICANT AGREEMENTS

The Company has entered into the following significant agreements:

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

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

The key elements of the WPA are as follows:

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

(ii) *Novation Agreement dated 25 December 2014*

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

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2 SIGNIFICANT AGREEMENTS (continued)

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

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

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

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

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

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

(vi) *EPC contract dated 23 March 2015*

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

(vii) *Usufruct agreement dated 17 January 2007*

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

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

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

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

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

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

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

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

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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS For the period ended 30 September 2025 (Unaudited)

2 SIGNIFICANT AGREEMENTS *(continued)*

(xi) *Loan agreement dated 15 May 2007*

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

(xii) *Loan agreement dated 26 March 2015*

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

(xiii) *Solar generation equipment Agreement dated 16 April 2023*

The agreement was entered by the Company with Total energies Renewables Orient LLC, a lessor, a company registered in the Sultanate of Oman. The lessor leases the solar power generation equipment to the Company. The commercial date of operation was 16th April 2023, and the capacity of the solar Guaranteed Contracted Power Capacity (GCPC) is 17 MWp dc. The contract shall expire on 31 March 2036 (see note 10).

3 BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional currency

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

(d) Use of judgement

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

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

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

Furthermore, the residual value of the assets will have substantial value at the conclusion of the WPA and the Company will be able to continue to generate revenue through water taking into account the government's future plans to deregulate the water sector in Oman. Hence it is concluded that IFRIC 12 is not applicable.

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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS For the period ended 30 September 2025 (Unaudited)

3 BASES OF PREPARATION *(continued)*

(d) Use of judgement *(continued)*

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

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

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

(ii) *Asset retirement obligation*

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

The company has a usufruct agreement with the Ministry of Housing Oman from the COD of the plant that is valid for 25 years. As per clause 11 of the usufruct agreement, on the expiry date of the usufruct term, the Government may require the company either to remove all the structure or to sell and transfer the plant to the government at the mutually agreed price.

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

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

(e) Use of estimates

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

(i) *Measurement of fair values*

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

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

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS For the period ended 30 September 2025 (Unaudited)

3 BASIS OF PREPARATION *(continued)*

(e) Use of estimates *(continued)*

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

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

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

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

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

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

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

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

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

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

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

(iii) *Deferred tax assets*

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

(iv) *Hedge accounting*

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS For the period ended 30 September 2025 (Unaudited)

3 BASIS OF PREPARATION *(continued)*

(f) Change in the accounting policies

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

New and revised IFRS in issue and effective

- Amendment to IAS 7 and IFRS 7, Supplier Finance Arrangements.
- Amendments to IFRS 16, Lease liability in a sale and leaseback.

New and revised IFRS in issue and effective (continued)

The Company has adopted Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to IAS 1, as issued in 2020 and 2022. The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2025. They clarify certain requirements for determining whether a liability should be classified as current or non-current and require new disclosures for non-current liabilities that are subject to covenants within 3 months after the reporting period. Despite the change in policy, there is no current period or retrospective impact on the comparative statement of financial position as of 30 September 2025.

The change in accounting policy will also be reflected in the Company's financial statements as at and for the year ending 30 September 2025.

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.

- Lack of Exchangeability – Amendments to IAS 21 – Effective date of 1 January 2025
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IAS 10 and IAS 28).

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

4 MATERIAL ACCOUNTING POLICIES

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

4.1 Financial Instruments

Initial measurement of financial instruments

All financial assets and financial liabilities recognised when the company becomes a party to the contractual provisions of the instrument.

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

a) *Classification of financial assets*

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
For the period ended 30 September 2025 (Unaudited)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.1 Financial Instruments (continued)

a) Classification of financial assets (continued)

The classification and measurement categories are:

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

(1) Financial assets carried at amortised cost;

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

- (a) The asset is held within a “business model” whose objective is to hold assets to collect contractual cash flows;
 - (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit (SPPI) on the principal amount outstanding.
- a) The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

(b) SPPI test

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

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

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

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

i) Debt instruments at FVOCI

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

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

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

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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS For the period ended 30 September 2025 (Unaudited)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.1 Financial Instruments (continued)

(b) SPPI test (continued)

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

ii) Equity instruments at FVOCI

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

The Company have no equity instruments at FVOCI.

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

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

Subsequent measurement of financial assets

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

Subsequent measurement of financial liabilities

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

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

a) Impairment of financial assets

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

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

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4 MATERIAL ACCOUNTING POLICIES (continued)

4.1 Financial Instruments (continued)

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

a) Impairment of financial assets (continued)

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

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

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

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

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

4.1.1 Derivative financial instruments

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

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

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

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

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

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

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4 MATERIAL ACCOUNTING POLICIES (continued)

4.1 Financial Instruments (continued)

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

a) Impairment of financial assets (continued)

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

4.1.2 Hedge accounting

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

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

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

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

4.1.3 Cash flow hedge

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

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

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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS For the period ended 30 September 2025 (Unaudited)

4 MATERIAL ACCOUNTING POLICIES *(continued)*

4.1 Financial Instruments *(continued)*

4.1.4 Cash and cash equivalents

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

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

4.1.5 Derecognition of financial assets and financial liabilities

Financial assets

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

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

Financial liabilities

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

Offsetting of financial instruments

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

There is a currently enforceable legal right to offset the recognised amounts and;
There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.2 Foreign currency transactions and balances

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

4.3 Property and equipment

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

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
For the period ended 30 September 2025 (Unaudited)

4 MATERIAL ACCOUNTING POLICIES *(continued)*

4.3 Property and equipment *(continued)*

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

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

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

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

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

4.4 Leases

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

Company as a lessee

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

Right-of-use asset

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

Motor vehicles	3 to 5 years
Solar equipment	13 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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

Lease liabilities

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS For the period ended 30 September 2025 (Unaudited)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.4 Leases (continued)

Lease liabilities (continued)

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

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

Short-term leases and leases of low-value assets

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

Company as a lessor

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

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

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

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

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

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

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS For the period ended 30 September 2025 (Unaudited)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.4 Leases (continued)

Company as a lessor (continued)

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

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

4.5 Fair values

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

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

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

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

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

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

4.6 Employees' end of service benefits

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

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

4.7 Trade and other payable

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS For the period ended 30 September 2025 (Unaudited)

4 MATERIAL ACCOUNTING POLICIES *(continued)*

4.8 Provisions

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

4.9 Revenue

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

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

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

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

4.10 Finance charges

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

4.11 Income tax

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

Current tax

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

Deferred tax

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

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

SHARQIYAH DESALINATION COMPANY SAOG

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

For the period ended 30 September 2025 (Unaudited)

4 MATERIAL ACCOUNTING POLICIES *(continued)*

4.11 Income tax *(continued)*

Deferred tax (continued)

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

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

4.12 Directors' remuneration

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

4.13 Segment information

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

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

4.14 Share capital

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

4.15 Legal reserve

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

4.16 Trade and other receivables

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

4.17 Dividend

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

4.18 Earnings per share

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

SHARQIYAH DESALINATION COMPANY SAOG

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS For the period ended 30 September 2025 (Unaudited)

4 MATERIAL ACCOUNTING POLICIES (continued)

4.19 Impairment of non-financial assets

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

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

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

5 REVENUE

	<i>Unaudited 3 months ended 30 September 2025 RO</i>	<i>Unaudited 3 months ended 30 September 2024 RO</i>	<i>Unaudited 9 months ended 30 September 2025 RO</i>	<i>Unaudited 9 months ended 30 September 2024 RO</i>
Operation and maintenance charges	1,013,456	1,152,420	3,080,524	3,452,865
Electricity charges	588,219	843,482	1,812,320	2,491,827
Interest income on finance lease	1,087,036	1,175,647	3,313,214	3,581,833
	<u>2,688,711</u>	<u>3,171,549</u>	<u>8,206,058</u>	<u>9,526,525</u>

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

6 COST OF SALES

	<i>Unaudited 3 months ended 30 September 2025 RO</i>	<i>Unaudited 3 months ended 30 September 2024 RO</i>	<i>Unaudited 9 months ended 30 September 2025 RO</i>	<i>Unaudited 9 months ended 30 September 2024 RO</i>
Operation and maintenance fixed charges	1,035,699	1,097,799	3,134,074	3,285,370
Operation and maintenance charges	331,925	342,731	1,008,057	983,794
Electricity charges	326,029	656,291	999,544	1,901,390
Depreciation	27,990	25,700	83,960	76,627
Amortisation of Intangible asset	5,161	5,162	15,478	15,484
Depreciation – right-of-use asset (note 11)	98,086	98,087	294,260	294,260
Desalination licence fee	9,433	7,048	28,299	22,228
	<u>1,834,323</u>	<u>2,232,818</u>	<u>5,563,672</u>	<u>6,579,153</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS For the period ended 30 September 2025 (Unaudited)

SHARQIYAH DESALINATION COMPANY SAOG

7 (a) ADMINISTRATIVE AND GENERAL EXPENSES

	<i>Unaudited 3 months ended 30 September 2025 RO</i>	<i>Unaudited 3 months ended 30 September 2024 RO</i>	<i>Unaudited 9 months ended 30 September 2025 RO</i>	<i>Unaudited 9 months ended 30 September 2024 RO</i>
Employee related costs (see below)	71,755	98,861	219,948	295,101
Legal and professional expenses	27,241	20,169	69,854	87,498
Insurance	30,674	14,810	96,096	43,378
Depreciation – fixed assets (note 9)	4,171	5,205	12,630	17,054
Directors' sitting fee	9,375	9,000	26,800	27,000
Depreciation – right-of-use asset (note 11)	1,184	1,184	3,553	3,553
Travelling expenses	2,181	3,544	12,799	18,676
Miscellaneous expense	4,430	12,858	29,217	34,321
	<u>151,011</u>	<u>165,631</u>	<u>470,897</u>	<u>526,581</u>

Employee related expenses are as follows:

Salaries, wages and other benefits	70,855	94,618	213,295	282,806
End of service benefit	-	592	-	4,408
Contributions to Omani Social Insurance Scheme	900	3,651	6,653	7,887
	<u>71,755</u>	<u>98,861</u>	<u>219,948</u>	<u>295,101</u>

7 (b) EMPLOYEE END OF SERVICE BENEFIT

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

	<i>Unaudited 30 September 2025 RO</i>	<i>Unaudited 30 September 2024 RO</i>	<i>Audited 31 December 2024 RO</i>
Balance as at 1 January	33,726	101,962	101,962
Accrued during the period / year	-	4,408	4,408
Paid during the period / year	-	(72,644)	(72,644)
	<u>33,726</u>	<u>33,726</u>	<u>33,726</u>

8 (a) FINANCE COST

	<i>Unaudited 3 months ended 30 September 2025 RO</i>	<i>Unaudited 3 months ended 30 September 2024 RO</i>	<i>Unaudited 9 months ended 30 September 2025 RO</i>	<i>Unaudited 9 months ended 30 September 2024 RO</i>
Interest on long term loans	601,257	683,163	1,763,021	2,102,098
Income from hedge (note 16)	(116,562)	(161,378)	(285,157)	(463,446)
Amortisation of deferred finance cost	23,668	22,342	70,530	67,027
Guarantee commission (see note 22)	10,500	9,857	28,000	29,930
Agency fee and role fee	10,233	11,004	30,392	30,457
Interest on leases	56,559	60,690	172,809	185,073
	<u>585,655</u>	<u>625,678</u>	<u>1,779,595</u>	<u>1,951,139</u>

SHARQIYAH DESALINATION COMPANY SAOG

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS For the period ended 30 September 2025 (Unaudited)

8 (b) FINANCE INCOME

	<i>Unaudited 3 months ended 30 September 2025 RO</i>	<i>Unaudited 3 months ended 30 September 2024 RO</i>	<i>Unaudited 9 months ended 30 September 2025 RO</i>	<i>Unaudited 9 months ended 30 September 2024 RO</i>
Interest income from call account	19,426	17,168	56,316	51,954
	<u>19,426</u>	<u>17,168</u>	<u>56,316</u>	<u>51,954</u>

9 PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings RO</i>	<i>Plant & Equipment RO</i>	<i>Office equipment RO</i>	<i>Furniture and fixtures RO</i>	<i>Computer and accessories RO</i>	<i>Total RO</i>
Cost						
1 January 2025	104,285	760,686	100,303	112,863	117,278	1,195,415
Addition	-	-	-	-	-	-
30 September 2025	<u>104,285</u>	<u>760,686</u>	<u>100,303</u>	<u>112,863</u>	<u>117,278</u>	<u>1,195,415</u>
Depreciation						
1 January 2025	103,435	487,385	89,163	85,467	105,198	870,648
Charge for the period	637	83,960	2,559	5,734	3,699	96,589
30 September 2025	<u>104,072</u>	<u>571,345</u>	<u>91,722</u>	<u>91,201</u>	<u>108,897</u>	<u>967,237</u>
Net book value						
30 September 2025	<u>213</u>	<u>189,341</u>	<u>8,581</u>	<u>21,662</u>	<u>8,381</u>	<u>228,178</u>

	<i>Buildings RO</i>	<i>Plant & Equipment RO</i>	<i>Office equipment RO</i>	<i>Furniture and fixtures RO</i>	<i>Computer and accessories RO</i>	<i>Total RO</i>
Cost						
1 January 2024	104,285	691,746	100,303	112,863	117,278	1,126,475
Addition	-	7,550	-	-	-	7,550
30 September 2024	<u>104,285</u>	<u>699,296</u>	<u>100,303</u>	<u>112,863</u>	<u>117,278</u>	<u>1,134,025</u>
Depreciation						
1 January 2024	101,781	384,291	85,512	77,822	96,753	746,159
Charge for the period	1,441	76,627	2,747	5,734	7,132	93,681
30 September 2024	<u>103,222</u>	<u>460,918</u>	<u>88,259</u>	<u>83,556</u>	<u>103,885</u>	<u>839,840</u>
Net book value						
30 September 2024	<u>1,063</u>	<u>238,378</u>	<u>12,044</u>	<u>29,307</u>	<u>13,393</u>	<u>294,185</u>

SHARQIYAH DESALINATION COMPANY SAOG

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS For the period ended 30 September 2025 (Unaudited)

9 PROPERTY, PLANT AND EQUIPMENT (continued)

	<i>Buildings RO</i>	<i>Plant & Equipment RO</i>	<i>Office equipment RO</i>	<i>Furniture and fixtures RO</i>	<i>Computer and accessories RO</i>	<i>Total RO</i>
Cost						
1 January 2024	104,285	691,746	100,303	112,863	117,278	1,126,475
Addition	-	68,940	-	-	-	68,940
31 December 2024	104,285	760,686	100,303	112,863	117,278	1,195,415
Depreciation						
1 January 2024	101,781	384,291	85,512	77,822	96,753	746,159
Charge for the year	1,654	103,094	3,651	7,645	8,445	124,489
31 December 2024	103,435	487,385	89,163	85,467	105,198	870,648
Net book value						
31 December 2024	850	273,301	11,140	27,396	12,080	324,767

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

	Unaudited 30 September 2025 RO	Unaudited 30 September 2024 RO
Cost of goods sold	83,960	76,627
Administrative and General expenses	12,629	17,054
	96,589	93,681

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

10 INTANGIBLE ASSETS

	Unaudited 30 September 2025 RO	Unaudited 30 September 2024 RO	Audited 31 December 2024 RO
Software (for Plant)			
Cost			
Opening	137,674	137,674	137,674
Transfer from CWIP	-	-	-
Closing	137,674	137,674	137,674
Depreciation			
Opening	39,593	18,946	18,946
Charge for the period	15,478	15,484	20,647
Closing	55,071	34,430	39,593
Net book value 30 September 2025	82,603	103,244	98,081

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

SHARQIYAH DESALINATION COMPANY SAOG

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS For the period ended 30 September 2025 (Unaudited)

11 RIGHT OF USE ASSETS**

	Vehicles* RO	Solar Power Equipment*** RO	Total RO
Cost			
At 1 January 2025	18,948	5,100,512	5,119,460
Addition	-	-	-
30 September 2025	18,948	5,100,512	5,119,460
Depreciation			
At 1 January 2025	12,726	670,260	682,986
Charge for the period	3,553	294,261	297,814
30 September 2025	16,279	964,521	980,800
Net book value 30 September 2025	2,669	4,135,991	4,138,660

* Vehicle obtained for the period of 5 years.

** As further disclosed in note 21 of the financial statement, the company has a right to use the land owned by the Ministry of Housing. The company is required to make a nominal payment of RO 1,000 each year which is considered immaterial for financial statements as per IFRS 16.

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

	Vehicles* RO	Solar Power Equipment*** RO	Total RO
Cost			
At 1 January 2024	18,948	5,100,512	5,119,460
Addition	-	-	-
31 December 2024	18,948	5,100,512	5,119,460
Depreciation			
At 1 January 2024	7,989	277,913	285,902
Charge for the year	4,737	392,347	397,084
31 December 2024	12,726	670,260	682,986
Net book value 31 December 2024	6,222	4,430,252	4,436,474

SHARQIYAH DESALINATION COMPANY SAOG

For the period ended 30 September 2025 (Unaudited)

12 FINANCE LEASE RECEIVABLE

	<i>Unaudited</i> 30 September 2025 <i>RO</i>	<i>Unaudited</i> 30 September 2024 <i>RO</i>	<i>Audited</i> 31 December 2024 <i>RO</i>
At 1 January	51,592,320	55,451,130	55,451,131
Add: Finance income	3,313,214	3,581,833	4,757,480
Less: Lease instalments	(6,444,515)	(6,444,514)	(8,616,291)
Less: Provision for expected credit loss	(14,286)	(36,693)	(14,286)
	<u>48,446,733</u>	<u>52,551,756</u>	<u>51,578,034</u>

The Company calculated the expected credit loss on finance lease receivable and recorded a provision for expected credit loss in statement of financial position of RO 14,286.

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

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

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

	Unaudited 30 September 2025 RO	Unaudited 30 September 2024 RO	Audited 31 December 2024 RO
Non-current - net of interest	43,952,280	48,424,326	47,361,992
Current - net of interest	4,494,453	4,127,430	4,216,042
	<u>48,446,733</u>	<u>52,551,756</u>	<u>51,578,034</u>

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

	Unaudited 30 September 2025 RO	Unaudited 30 September 2024 RO	Audited 31 December 2024 RO
Less than one year	8,616,291	8,616,291	8,616,291
One to two years	8,616,291	8,616,291	8,616,291
Two to three years	8,616,291	8,616,291	8,616,291
Three to four years	8,616,291	8,616,291	8,616,291
Four to five years	8,616,291	8,616,291	8,616,291
More than five years	30,484,558	39,100,848	32,571,231
Total undiscounted lease receivables	73,566,013	82,182,303	75,652,686
Unearned finance income	(25,119,280)	(29,630,547)	(24,074,652)
Net investment in the lease	48,446,733	52,551,756	51,578,034

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

SHARQIYAH DESALINATION COMPANY SAOG

For the period ended 30 September 2025 (Unaudited)

13 TRADE AND OTHER RECEIVABLES

	<i>Unaudited</i> <i>30 September 2025</i> <i>RO</i>	<i>Unaudited</i> <i>30 September 2024</i> <i>RO</i>	<i>Audited</i> <i>31 December 2024</i> <i>RO</i>
Financial assets			
Receivable from NPWP	1,461,318	1,418,450	1,465,321
ECL Provision	(411)	(888)	(411)
Non-financial assets			
Prepayments / Advance to suppliers	63,656	66,956	35,388
VAT Due From Government	93,710	121,491	118,573
	<u>1,618,273</u>	<u>1,606,009</u>	<u>1,618,871</u>

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

14 CASH AND CASH EQUIVALENTS

	<i>Unaudited</i> <i>30 September 2025 RO</i>	<i>Unaudited</i> <i>30 September 2024</i> <i>RO</i>	<i>Audited</i> <i>31 December</i> <i>2024 RO</i>
Cash in hand	-	-	-
Bank balances	2,819,502	2,903,442	1,842,278
Provision for expected credit loss	(511)	(618)	(511)
	<u>2,818,991</u>	<u>2,902,824</u>	<u>1,841,767</u>

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

15 SHARE CAPITAL AND RESERVES

(a) Share capital

Authorised share capital comprises 105,000,000 ordinary shares (30 September 2025 105,000,000 ordinary shares).

Issued and fully paid share capital of the Company is RO 9,780,216 (2024: RO 9,780,216) as follows:

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

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

For the period ended 30 September 2025 (Unaudited)

(b) *Legal reserve*

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

(c) *Dividend distribution*

In an Annual General Meeting held on 6 March 2024 the shareholders' approved the distribution of a cash dividend at rate of 15.00% of the share capital (RO 1,467,032).

In an Annual General Meeting held on 16 March 2025 the shareholders' approved the distribution of a cash dividend at rate of 15.00% of the share capital (RO 1,467,032).

16 DERIVATIVE FINANCIAL INSTRUMENTS

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

- (i) RO 9.75 million (USD 25.31 million) at a fixed interest rate of 5.55% per annum, and
- (ii) In the range of 2.645% to 2.675% for the top-up swaps amounting to RO 19.01 million (USD 49.36 million).

	<i>Unaudited 30 September 2025 RO</i>	<i>Unaudited 30 September 2024 RO</i>	<i>Audited 31 December 2024 RO</i>
Opening -Net on 01 January	1,411,375	910,248	910,248
Fair value of the cash flow hedge adjustment – gross	(432,148)	164,450	1,094,662
Reclassification to profit or loss – gross	(285,157)	(463,446)	(593,535)
Closing- Net on 30 September/ 31 December	694,070	611,252	1,411,375
Derivative Asset	996,176	1,098,242	1,677,677
Derivative Liability	(302,106)	(486,990)	(266,302)
Closing- Net on 30 September/ 31 December	694,070	611,252	1,411,375

At 30 September 2025, 6-month SOFR was approximately 4.21% (31 December 2024: 4.49%), whereas the Company has fixed interest on its borrowings as described above. Based on the interest rates gap, over the life of the ISDA, the indicative gains were assessed at approximately RO 0.7 million (gains 31 December 2024: RO 0.5 million) by the counterparties to the ISDA.

In order to comply with International Financial Reporting Standard 9 "Financial Instruments: Recognition and Measurement" this hedge is being tested for its effectiveness and, consequently, ineffective and effective portions are being recognised in profit or loss and other comprehensive income, respectively. The fair value of the hedge instruments' indicative loss at 30 September 2025 in the amount of approximately RO 0.717 million (31 December 2024: gain of RO 0.501 million), net of deferred tax, has been recorded within equity and the gross loss in the amount of RO 0.610 million (31 December 2024: excess of RO 0.426 million) is recorded under asset / liabilities.

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Notional amounts by term to maturity					
	<i>Positive / (Negative) fair value of derivatives RO'000</i>	<i>Notional Amount RO'000</i>	<i>1 - 12 Months RO'000</i>	<i>More than 1 up to 5 years RO'000</i>	<i>Over 5 years RO'000</i>
30 September 2025					
Interest rate swaps	<u>694</u>	<u>21,724</u>	<u>5,241</u>	<u>16,483</u>	<u>-</u>
31 December 2024					
Interest rate swaps	<u>1,411</u>	<u>23,896</u>	<u>5,118</u>	<u>18,778</u>	<u>-</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 September 2025, hedge was 87% effective.

17 LONG TERM LOAN

	<i>Unaudited 30 September 2025 RO</i>	<i>Unaudited 30 September 2024 RO</i>	<i>Audited 31 December 2024 RO</i>
Term loan (syndicated)	32,767,298	36,137,758	34,404,379
Less: deferred finance cost	(859,550)	(952,303)	(929,961)
At 30 September / 31 December	<u>31,907,748</u>	<u>35,185,455</u>	<u>33,474,418</u>
Current	3,543,799	3,370,461	3,473,179
Non-current	28,363,949	31,814,994	30,001,239
	<u>31,907,748</u>	<u>35,185,455</u>	<u>33,474,418</u>

The movement in the loan balance of OMR 1,637,081 representing the loan repayment made during the period.

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

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

The facilities agreements contain 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 3 months after the reporting date.

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS For the period ended 30 September 2025 (Unaudited)

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

18 (a) TRADE AND OTHER PAYABLES

	<i>Unaudited</i> <i>30 September</i> <i>2025 RO</i>	<i>Unaudited</i> <i>30 September</i> <i>2024 RO</i>	<i>Audited</i> <i>31 December</i> <i>2024 RO</i>
Accruals	1,217,860	1,232,180	723,297
Trade payables	120,469	119,985	204,136
VAT Due to tax authority	188,711	208,362	207,020
	<u>1,527,040</u>	<u>1,560,527</u>	<u>1,134,453</u>

Related parties' balances are set out in note 22.

18 (b) DEFERRED REVENUE

	<i>Unaudited</i> <i>30 September</i> <i>2025 RO</i>	<i>Unaudited</i> <i>30 September</i> <i>2024 RO</i>	<i>Audited</i> <i>31 December</i> <i>2024 RO</i>
Balance as at 1 January	262,421	274,028	274,028
Recognised to profit or loss during the period	(9,406)	(8,608)	(11,607)
Balance as at 30 September / 31 December	<u>253,015</u>	<u>265,420</u>	<u>262,421</u>
Non-current	239,759	253,288	250,289
Current	13,256	12,132	12,132
	<u>253,015</u>	<u>265,420</u>	<u>262,421</u>

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

19 LEASE LIABILITIES

	<i>Unaudited</i> <i>30 September</i> <i>2025 RO</i>	<i>Unaudited</i> <i>30 September</i> <i>2024 RO</i>	<i>Audited</i> <i>31 December</i> <i>2024 RO</i>
Lease liability recognised in the current year as follows;			
At 1 January	4,590,002	4,902,040	4,902,040
Addition during the year	-	-	-
Retirement of lease	-	-	-
Interest expense	172,809	185,073	244,747
Payments during the period / year	(415,695)	(417,762)	(556,785)
As at	<u>4,347,116</u>	<u>4,669,351</u>	<u>4,590,002</u>
Current lease liabilities	333,766	317,217	325,725
Non-current lease liabilities	4,013,350	4,352,134	4,264,277
	<u>4,347,116</u>	<u>4,669,351</u>	<u>4,590,002</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

For the period ended 30 September 2025 (Unaudited)

Extension option

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

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

20 INCOME TAX

The taxation charges for the year comprise:

	<i>Unaudited 3 months ended 30 September 2025 RO</i>	<i>Unaudited 3 months ended 30 September 2024 RO</i>	<i>Unaudited 9 months ended 30 September 2025 RO</i>	<i>Unaudited 9 months ended 30 September 2024 RO</i>
Current Tax				
Tax payable for the year	(75,522)	-	(209,536)	-
Deferred Tax				
Origination and reversal of temporary differences	51,979	(23,669)	137,514	(81,162)
	<u>(23,543)</u>	<u>(23,669)</u>	<u>(72,722)</u>	<u>(81,162)</u>

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

	<i>Unaudited 3 months ended 30 September 2025 RO</i>	<i>Unaudited 3 months ended 30 September 2024 RO</i>	<i>Unaudited 9 months ended 30 September 2025 RO</i>	<i>Unaudited 9 months ended 30 September 2024 RO</i>
Accounting profit before tax for the period	137,149	140,590	448,210	521,606
Tax at the rate of 15%	(20,572)	(21,089)	(67,231)	(78,241)
Add tax effect of:				
Expenses not allowed in tax	-	-	-	-
Others	(2,971)	(2,580)	(4,791)	(2,921)
Tax expense for the period	<u>(23,543)</u>	<u>(23,669)</u>	<u>(72,022)</u>	<u>(81,162)</u>

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 expenses. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
For the period ended 30 September 2025 (Unaudited)

20 INCOME TAX (continued)

SHARQIYAH DESALINATION COMPANY SAOG

	<i>1 January 2025 RO</i>	<i>Recognised in income RO</i>	<i>Recognised in OCI RO</i>	<i>30 September 2025 RO</i>
Financial lease receivable	3,647,541	(129,276)	-	3,518,265
Carry forward taxable losses	-	-	-	-
Right of use	665,470	(44,671)	-	620,799
Lease liabilities	(688,500)	36,433	-	(652,067)
Provision for ECL written back	(2,281)	-	-	(2,281)
Fair value of derivative financial instruments	211,708	-	(107,597)	104,111
Net deferred tax liability	<u>3,833,938</u>	<u>(137,514)</u>	<u>(107,597)</u>	<u>3,588,827</u>
	<i>1 January 2024 RO</i>	<i>Recognised in income RO</i>	<i>Recognised in OCI RO</i>	<i>31 December 2024 RO</i>
Financial lease receivable	3,730,641	(83,100)	-	3,647,541
Carry forward taxable losses	(130,900)	130,900	-	-
Right of use	725,033	(59,563)	-	665,470
Lease liabilities	(735,306)	46,806	-	(688,500)
Provision for ECL written back during the year	(5,730)	3,449	-	(2,281)
Fair value of derivative financial instruments	136,539	-	75,169	211,708
Net deferred tax liability	<u>3,720,277</u>	<u>38,492</u>	<u>75,169</u>	<u>3,833,938</u>

Status of tax returns

An assessment of the Company has been completed up to the tax year 2020 by the tax authorities.

The tax returns for the year 2021 to 2024 have not yet been assessed by the Secretariat General of Taxation at the Ministry of Finance.

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

21 Commitments and contingencies

Usufruct right fees

	<i>Unaudited 30 September 2025 RO</i>	<i>Audited 31 December 2024 RO</i>
Usufruct right fee	<u>13,000</u>	<u>14,000</u>

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS For the period ended 30 September 2025 (Unaudited)

22 RELATED PARTY TRANSACTIONS AND BALANCES

SHARQIYAH DESALINATION COMPANY SAOG

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.

<i>Amounts due from related parties</i>	<i>Nature of relationship</i>	<i>Unaudited 30 September 2025 RO</i>	<i>Unaudited 30 September 2024 RO</i>	<i>Audited 31 December 2024 RO</i>
Bahwan Veolia Water LLC	Subsidiary of shareholder having significant influence	-	703	-
Veolia LLC	Subsidiary of shareholder having significant influence	72,040	85,236	81,258
Seureca Muscat LLC	Subsidiary of shareholder having significant influence	-	448	-
Veolia Environmental Services	Subsidiary of shareholder having significant influence	-	-	-
Veolia Al Bashair	Subsidiary of shareholder having significant influence	-	-	-
Veolia Arabia – Saudi Arabia	Subsidiary of shareholder having significant influence	-	-	-
		<u>72,040</u>	<u>86,387</u>	<u>81,258</u>

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

<i>Amounts due to related parties</i>	<i>Nature of relationship</i>	<i>Unaudited 30 September 2025 RO</i>	<i>Unaudited 30 September 2024 RO</i>	<i>Audited 31 December 2024 RO</i>
Veolia Eau Compagnie Generale des Eaux	Subsidiary of shareholder having significant influence	3,099	3,099	3,099
Veolia LLC	Subsidiary of shareholder having significant influence	18,600	39,174	-
Bahwan Veolia Water LLC	Subsidiary of shareholder having significant influence	917,882	1,033,924	1,030,510
Enova Facilities Management Services LLC	Subsidiary of shareholder having significant influence	-	1,341	-
		<u>939,581</u>	<u>1,077,538</u>	<u>1,033,609</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS For the period ended 30 September 2025 (Unaudited)

22 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

SHARQIYAH DESALINATION COMPANY SAOG

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

Transactions with related parties during the period are as below:

	Unaudited 30 September 2025 RO	Unaudited 30 September 2024 RO	Audited 31 December 2024 RO
<i>Bahwan Veolia Water LLC (Subsidiary of shareholder having significant influence)</i>			
Operation and maintenance services incurred	4,179,756	4,631,442	6,185,586
Other services incurred	-	-	-
Payments made for the services	(4,292,384)	(4,609,530)	(6,165,478)
Services rendered	(6,525)	(3,292)	4,105
Cash received for services rendered	6,525	51,547	53,063
<i>Veolia LLC (Subsidiary of shareholder having significant influence)</i>			
Services incurred	187,235	237,611	323,708
Payments made for the services	(168,635)	(245,146)	(358,382)
Services rendered	(82,307)	(115,878)	(143,324)
Cash received for services rendered	91,525	231,612	263,035
<i>Veolia Environmental Services SPC (Subsidiary of shareholder having significant influence)</i>			
Services rendered	-	-	-
Cash received for services rendered	-	-	-
<i>Veolia Al Bashar (Subsidiary of shareholder having significant influence)</i>			
Services rendered	-	-	-
Cash received for services rendered	-	-	-
Services incurred	-	-	-
Payments made for the services	-	-	-
<i>Veolia Arabia (Subsidiary of shareholder having significant influence)</i>			
Services rendered	-	-	-
Cash received for services rendered	-	-	-
<i>Middle East Investment (Subsidiary of shareholder having significant influence)</i>			
Services rendered	-	-	(2,625)
Cash received for services rendered	-	-	2,625
<i>Enova Facilities Management Services LLC (Subsidiary of shareholder having significant influence)</i>			
Services incurred	-	-	-
Payments made for the services	-	(1,341)	-
<i>Seureca Muscat LLC (Subsidiary of shareholder having significant influence)</i>			
Services rendered	-	(448)	-
Cash received for services rendered	-	1429	-

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS For the period ended 30 September 2025 (Unaudited)

SHARQIYAH DESALINATION COMPANY SAOG

	<i>Unaudited 3 months ended 30 September 2025 RO</i>	<i>Unaudited 3 months ended 30 September 2024 RO</i>	<i>Unaudited 9 months ended 30 September 2025 RO</i>	<i>Unaudited 9 months ended 30 September 2024 RO</i>
Key management benefits				
Board of Directors sitting fees	7,650	6,750	22,200	12,750
Audit committee sitting fees	1,750	1,500	3,450	3,000
Remuneration committee sitting fees	-	-	1,150	3,000
Directors remuneration - Accrual	-	8,250	-	8,250
Key management remuneration	15,421	21,108	61,685	103,113

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

23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

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

- Credit risk
- Liquidity risk
- Market risk

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

(i) Credit risk

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

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

Particulars	<i>Unaudited 30 September 2025 RO</i>	<i>Unaudited 30 September 2024 RO</i>	<i>Audited 31 December 2024 RO</i>
Derivative instruments	996,175	1,098,242	1,677,677
Finance lease receivable (note 12)	48,446,733	52,551,757	51,578,034
Trade receivables (note 13)	1,461,318	1,417,562	1,465,321
Amount due from related parties (note 22)	72,040	86,387	81,258
Bank balances (note 14)	2,818,991	2,902,824	1,841,767
	53,795,257	58,056,772	56,644,057

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS For the period ended 30 September 2025 (Unaudited)

SHARQIYAH DESALINATION COMPANY SAOG

23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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

Bank	Rating	Unaudited 30 September 2025 RO	Audited 31 December 2024 RO
Bank balances			
Oman Arab Bank (OAB)	Ba3	2,810,542	1,809,239
SMBC Bank	A1	8,960	33,040
		=====	=====
Trade receivables			
NPWP	Ba1	1,461,318	1,465,321
		=====	=====
Finance lease receivable			
NPWP	Ba1	48,446,733	51,578,034
		=====	=====
Due from Related party			
Veolia LLC	Baa1	72,040	81,258
		=====	=====

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

Age analysis of trade receivables is as follows:

	Unaudited 30 September 2025 RO	Allowance for impairment	Audited 31 December 2024 RO	Allowance for impairment
Not past dues	1,461,318	411	1,465,321	411
	=====	=====	=====	=====
	1,461,318	411	1,465,321	411
	=====	=====	=====	=====

(i) Credit risk (continued)

The closing loss allowances for trade receivables, lease receivables and cash and cash equivalent as at 30 September 2025 reconcile to the opening loss allowances as follows:

	Unaudited 30 September 2025 RO	Audited 31 December 2024 RO
Opening loss allowance as at 1 January calculated under IFRS 9	38,199	38,199
Account receivables	(477)	(477)
Lease receivables	(22,407)	(22,407)
Cash and cash equivalents	(107)	(107)
	=====	=====
At 30 September / 31 December	15,208	15,208
	=====	=====

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

For the period ended 30 September 2025 (Unaudited)

23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)
(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. A liquidity report is prepared monthly and reviewed by the Executive Management. Sufficient bank facilities are in place to meet the Company's liquidity needs for the foreseeable future, the Company's bankers will continue to meet their obligations and provide facilities (see note 12) and NPWP will meet its obligations under the WPA to purchase water from the Company at prices determined therein.

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

The following table presents undiscounted contractual flows of financial liabilities, comprising principal payments and interest flows:

	Cash Flows				
	Carrying Amount RO	Contractual cash flow RO	Less than 1 year RO	More than 1 to 5 years RO	More than 5 years RO
30 September 2025					
Derivative Financial Instruments	302,106	(302,106)	(72,885)	(229,221)	-
Term loans (note 17)	32,767,298	(37,881,249)	(4,754,070)	(26,783,375)	(6,343,804)
Trade and other payables (note 18)	1,527,040	(1,527,040)	(1,527,040)	-	-
Amounts due to related parties (note 22)	939,581	(939,581)	(939,581)	-	-
Lease liability (note 19)	4,347,116	(5,620,267)	(503,862)	(2,737,854)	(2,378,551)
	<u>39,883,141</u>	<u>(46,270,243)</u>	<u>(7,797,438)</u>	<u>(29,750,450)</u>	<u>(8,722,355)</u>
31 December 2024					
Derivative Financial Instruments	266,302	(266,302)	(64,247)	(202,055)	-
Term loans (note 17)	34,404,379	(40,172,014)	(2,290,764)	(26,099,358)	(11,781,891)
Trade and other payables (note 18)	1,134,453	(1,134,453)	(1,134,453)	-	-
Amounts due to related parties (note 22)	1,033,609	(1,033,609)	(1,033,609)	-	-
Lease liability (note 19)	4,590,002	(6,035,748)	(567,218)	(3,120,048)	(2,348,481)
	<u>41,428,745</u>	<u>(48,642,126)</u>	<u>(5,090,291)</u>	<u>(29,421,461)</u>	<u>(14,130,372)</u>

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity price will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

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

	Interest rate %	Unaudited 30 September 2025 RO	Audited 31 December 2024 RO
Floating rate instruments			
Long term loans	SOFR + margins	<u>32,767,298</u>	<u>34,404,379</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
For the period ended 30 September 2025 (Unaudited)

23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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

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

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

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

	Profit or loss		Equity, net of tax	
	100 bps Increase RO	100 bps Decrease RO	100 bps Increase RO	100 bps Decrease RO
30 September 2025				
Variable rate instrument	278,522	(278,522)	-	-
Interest rate swap	57,575	(57,575)	140,133	(140,133)
	<u>336,097</u>	<u>(336,097)</u>	<u>140,133</u>	<u>(140,133)</u>
31 December 2024				
Variable rate instrument	292,437	(292,437)	-	-
Interest rate swap	118,151	(118,151)	280,953	(280,953)
	<u>410,588</u>	<u>(410,588)</u>	<u>280,953</u>	<u>(280,953)</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
For the period ended 30 September 2025 (Unaudited)**23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)****(iii) Market risk (continued)****Adoption of amendments to IFRS 9 and IFRS 7 Interest Rate Benchmark Reform**

The company completed its transition to alternative benchmark rates, the interest rate benchmark reform (IBOR reform), in 2022. The Company's remaining IBOR exposures as at 30 September 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 ceased on 30 September 2024.

Currency risk

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

Equity price risk

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

(iv) Fair value of financial instruments

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

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

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

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

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

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

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

As at 30 September 2025, the Company held interest rate swap derivatives instruments measured at fair value. The fair values of the interest rate swaps arrangements are worked out using level 2 valuation technique and related details are included in note 17.

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

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

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

SHARQIYAH DESALINATION COMPANY SAOG

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS For the period ended 30 September 2025 (Unaudited)

23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(iv) Fair value of financial instruments (continued)

	Fair value				
	Fair value– hedging instrument	Financial assets at amortized cost	Other financial liabilities	Total	Level 2
	At amortized cost				
30 September 2025	RO	RO	RO	RO	RO
Financial Asset measured at fair value					
Derivative instruments	996,175	-	-	996,175	996,175
Financial assets not measured at fair value					
Trade receivables	-	1,461,318	-	1,461,318	-
Finance lease receivables	-	48,446,733	-	48,446,733	-
Due from Related parties	-	72,040	-	72,040	-
Cash and cash equivalents	-	2,818,991	-	2,818,991	-
	<u>996,175</u>	<u>52,799,082</u>	<u>-</u>	<u>53,795,257</u>	<u>996,175</u>
Financial Liability measured at fair value					
Derivative instruments	(302,106)	-	-	(302,106)	(302,106)
Financial liabilities not measured at fair value					
Term loan	-	-	(32,767,298)	(32,767,298)	-
Amount due to related parties	-	-	(1,527,040)	(1,527,040)	-
Trade and other payables	-	-	(939,581)	(939,581)	-
	<u>(302,106)</u>	<u>-</u>	<u>(35,233,919)</u>	<u>(35,536,025)</u>	<u>(302,106)</u>
31 December 2024					
Financial Asset measured at fair value					
Derivative instruments	1,677,677	-	-	1,677,677	1,677,677
Financial assets not measured at fair value					
Trade receivables	-	1,465,321	-	1,465,321	-
Finance lease receivables	-	51,578,034	-	51,578,034	-
Due from Related parties	-	81,258	-	81,258	-
Cash and cash equivalents	-	1,841,767	-	1,841,767	-
	<u>1,677,677</u>	<u>54,966,380</u>	<u>-</u>	<u>56,644,057</u>	<u>1,677,677</u>
Financial Liability measured at fair value					
Derivative instruments	(266,302)	-	-	(266,302)	(266,302)
Financial liabilities not measured at fair value					
Term loan	-	-	(34,404,379)	(34,404,379)	-
Amount due to related parties	-	-	(1,033,609)	(1,033,609)	-
Trade and other payables	-	-	(1,134,453)	(1,134,453)	-
	<u>(266,302)</u>	<u>-</u>	<u>(36,572,441)</u>	<u>(36,838,743)</u>	<u>(266,302)</u>

SHARQIYAH DESALINATION COMPANY SAOG

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS For the period ended 30 September 2025 (Unaudited)

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

(v) Capital management

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

	Unaudited 30 September 2025 RO	Audited 31 December 2024 RO
Term loans (note 17)	31,907,748	33,474,418
Lease liabilities (note 19)	4,347,116	4,590,002
Less: Cash and bank equivalents (note 14)	(2,818,991)	(1,841,767)
Net debt	<u>33,435,873</u>	<u>36,222,653</u>
Equity	<u>15,292,959</u>	<u>16,993,512</u>
Capital and net debt	<u>48,728,832</u>	<u>53,216,165</u>
Gearing ratio	69%	68%

24 NET ASSETS VALUE PER SHARE*

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

	Unaudited 30 September 2025	Audited 31 December 2024
Net assets (RO)	15,292,959	16,993,512
Number of outstanding shares at the end of the period (Nos.)	97,802,160	97,802,160
Net asset value per share (RO)	<u>0.156</u>	<u>0.174</u>

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

25 BASIC AND DILUTED EARNINGS PER SHARE

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

	Unaudited 30 September 2025	Audited 31 December 2024
Profit for the year (RO)	376,188	596,070
Weighted average number of shares (nos.)	97,802,160	97,802,160
Basic earnings per share (RO)	<u>0.004</u>	<u>0.006</u>

26 COMPARATIVE FIGURES

Corresponding figures have been re-arranged and reclassified, wherever necessary for the purpose of comparison and better presentation. This did not affect profit, net assets or equity.

SHARQIYAH DESALINATION COMPANY SAOG

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS For the period ended 30 September 2025 (Unaudited)

27 CASH FLOW FROM OPERATING ACTIVITIES

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

	Unaudited 30 September 2025 RO	Unaudited 30 September 2024 RO
OPERATING ACTIVITIES		
Cash received from customers (Cash Inflow)	12,055,472	13,241,083
Cash Paid (Cash Outflow)		
O & M contractor cost	(4,292,384)	(4,609,530)
Electricity cost	(1,126,014)	(1,628,407)
Other O & M cost	(359,878)	(396,430)
Manpower cost	(268,364)	(307,808)
Other G & A cost	(488,237)	(530,053)
Finance Cost Paid	(1,196,369)	(1,350,154)
Net cash from operating activities	4,324,224	4,418,701