

# **SEMBCORP SALALAH POWER AND WATER COMPANY SAOG**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025**

### **Registered office:**

P.O. Box 1466  
Postal Code 211  
Salalah  
Sultanate of Oman

### **Principal place of business:**

Salalah  
Sultanate of Oman

# **SEMBCORP SALALAH POWER AND WATER COMPANY SAOG**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025**

<b>Contents</b>	<b>Page</b>
Independent auditors' report	1(a) – 1(e)
Statement of profit or loss and other comprehensive income	2
Statement of financial position	3
Statement of changes in equity	4
Statement of cash flows	5
Notes to the financial statements	6 - 42

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SEMBCORP SALALAH POWER & WATER COMPANY SAOG**

### **Report on the audit of the financial statements**

#### ***Opinion***

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

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

#### ***Basis for opinion***

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

#### ***Key audit matters***

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



Shape the future  
with confidence

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
SEBMBORP SALALAH POWER & WATER COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

*Key audit matters (continued)*

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><b>Property, plant and equipment</b></p> <p>Property, plant and equipment represents 86% of total assets on the statement of financial position as at 31 December 2025 (31 December 2024: 87%).</p> <p>The Company has entered into the Power &amp; Water Purchase Agreement ("PWPA") with Oman Power and Water Procurement Company SAOC ("OPWP") to produce electricity and water and make available the power &amp; water capacity from the Plant for a period of 15 years ending in April 2027. Subsequently, the Company has been awarded an extension of the PWPA for an additional period of 10 years, extending the contract term until April 2037.</p> <p>Management has determined that the estimated useful life of the plant and machinery reflects the economic life of the assets of 35 years and has not accelerated depreciation to align with the current PWPA term of 25 years. This assessment is based on management's expectation of securing a further renewal of the PWPA upon expiry of the current contract in April 2037. Management's expectation of contract renewal represents a key assumption used in the preparation of the discounted cash flow forecasts supporting the value-in-use calculations for impairment assessment of the relevant cash-generating unit ("CGU").</p> <p>If this key assumption were to change this could result in accelerated depreciation or impairment of property, plant and equipment and it would have a significant impact on the reported profit and the statement of financial position of the Company.</p>	<p>Our audit procedures in this area included the following:</p> <ul style="list-style-type: none"><li>- Evaluated management's process of assessing impairment indicators and performing of impairment tests.</li><li>- Assessed, with the assistance of valuation specialist, the estimates and assumptions made by the management regarding any potential impairment related to property, plant and equipment.</li><li>- Evaluated the appropriateness of the assumptions applied to key inputs such as estimate of future cash flows which included comparing these inputs with our own assessments based on our knowledge of the client and the industry</li><li>- We evaluated the reasonableness of management's key assumption that the PWPA would be extended beyond the present expiry. Our procedures included assessing management's expectation of continued operations after the PWPA period, including the projected future demand for power and water in the region. We compared these assumptions against industry knowledge and external market information to determine whether the underlying inputs used in management's cash-flow projections were appropriate.</li><li>- Verified the arithmetical correctness of the discounted cashflows model.</li></ul>



Shape the future  
with confidence

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
SEMBICORP SALALAH POWER & WATER COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

*Key audit matters (continued)*

<p>Impairment assessment requires judgements and estimates towards future results of business including key assumptions like discount rate, growth rate etc.</p> <p>Considering the significance of the amount and the extent of the judgements involved this is considered to be a key audit matter.</p> <p>Refer to note 2.3 (Estimates and judgements) and note 8 (Property, plant and equipment) in the financial statements.</p>	<ul style="list-style-type: none"><li>- Performed sensitivity analysis and evaluated whether any reasonably possible changes in assumptions could lead to impairment of property, plant and equipment.</li><li>- Evaluated the adequacy of the disclosures made in the financial statements.</li></ul>
---	--

*Other matter*

The financial statement of the Company for the year ended 31 December 2024 were audited by another auditor who expressed an unqualified opinion on those financial statements on 16 February 2025.

*Other information included in the Company's 2025 Annual Report*

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

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

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

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



**Shape the future  
with confidence**

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
SEMBCORP SALALAH POWER & WATER COMPANY SAOG (CONTINUED)**

**Report on the audit of the financial statements (continued)**

***Responsibilities of management and Audit Committee for the financial statements***

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

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

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

***Auditor's responsibilities for the audit of the financial statements***

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



Shape the future  
with confidence

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
SEMBCORP SALALAH POWER & WATER COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

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

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

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

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

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

Report on other legal and regulatory requirements

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

Ernst & Young

محمد القرشي

Mohamed Al Qurashi  
Muscat  
15 February 2026





**SEMBCORP SALALAH POWER AND WATER COMPANY SAOG**
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2025**

	<i>Notes</i>	<b>2025</b> <b>₹</b>	<b>2024</b> <b>₹</b>
Revenue	3	<b>83,939,656</b>	82,516,697
Cost of sales	4	<b>(54,763,556)</b>	(52,299,729)
<b>Gross profit</b>		<b>29,176,100</b>	30,216,968
Administrative and general expenses	5	<b>(825,529)</b>	(778,749)
Other income	6	<b>1,397,954</b>	1,287,290
<b>Profit before interest and tax</b>		<b>29,748,525</b>	30,725,509
Finance income	7.1	<b>660,906</b>	790,190
Finance costs	7	<b>(3,029,226)</b>	(5,016,804)
<b>Profit before income tax</b>		<b>27,380,205</b>	26,498,895
Income tax expenses	17(a)	<b>(4,087,349)</b>	(4,029,742)
<b>PROFIT FOR THE YEAR</b>		<b>23,292,856</b>	22,469,153
<b>Other comprehensive income</b>			
<b>Item that may be subsequently reclassified to profit or loss:</b>			
Fair value of cash flow hedge adjustments – gross	10	<b>53,335</b>	534,684
Reclassification of realized hedge to profit or loss - gross	7	<b>(189,968)</b>	(716,190)
Related tax impact on change in fair value of cash flow hedge	17(c)	<b>20,495</b>	27,229
		<b>(116,138)</b>	(154,277)
<b>TOTAL PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>23,176,718</b>	22,314,876
<b>Earnings per share:</b>			
Basic and diluted earnings per share	25	<b>0.0244</b>	0.0235

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

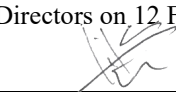
Independent auditors' report – page 1(a)-1(e).




**SEMBCORP SALALAH POWER AND WATER COMPANY SAOG****STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025**

	<i>Notes</i>	<b>2025</b>	<b>2024</b>
<b>ASSETS</b>		<b><u>₹</u></b>	<b><u>₹</u></b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	216,661,808	227,353,889
Right of use assets	9	549,369	575,529
Derivative financial instruments	10	-	23,883
<b>TOTAL NON-CURRENT ASSETS</b>		<b>217,211,177</b>	<b>227,953,301</b>
<b>CURRENT ASSETS</b>			
Inventories	11	5,990,074	5,850,540
Trade and other receivables	12	10,243,992	9,347,309
Current portion of derivative financial instruments	10	-	96,339
Bank deposits	13	12,716,070	11,484,012
Cash and cash equivalents	13	5,228,043	6,776,226
<b>TOTAL CURRENT ASSETS</b>		<b>34,178,179</b>	<b>33,554,426</b>
<b>TOTAL ASSETS</b>		<b>251,389,356</b>	<b>261,507,727</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	14 (a)	95,457,195	95,457,195
Legal reserve	14 (b)	21,451,391	19,122,105
Retained earnings		71,993,959	58,666,965
Hedging reserve	10 & 14(c)	(20,571)	95,567
<b>TOTAL EQUITY</b>		<b>188,881,974</b>	<b>173,341,832</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term loan	19	-	25,364,937
Long term lease liability	21	673,536	632,424
Asset retirement obligation	20	919,457	864,581
Deferred tax liabilities	17(c)	23,792,056	24,320,577
Deferred revenue	22	477,839	680,181
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>25,862,888</b>	<b>51,862,700</b>
<b>CURRENT LIABILITIES</b>			
Current portion of long term loan	19	25,526,520	25,691,129
Current portion of derivative financial instrument	10	22,160	-
Trade and other payables	15	6,461,867	6,273,255
Current tax payable	17(d)	4,633,947	4,338,811
<b>TOTAL CURRENT LIABILITIES</b>		<b>36,644,494</b>	<b>36,303,195</b>
<b>TOTAL LIABILITIES</b>		<b>62,507,382</b>	<b>88,165,895</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>251,389,356</b>	<b>261,507,727</b>
Net assets per share	26	<b>0.198</b>	<b>0.182</b>

These financial statements were approved and authorised for issue in accordance with a resolution of the Board of Directors on 12 February 2026.

  
Director






  
Chief Executive Officer

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

Independent auditors' report – page 1(a)-1(e).

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2025

	Share capital 	Legal reserve 	Retained earnings 	Hedging reserve 	Total 
At 1 January 2024	95,457,195	16,875,190	48,467,732	249,844	161,049,961
Profit for the year	-	-	22,469,153	-	22,469,153
<i>Other comprehensive income</i>					
Fair value adjustments, net of tax	-	-	-	(154,277)	(154,277)
Total comprehensive income for the year	-	-	22,469,153	(154,277)	22,314,876
Transfer to legal reserve (Note 14b)	-	2,246,915	(2,246,915)	-	-
<i>Transactions with owners of the Company</i>					
Dividend (note 30)	-	-	(10,023,005)	-	(10,023,005)
At 31 December 2024	95,457,195	19,122,105	58,666,965	95,567	173,341,832
At 1 January 2025	<b>95,457,195</b>	<b>19,122,105</b>	<b>58,666,965</b>	<b>95,567</b>	<b>173,341,832</b>
Profit for the year	-	-	<b>23,292,856</b>	-	<b>23,292,856</b>
<b>Other comprehensive income</b>					
Fair value adjustments, net of tax	-	-	-	(116,138)	(116,138)
<b>Total comprehensive income for the year</b>	-	-	<b>23,292,856</b>	(116,138)	<b>23,176,718</b>
Transfer to legal reserve (Note 14b)	-	<b>2,329,286</b>	(2,329,286)	-	-
<b>Transactions with owners of the Company</b>					
Dividend (note 30)	-	-	(7,636,576)	-	(7,636,576)
<b>At 31 December 2025</b>	<b>95,457,195</b>	<b>21,451,391</b>	<b>71,993,959</b>	<b>(20,571)</b>	<b>188,881,974</b>

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

Independent auditors' report – page 1(a)-1(e).

**SEMBCORP SALALAH POWER AND WATER COMPANY SAOG**
**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

	<i>Notes</i>	<b>2025</b> <b><u>£</u></b>	<b>2024</b> <b><u>£</u></b>
<b>Cash flows from operating activities:</b>			
Profit before tax for the year		<b>27,380,205</b>	26,498,895
Adjustment for:			
Depreciation	8 & 9	<b>11,224,782</b>	11,217,419
Amortisation of deferred revenue	22	<b>(202,342)</b>	(200,167)
Finance costs		<b>3,029,226</b>	5,016,804
Finance income		<b>(660,906)</b>	(790,190)
Gain on disposal of property, plant and equipment		-	(127)
Provision for asset retirement obligation	20	<b>54,876</b>	52,768
<i>Changes in:</i>			
Inventories		<b>(139,534)</b>	(54,984)
Trade and other receivables		<b>(899,745)</b>	(287,078)
Trade and other payables		<b>701,405</b>	(75,318)
<b>Cash generated from operating activities</b>		<b>40,487,967</b>	41,378,022
Income tax paid		<b>(4,300,239)</b>	(3,782,403)
Finance cost paid		<b>(3,333,575)</b>	(5,154,107)
<b>Net cash flows from operating activities</b>		<b>32,854,153</b>	32,441,512
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	8	<b>(506,541)</b>	(428,549)
Proceeds from disposal of property, plant and equipment		-	127
Bank deposits		<b>(1,232,058)</b>	6,131,768
Finance income received		<b>663,968</b>	845,139
<b>Net cash flows (used in) / from investing activities</b>		<b>(1,074,631)</b>	6,548,485
<b>Cash flows from financing activities</b>			
Repayment of term loan		<b>(25,691,129)</b>	(23,517,265)
Dividends paid	30	<b>(7,636,576)</b>	(10,023,005)
<b>Net cash flows used in financing activities</b>		<b>(33,327,705)</b>	(33,540,270)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(1,548,183)</b>	5,449,727
<b>Cash and cash equivalents at 1 January</b>		<b>6,776,226</b>	1,326,499
<b>Cash and cash equivalents at 31 December</b>	13	<b>5,228,043</b>	6,776,226

Non-cash items and reconciliation of liabilities arising from financing activities are disclosed in note 13.1.

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

Independent auditors' report – page 1(a)-1(e).

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 1 Legal status and principal activities

Sembcorp Salalah Power and Water Company SAOG (“the Company”) was registered as a closed Omani Joint Stock Company in the Sultanate of Oman on 29 September 2009. The Company registered office address is P.O Box 1466, Postal Code 211, Salalah, Sultanate of Oman.

The Company entered into a Shareholders Agreement (“the Shareholders Agreement”) dated 17 November 2009 between Sembcorp Oman First Investment Holding Co Ltd (“SOFIH”) 40% shareholder, Sembcorp Oman IPO Holding Co Ltd (“SOIHL”) 20% shareholder and Inma Power & Water Company LLC (“IPWC”) 40% shareholder. On 8 October 2013, the Company was listed on the Muscat Stock Exchange Company (formerly known as Muscat Securities Market) and became a listed public joint stock company (“SAOG”). For current shareholding refer note 14.

The Company was awarded a tender by the Oman Power & Water Procurement Company SAOC (“PWP”) to build, own and operate an electricity generation and seawater desalination plant together with the associated facilities in the Salalah region (“the Plant”). On 12 October 2025, the Company was awarded new Power and Water Purchase Agreement (“the new PWPA”). The new PWPA will commence on 4 April 2027, immediately following the expiry of the current agreement, and will remain in effect for a period of 10 years, ending on April 2037.

#### *Significant agreements*

The Company has entered into the following major agreements:

- (i) Power and Water Purchase Agreement (“the PWPA”) dated 23 November 2009 with Nama Power & Water Procurement Company SAOC (“PWP”) formerly known as Oman Power & Water Procurement Company SAOC for a period of fifteen years commencing from the date of commercial operations (“Operation period”) which is 04 April 2012 to procure the power and water produced by the Company. On 12 October 2025, the Company was awarded new Power and Water Purchase Agreement (“the new PWPA”). The new PWPA will commence on 4 April 2027, immediately following the expiry of the current agreement, and will remain in effect for a period of 10 years, ending on April 2037.
- (ii) Natural Gas Sales Agreement (“NGSA”) dated 23 November 2009 with the Ministry of Energy and Minerals (“MEM”) formerly known as Ministry of Oil and Gas (“MOG”) of the Government for the supply of natural gas; On 17 April 2023, NGSA was novated to Integrated Gas Company through Ministerial Decision No. 19/2023 issued by MEM and Ministerial Decision No. 248/2022 issued by Ministry of Finance. The Company also signed new NGSA for a period of 10 years starting from 4 April 2027 ending on April 2037.
- (iii) Usufruct Agreement (“Usufruct Agreement”) dated 23 November 2009 with the Ministry of Housing and Urban Planning formerly known as Ministry of Housing of the Government for grant of Usufruct rights over the project site.
- (iv) Long Term Service Agreement (“LTSA”) with General Electric International LLC (“GEIL”) for maintenance services on gas turbines and generators.
- (v) Government Guarantee Agreement (“Government Guarantee”) dated 23 November 2009 with the Government represented by the Ministry of Finance (“MOF”), whereby the MOF is prepared to guarantee the payment by PWP of its financial obligations to the Company’s Senior Lenders under the PWPA; and
- (vi) Operation and Maintenance (“O&M”) agreement with Sembcorp Salalah O&M Services Company LLC (“SSOM”) dated 8 February 2010 for a period of 15 years from the scheduled commercial operation date.

### 2 Basis of preparation and material accounting policy information

#### 2.1 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 (IASB), relevant requirements of the Financial Services Authority (formerly the Capital Market Authority) and the applicable requirement of the Commercial Companies Law of 2019.

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### Basis of preparation and material accounting policy information (continued)

#### 2.1 Basis of preparation (continued)

##### (b) Basis of measurement

These financial statements are prepared on a historical cost basis except where otherwise described in the accounting policies below.

##### (c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas where accounting assumptions and estimates are significant to the financial statements are disclosed in notes 2.2 and 2.3 below and also in the relevant notes to the financial statements.

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

In particular, estimates that involve uncertainties and judgments which have a significant effect on the financial statements include useful lives and residual value of property, plant and equipment measuring / impairment allowance, effectiveness of hedge relationship and asset retirement obligation.

##### (d) Going concern

As at 31 December 2025, the current liabilities of the Company exceeded its current assets by RO 2.47 million [31 December 2024: RO 2.75 million]. The management believe that the Company generates sufficient free cash flows to meet its liabilities and has adequate resources and funding facilities to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period. Accordingly, the management are of the view that no material uncertainty exists regarding the Company's ability to continue as a going concern. These financial statements have therefore been prepared on a going concern basis.

#### 2.2 Judgements

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

##### (a) Classification of plant as lease (IFRS 16) or concession arrangement (IFRIC 12)

Judgement is required to ascertain whether the PWPA agreement with PWP 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 controlled by the Company and not PWP. The estimated useful life of the power plant of 35 years takes into account the Company's right to extend the land lease under a Usufruct Agreement for an additional term. As the Company will extend the land lease until the end of useful life of the plant, lease term of the land has also been considered to expire at the end of the useful life of the plant. Furthermore, the residual value of the assets will have substantial value at the conclusion of the PWPA.

##### (b) Operating lease and useful life of assets

The Company and PWP have entered into a PWPA containing a take-or-pay clause favouring the Company. The management had applied the guidance of IFRS 16 'Leases'. Based on management's evaluation, the PWPA with PWP was considered as a lease within the context of IFRS 16 and has been classified as an operating lease since significant risks and rewards associated with the ownership of the plant lies with the Company and not with PWP. The primary basis for this conclusion being that the initial PWPA is for a term of 15 years and the Company has been awarded with another PWPA for a term of 10 years from the expiry of initial PWPA, while the economic life of the plant is estimated to be 35 years. The present value of minimum lease payments under the PWPA does not substantially recover the fair value of the plant at the inception of the lease.

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 2 Basis of preparation and material accounting policy information (*continued*)

#### 2.3 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are included in the following notes:

- Note 10: determining the fair value of the derivative financial instruments.
- Note 8: useful life and impairment of the property, plant and equipment.
- Note 20: determination of asset retirement obligation.

##### (a) *Effectiveness of hedge relationship*

At the inception of the hedge, the management documents the hedging strategy and performs hedge effectiveness testing to assess whether the hedge is effective. This exercise is performed at each reporting date to assess whether the hedge will remain effective throughout the term of the hedging relationship. As at the reporting date, the cumulative fair value of the interest rate swaps was RO 0.02 million as liability (31 December 2024 –RO 0.12 million as asset).

##### (b) *Useful lives of property, plant and equipment*

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates. The nature of the assets are buildings, roads and pipelines and plant and machinery. Refer note 8 for carrying values of the nature of the assets.

##### (c) *Asset retirement obligation*

Asset retirement obligation is based on management's technical assessment of the probable future costs to be incurred in respect of the decommissioning of the plant and restoration of land. The significant uncertainty in estimating the provision is the cost that will be incurred and the applicable discount rate. It has been assumed that the site will be restored using technology and material that are currently available.

##### (d) *Impairment of non-financial assets*

The Company determines whether its non-financial assets are impaired when there are indicators of impairment as defined in IAS 36. This requires an estimation of the value-in-use of the cash-generating unit ('the CGU'), which constitutes the carrying value of property, plant and equipment and right of use assets as at 31 December 2025. Estimating the value-in-use requires the Company to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The Company used a weighted average cost of capital of 7.2% (2024: 7.2%) to calculate the present value of cash flows for determining the value-in-use. The carrying value of the CGU as at 31 December 2025 was RO 216.66 million (31 December 2024 - RO 227.35 million).

The recoverable amount of the CGU has been determined based on value in use calculations. These calculations use post-tax cash flow projections based on the financial projections approved by management and based on the historical inflation rates, contractual clauses of PWPA and the estimates for relevant macroeconomic factors. Based on expected demand and supply in Dhofar region, the Company will be able to continue to generate revenue through supply of power and water which takes into account the high probability of extension of PWPA.

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 2 Basis of preparation and material accounting policy information (*continued*)

#### 2.4 Material accounting policy information

The accounting policies adopted are consistent with those of the previous financial year except for amendment to IAS 1. The Company has adopted the amendments to IAS 1 regarding the classification of liabilities as current or non-current, effective from 1 January 2025. These amendments clarify how to classify liabilities and require new disclosures for non-current loans with covenants due within 12 months. However, as the Company does not have any convertible notes or similar liabilities, the change does not affect its financial statements.

##### (a) Foreign currency

##### (i) Functional and presentation currency

The financial statements have been presented in Rial Omani ("RO") which is the functional currency of the Company.

##### (ii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Company at foreign exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to the functional currency at the exchange rate at the date of the transaction. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated into the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign currency differences arising on translation of monetary items are recognised in profit or loss, except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

##### (b) Financial instruments

##### (i) Financial assets

##### *Classification*

The Company on initial recognition classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (FVOCI), or through profit or loss (FVTPL), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Company reclassifies these financial assets, when and only when its business model for managing those financial assets changes.

##### *Recognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company becomes a counterparty to a contract..

##### *Derecognition*

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.



# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 2 Basis of preparation and material accounting policy information (*continued*)

#### 2.4 Material accounting policy information (*continued*)

##### (b) Financial instruments (*continued*)

###### (i) Financial assets (*continued*)

###### *Measurement*

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction cost for financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Business model assessment: The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Assessment whether contractual cash flows are Solely Payment for Principal and Interest (SPPI): In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its financial assets:

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

**FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset (debt instrument) is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss. For equity investment at FVOCI, assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

**FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

###### *Impairment of financial assets*

The Company assesses on a forward looking basis the expected credit losses associated with its financial instruments carried at amortised cost and debt instrument classified as FVOCI.

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 2 Basis of preparation and material accounting policy information *(continued)*

#### 2.4 Material accounting policy information *(continued)*

##### *(b) Financial instruments (continued)*

##### *(i) Financial assets (continued)*

##### *Impairment of financial assets (continued)*

Under IFRS 9, loss allowance are measured on either of the following bases:

- 12 month ECL: these are ECLs that result from possible default events within 12 months after the reporting date; and
- Lifetime ECL: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowance at an amount equal to lifetime ECLs, except for the following, which are measured as 12- month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

##### *General approach*

The Company applies three-stage approach to measuring ECL. Assets migrate through the three stages based on the change in credit quality since initial recognition. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognised based on the probability of default (PD) of the counter party occurring over the life of the asset. All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognised based on the PD of the customer within next 12 months. Financial assets are assessed as credit impaired when there is a detrimental impact on the estimated future cash flows of the financial asset. The Company applies general approach to all financial assets except trade receivable without significant financing component.

##### *Simplified approach*

The Company applies simplified approach to measuring credit losses, which mandates recognition of lifetime expected loss allowance for trade receivables without significant financing component. Under simplified approach, there is no need to monitor for significant increases in credit risk and the Company will be required to measure lifetime expected credit losses at all times.

##### *Significant increase in credit risk*

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

The Company assumes that the credit risk on a financial asset has increased significantly based on the certain delinquency period (days past due) or if exposure has moved from investment grade to non-investment grade on credit rating scale of independent credit rating agency in case of low credit risk instrument.

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 2 Basis of preparation and material accounting policy information (*continued*)

#### 2.4 Material accounting policy information (*continued*)

##### (b) Financial instruments (*continued*)

##### (i) Financial assets (*continued*)

##### *Significant increase in credit risk (continued)*

To determine whether a financial instrument has low credit risk, the Company uses internal credit ratings which are mapped to the external credit rating agencies such as Moody's etc. The Company considers that the rating within the investment grade, (the Company considers this to be Ba3 or higher per Moody's), are considered a low risk and have less likelihood of default. Where the external rating of a financial instrument is not available, the Company reviews the ability of the counterparty by reviewing their financial statements and other publicly available information.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held) or based on the certain delinquency period (days past due).

##### *Measurement of ECLs*

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

##### *Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

##### (ii) Financial liabilities

##### *Classification, subsequent measurement and gains and losses*

Financial liabilities are measured at amortised cost or FVTPL. A financial liability is measured at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost under the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

##### *Derecognition*

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

##### (iii) Derivatives and hedging activities

##### *Derivative financial instruments*

All derivatives in scope of IFRS 9, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Fair value changes are recognised in profit or loss unless the entity has elected to apply hedge accounting by designating the derivative as a hedging instrument in an eligible hedging relationship.

# SENBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 2 Basis of preparation and material accounting policy information (*continued*)

#### 2.4 Material accounting policy information (*continued*)

##### (b) Financial instruments (*continued*)

##### (iii) Derivatives and hedging activities (*continued*)

##### *Cash flow hedges*

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or is exercised, then hedge accounting is discontinued prospectively.

The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, then hedge accounting is discontinued prospectively. The cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in profit or loss.

##### *Embedded derivatives*

An embedded derivative is a component of a contract that also includes a non-derivative host with the effect that some of the cash flows of the combined contract vary in a way similar to a stand-alone derivative.

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and if the criteria below is met:

- a. The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host;
- b. A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and;
- c. The contract is not measured at fair value with changes in fair value recognised in profit or loss.

Embedded derivatives which are required to be separated are recognised at fair value with all subsequent changes in fair value recognised in profit or loss. Embedded derivatives that are not required to be separated are considered as part of the host contract and not accounted for separately.

##### (c) Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable costs such as loan arrangement fee. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit and loss over the expected period of borrowings on an effective interest rate basis.

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

##### (d) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 2 Basis of preparation and material accounting policy information *(continued)*

#### 2.4 Material accounting policy information *(continued)*

##### *(e) Trade receivables*

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 25 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

##### *(f) Cash and cash equivalents*

Cash and cash equivalents includes cash on hand and other short-term, highly liquid investments with original maturities of ninety days or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

##### *(g) Property, plant and equipment*

##### *(i) Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

##### *(ii) Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases future economic benefits embodied in the specific asset to which it relates.

Subsequent expenditure relating to property, plant and equipment that has already been incurred is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

##### *(iii) Depreciation*

Depreciation is calculated using the straight-line method to allocate the cost less its residual value so as to write off items of property, plant and equipment over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of an item is depreciated separately. The estimated useful lives are as follows:

	<b>Years</b>
Buildings	30 to 35
Roads and pipelines	10 to 35
Plant and machinery	20 to 35
Plant and machinery (Tools and equipment)	2 to 12
Office equipment	3 to 10
Motor vehicles	5 to 10
Computer equipment	3 to 5

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Certain items of property, plant and equipment are subject to overhauls at regular intervals. The inherent components of the initial overhaul are determined based on the estimated costs of the next overhaul and are separately depreciated in order to reflect the estimated intervals between two overhauls. The costs of the overhauls subsequently incurred are capitalised as additions and the carrying amounts of the replaced components are written off to the profit or loss.

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 2 Basis of preparation and material accounting policy information (*continued*)

#### 2.4 Material accounting policy information (*continued*)

##### (g) Property, plant and equipment (*continued*)

##### (iv) Capital work in progress

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

##### (v) Asset retirement obligation

In accordance with the Usufruct Agreement requirements, a provision for site restoration in respect of a liability for future site restoration is recognized as part of cost of the relevant asset. The liability is measured at the present value of the estimated future cash outflows to be incurred on the basis of current technology. The liability includes all costs associated with site restoration, including plant closure and monitoring costs. The estimated future costs are reviewed annually and adjusted as appropriate.

##### (h) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets. Impairment losses are recognised in the profit or loss statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then, to reduce the carrying amounts of the other assets in cash-generating units on a pro rata basis.

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

Management determines whether there are any indications of impairment to the carrying values of non-financial assets on an annual basis because of the difference between the duration of contracted cash flows and accounting depreciation of assets. This requires an estimation of the value in use of the cash generating units. Estimating the value in use requires the Company to make an estimate considering the expected future cash flows for the period lying beyond the term of the initial PWPA, probability of renewal of PWPA and also a suitable discount rate in order to calculate the present value of those cash flows.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

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

##### (i) Leases

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

##### (i) Company as a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 2 Basis of preparation and material accounting policy information (*continued*)

#### 2.4 Material accounting policy information (*continued*)

##### (i) Leases (*continued*)

##### (i) Company as a lessee (*continued*)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments)
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price under a purchase option that the Company is reasonably certain to exercise that, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extensive option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. The Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

The lease term is considered to be the non-cancellable period for which the Company has the right to use an underlying asset. The lease term is adjusted for periods covered by an option to extend; if it is reasonably certain that the option will be exercised as well as periods covered by an option to terminate the lease; if it is reasonably certain that the option will not be exercised.

##### (ii) Company as 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 recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of 'revenue'.



# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 2 Basis of preparation and material accounting policy information (*continued*)

#### 2.4 Material accounting policy information (*continued*)

##### (j) 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.

##### (k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

The Company's business is to supply power and water for which the Company has entered into a long-term agreements with PWP ("Contract"). Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Revenue from PWP comprises of the following:

- 1) Capacity charge covering the investment charges and fixed operation and maintenance charges; and
- 2) Variable charge covering the fuel, energy and water output charges.

##### *Capacity charge*

Investment charges is the amount payable to compensate the Company for the capital and related costs of the Project which are calculated based on fixed rate and guaranteed capacity till the end of the contract.

Fixed operation and maintenance charges is the amount payable to compensate the Project Company for fixed operation and maintenance and all related costs of the Plant which are calculated based on fixed rate adjusted with inflation year to year and guaranteed capacity till end of the contract.

##### *Variable charge*

For Variable energy and water output charges Company revenue is determined based on fixed rate adjusted with inflation year to year and output delivered.

Fuel charge is based actual fuel consumed adjusted for efficiency margin and mutually agreed rate with Integrated Gas Company.

There are no significant judgements that are involved while recognising revenue from the contract. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. There is no significant financing component attached to the receivable from customer. Services are provided on agreed credit terms of the contract and payment occurs within 25 days from the submission of invoice. The Company submits invoices on monthly basis in arrears and generally are submitted on or before the 5th day of the subsequent month.

##### (l) Finance income and cost

Finance income/cost comprises interest received on bank deposits, foreign exchange gains and losses and interest expense that are recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 2 Basis of preparation and material accounting policy information *(continued)*

#### 2.4 Material accounting policy information *(continued)*

##### *(m) Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time that the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. All other borrowing costs are recognised as expenses in the period in which they are incurred.

##### *(n) Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition. The cost of raw materials and consumables and goods for resale is based on weighted average method and consists of direct costs of materials and related overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made where necessary for obsolete, slow moving and defective items, based on management's assessment.

##### *(o) Income tax expense*

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

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that at the time of the transaction:

- i) affects neither accounting nor taxable profit or loss, and
- ii) does not give rise to equal taxable and deductible temporary differences.

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

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset as there is a legally enforcement to offset these in Oman

##### *(p) Employee benefits*

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

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

In accordance with the provisions of IAS 19, Employee benefits, management carries an exercise to assess the present value of the Company's obligations as of reporting date, using the actuarial techniques, in respect of employees' end of service benefits payable under the Oman aforesaid Labour Law. Under this method, an assessment is made of an employee's expected service life with the Company and the expected basic salary at the date of leaving the service.

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 2 Basis of preparation and material accounting policy information *(continued)*

#### 2.4 Material accounting policy information *(continued)*

##### *(q) Directors' remuneration*

Directors' remunerations are computed in accordance with the Commercial Companies Law, as per the requirements of Financial Services Authority (formerly the Capital Market Authority) and are recognised as an expense in the statement of profit or loss.

##### *(r) Dividend*

The Board of Directors takes into account appropriate parameters including the requirements of the Commercial Companies Law while recommending the dividend.

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the shareholders.

##### *(s) Earnings and net assets per share*

The Company presents earnings per share (EPS) and net assets per share data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Net assets per share is calculated by dividing the net assets attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the year. Net assets for the purpose is defined as total equity less hedging deficit/surplus. Net assets per share is not a defined performance measure in IFRS standards.

##### *(t) Segmental reporting*

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

##### *(u) Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares and share options are deducted against the share capital account, net of any tax effects. Where the Company's ordinary shares are repurchased (treasury shares), the consideration paid, excluding any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders and presented as reserve for own shares within equity, until they are cancelled, sold or reissued.

##### *(v) Determination of fair values*

###### *(i) Trade and other receivables*

The fair value of trade and other receivables including cash and bank balances approximates to their carrying amount due to their short-term maturity.

###### *(ii) Derivatives*

The fair value of interest rate swaps is calculated by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. This calculation is tested for reasonableness through comparison with the valuations received from the parties issuing the instruments.

###### *(iii) Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 2 Basis of preparation and material accounting policy information *(continued)*

#### 2.4 Material accounting policy information *(continued)*

##### *(w) New and amended standards and interpretations*

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2025 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

##### ***Lack of Exchangeability – Amendments to IAS 21***

For annual reporting periods beginning on or after 1 January 2025, Lack of Exchangeability – amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

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

##### ***Standards issued but not yet effective***

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

##### ***IFRS 18 Presentation and Disclosure in Financial Statements***

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

The standard requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and it also includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Company is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 2 Basis of preparation and material accounting policy information (*continued*)

#### 2.4 Material accounting policy information (*continued*)

(w) *New and amended standards and interpretations (continued)*

#### ***IFRS 19 Subsidiaries without Public Accountability: Disclosures***

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

As the Company's equity instruments are publicly traded, it is not eligible to elect to apply IFRS 19.

#### ***Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7***

In May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and the introduction of an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The Amendments are effective for annual periods starting on or after 1 January 2026 with early adoption permitted for classification of financial assets and related disclosures only. The Company does not anticipate that the amendments will have a material effect on the Company's financial statements.

#### ***Annual Improvements to IFRS Accounting Standards - Volume 11***

In July 2024, the IASB issued nine narrow scope amendments as part of its periodic maintenance of IFRS accounting standards. The amendments include clarifications, simplifications, corrections or changes to improve consistency in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial instruments: Disclosure and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements and IAS 7 Statements of Cash Flows.

The amendments will be effective for reporting periods beginning on or after 1 January 2026. Earlier application is permitted and must be disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.

#### ***Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7***

In December 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity. The amendments apply only to contracts that reference nature-dependent electricity, the amendments:

- Clarify the application of the 'own-use' requirements for in-scope contracts
- Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 2 Basis of preparation and material accounting policy information (continued)

#### 2.4 Material accounting policy information (continued)

(w) New and amended standards and interpretations (continued)



#### *Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7 (continued)*

- Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows

The amendments will take effect for annual reporting periods starting on or after 1 January 2026. Early adoption is allowed, but it must be disclosed. The amendments concerning the own-use exception are to be applied retrospectively, while the hedge accounting amendments should be applied prospectively to new hedging relationships designated from the initial application date. Additionally, the IFRS 7 disclosure amendments must be implemented alongside the IFRS 9 amendments. If an entity does not restate comparative information, it cannot present comparative disclosures.

The Company does not expect that the amendments will have a material impact on its financial statements.

### 3 Revenue

	2025 	2024 
Operating lease income - Investment charges	42,706,811	43,192,068
Fuel charges	28,705,236	27,065,472
Fixed operation and maintenance charge	10,153,870	9,935,355
Energy charges	1,500,554	1,427,584
Water output charges	873,185	896,218
	<b>83,939,656</b>	<b>82,516,697</b>

The revenue has been disaggregated based on the key drivers by which the Company receives and recognises its revenue.



The Company has no unsatisfied performance obligations with respect to the billed revenue. The Company has right to invoice for every unit of output and making available the designated capacity. Actual invoicing for the delivered output is done at the end of every month.

The Company has recognized impairment losses on receivables arising from Company's contract with customer (note 12.1).

All the revenue of the Company accrues from contracts with customers within the Sultanate of Oman.

Revenue is recognised at a point in time upon delivery of electricity and water to the customer in accordance with the terms of the PWPA.

### 4 Cost of sales

	2025 	2024 
Fuel cost	27,778,342	26,469,778
Depreciation (notes 8 and 9)	11,218,312	11,188,783
Operation and maintenance cost (note 18)	8,656,167	8,383,692
Contractual services maintenance cost	5,395,410	4,663,725
Insurance cost	715,915	873,175
Incentive payment (note 18)	441,947	435,304
Other overheads	264,072	56,609
Security charges	108,236	95,916
License and permits	99,866	52,371
Provision for asset retirement obligation (note 20)	54,876	52,768
Electricity import cost	30,413	27,608
	<b>54,763,556</b>	<b>52,299,729</b>

# SENBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 5 Administrative and general expenses

	2025 £	2024 £
Staff costs	414,713	293,144
Directors' remuneration and sitting fees (note 18)	136,706	132,206
Fee and subscription	94,227	97,724
Legal and professional charges	69,296	127,260
Charity and donations	60,000	64,000
Depreciation (note 8)	6,470	28,636
Other admin and general expenses	35,463	19,808
Travelling expenses	8,654	15,971
	<u>825,529</u>	<u>778,749</u>

### 6 Other income

	2025 £	2024 £
Material adverse change claim	1,195,612	1,086,996
Amortization of deferred revenue (note 22)	202,342	200,167
Gain on disposal of property, plant and equipment	-	127
	<u>1,397,954</u>	<u>1,287,290</u>

Material adverse change claim is a reimbursement of increase in the Company's cost resulting from buyer risk event in accordance with PWPA.

### 7 Finance costs

	2025 £	2024 £
Interest expense on project financing	2,948,382	5,359,313
Interest income on interest rate swap	(189,968)	(716,190)
Deferred financing cost (note 13.1)	161,583	268,617
Interest expense on short term borrowings	14,784	13,955
Interest expense on lease liability (note 21)	41,112	38,604
Commission and bank charges	53,333	52,505
	<u>3,029,226</u>	<u>5,016,804</u>

#### 7.1 Finance income








	2025 £	2024 £
Interest income on term deposits	<u>660,906</u>	<u>790,190</u>










# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 8 Property, plant and equipment

	Buildings 	Roads and pipelines 	Plant and machinery 	Office equipment 	Motor vehicles 	Computer equipment 	Total 
<b>Cost</b>							
At 1 January 2025	48,652,121	26,654,587	292,097,443	220,619	300,583	1,004,935	368,930,288
Additions during the year	15,993	-	467,060	1,690	14,200	7,598	506,541
At 31 December 2025	48,668,114	26,654,587	292,564,503	222,309	314,783	1,012,533	369,436,829
<b>Accumulated depreciation</b>							
At 1 January 2025	18,775,348	10,416,708	111,203,287	208,401	292,174	680,481	141,576,399
Charge for the year	1,470,319	821,885	8,751,619	6,532	2,996	145,271	11,198,622
At 31 December 2025	20,245,667	11,238,593	119,954,906	214,933	295,170	825,752	152,775,021
<b>Carrying amount</b>							
At 31 December 2025	28,422,447	15,415,994	172,609,597	7,376	19,613	186,781	216,661,808

	Buildings 	Roads and pipelines 	Plant and machinery 	Office equipment 	Motor vehicles 	Computer equipment 	Total 
<b>Cost</b>							
At 1 January 2024	48,652,121	26,649,367	291,700,679	219,776	292,183	994,486	368,508,612
Additions during the year	-	5,220	396,764	843	8,400	17,322	428,549
Disposals during the year	-	-	-	-	-	(6,873)	(6,873)
At 31 December 2024	48,652,121	26,654,587	292,097,443	220,619	300,583	1,004,935	368,930,288
<b>Accumulated depreciation</b>							
At 1 January 2024	17,306,032	9,588,767	102,470,933	201,752	288,232	536,297	130,392,013
Charge for the year	1,469,316	827,941	8,732,354	6,649	3,942	151,057	11,191,259
Depreciation on disposals	-	-	-	-	-	(6,873)	(6,873)
At 31 December 2024	18,775,348	10,416,708	111,203,287	208,401	292,174	680,481	141,576,399
<b>Carrying amount</b>							
At 31 December 2024	29,876,773	16,237,879	180,894,156	12,218	8,409	324,454	227,353,889

The property, plant and equipment (Buildings, Roads & pipelines and Plant & machinery) are subject to operating lease arrangement with PWP as mentioned in note 2.2(a) of these financial statements.

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 8 Property, plant and equipment (continued)

#### (a) Leased land

Land on which the plant is constructed has been leased by the Government of Sultanate of Oman to the Company for a period of 25 years expiring on 23 November 2034 under the term of the Usufruct Agreement, with an option for additional extension. Lease rental for the initial term of 25 years has already been paid in advance. (note 9).

#### (b) Security

The Company's property, plant and equipment are pledged as security against the term loans (note 19).

#### (c) The depreciation charge has been allocated as set out below:

	2025 S	2024 S
Cost of sales (note 4)	11,192,152	11,162,623
Administrative and general expenses (note 5)	6,470	28,636
	<u>11,198,622</u>	<u>11,191,259</u>

### 9 Right of use assets

	2025 Land S	2024 Land S
<b>Cost</b>		
At 1 January	813,149	813,149
At 31 December	813,149	813,149
<b>Accumulated depreciation</b>		
At 1 January	237,620	211,460
Charge for the year (note 4)	26,160	26,160
At 31 December	<u>263,780</u>	<u>237,620</u>
<b>Net carrying amount at 31 December</b>	<u>549,369</u>	<u>575,529</u>

The above carrying amount includes asset retirement obligation amounting to RO 224,291 (2024: 235,607).

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 10 Hedging reserve

	2025 £	2024 £
<u>Interest rate swaps:</u>		
SMBC Capital Market Limited	(6,694)	14,241
Standard Chartered Bank	(9,405)	93,272
KfW-IPEX	(6,061)	12,709
Hedging instrument at the end of the year	(22,160)	120,222
Less: Ineffective portion of cashflow hedge	(2,041)	(7,790)
Effective portion of cashflow hedge	(24,201)	112,432
Deferred tax liability [note 17 (c)]	3,630	(16,865)
Hedging reserve at the end of the year (net of tax)	(20,571)	95,567
Less: Hedging reserve at the beginning of the year	(95,567)	(249,844)
Effective portion of change in fair value of cash flow hedge for the year	(116,138)	(154,277)
 Hedging instrument classification		
Non-current portion of hedging instruments - assets	-	23,883
Current portion of hedging instrument – (liabilities) / assets	(22,160)	96,339
	(22,160)	120,222
 Change in fair value of outstanding hedging instruments since 1 January	53,335	534,684
Change in value of hedged item used to determine hedge effectiveness	(47,586)	(517,741)

In accordance with the Common Terms Agreement (“CTA”), the Company has fixed the rate of interest through Interest Rate Swap Agreements (“IRS”) entered into with SMBC Capital Market Limited, KfW IPEX Bank GmbH and Standard Chartered Bank dated 20 November 2009, 23 March 2010 and 8 April 2010 respectively, for 95.32% of its USD loan facility. The Company does not hedge the entire amount of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps.

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 September 2023. In a process of Libor transition to new benchmark, the Company entered into revised IRS Agreements on 27 September 2023, by which, the Company changed the reference rate from LIBOR to Daily Cumulative Compounded Secured Overnight Financing Rate (SOFR) with the adjustment of International Swaps and Derivatives Association (ISDA) fallback Credit Adjustment Spread.

After the transition, the interest rate swaps have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount except Sinasure Covered Facility has slightly different reference rate than the hedging instrument because it does not account for compounding effect. The Company applies hedge accounting and the mismatch between the hedging instrument and the hedged item is charged to profit or loss. Refer to note 7 for cash flow hedges reclassified to profit or loss.

The corresponding hedged notional amount outstanding as of 31 December 2025 is approximately RO 16 million (USD 42 million) at a fixed interest rate of 4.345% (31 December 2024 - 4.345%) and approximately RO 4 million (USD 11 million) at a fixed interest rate of 3.8% (31 December 2024 - 3.8%) per annum respectively.

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 11 Inventories

	2025 ₪	2024 ₪
Fuel inventory	1,299,560	1,269,984
Spare parts and consumables	4,690,514	4,580,556
	<u>5,990,074</u>	<u>5,850,540</u>

The inventory consumed of RO 1.3 million (2024: 1.4 million) is recognized as an expense in “operation and maintenance cost” during the reported year.

The Company’s inventories are pledged as security against the term loans (note 19).

### 12 Trade and other receivables

	2025 ₪	2024 ₪
Trade receivable, net ( <i>note 12.1</i> )	7,149,842	6,594,495
Advances to vendors	1,580,943	1,560,476
Other receivable	1,485,683	1,166,835
Prepayments	27,524	25,503
	<u>10,243,992</u>	<u>9,347,309</u>

The Company has one customer (PWP) which accounts for the trade receivables balance as at 31 December 2025 (31 December 2024 - one customer).

#### 12.1 Trade receivable

	2025 ₪	2024 ₪
Gross trade receivable	7,173,777	6,618,430
Allowance for expected credit losses	(23,935)	(23,935)
	<u>7,149,842</u>	<u>6,594,495</u>

The ageing of trade receivables at the reporting date disclosed in note 23 (b).

### 13 Cash and bank balances

	2025 ₪	2024 ₪
Cash in hand	827	995
Cash at bank	1,375,216	1,382,431
Short term deposits	3,852,000	5,392,800
<b>Cash and cash equivalents</b>	<u>5,228,043</u>	<u>6,776,226</u>
Fixed term deposits (3 to 6 months) and DSRA	12,716,070	11,484,012
<b>Cash and bank balances</b>	<u>17,944,113</u>	<u>18,260,238</u>
<b>Cash and cash equivalents in the statement of cash flows</b>	<u>5,228,043</u>	<u>6,776,226</u>

#### Debt Service Reserve Account (DSRA) (Restricted cash)

As at 31 December 2025, the Company has placed funds in the bank accounts to meet the Debt Service Reserve Account (DSRA) minimum required balance of RO 11,371,571 (31 December 2024: RO 11,484,012) [note 19].

#### Term deposits

The short and fixed term deposits and DSRA of RO 16,568,070 (31 December 2023: RO 16,876,812) have a weighted average interest rate of 3.85% per annum (31 December 2024: 4.27% per annum).

**SEMBCORP SALALAH POWER AND WATER COMPANY SAOG**
**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**
**13 Cash and bank balances (continued)**
*13.1 Reconciliation of liabilities arising from financing activities*

	1 January 2025	Cash flows	Non-cash items		31 December 2025
			Interest Cost	Deferred finance cost	
	<u>RO</u>	<u>RO</u>	<u>RO</u>	<u>RO</u>	<u>RO</u>
Long term loans (notes 7 and 19)	51,056,066	(25,691,129)	-	161,583	25,526,520
Long term Lease liability (notes 7 and 21)	632,424	-	41,112	-	673,536

	1 January 2024	Cash flows	Non-cash items		31 December 2024
			Interest Cost	Deferred finance cost	
	<u>RO</u>	<u>RO</u>	<u>RO</u>	<u>RO</u>	<u>RO</u>
Long term loans (notes 7 and 19)	74,304,714	(23,517,265)	-	268,617	51,056,066
Long term lease liability (notes 7 and 21)	593,820	-	38,604	-	632,424

**14 Equity**
*(a) Share capital*

The Company's registered capital (issued and fully paid) amount to RO 95,457,195 comprising of 954,571,950 shares at nominal value of 100 Baiza each (2024: 954,571,950 of 100 Baiza each).

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

The details of Shareholders are as follows:

31 December 2025			
	Nationality	Number of shares held of nominal value 100 baiza each	% of total
SOFIH	British Virgin Island	381,828,780	40.00%
IPWC	Oman	125,431,511	13.14%
Public	Other	447,311,659	46.86%
		<u>954,571,950</u>	<u>100.00%</u>

31 December 2024			
	Nationality	Number of shares held of nominal value 100 baiza each	% of total
SOFIH	British Virgin Island	381,828,780	40.00%
IPWC	Oman	125,431,511	13.14%
Public	Other	447,311,659	46.86%
		<u>954,571,950</u>	<u>100.00%</u>

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 14 Equity (continued)

#### (b) Legal reserve

Article 132 of the Oman Commercial Companies Law of 2019 requires that 10% of a company's net profit be transferred to a non-distributable legal reserve until the amount of legal reserve becomes equal to at least one-third of the company's issued share capital. This reserve is not available for distribution to shareholders.

#### (c) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability. (note 10).

### 15 Trade and other payables

	2025 ﷼	2024 ﷼
Accrued expenses and other payable	3,124,609	2,602,047
Due to related party (note 18)	1,830,867	1,627,054
VAT Payable	841,811	870,268
Interest payable	501,914	1,014,707
Trade payable	162,666	159,179
	<b>6,461,867</b>	<b>6,273,255</b>

### 16 Short term borrowings

The Company entered into a working capital facility agreement with Bank Muscat on 26 February 2013, last amended on 9 January 2025. The working capital facility ("the Facility") limit is RO 3.85 million and carries interest rate of maximum 4.25% per annum. The balance outstanding as of 31 December 2025 is Nil (31 December 2024: Nil). The security against the facility is as per the Common Terms Agreement and mentioned in note 19 of the financial statements.

### 17 Income tax

The Company is liable for income tax, in accordance with the income tax laws of Sultanate of Oman, at the rate of 15% of taxable income.

A deferred tax asset charge of RO 20,495 (31 December 2024: deferred tax asset charge of RO 27,229) has been recognised directly in OCI in respect of the changes in fair values of interest rate swaps (note 10).

	2025 ﷼	2024 ﷼
<b>a) Recognised in profit or loss</b>		
Current tax for the year	4,595,375	4,326,428
Deferred tax expense for the year	(508,026)	(296,686)
	<b>4,087,349</b>	<b>4,029,742</b>

#### (b) Reconciliation

The following is the tax reconciliation of income taxes calculated at the applicable tax rate with the income tax expenses.

	2025 ﷼	2024 ﷼
Profit before tax	27,380,205	26,498,895
Income tax as per rates mentioned above	(4,107,031)	(3,974,834)
Expenses not deductible for tax purposes	19,682	(54,908)
Income tax expense for the year	<b>(4,087,349)</b>	<b>(4,029,742)</b>

**SEMBCORP SALALAH POWER AND WATER COMPANY SAOG**
**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**
**17 Income tax (continued)**
*(c) Deferred tax asset / (liability)*

	At 1 January	(Charged) / reversal during the year	At 31 December
	<b>₹</b>	<b>₹</b>	<b>₹</b>
<b>2025</b>			
<b>Charged to profit or loss</b>			
Property, plant and equipment	(24,440,765)	488,842	(23,951,923)
Asset retirement obligation	94,441	9,834	104,275
Lease liability	29,848	6,166	36,014
Right of use asset	13,932	2,322	16,254
Fair value of cash flow hedge (in-effective portion)	(1,168)	862	(306)
	<u>(24,303,712)</u>	<u>508,026</u>	<u>(23,795,686)</u>
<b>Deferred tax recognised in other comprehensive income</b>			
Derivative financial instruments	(16,865)	20,495	3,630
Deferred tax liability (net)	<u>(24,320,577)</u>	<u>528,521</u>	<u>(23,792,056)</u>

	At 1 January	(Charged) / reversal during the year	At 31 December
	<b>₹</b>	<b>₹</b>	<b>₹</b>
<b>2024</b>			
<b>Charged to profit or loss</b>			
Property, plant and equipment	(24,849,331)	408,566	(24,440,765)
Asset retirement obligation	84,924	9,517	94,441
Lease liability	24,057	5,791	29,848
Right of Use asset	11,610	2,322	13,932
Deferred revenue	132,052	(132,052)	-
Fair value of cashflow hedge (ineffective portion)	(3,710)	2,542	(1,168)
	<u>(24,600,398)</u>	<u>296,686</u>	<u>(24,303,712)</u>
<b>Deferred tax recognised in other comprehensive income</b>			
Derivative financial instrument	(44,094)	27,229	(16,865)
Deferred tax liability (net)	<u>(24,644,492)</u>	<u>323,915</u>	<u>(24,320,577)</u>

*(d) The movement in the current tax liability for the year comprise of:*

	2025	2024
	<b>₹</b>	<b>₹</b>
At 1 January	4,338,811	3,794,786
Charge for the year	4,595,375	4,326,428
Paid during the year	<u>(4,300,239)</u>	<u>(3,782,403)</u>
	<u>4,633,947</u>	<u>4,338,811</u>

*(e) Status of prior year returns*

The Company's assessment for the tax year 2023 have not yet been finalized with the Secretariat General for Taxation at the Ministry of Finance. Management of the Company believe that additional taxes, if any in respect of open tax years, would not be significant to the Company's financial position as at 31 December 2025.

*(f) BEPS Pillar Two*

On 31 December 2024, Oman issued Royal Decree Number 70/2024, enacting new global minimum tax rules to align with the Organization for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) Pillar Two rules (GloBE Rules). The enacted law introduces a domestic minimum top-up tax (DMTT) and an Income Inclusion Rule (IIR), effective from 1 January 2025. This tax applies to entities that are part of an Multinational Entity (MNE) Group with annual revenues amounting to or exceeding the Omani rial equivalent of EUR 750 million or more in two of the last four financial years.



# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 17 Income tax (continued)

#### (f) BEPS Pillar Two (continued)

For Oman, the taxable income and effective tax rate will be calculated in accordance with the Executive Regulations to the Royal Decree, which are expected to be issued in 2026.

Based on management's assessment, the Company is not within the scope of the Pillar Two GloBE Rules for the financial year ending 31 December 2025, as the company is not a subsidiary of a foreign parent, nor does the company have any foreign subsidiaries or branches. Accordingly, no Pillar Two top-up tax exposure arises for the current reporting period.

Management will continue to monitor the issuance of the Executive Regulations, further OECD guidance, and global implementation developments. Should the Group's structure, operations, or revenue levels change in a manner that could bring it within the scope of Pillar Two, the Company will update its assessment and related disclosures accordingly.

### 18 Related party transactions

The Company maintains balances with related parties which arise in the normal course of business from commercial transactions on mutually agreed terms. Outstanding receivable or payable balances from related parties as at the reporting period are unsecured, interest free, repayable on demand and settlement occurs in cash.

Sembcorp Oman First Investment Holding Co Ltd is the shareholder and Sembcorp Industries Limited (SIL) are exercising significant influence, whereas Sembcorp Salalah O&M Services Company LLC (SSOM) is an entity controlled by entity which is exercising significant influence over the Company.

The Company had the following significant transactions with related parties during the year:

	2025 S	2024 S
<i>Sembcorp Salalah O&amp;M Services Company LLC (SSOM)</i>		
- Operation and maintenance cost (note 4)	8,656,167	8,383,692
- *Incentive payment (note 4)	441,947	435,304

\*Incentive payments reward the O&M company for exceeding contractually obligated efficiency targets in fuel, power, water, and budget.

Due to related party at the year end comprised:

	2025 S	2024 S
SSOM	1,830,867	1,627,054

### Key management benefits

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise). Total compensation accrued to key management personnel for the year is as follows:



	2025 S	2024 S
Directors' remuneration (note 5)	104,456	104,456
Directors' sitting fees (note 5)	32,250	27,750
Short term employee benefits	324,425	226,183
Social security and gratuity	8,566	5,742
	469,697	364,131

As of 31<sup>st</sup> December 2025, the Company has two key management personnel. (2024: one key management personnel). X In addition to the above, an amount of RO 419,259 (2024: RO 361,913) was paid to Sembcorp Salalah O&M Services Company LLC in accordance with O&M agreement for key managerial positions.

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 19 Term loans

	Maturity	2025 	2024 
Non-current			
Project financing loan (USD equivalent to RO)	2012-2026	21,175,041	42,443,570
Project financing loan (RO)	2012-2026	4,403,160	8,825,760
		<b>25,578,201</b>	51,269,330
Less: Unamortised transaction cost		<b>(51,681)</b>	(213,264)
		<b>25,526,520</b>	51,056,066
Less: Current portion of term loans		<b>(25,526,520)</b>	(25,691,129)
		<b>-</b>	25,364,937

On 19 November 2009, the Company entered into a Common Terms Agreement (“CTA”), for credit facilities with a consortium of international and local banks with Standard Chartered Bank as the Dollar Commercial Facility Agent, Bank Muscat SAOG as the Rial Commercial Facility Agent and Bank of China, Shondong Branch as Sinasure Facility Agent, collectively “the Mandated Lead Arranger”.

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 September 2023. In a process of LIBOR transition to new bench mark, the Company entered into Amendment Agreement on 27 September 2023, by which, the Company changed the benchmark from LIBOR to SOFR plus ISDA fallback Credit Adjustment Spread.

#### Repayments

The aggregate amount of drawdowns under the above facilities is repayable in full by 29 half yearly instalments commencing from 30 September 2012, with the final instalment being due on 31 March 2026.

#### Interest

- (i) Interest on USD Commercial facilities is charged at a floating rate of Non-Cumulative Compounded SOFR plus Credit Adjustment Spread plus margin (3.55% p.a.). The Company has entered into an interest rate swap to cap its obligation against unfavorable interest rate changes.

The margins are indicated below:

	Margin (% per annum)
Tenth anniversary up to the thirteenth anniversary of completion date	<b>3.55%</b>
Thereafter	<b>3.95%</b>

- (ii) Interest on Sinasure Covered (USD) facilities is charged at a floating rate of Daily Simple SOFR rate plus Credit Adjustment Spread (CAS) plus margin (3% p.a.). The Company has entered into an interest rate swap to cap its obligation against unfavourable interest rate changes.

- (iii) Interest under the Rial Commercial Facilities Agreement is charged at a fixed rate, as shown in the table below:

Period	Margin (% per annum)
From the twelfth anniversary of financial close to the thirteenth anniversary of financial close	<b>5.65%</b>
From the thirteenth anniversary of financial close to the fourteenth anniversary of financial close	<b>5.90%</b>
From the fourteenth anniversary of financial close to the fifteenth anniversary of financial close	<b>5.93%</b>

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 19 Term loans (*continued*)

#### *Securities*

The term loans and the debt reserve account facility are secured, under the security documents as a whole, by the following collateral:

- a charge on all project assets (refer to note 8 and 11) through commercial/legal mortgage;
- an assignment of its insurance/reinsurance;
- a security over Company's shares (apart from those held by public);
- a charge over all the project accounts; and
- direct agreements.

#### *Covenants*

The term loan facilities contain certain covenants pertaining to, amongst other things, liquidation and merger, entering into material new agreements, negative pledge, disposal of assets, granting of loans and guarantees, acquisition of capital assets, debt service coverage ratio, debt to equity ratio, change of business, hedging agreements, etc, with which the Company is required to comply. The Company has carrying value of term loan amounting to RO 25.5 million (2024: 51.3 million) and is in compliance with the covenants attached with the mentioned term loans.

### 20 Assets retirement obligation ("ARO")

Under the Usufruct Agreement, the Company has a legal obligation to remove the Plant at the end of its useful life and restore the land. The Company shall at its sole cost and expense dismantle, demobilise, safeguard and transport the assets, eliminate soil and ground water contamination, fill all excavation and return the surface to grade of the designated areas.

The carrying value of the ARO provision has been calculated using an expected present value technique. This technique reflects assumptions such as costs, plant useful life, inflation and profit margin that third parties would consider to assume the settlement of the obligation. The movement in ARO provision is as follows:

	2025 ₤	2024 ₤
At 1 January	864,581	811,813
Unwinding of discount (note 4)	54,876	52,768
At 31 December	<u>919,457</u>	<u>864,581</u>

Because of the long term nature of the liability, there is significant uncertainty in estimating the cost that will be incurred. It has been assumed that the site will be restored using technology and material that are currently available. The provision has been calculated using a discount rate of 6.5% (31 December 2024: 6.5%).

### 21 Long term lease liability

The Company recognised lease liabilities in relation to lease of land [notes 1 and 8 (a)]. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate 6.5%.

	2025 ₤	2024 ₤
Land	<u>673,536</u>	<u>632,424</u>
<i>Amounts recognised in profit and loss</i>		
Amortization expense on right-of-use assets (note 9)	26,160	26,160
Interest expense on lease liabilities (note 7)	<u>41,112</u>	<u>38,604</u>
	<u>67,272</u>	<u>64,764</u>
<i>Amounts recognised in cash flows</i>		
Total cash flow for leases	<u>Nil</u>	<u>Nil</u>

Lease rental charges for initial term of 25 years were paid at inception of the lease.

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 21 Long term lease liability (continued)

	2025	2024
	₪	₪
At 1 January	632,424	593,820
Amortisation during the year (note 6)	41,112	38,604
At 31 December	673,536	632,424

	2025		2024	
	Total minimum lease Payments	PV of minimum Lease payment	Total minimum lease payments	PV of minimum Lease payment
	₪	₪	₪	₪
More than 5 years	1,794,832	673,536	1,794,832	632,424

### 22 Deferred revenue

The Company received contribution from PWP towards cost of Cyber Security Implementation arising from Material Adverse Change claim. The Company assessed whether each transferred item meets the definition of an asset, and if so, recognises the asset as property, plant and equipment. These contributions are deferred and recognise as other income over the life of the relevant property, plant and equipment.

	2025	2024
	₪	₪
At 1 January	680,181	880,348
Amortisation during the year (note 6)	(202,342)	(200,167)
At 31 December	477,839	680,181

### 23 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:

- Market risk
- Credit risk
- Liquidity 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.

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.

#### (a) Market risk

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

#### Interest rate risk

The Company adopts a policy of ensuring that 95 percent of its interest rate risk exposure is at a fixed rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Company applies a hedge ratio of 0.95:1.

**SEMBCORP SALALAH POWER AND WATER COMPANY SAOG**
**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**
**23 Financial risk management (continued)**
**(a) Market risk (continued)**
*Interest rate risk (continued)*

The Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

The Company assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item under the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparty's and the Company's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- differences in repricing dates between the swaps and the borrowings.

At the reporting date, the interest rate profile of the Company's interest-bearing financial assets and liabilities is:

	Interest rate %	2025 ₪	2024 ₪
<b>Financial assets</b>			
Short and fixed term deposits and DSRA	4.27%	<b>16,568,070</b>	16,876,812
<b>Financial liabilities</b>			
<i>Term loans</i>			
- USD variable rate loans	SOFR + 3%	<b>(11,761,003)</b>	(23,573,932)
- USD variable rate loans	SOFR + 3.55%	<b>(9,414,038)</b>	(18,869,638)
- RO fixed rate loans	5.93%	<b>(4,403,160)</b>	(8,825,760)
		<b>(25,578,201)</b>	(51,269,330)

*Fair value sensitivity analysis for fixed rate instruments*

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

*Cash flow sensitivity analysis for variable rate instruments*

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

	Equity, net of tax	
	100 bps Increase ₪	100 bps Decrease ₪
<b>31 December 2025</b>		
Interest rate swap	<b>72,491</b>	<b>(72,491)</b>
<b>31 December 2024</b>		
Interest rate swap	326,929	(326,929)

*Currency risk*

The majority of the transactions and balances are either in RO or USD. As the RO is pegged to the USD, balances in USD are not considered to represent significant currency risk. The Company is not exposed to significant currency risk as at 31 December 2025 (31 December 2024: No significant exposure to currency risk).

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 23 Financial risk management (continued)

#### (b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and cash balances held with banks. Under the terms of the PWPA, the Company's sales are billed wholly to PWP. The Company manages its credit risk with PWP by monitoring its credit rating. The Company limits its credit risk with regard to bank deposits by only dealing with reputable banks and financial institutions with strong credit ratings. The carrying amount of financial assets represents the maximum credit exposure.

#### *Impairment of financial assets*

The Company has trade receivables from the provision of operation and maintenance services and leasing of assets, which are subject to the expected credit loss model. While fixed term cash deposits, cash and cash equivalents and other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

#### *Trade receivables*

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The company has one customer, and the ECL allowance on receivable from that customer has been computed based on rating grades issued by external rating agency. The ratings by external agency is based on historic default rate and is adjusted for forward-looking macro-economic information (e.g., economic data from industry groups, associations or bodies).

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 360 days past due.

The trade receivables have been guaranteed by the Government of Sultanate of Oman. The maximum exposure to credit risk at the reporting date, without taking into account collateral or other credit enhancements was:

	2025 S	2024 S
<b>Classified as financial assets measured at amortised cost</b>		
Cash and cash equivalents	5,228,043	6,776,226
Fixed term deposits and DSRA	12,716,070	11,484,012
Trade receivable	7,173,777	6,618,430
Other receivable	1,485,683	1,166,835
	<b>26,603,573</b>	<b>26,045,503</b>

The table below shows the balances with banks categorised by short-term credit rating as published by Moody's investor's service at the reporting date. Although one of the bank has been rated as not prime, management does not foresee any default risk.

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 23 Financial risk management (continued)

#### (b) Credit risk (continued)

Bank	Rating	2025 S	2024 S
<b>Bank balances</b>			
Bank Muscat SAOG	Ba2	1,370,385	1,294,645
Bank of China	Aa3	4,831	87,786
		<u>1,375,216</u>	<u>1,382,431</u>
<b>Short and fixed term deposits and DSRA</b>			
Bank Muscat SAOG	Ba2	1,927,000	1,916,800
Bank of China	Aa3	14,641,070	14,960,012
		<u>16,568,070</u>	<u>16,876,812</u>
<b>Trade receivables</b>			
<b>PWP</b>	Ba3	<u>7,173,777</u>	<u>6,618,430</u>

Age analysis of trade receivables is as follows:

	2025 S	2024 S
Not past dues	7,173,777	6,618,430
<b>Gross trade receivables</b>	<u>7,173,777</u>	<u>6,618,430</u>
Allowance for expected credit losses	<u>(23,935)</u>	<u>(23,935)</u>
<b>Net trade receivables</b>	<u>7,149,842</u>	<u>6,594,495</u>

None of the amounts have been considered as credit impaired.

The closing loss allowances for trade receivables as at 31 December 2025 reconcile to the opening loss allowances as follows:

	2025 S	2024 S
<b>Opening allowance for expected credit losses as at 1 January calculated under IFRS 9</b>	<u>23,935</u>	<u>23,935</u>
<b>Closing allowance for expected credit losses</b>	<u>23,935</u>	<u>23,935</u>

#### (c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company limits its liquidity risk by ensuring bank facilities and shareholders' advances are available, where required. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

**SEMBCORP SALALAH POWER AND WATER COMPANY SAOG**
**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**
**23 Financial risk management (continued)**
**(c) Liquidity risk (continued)**

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

	Cash flows				
	Carrying Amount	Contractual cash flow	Less than 1 year	More than 1 to 5 years	More than 5 years
<b>31 December 2025</b>	<b>₹</b>	<b>₹</b>	<b>₹</b>	<b>₹</b>	<b>₹</b>
<b>Derivative financial liabilities</b>					
Derivative instrument	22,160	(22,160)	(22,160)	-	-
<b>Non-derivative financial liabilities</b>					
Term loans	25,526,520	(26,473,203)	(26,473,203)	-	-
Trade and other payables	6,461,867	(6,461,867)	(6,461,867)	-	-
Long term lease liability	673,536	(1,794,832)	-	-	(1,794,832)
	<u>32,684,083</u>	<u>(34,752,062)</u>	<u>(32,957,230)</u>	<u>-</u>	<u>(1,794,832)</u>
<b>31 December 2024</b>					
<b>Non-derivative financial liabilities</b>					
Term loan	51,056,066	(55,160,625)	(28,193,785)	(26,966,840)	-
Trade and other payables	6,273,255	(6,273,255)	(6,273,255)	-	-
Long term lease liability	632,424	(1,794,832)	-	-	(1,794,832)
	<u>57,961,745</u>	<u>(63,228,712)</u>	<u>(34,467,040)</u>	<u>(26,966,840)</u>	<u>(1,794,832)</u>

The Company have undrawn working capital facility of RO 3.85 million with bank muscat. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at a significantly different amount.

**Embedded derivatives**

The following agreements contain embedded derivatives:

- (i) The PWPA between the Company and PWP contains embedded derivatives in pricing the fixed operation and maintenance charge and variable operation and maintenance charge rate for the power facility as well as the desalination facility. Fixed percentages of the fixed operation and maintenance charge rate and variable operation and maintenance charge rate for both facilities get adjusted to reflect changes in the US Consumer price index and the Omani Consumer price index.
- (ii) The NGSA between the Company and MOG contains embedded derivatives in gas price for provision of natural gas to the plant. The gas price gets adjusted to reflect changes in US Consumer price index.
- (iii) The LTSA between the Company and GEIL contains embedded derivatives in pricing the fixed monthly fee and variable monthly fee for provision of long term maintenance services. Fixed percentage of the fixed monthly fee and variable monthly fee gets adjusted to reflect changes in US labour and material price index.

These embedded derivatives are not separated from the host contract, as the management believes that the economic characteristics and risk associated with the embedded derivatives are closely related to those of the host contract.



**SEMBCORP SALALAH POWER AND WATER COMPANY SAOG**
**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**
**23 Financial risk management (continued)**
**Capital management**

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns to members and benefits to other stakeholders, and to provide an adequate return to members by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to members, return capital to shareholders, and issue new shares, or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio (debt to equity)

	2025	2024
	₪	₪
Debt (Long-term loan)	25,526,520	51,056,066
Equity	188,881,974	173,246,265
Debt to equity ratio (times)	0.14	0.29

**Fair value of financial instruments**

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

		Carrying amount			Fair value
	Fair value - hedging instrument	Financial assets at amortised cost	Other financial liabilities	Total	Level 2
			At amortised cost		
31 December 2025	₪	₪	₪	₪	₪
<b>Financial assets not measured at fair value</b>					
Trade and other receivables	-	8,635,525	-	-	
Cash and cash equivalents	-	5,228,043	-	-	
Bank deposits	-	12,716,070	-	-	
	-	26,579,638	-	-	
<b>Financial assets measured at fair value</b>					
Derivative instrument	(22,160)	-	-	-	(22,160)
<b>Financial liabilities not measured at fair value</b>					
Term loan	-	-	(25,526,520)	(25,526,520)	
Trade and other payables	-	-	(6,461,867)	(6,461,867)	
	-	-	(31,988,387)	(31,988,387)	

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 23 Financial risk management (continued)

#### Fair value of financial instruments (continued)

	Fair value - hedging instrument	Carrying amount Financial assets at amortised cost	Other financial liabilities At amortised cost	Total	Fair value Level 2
31 December 2024					
Financial assets measured at fair value					
Derivative instruments	120,222	-	-	120,222	120,222
Financial assets not measured at fair value					
Trade and other receivables	-	7,761,330	-	7,761,330	
Cash and bank equivalents	-	6,776,226	-	6,776,226	
Bank deposits	-	11,484,012	-	11,484,012	
	-	26,021,568	-	26,021,568	
Financial liabilities not measured at fair value					
Term loan	-	-	(51,056,066)	(51,056,066)	
Trade and other payables	-	-	(6,273,255)	(6,273,255)	
	-	-	(57,329,321)	(57,329,321)	

For financial asset not measured at fair value, their carrying amount is a reasonable approximation of fair value.

The following tables show the valuation techniques used in measuring Level 2 fair values for financial instruments in the statement of financial position, as well as the significant unobservable inputs used.

Type	Valuation technique
Interest rate swaps	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 and carrying value of financial assets is same as these are expected to mature within ninety days or less.

### 24 Commitments

#### (a) Performance guarantees



	2025	2024
		
Performance guarantees	1,540,800	1,540,800

The Company has taken bank guarantees from Bank Muscat for the amount of USD 4,000,000 and provided to Oman Electricity Transmission Company SAOG under the electrical connection agreement.

#### (b) Operation and maintenance commitment

As per O&M Agreement, SSOMC operates and maintains the Company's plant at Salalah until 24 May 2027. Under O&M agreement, the Company has to pay the fixed operator's fee:

The minimum future payments under the O&M agreement are as follows:

	2025	2024
		
Due:		
Not later than one year	1,236,266	1,201,800
Later than one year but not later than five years	424,451	1,662,800
	1,660,717	2,864,600

#### (c) Capital Commitment



Total capital commitment as at 31 December 2025 are in the amount of RO 390,229 (31 December 2024: RO 399,196).

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 25 Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the profit for the period by the weighted average number of shares outstanding during the period as follows:

	2025	2024
		
Profit for the year (RO)	23,292,856	22,469,153
Weighted average number of shares outstanding during the year	954,571,950	954,571,950
Earnings per share - Basic and diluted	0.0244	0.0235

Since the Company has no potentially dilutive instruments, the basic and dilutive earnings per share are same.

### 26 Net assets per share

Net assets per share are calculated by dividing the shareholders' funds by the number of shares at the end of the reporting period. Net assets per share is not a defined performance measure in IFRS standards.

	2025	2024
Net assets - (RO)	188,881,974	173,341,832
Number of shares at the end of the year	954,571,950	954,571,950
Net assets per share (RO)	0.198	0.182

### 27 Investors' Trust Fund

Record of Investors Trust Fund indicates that the amount of RO 11,329 (31 December 2024: RO 11,056) have not been claimed from the Company by the shareholders as at 31 December 2025.

### 28 Segmental reporting

The Company has only one segment in accordance with IFRS 8. Segment information is, accordingly, presented in respect of the Company's business segments. The primary format, business segments, is based on the Company's management and internal reporting structure. The requirements of IFRS 8, paragraphs 31 to 34 relating the entity wide disclosures have been covered under statements of financial position, profit and loss and other comprehensive income and also in note 3 to these financial statements.

### 29 Operating lease agreement for which the Company acts as a lessor

The Company has entered into a PWPA with PWP for a substantial element of the production of power and water with 100% 'take-or-pay' clauses in favour of the company. The below minimum lease receipts are investment charge revenue and does not include other types of revenue as disclosed in note 3 of the financial statements.

Management has determined that the take-or-pay arrangements with PWP under PWPA are covered by IFRS 16 'Leases' as such arrangements convey the right to use the assets to PWP. Management further determined that such arrangement in substance represents an operating lease under IFRS 16 Leases [note 2.2 (a)]. The lease commenced on 25 May 2012. The following is the total of future minimum lease receipts expected to be received under existing PWPA:



	2025	2024
Due:		
Less than one year	43,142,996	43,142,996
One to two years	10,346,227	43,142,996
Two to three years	-	10,346,227
	53,489,223	96,632,219

# SEMBCORP SALALAH POWER AND WATER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 29 Operating lease agreement for which the Company acts as a lessor (*continued*)

On 12 October 2025, the Company was awarded the new PWWA. The new PWWA will commence on 4 April 2027, immediately following the expiry of the current agreement, and will remain in effect for a period of 10 years, ending on April 2037. Followings are the total minimum lease receipts expected to be received under new PWWA.

	2025 	2024 
Less than one year	-	-
One to two years	17,731,140	-
Two to three years	17,694,317	-
Three to four years	17,694,317	-
Four to five years	17,694,317	-
Greater than five years	106,276,371	-
	<u>177,090,461</u>	<u>-</u>

### 30 Dividend

Pursuant to shareholders' resolution in the Annual General Meeting dated 19 March 2025, the Board of Directors in their meeting held on 27 October 2025 approved to distribute cash dividend of Baizas 8.0 per share amounting to RO 7.6 million (2024: 10.02 million) to the Shareholders who are registered with MCD on 2 November 2025.

### 31 Climate related risk

The Company recognises that climate related matters are an area of increasing attention from stakeholders. As part of its overall risk management framework, the Company monitors developments relating to both physical and transition risks associated with climate change. The key sources of climate risks have been identified as physical and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels and risks. Transition risks may arise from the adjustments to a net-zero economy, e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behavior and investor demand. These risks are receiving increasing regulatory, political and societal scrutiny, both within the country and internationally.

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

Management believes that under the PWWA, any additional costs arising from regulatory or legal changes, including climate related requirements, are recoverable from the offtaker through Change of Law provisions. The Company also maintains comprehensive insurance coverage for natural catastrophic events, property damage and business interruption, which further mitigates potential physical risks.