



Annual Report 2025

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Shamal Az-Zour Al-Oula Power and Water Company KSC (Public)

**Directors' report
for the year ended 31 December 2025**

Dear Shareholders,

On behalf of the Board of Directors of the Company, it gives me great pleasure to present the Board of Directors' Report for the year ended 31 December 2025.

1. Operational performance

Shamal Az-Zour Al-Oula Power and Water Company K.S.C.P. ("the Company") is the owner of the power and water facility known as Az-Zour North Phase One.

The primary service of the Company under the Energy Conversion and Water Purchase Agreement ("ECWPA") is to make available exclusively to the off-taker the Ministry of Electricity & Water & Renewable Energy ("MEWRE") the capacity of the power and water plant and in return the Company receives capacity payments based upon the demonstrated net dependable capacity. The secondary service of the Company is to sell to MEWRE (based upon its dispatch instructions) the electrical energy generated and water produced for a period of 40 years.

Following the successful share distribution in the fourth quarter of 2019, the Company listed on the Boursa Kuwait on 16 August 2020. 50% of the Company's shares were traded on the market, 5% were held by the Kuwait Investment Authority and 5% by the Public Institution for Social Security. The remaining 40% is held by Azour North One Holding Company K. S. C. C. ("the Parent Company") and was divided between the project sponsors; Engie (17.5%), Sumitomo Corporation (17.5%) and A.H. Al Sagar & Bros. (5%).

On 6 January 2026, the Company has been officially notified that the transaction between ACWA Power (headquartered in Saudi Arabia) and Engie regarding the transfer of Engie's stake in the Az-Zour North Phase One has been concluded and finalized. Furthermore, the Company confirms that this transaction does not affect its operations or contractual commitments under the existing ECWPA with the MEWRE.

As at 31 December 2025, the shareholding interests were as follows – Public 48.636%, Kuwait Investment Authority 5.00%, Public Institution for Social Security 6.364% and the remaining 40.00% held by the Parent Company and divided between the project sponsors; ACWA (17.5%), Sumitomo Corporation (17.5%) and A.H. Al Sagar & Bros. (5%).

The operation and maintenance of the plant is carried out by an exclusive sub-contractor, AZN O&M Company ("O&M Company") who took over responsibility for plant operation and maintenance on the Plant Commercial Operation Date of 26 November 2016. The plant has met its technical performance expectations in terms of available capacity and electricity generated and water produced during the period.

2. Financial performance

The Company generated a net profit for the period, before transferring to reserves, of KD 15 million.

The shareholders of the Company approved a cash dividend of 2 fils per share amounting to KD 2,200,000 for the year ended 31 December 2024, at the Annual General Assembly meeting held on 17 April 2025, which was paid to the shareholders on 13 May 2025.

On 4 November 2025, the Board of Directors approved interim cash dividends of 5 fils per share amounting to KD 5,500,000, which was paid to the shareholders on 26 November 2025.

3. Corporate governance

The Company has a Board of Directors with nine members. The Board of Directors held nine meetings during the year to 31 December 2025.

The day-to-day management of the Company has been delegated to the Chief Executive Officer and the Chief Financial Officer.

4. Directors

The directors of the Company during the period and till the date of this report were as follows:

Eng. Ahmad Othman AlMujalham – Chairman

Mr. Balwinder Panesar – Vice Chairman

Mr. Paul Floyd – Chief Executive Officer

Eng. Taizo Matsuda (*replaced Mr. Koji Makita on 27 May 2025*)

Mr. Ghazi Abdulrahman AlSanic

Eng. Eyad Ali AlFalalah

Eng. Fatima Ahmad AlHomaidan

Dr. Samir Jawdat Serhan [*appointed on 28 January 2026 upon resignation of Mr. Ernesto Javier Parra (replaced Mr. Laurent Furedi on 27 May 2025)*]

Mr. Stefan Alfons L Verlee (*appointed on 28 January 2026 upon resignation of Mr. Julien Diaz*)

5. Auditor

The financial statements have been audited by KPMG Al-Qenae & Partners who retire and being eligible, offer themselves for re-appointment.

6. Future plans

The Company and the O&M Company will continue to operate the plant for the benefit of Kuwait in a responsible manner, with a focus on the health and safety of our employees and on minimizing our impact on the environment.

Signed by:

Signed by:


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Eng. Ahmad Othman AlMujalham

Chairman

18 February 2026

Kuwait City – Mirqab – Khalid Ibn AlWaleed St.

Mazaya Tower 2, 6th Floor, Kuwait.

P.O. Box 880, Hawalli, Kuwait 32009

Tel: +965 22085653, Fax: +965 22085654

Commercial Register No.: 349479

Issued Capital: KD110,000,000.

Paid-up Capital: KD110,000,000.

الكويت – المرقاب – شارع خالد بن الوليد

برج مزايا 2 – دور 6 – دولة الكويت.

ص.ب: 880، حولي 32009، دولة الكويت

تليفون: +965 22085653 فاكس: +965 22085654

سجل تجاري رقم: 349479

رأس المال المصدّر: 110,000,000 د.ك

رأس المال المدفوع: 110,000,000 د.ك



KPMG Al-Qenae & Partners

Al Hamra Tower, 25th Floor

Abdulaziz Al Saqr Street

P.O Box 24, Safat 13001

State of Kuwait

+965 2228 7000

Independent auditor's report

The Shareholders

Shamal Az-Zour Al-Oula Power and Water Company K.S.C. (Public)

State of Kuwait

Opinion

We have audited the financial statements of Shamal Az-Zour Al-Oula Power and Water Company K.S.C. (Public) (the "Company"), which comprise the statement of financial position as at 31 December 2025, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code"), as applicable to audits of the financial statements of public interest entities and we have fulfilled our other ethical responsibilities in accordance with 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.

Revenue recognition

See notes 3(f) and 13 to the financial statements.

The key audit matter	How the matter was addressed in our audit
The revenue calculation is based on tariffs stated within the Energy Conversion and Water Purchase Agreement ("ECWPA") which has multiple variables. There is a risk that the revenue generated by the Company based on the ECWPA may be materially misstated, as each element of revenue should be comparable to the tariffs and calculation in the main ECWPA and its appendices. This creates complexity which could lead to a significant risk of misstatement.	As part of our audit procedures, we have: - Performed a walkthrough and obtained a detailed understanding of the revenue process including the system applications involved in the calculation of revenue and generation of monthly invoices to identify key controls over revenue recognition. - Sighted and read the ECWPA along with the relevant appendices that relate to calculation of payment and invoicing and payment procedures. - Obtained and inspected the monthly signed data validation meeting minutes between the Company and the Ministry of Electricity and Water and Renewable Energy ("MEWRE") to evidence agreement by both parties. - Obtained and inspected the monthly invoices issued to the MEWRE. - Inspected the supporting documents attached to each invoice, which includes the breakdown in terms of the various elements stated in the ECWPA. - Inspected the monthly journal entries posted to verify the revenue recorded is the same amount which was automatically calculated. - Performed re-calculation to verify the conversion of revenue in KD to USD for the total revenue to be aligned with the trial balance and inspected the bank statements for receipts from MEWRE.

Finance lease receivables

See note 6 to the financial statements.

The key audit matter	How the matter was addressed in our audit
The finance lease receivable is based on the IFRS 16 model developed by the Company with guidance from Sumitomo Corporation and Engie, its shareholders at the time of development in 2016. As the lease model was developed in 2016 for a period of 25 years, due to the involvement of management estimates and assumptions in the inputs, this could result in misstatements in arriving at the finance lease receivables balance. Due to assumptions used at inception, and the magnitude of the lease receivables, this is identified as a key audit matter.	As part of our audit procedures, we have: - Obtained and reviewed the IFRS 16 finance lease receivable model. - Assessed the appropriateness of the assumptions and estimates used in terms of cash flow projections and interest rate used. - Ensured validity of the model by aligning the revenue projections to the actual receipts. - Agreed the current and non-current portions of the finance lease receivable with the IFRS 16 model. - Evaluated the adequacy of the Company's disclosure in relation to use of significant estimates and judgement and assessed the presence of trigger events in order to identify updates to the finance lease model, if required.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon. Prior to the date of this auditor's report, we obtained the Board of Directors report which forms part of the annual report and the remaining sections of the annual report are expected to be made available to us after that date.

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 identified above 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 that we have obtained prior to the date of this 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 ISA 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 ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 further report that we have obtained the information and explanations that we required for the purpose of our audit and the financial statements include the information required by Companies Law No. 1 of 2016, as amended, and its Executive Regulations and the Company's Memorandum and Articles of Association, as amended. In our opinion, proper books of account have been kept by the Company, an inventory count was carried out in accordance with recognised procedures and the accounting information given in the Board of Directors' report agrees with the books of accounts of the Company. We have not become aware of any violations of the provisions of Companies Law No. 1 of 2016, as amended, and its Executive Regulations, or of the Company's Memorandum and Articles of Association, as amended, during the year ended 31 December 2025 that might have had a material effect on the business of the Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 7 of 2010, as amended, concerning the Capital Markets Authority, and its related regulations during the year ended 31 December 2025 that might have had a material effect on the business of the Company or on its financial position.

Dr. Rasheed M. Al-Qenae
License No 130
of KPMG Al-Qenae & Partners
Member firm of KPMG International

Kuwait: 18 February 2026

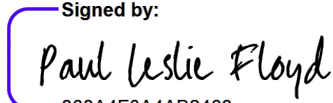
Shamal Az-Zour Al-Oula Power and Water Company K.S.C. (Public)
State of Kuwait

Statement of financial position
as at 31 December 2025

	Notes	2025 KD	2024 KD
Assets			
Non-current assets			
Finance lease receivable	6	386,387,058	406,207,779
Property, plant and equipment	7	827,660	858,075
		<u>387,214,718</u>	<u>407,065,854</u>
Current assets			
Finance lease receivable	6	16,260,962	15,489,718
Trade and other receivables	5	19,231,562	13,972,014
Due from related parties	9	2,605	-
Cash and bank balances	4	7,245,734	12,160,341
		<u>42,740,863</u>	<u>41,622,073</u>
Total assets		<u>429,955,581</u>	<u>448,687,927</u>
Equity and liabilities			
Equity			
Share capital	11	110,000,000	110,000,000
Statutory reserve	12	12,804,694	11,227,347
Foreign currency translation reserve		3,798,757	5,023,665
Hedge reserve	18	(9,270,234)	(3,889,725)
Retained earnings		18,335,404	12,584,961
Total equity		<u>135,668,621</u>	<u>134,946,248</u>
Non-current liabilities			
Term loans	10	253,621,884	276,165,733
Derivative financial liabilities	18	8,588,742	3,729,617
Employees' end of service benefits		83,642	65,664
Trade and other payables	8	87,039	546,585
		<u>262,381,307</u>	<u>280,507,599</u>
Current liabilities			
Term loans	10	20,123,699	18,978,414
Dividends payable	11	3,299,902	3,886,897
Trade and other payables	8	3,971,012	4,940,078
Due to related parties	9	3,829,548	5,268,583
Derivative financial liabilities	18	681,492	160,108
		<u>31,905,653</u>	<u>33,234,080</u>
Total liabilities		<u>294,286,960</u>	<u>313,741,679</u>
Total equity and liabilities		<u>429,955,581</u>	<u>448,687,927</u>

Signed by:

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 Eng. Ahmad Othman AlMujalham
 Chairman

Signed by:

 868A4F0A4AB2463...
 Paul Leslie Floyd
 Chief Executive Officer

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

Shamal Az-Zour Al-Oula Power and Water Company K.S.C. (Public)
State of Kuwait

Statement of profit or loss
for the year ended 31 December 2025

	<i>Notes</i>	2025 KD	2024 KD
Revenue	13	52,155,201	48,665,871
Operating costs	9	<u>(18,693,868)</u>	<u>(17,489,918)</u>
Gross profit		33,461,333	31,175,953
Finance and other income		3,268,463	3,711,538
Finance costs		(17,650,563)	(21,617,403)
Staff costs and related expenses		(663,405)	(689,781)
General and administrative expenses	14	<u>(2,642,354)</u>	<u>(2,872,663)</u>
Profit before contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”), National Labor Support Tax (“NLST”), Zakat and Board of Directors’ remuneration		15,773,474	9,707,644
Contribution to KFAS		(141,961)	(87,369)
NLST		(394,802)	(254,801)
Zakat		(157,921)	(101,920)
Board of Directors’ remuneration	9	<u>(51,000)</u>	<u>(53,000)</u>
Profit for the year		<u>15,027,790</u>	<u>9,210,554</u>
Earnings per share (basic and diluted)	15	<u>14 fils</u>	<u>8 fils</u>

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

Shamal Az-Zour Al-Oula Power and Water Company K.S.C. (Public)
State of Kuwait

Statement of comprehensive income
for the year ended 31 December 2025

	<i>Note</i>	2025 KD	2024 KD
Profit for the year		<u>15,027,790</u>	<u>9,210,554</u>
Other comprehensive (loss) / income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation		(1,224,908)	580,706
Change in fair value of cash flow hedges	18	<u>(5,380,509)</u>	<u>9,241,731</u>
<i>Other comprehensive (loss) / income for the year</i>		<u>(6,605,417)</u>	<u>9,822,437</u>
Total comprehensive income for the year		<u>8,422,373</u>	<u>19,032,991</u>

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

Shamal Az-Zour Al-Oula Power and Water Company K.S.C. (Public)
State of Kuwait

Statement of changes in equity
for the year ended 31 December 2025

	Share capital KD	Statutory reserve KD	Foreign currency translation reserve KD	Hedge reserve KD	Retained earnings KD	Total KD
Balance as at 1 January 2024	110,000,000	10,256,583	4,442,959	(13,131,456)	8,745,171	120,313,257
Profit for the year	-	-	-	-	9,210,554	9,210,554
Other comprehensive income for the year	-	-	580,706	9,241,731	-	9,822,437
Total comprehensive income for the year	-	-	580,706	9,241,731	9,210,554	19,032,991
Dividends (note 11)	-	-	-	-	(4,400,000)	(4,400,000)
Transfer to statutory reserve (note 12)	-	970,764	-	-	(970,764)	-
Balance as at 31 December 2024	<u>110,000,000</u>	<u>11,227,347</u>	<u>5,023,665</u>	<u>(3,889,725)</u>	<u>12,584,961</u>	<u>134,946,248</u>
Balance as at 1 January 2025	110,000,000	11,227,347	5,023,665	(3,889,725)	12,584,961	134,946,248
Profit for the year	-	-	-	-	15,027,790	15,027,790
Other comprehensive loss for the year	-	-	(1,224,908)	(5,380,509)	-	(6,605,417)
Total comprehensive (loss) / income for the year	-	-	(1,224,908)	(5,380,509)	15,027,790	8,422,373
Dividends (note 11)	-	-	-	-	(7,700,000)	(7,700,000)
Transfer to statutory reserve (note 12)	-	1,577,347	-	-	(1,577,347)	-
Balance as at 31 December 2025	<u>110,000,000</u>	<u>12,804,694</u>	<u>3,798,757</u>	<u>(9,270,234)</u>	<u>18,335,404</u>	<u>135,668,621</u>

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

Shamal Az-Zour Al-Oula Power and Water Company KSC (Public)
State of Kuwait

Statement of cash flows
for the year ended 31 December 2025

		2025	2024
	<i>Notes</i>	KD	KD
Cash flows from operating activities			
Profit before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration		15,773,474	9,707,644
<i>Adjustments for:</i>			
Depreciation	7	53,183	48,943
Finance costs		17,650,563	21,617,403
Gain on disposal of property, plant and equipment		(181)	(7)
Provision for employees' end of service benefits		18,617	29,469
		<u>33,495,656</u>	<u>31,403,452</u>
<i>Changes in:</i>			
- Trade and other receivables		(5,259,548)	3,040,132
- Due from related parties		(2,605)	4,173
- Finance lease receivable		19,049,477	12,740,234
- Trade and other payables		(1,261,998)	1,318,523
- Due to related parties		(1,439,035)	2,320,170
		<u>44,581,947</u>	<u>50,826,684</u>
<i>Cash flows generated from operations</i>			
Payment of employees' end of service benefits		-	(4,857)
Net cash flows from operating activities		<u>44,581,947</u>	<u>50,821,827</u>
Cash flows from investing activities			
Acquisition of property, plant, and equipment	7	(30,334)	(244,067)
Proceeds from disposal of property, plant, and equipment		306	7
Net cash flows used in investing activities		<u>(30,028)</u>	<u>(244,060)</u>
Cash flows from financing activities			
Repayment of term loans		(21,398,564)	(16,644,294)
Payment of finance costs		(17,975,866)	(21,572,945)
Payment of dividends		(8,286,995)	(5,470,083)
Net cash flows used in financing activities		<u>(47,661,425)</u>	<u>(43,687,322)</u>
Net changes in cash and cash equivalents		(3,109,506)	6,890,445
Cash and cash equivalents as at 1 January		8,273,444	805,792
Net effect of foreign currency translation adjustments		(1,218,106)	577,207
Cash and cash equivalents as at 31 December	4	<u>3,945,832</u>	<u>8,273,444</u>

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

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

1. Reporting entity

Shamal Az-Zour Al-Oula Power and Water Company K.S.C. (Public) (the “Company”) is a Kuwaiti shareholding company incorporated on 19 August 2013, under trade license No. 349479 registered at the Ministry of Commerce and Industry on 23 October 2013 and whose shares are listed on Boursa Kuwait.

The registered office of the Company is 6th Floor, Mazaya Tower 2, Khalid Ibn Al Waleed Street, Block 3, Kuwait City, State of Kuwait.

The Company is deemed to be a partially owned subsidiary of Azour North One Holding K.S.C.C (the “Parent Company”) as the Parent Company has the ability to direct the relevant activities of the Company, is exposed to variable returns from its involvement with the Company and has the ability to use its power over the Company to affect the amount of its returns.

In December 2013, the Company signed a Build, Operate and Transfer (“BOT”) contract with Kuwait’s Ministry of Electricity and Water and Renewable Energy (“MEWRE”) for the development, financing, procurement, construction, testing and commissioning of a green field power generation and water desalination plant of 1,500 MW of power generation capacity and 102 to 107 Million Imperial Gallons Per Day (“MIGD”) of water desalination capacity (the “Plant”), together with associated infrastructure and facilities for 40 years at Az-Zour North, State of Kuwait. MEWRE will purchase the entire output of the Plant under a 40-year long-term Energy Conversion and Water Purchase Agreement (“ECWPA”). The Plant was commissioned on 26 November 2016.

In accordance with the ECWPA signed between the Company and MEWRE on 12 December 2013, the Company is obliged to produce electricity and desalinated water using the Plant and MEWRE has the ability to restrict the access of others to the economic benefits of the Plant. Furthermore, the ECWPA provides for capacity payments in addition to output payments. The Company determined that the ECWPA conveys a right to use the Plant by MEWRE and, has accordingly, classified the ECWPA as a finance lease in accordance with the guidelines of IFRS 16, *Leases*.

The objectives of the Company are the following:

- a) To develop, finance, design, engineer and provide services and build, implement, operate and manage an electricity power generation plant and a water desalination plant and related facilities including performing all work directly or indirectly related to or associated with its activities.
- b) To carry out all works relating to the building works necessary for the Company to carry on its activity, including construction, purchase and lease of buildings, land, equipment and warehouses necessary for the realisation of the objectives of the Company and all the facilities relating thereto.
- c) To carry out all works of generation, production, transmission, making, development and sale of electricity and water, or any product relating to any such works in and outside the State of Kuwait.
- d) To carry out chemical cleaning, hot oil cleaning works and disinfection for all heat exchangers, and to carry out electrical and civil works necessary for electricity and water sector works (power plants, pipeline and electricity projects for desalination units and petrochemicals), to carry out all maintenance works including those relating to power generation, water, pipeline installations and installation of relay stations and installation of all insulation items.
- e) To import and install equipment at electricity and water locations for monitoring and measurement of air pollutants and to use skilled labor specialised in fighting pollution of the environment surrounding water and electricity plants.
- f) To purchase materials and equipment and all movable properties and instruments necessary for the Company to realise its objectives, and to maintain the same by all modern means possible, and to import primary materials, equipment, and instruments necessary for the Company’s objectives.
- g) To supply and install security and safety equipment relating to the objectives of the Company.

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

1. Reporting entity (continued)

- h) To import all necessary equipment to implement its objects, including but not limited to, install, supply, and maintain all types of power cables, electrical cables, water pumps, instruments and equipment relating to the activities of the Company.
- i) To register patents relating directly to the Company's experience.
- j) To carry out technical research relating to the Company's business with the aim to improve and develop the Company's services in cooperation with specialised parties in and outside the State of Kuwait.
- k) To directly participate in infrastructure zones and projects relevant to the objectives of the Company in BOT systems or in other similar systems including those referred to in Law No. 39 of 2010 (and its amendments) and to manage the facilities established thereby.
- l) To invest the Company's funds within the objectives and percentages set out by the board of directors.

The Company may carry out the activities listed above in and outside the State of Kuwait, whether as a principal or agent.

The Company is permitted to participate in, study, finance or implement any project or projects that have been tendered pursuant to Law No. 39 of 2010 (and its amendments) on Establishing Kuwaiti Joint Stock Companies Undertaking Building and Implementation of Electrical Power and Desalination Plants in Kuwait.

On 17 April 2025, the Annual General Assembly meeting of the shareholders approved the audited financial statements of the Company as at and for the year ended 31 December 2024.

The financial statements of the Company for the year ended 31 December 2025 were authorised for issuance in accordance with a resolution of the Board of Directors on 18 February 2026 and are subject to the approval of the shareholders at their Annual General Assembly meeting. The Annual General Assembly meeting of shareholders has the power to amend these financial statements after issuance.

2. Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), the relevant provisions of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations, the Company's Articles of Association, as amended, and Ministerial order No. 18 of 1990.

b) Basis of measurement

The financial statements have been prepared on the historical cost or amortised cost basis, except for derivative financial instruments which are measured at fair value.

c) Functional and presentation currency

These financial statements are presented in Kuwait Dinar ("KD"). The Company's functional currency is not the currency of the country in which it is domiciled as majority of the transactions of the Company are denominated in USD. These financial statements are presented in KD for the purpose of submission to the Capitals Markets Authority and Ministry of Commerce and Industry, in the State of Kuwait.

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

2. Basis of preparation (continued)

d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances, the results of which form the basis of making the judgements about the carrying value of assets and liabilities that are not readily apparent from other sources.

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.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 3(q).

3. Material accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for those listed in note 3(s).

a) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are measured at initial recognition at fair value plus transaction costs and subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of deposits and amounts due from related parties that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially 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.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

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

3. Material accounting policies (continued)

a) Financial instruments (continued)

i) Financial assets (continued)

Initial recognition and measurement (continued)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

The Company's financial assets at amortised cost include finance lease receivable, due from related parties, trade and other receivables and cash and bank balances.

Subsequent measurement

For purposes of subsequent measurement, financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified, or impaired.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's statement of financial position) when:

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

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognises an allowance for expected credit losses ("ECL") for all debt instruments not held at FVTPL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

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

3. Material accounting policies (continued)

a) Financial instruments (continued)

i) Financial assets (continued)

Impairment of financial assets (continued)

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

For trade receivables, the Company applies a simplified approach in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments from the customer are more than 60 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise. Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet the following criteria are generally not recoverable.

- Information developed internally or obtained from external sources indicates that the customer is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company); or
- A breach of contract by the counterparty.

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

3. Material accounting policies (continued)

a) Financial instruments (continued)

i) Financial assets (continued)

Impairment of financial assets (continued)

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due from MEWRE unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The Company determined no default event occurred during the year in respect of amounts receivable from MEWRE.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or past due event; or
- it is becoming probable that the debtor will enter bankruptcy.

Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the counterparty has been placed in liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the statement of profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the asset's gross carrying amount at the reporting date. For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

ii) Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, due to related parties, term loans, dividends payable and derivative financial instruments.

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

3. Material accounting policies (continued)

a) Financial instruments (continued)

ii) Financial liabilities (continued)

Subsequent measurement

After initial recognition, term loans are subsequently measured on a deferred settlement basis. Term loans are stated at the gross amount of the payable, net of deferred interest payable. Interest payable are expensed on a time apportionment basis taking account of the interest rate attributable and the balance outstanding.

Trade and other payables and due to related parties are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Derecognition

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

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

b) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its interest rate risk exposure. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derivatives 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. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates its derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At the inception of the hedging, the Company documents the economic relationship between hedging instruments and the hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of the hedged items. The Company documents its risk management objective and strategy for undertaking its hedge transactions.

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

3. Material accounting policies (continued)

b) Derivative financial instruments and hedge accounting (continued)

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. Any gain or loss relating to any ineffective portion is recognised immediately in profit or loss within other income or other expense, as appropriate.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time, remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the statement of profit or loss.

The fair value of the derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models.

c) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its acquisition cost, borrowing costs and all directly attributable costs of bringing the asset to the working condition for its intended use.

The depreciation of the property, plant and equipment is computed on the straight-line basis over the useful lives of the assets as follows:

	Useful life
Building improvements	Lower of 25 years or unexpired term of the ECWPA
Plant and equipment	Lower of 25 years or unexpired term of the ECWPA
IT equipment	3 years
Vehicles	3 years
Furniture and fixtures	3 years

Asset residual values and useful lives are reviewed and adjusted if appropriate, at each financial position date. The carrying amount of property, plant and equipment is reviewed at each financial position date to determine whether there is any indication of impairment. If any such indication exists, an impairment loss is recognised in the statement of profit or loss. The carrying amount of property, plant and equipment is derecognised on disposal.

Gains and losses on disposals are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit or loss.

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

3. Material accounting policies (continued)

d) Impairment of non-financial assets

An asset is impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset is the higher of the asset's fair value less cost to sell and value-in-use. Fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction. Value-in-use is the present value of the estimated future cash flow expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. An assessment is made at each reporting date to determine whether there is objective evidence that a specific asset or a group of similar assets, may be impaired. If such evidence exists, an impairment loss is recognised in the statement of profit or loss. Assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) for the purpose of testing impairment. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss.

e) Cash and cash equivalents

Cash and bank balances in the statement of financial position comprise cash in hand, balance with banks and short-term deposits with original maturity of less than three months that are readily convertible to a known amount of cash and subject to an insignificant risk of change in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank current accounts and short-term deposits with an original maturity of three months or less, net of restricted balance for dividends payable.

f) Revenue recognition

Revenue is measured based on the transaction prices specified in a contract with a customer and comprises the following:

- Capacity payments for power and water consisting of a fixed capital component and a fixed operation and maintenance component ("O&M"); and
- Electrical and water output payments consisting of a fuel adjustment component and a variable O&M component.

Revenue from contract with customer

Capacity payments reflect the availability of the Plant to deliver output. The customer pays for capacity at an amount representative of the availability of the asset for the defined time period. Capacity payments covering the fixed capital component are apportioned on the basis of their relative fair values between minimum lease payments (comprising capital repayments relating to the provision of the Plant and finance income) and service income.

Operation and maintenance services (O&M)

Revenue from rendering services is recognised based on the ECWPA contract. The Company recognises revenue from O&M services over time because the customer simultaneously receives and consumes the benefits provided to them.

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

3. Material accounting policies (continued)

f) Revenue recognition (continued)

Operation and maintenance services (O&M) (continued)

The fixed O&M revenue is recognised based on the tariffs in the ECWPA contract and upon performance of the relevant services.

The variable O&M revenue is recognised based on the tariffs in the ECWPA contract and the actual units of electricity and water delivered during the year. The Company uses an output method in measuring the variable revenue based on the value of the services provided.

The fuel adjustment fees are recognised based on the tariffs in the ECWPA contract and the actual operating efficiency during the period, subject to the MEWRE's approval. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Finance lease income

The finance lease income for the fixed capital component is recognised in the statement of profit or loss as part of the minimum lease payment and is recognised as disclosed in note 3(g).

Interest income

Interest income is accrued on effective interest rate basis, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

g) Leases

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

i. Company as a lessee

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

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If the ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

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

3. Material accounting policies (continued)

g) Leases (continued)

i. Company as a lessee (continued)

Lease liabilities (continued)

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

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

ii. Company as a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all 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 a major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract. The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

h) Provisions for liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

3. Material accounting policies (continued)

i) Borrowing costs

The interest on borrowings specifically incurred to finance the construction of plant and equipment is capitalised as part of their cost during the period that is required to complete the construction. All other interest cost is recognised as an expense of the period in which it is incurred.

j) Foreign currencies transactions

Foreign currency transactions are translated into United States Dollars ("USD") at the rates prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into USD at the rates of exchange ruling at the financial position date. Resultant gains or losses are taken to the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting the KD financial statements, the assets and liabilities of the Company are expressed in KD using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

k) Employees' end of service benefits

Employees are entitled to an end of service indemnity payable under the Kuwait Labor Law based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. The expected costs of these benefits are accrued over the period of employment.

Kuwaiti employees

Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security scheme, to which employees and employers contribute monthly on a fixed percentage-of-salaries basis. The Company's share of contributions to this scheme, which is a defined contribution scheme, are charged to the statement of profit or loss in the year to which they relate.

l) NLST

NLST represents the tax payable to Kuwait's Ministry of Finance under NLST Law No. 19 of 2000, computed at 2.5% of profit before deduction of the contributions to KFAS, Zakat, NLST and Board of Directors' remuneration and other adjustments.

m) Contribution to KFAS

This represents the contribution to the Kuwait Foundation for the Advancement of Science ("KFAS") computed at 1% of profit before deduction of the contributions to KFAS, Zakat, NLST and Board of Directors' remuneration after the transfer to statutory reserve.

n) Zakat

Zakat represents the tax payable to Kuwait's Ministry of Finance under Zakat Law No. 46 of 2006, computed at 1% of profit before deduction of the contributions to KFAS, Zakat, NLST and Board of Directors' remuneration and other adjustments.

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

3. Material accounting policies (continued)

o) Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current and non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in a normal operating cycle; or
- Held primarily for the purpose of trading; or
- Expected to be realised within twelve months after the reporting period; or
- Bank balances, cash and deposits unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in a normal operating cycle; or
- It is held primarily for the purpose of trading; or
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

p) Fair value measurement

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

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

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

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

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

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

3. Material accounting policies (continued)

q) Critical accounting judgements and estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, management has made judgements and 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 year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Company's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are shown below with respect to the judgements/estimates involved.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Determining whether an arrangement contains a lease

Based on management's evaluation, the ECWPA with MEWRE is considered as a lease within the context of IFRS 16 and has been classified as a finance lease, since significant risks and rewards of ownership were transferred to MEWRE on the Project Commercial Operation Date which is the date of commencement of the lease term. The primary basis for this conclusion is that the ECWPA is for the substantial portion of the life of the Plant and the present value of minimum lease payments substantially equates to the fair value of the Plant at the inception of the lease.

Minimum lease payments

Minimum lease payments from the ECWPA are estimated based on projections of available net electricity and water capacity, US producer price indices and Kuwaiti consumer price indices over a period of twenty-five years.

Assumptions and estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are shown below:

Fair value of derivatives

Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate portion of the debt. 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, future prices, and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Company and of the counterparty.

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

3. Material accounting policies (continued)

r) Contingencies

Contingent assets are not recognised as an asset until realisation becomes virtually certain.

Contingent liabilities are not recognised as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation and the amount can be reliably estimated.

s) New and amended standards and interpretations

The Company applied the following amendment effective for annual periods beginning on 1 January 2025 which did not have material effect on the Company's financial statements:

- Lack of Exchangeability - Amendments to IAS 21.

t) Standards issued but not yet effective

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

- Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (1 January 2026);
- Contracts Referencing Nature – dependent Electricity – Amendments to IFRS 9 and IFRS 7 (1 January 2026);
- Annual Improvements to IFRS Accounting Standards – Volume 11 (1 January 2026);
- IFRS 18 Presentation and Disclosure in Financial Statements (1 January 2027);
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (1 January 2027); and
- Sale or Contribution of Assets between an Investors and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (Available for optional adoption effective date deferred indefinitely).

The new standards and amendments are not expected to have a material impact on the financial statements of the Company in the period of initial application.

4. Cash and cash equivalents

	2025	2024
	KD	KD
Cash in hand	472	319
Balances with banks	3,519,382	9,094,427
Short-term deposits with original maturity of less than 3 months	3,725,880	3,065,595
Total cash and bank balances	7,245,734	12,160,341
Less: restricted balance for dividends payable (note 11)	(3,299,902)	(3,886,897)
Total cash and cash equivalents for the purpose of statement of cash flows	<u>3,945,832</u>	<u>8,273,444</u>

Short-term deposits were denominated in USD and placed with a foreign bank and carry an effective interest rate ranging from 3.69% to 3.92% (2024: 3.5% to 5.25%) per annum.

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

5. Trade and other receivables

	2025	2024
	KD	KD
Trade receivables	11,238,368	5,107,331
Contract assets (a)	5,731,590	5,358,826
Prepaid expenses	776,776	588,161
Advance lease rent to MEWRE (b)	72,764	76,032
Other receivables	1,412,064	2,841,664
	<u>19,231,562</u>	<u>13,972,014</u>

(a) Contract assets relate to the Company's rights to consideration for work completed but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to MEWRE.

(b) The advance lease rent to MEWRE represents the total operating lease cost for the lease of the land paid in advance, on which the Plant is built. Advance lease rent to MEWRE is being amortised over the lease period of forty years.

The average credit period granted to MEWRE is 60 days. No interest is charged on the overdue trade receivables.

As of 31 December 2025, trade receivables of KD 11,238,368 (2024: KD 5,107,331) were neither past due nor impaired. All the trade receivables are denominated in KD and are located in the State of Kuwait.

The maximum exposure to credit risk at the reporting date is disclosed in note 17 to these financial statements.

6. Finance lease receivable

Finance lease for which the Company acts as lessor

This lease falls within the scope of the IFRS 16 and applies to the ECWPA on the basis that it is an energy conversion and sale contract that conveys an exclusive right to use a production asset. The Company has recognised a finance lease receivable as follows:

	Minimum lease receipts (Undiscounted)	Present value of minimum lease receipts
	2025	2025
	KD	KD
Amounts receivable under finance lease		
Within one year	38,007,884	16,260,962
Year 2 to 5 inclusive	152,053,319	74,759,949
After year 5	415,335,801	311,627,109
Future minimum lease receipts	605,397,004	402,648,020
Unearned finance income	(202,748,984)	-
Net investment in finance lease	<u>402,648,020</u>	<u>402,648,020</u>

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

6. Finance lease receivable (continued)

Finance lease for which the Company acts as lessor (continued)

	Minimum lease receipts (Undiscounted) 2024 KD	Present value of minimum lease receipts 2024 KD
Amounts receivable under finance lease		
Within one year	38,305,030	15,489,718
Year 2 to 5 inclusive	153,276,988	71,278,025
After year 5	457,472,252	334,929,754
Future minimum lease receipts	649,054,270	421,697,497
Unearned finance income	(227,356,773)	-
Net investment in finance lease	421,697,497	421,697,497

Included in the statement of financial position:

	2025 KD	2024 KD
Current portion	16,260,962	15,489,718
Non-current portion	386,387,058	406,207,779
	402,648,020	421,697,497

The interest rate implicit in the finance lease is 5.5% (2024: 5.5%) per annum.

**Shamal Az-Zour Al-Oula Power and Water Company K.S.C. (Public)
State of Kuwait**

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

7. Property, plant, and equipment

Cost	Building improvements KD	Plant and equipment KD	IT equipment KD	Vehicles KD	Furniture and fixtures KD	Total KD
As at 1 January 2024	8,337	693,568	46,965	171,753	2,525	923,148
Additions	8,581	233,498	657	-	1,331	244,067
Disposals	-	-	(577)	-	-	(577)
Foreign currency translation	63	3,767	206	756	16	4,808
As at 31 December 2024	16,981	930,833	47,251	172,509	3,872	1,171,446
Additions	18,535	-	11,799	-	-	30,334
Disposals	-	-	(3,555)	-	-	(3,555)
Foreign currency translation	(212)	(8,158)	(441)	(1,512)	(34)	(10,357)
As at 31 December 2025	35,304	922,675	55,054	170,997	3,838	1,187,868
Accumulated depreciation						
As at 1 January 2024	1,586	97,843	21,922	139,852	2,493	263,696
Charge for the year	484	21,957	10,485	15,784	233	48,943
Relating to disposals	-	-	(577)	-	-	(577)
Foreign currency translation	8	498	127	664	12	1,309
As at 31 December 2024	2,078	120,298	31,957	156,300	2,738	313,371
Charge for the year	767	27,746	9,981	14,241	448	53,183
Relating to disposals	-	-	(3,430)	-	-	(3,430)
Foreign currency translation	(20)	(1,150)	(303)	(1,418)	(25)	(2,916)
As at 31 December 2025	2,825	146,894	38,205	169,123	3,161	360,208
Carrying amount						
As at 31 December 2024	14,903	810,535	15,294	16,209	1,134	858,075
As at 31 December 2025	32,479	775,781	16,849	1,874	677	827,660

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

8. Trade and other payables

	2025	2024
	KD	KD
Accounts payable	2,604	2,791
Retention payable*	92,841	71,844
Accrued interest	1,598,685	1,734,320
Warranty payable	696,312	1,606,449
KFAS payable	141,961	87,369
Provision on insurance deductibles (note 14)	458,100	460,063
Accruals and other payables	<u>1,067,548</u>	<u>1,523,827</u>
	<u>4,058,051</u>	<u>5,486,663</u>
	2025	2024
	KD	KD
<i>Presented in the statement of financial position under:</i>		
Non-current liabilities	87,039	546,585
Current liabilities	<u>3,971,012</u>	<u>4,940,078</u>
	<u>4,058,051</u>	<u>5,486,663</u>

* In accordance with the Ministerial Order 44 of 1985 and Articles 16, 37 and 39 of the Executive By laws to Law No. 2 of 2008, the Company retains 5% from all payments to all beneficiaries and releases such retentions upon receipt of a Tax Clearance Certificate or a No Objection Letter issued by the Ministry of Finance.

9. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Company has control or joint control, exercises significant influence, major shareholders, directors and key management personnel of the Company. The Company has a related party relationship with entities over which certain shareholders and directors are able to exercise significant influence. These transactions are carried out on agreed terms basis.

Amounts due from / to related parties are interest free and have no agreed repayment schedule. Accordingly, these balances are considered receivable / payable on demand.

The related party transactions and balances included in these financial statements are as follows:

	2025	2024
	KD	KD
Statement of financial position		
<i>Due from related parties</i>		
Entities under common control	<u>2,605</u>	<u>-</u>
<i>Due to related parties</i>		
Parent Company	-	389,969
Entities under common control	<u>3,829,548</u>	<u>4,878,614</u>
	<u>3,829,548</u>	<u>5,268,583</u>

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

9. Related party transactions (continued)

	2025	2024
	KD	KD
Statement of profit or loss		
Operating costs	<u>18,693,868</u>	<u>17,489,918</u>
Finance costs	<u>47,114</u>	<u>49,806</u>
General and administrative expenses	<u>35,268</u>	<u>30,463</u>

Key management compensation

Key management personnel comprise the Board of Directors and members of management having authority and responsibility for planning, directing and controlling the activities of the Company. Compensation related to key management personnel was as follows:

	2025	2024
	KD	KD
Salaries and other employee benefits	300,729	272,415
Board of Directors' remuneration	51,000	53,000

10. Term loans

	2025	2024
	KD	KD
Current portion	20,123,699	18,978,414
Non-current portion	<u>253,621,884</u>	<u>276,165,733</u>
	<u>273,745,583</u>	<u>295,144,147</u>

	2025	2024
	KD	KD
USD 645 million facility from Japan Bank for International Cooperation that bears a floating interest rate of SOFR plus a credit adjustment spread of 0.26% and a margin of 1.25% per annum (2024: floating interest rate SOFR plus a credit adjustment spread of 0.26% and a margin of 1.25% per annum).	123,185,512	132,814,866
USD 283 million facility from various lenders under Nippon Export and Investment Insurance covered facilities agreement that bears a floating interest rate of SOFR plus a credit adjustment spread of 0.26% and a margin of 1.10% per annum (2024: floating interest rate SOFR plus a credit adjustment spread of 0.26% and a margin of 1.10% per annum).	54,064,749	58,290,966
USD 505 million facility from various lenders under the Commercial facilities agreement that bears a floating interest rate of SOFR plus a credit adjustment spread of 0.26% and a margin of 2.10% per annum (2024: floating interest rate SOFR plus a credit adjustment spread of 0.26% and a margin of 2.10% per annum).	<u>96,495,322</u>	<u>104,038,315</u>
	<u>273,745,583</u>	<u>295,144,147</u>

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

10. Term loans (continued)

The loans are repayable in quarterly installments with the final maturity in November 2036.

The loans are secured by assignment of receivables and residual rights under the ECWPA, as well as a pledge over the shares in the Company held by the Parent Company. Loan financial covenants include a debt service coverage ratio of 1.05:1. The Company is required to set up a debt service reserve account to maintain a certain level of cash to service its debt for a period of six months after taking into consideration any letter of credit issued.

At the reporting date, the Company is in compliance with the covenant.

Certain related parties of the Company issued letters of credit in favor of the lenders of KD 19 million (USD 62 million) (2024: KD 19 million (USD 62 million)) to contribute to the amount required resulting in no further cash deposit required to be maintained in the debt service reserve account as at 31 December 2025 (2024: nil). As at 31 December 2025, the Company has undrawn working capital facilities with a commercial bank in Kuwait amounting to KD 13.9 million (2024: KD 13.9 million).

11. Share capital

The Company's authorised and issued share capital comprises 1,100,000,000 shares of 100 Kuwaiti fils each (2024: 1,100,000,000 shares of 100 Kuwaiti fils), fully paid up in cash.

Dividends

The shareholders of the Company approved a cash dividend of 2 fils per share amounting to KD 2,200,000 for the year ended 31 December 2024, at the Annual General Assembly meeting held on 17 April 2025, which was paid to the shareholders on 13 May 2025.

On 4 November 2025, the Board of Directors approved interim cash dividends of 5 fils per share amounting to KD 5,500,000, which was paid to the shareholders on 26 November 2025. This is based on a resolution passed by the shareholders at the AGM held on 17 April 2025 authorising the Board of Directors to distribute dividends from realised profits on a quarterly or semi-annual basis during the year ending 31 December 2025, as deemed appropriate.

On 28 November 2024, the Board of Directors approved interim cash dividends of 4 fils per share amounting to KD 4,400,000, which was paid to the shareholders on 22 December 2024.

As at 31 December 2025, the Company has recorded dividends payable to its shareholders amounting to KD 3,299,902 (2024: KD 3,886,897) relating to dividend declared in prior periods.

12. Statutory reserve

In accordance with the Companies Law No.1 of 2016, as amended, and the Company's Memorandum of Incorporation and Articles of Association, as amended, 10% of the net profit before contribution to KFAS, NLST, Zakat and Directors' remuneration has been transferred to the statutory reserve until the reserve reaches a minimum of 50% of the paid-up share capital. This reserve can be utilised only for distribution of a maximum dividend of 5% in years when retained earnings are inadequate for this purpose.

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

13. Revenue

	2025	2024
	KD	KD
<i>Revenue from contract with customer</i>		
Fixed operation and maintenance income	15,272,729	13,675,404
Electrical and water output income	6,703,747	5,088,787
Supplemental receipts and service income	7,485,811	6,367,925
	<u>29,462,287</u>	<u>25,132,116</u>
<i>Finance lease income</i>		
Interest income	22,692,914	23,533,755
	<u>52,155,201</u>	<u>48,665,871</u>

In March 2024, an incident occurred, which resulted in damage to the gas turbine at the power generation and water desalination plant which resulted in reduced revenue over a seven-month period amounting to KD 3.4 million. During the year, the Company recorded business interruption insurance proceeds received of KD 2.1 million (2024: KD 0.3 million) under finance and other income and a provision for property damage insurance deductibles of KD 460,063 was recorded as an expense in the statement of profit or loss for the year ended 31 December 2024 (note 14).

14. General and administrative expenses

	2025	2024
	KD	KD
Professional and legal fees	125,810	115,146
Depreciation	53,183	48,943
Insurance cost	1,857,788	1,697,186
Provision on insurance deductibles (note 13)	-	460,063
Administrative and other expenses	605,573	551,325
	<u>2,642,354</u>	<u>2,872,663</u>

15. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no outstanding dilutive instruments, the basic and diluted earnings per share are identical.

	2025	2024
Profit for the year (KD)	15,027,790	9,210,554
Weighted average number of ordinary shares outstanding during the year	1,100,000,000	1,100,000,000
Basic and diluted EPS (fils)	14	8

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

16. Operating segment

The Company produces water and electricity in the State of Kuwait on behalf of MEWRE from which it earns revenue and incurs expenses, the results of which are regularly reviewed by the Board of Directors of the Company. Accordingly, the Company has only one reportable segment and information relating to the reporting segment is set out in the statements of financial position, profit or loss and comprehensive income.

17. Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies, and processes for measuring and managing risk and the Company's management of capital.

i. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

ii. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial assets, which potentially subject the Company to credit risk, consist principally of balances with banks and short-term deposits, trade and other receivables, due from related parties and finance lease receivable. The Company manages credit risk by placing funds with financial institutions of high credit rating and transacting its principal business with counterparties of repute.

Exposure to credit risk

The carrying amount of following financial assets represents the maximum credit exposure of the Company:

	2025	2024
	KD	KD
Balances with banks and short-term deposits	7,245,262	12,160,022
Trade and other receivables*	18,382,022	13,307,821
Due from related parties	2,605	-
Finance lease receivable	402,648,020	421,697,497
	<u>428,277,909</u>	<u>447,165,340</u>

* Excluding prepaid expenses and advance lease rent to MEWRE.

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

17. Financial risk management (continued)

ii. Credit risk (continued)

Balances with banks and short-term deposits

Bank balances and short-term deposits are held with banks and financial institution counterparties, the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. As at 31 December 2025 and 2024, the 12 month ECL computed on bank balances was insignificant.

Trade and other receivables and finance lease receivables

The trade receivables, contract assets and finance lease receivable arise on dealing with only one customer, MEWRE of the State of Kuwait. As at 31 December 2025 and 2024, the 12 month ECL computed on trade receivables, contract assets and finance lease receivable was insignificant.

Due from related parties

Transactions with related parties are carried out on a negotiated contract basis. As at 31 December 2025, the 12 month ECL computed on related party balances was insignificant.

iii. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. 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.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate funding reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity is managed by periodically ensuring its availability in an amount sufficient to meet any future commitments. The Company does not consider itself exposed to significant risks in relation to liquidity.

The following are the undiscounted contractual maturities of financial liabilities:

	Carrying amount KD	Contractual cash flows				Total KD
		Less than 1 year KD	Between 1 and 2 years KD	Between 2 and 5 years KD	Over 5 years KD	
2025						
Trade and other payables	4,058,051	3,971,012	87,039	-	-	4,058,051
Due to related parties	3,829,548	3,829,548	-	-	-	3,829,548
Dividends payable	3,299,902	3,299,902	-	-	-	3,299,902
Term loans	273,745,583	36,083,645	36,009,885	101,715,410	199,735,517	373,544,457
	<u>284,933,084</u>	<u>47,184,107</u>	<u>36,096,924</u>	<u>101,715,410</u>	<u>199,735,517</u>	<u>384,731,958</u>

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

17. Financial risk management (continued)

iii. Liquidity risk (continued)

	Carrying amount KD	Contractual cash flows				Total KD
		Less than 1 year KD	Between 1 and 2 years KD	Between 2 and 5 years KD	Over 5 years KD	
2024						
Trade and other payables	5,486,663	4,940,078	254,183	292,402	-	5,486,663
Due to related parties	5,268,583	5,268,583	-	-	-	5,268,583
Dividends payable	3,886,897	3,886,897	-	-	-	3,886,897
Term loans	295,144,147	23,138,790	24,752,052	78,076,770	233,876,923	359,844,535
	<u>309,786,290</u>	<u>37,234,348</u>	<u>25,006,235</u>	<u>78,369,172</u>	<u>233,876,923</u>	<u>374,486,678</u>

iv. Market risk

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

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The table below indicates the Company's foreign currency exposure at the reporting date, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of 1% in the KD currency rate against the USD with all other variables held constant, on the statement of profit or loss and other comprehensive income.

Currencies	Effect on profit	
	2025 KD	2024 KD
USD	<u>2,733,858</u>	<u>2,991,558</u>
Currencies	Effect on comprehensive income	
	2025 KD	2024 KD
USD	<u>92,702</u>	<u>38,897</u>

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company manages this risk by hedging its long-term borrowings using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating to fixed rate and therefore the exposure to cash flow interest rate risk is limited.

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

17. Financial risk management (continued)

iv. Market risk (continued)

At the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

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

At 31 December 2025, if interest rates at that date had been 0.5% higher / lower with all other variables held constant, profit before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration would have been lower / higher by KD 49,805 (2024: KD 58,456).

Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market. As at the reporting date, the Company is not exposed to equity price risk, as it has no investment in equity instruments.

v. Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date. Fair values are determined from quoted prices in active markets for identical financial assets or financial liabilities where these are available. Where the market for a financial instrument is not active, fair value is established using a valuation technique. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data.

Determination of fair value and fair value hierarchy:

The Company uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: quoted prices in an active market for the same instrument;
- Level 2: quoted prices in an active market for similar instruments or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3: valuation techniques for which any significant input is not based on observable market data (unobservable inputs).

Fair valuation of derivative financial instrument

Under the interest rate swap contracts, the Company agrees to settle the difference between the fixed and floating rate interest amounts that are calculated on agreed notional principal amounts. Such contract enables the Company to mitigate its risk of the changing interest rates on the cash flow exposures of its issued variable rate debt. The fair value represents the net present value of the estimated future cashflows. Estimates of future floating rate cashflows are based on quoted swap rates, future prices, and inter-bank borrowing rates.

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

17. Financial risk management (continued)

v. Fair value of financial instruments (Continued)

These cashflows are discounted using a yield curve that reflects a relevant benchmark inter-bank rate used by market participants for similar instruments when pricing such interest-rate swaps. The Company has determined that the fair value of interest-rate swaps as disclosed in note 18 to the financial statements which is classified as Level 2 as per its fair value measurement policy.

Other financial assets and liabilities

For other financial assets and liabilities carried at cost less impairment or amortised cost, the carrying value is not significantly different from their fair values as most of these assets and liabilities are of short-term maturity or re-priced immediately based on market movement in interest rates.

18. Hedge reserve account and derivative financial liabilities

In the ordinary course of business, the Company uses derivative financial instruments in the form of interest rate swaps to manage its exposure to fluctuations in interest rates. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in the price of one or more underlying financial instruments, reference rates or indices. Interest rate swaps are contractual agreements between two parties to exchange interest based on notional values in a single currency for a fixed period.

In accordance with the Common Terms Agreement signed with the lenders, the Company is required to swap the floating rate interest due on its borrowings to fixed rate interest through interest rate swaps. Accordingly, the Company entered into a number of forward starting interest rate swaps from January 2014 to August 2036 to hedge variable rate interest payments on its outstanding terms loans and future debt issuances. On 26 November 2020, the Company entered into two additional voluntary interest rate swaps to replace expiring swap coverage. All of these swaps have been classified as cash flow hedges. The change in the fair value of the outstanding interest rate swaps as of 31 December 2025 amounted to KD 5,380,509 (2024: KD 9,241,731) has been taken to other comprehensive income and classified as hedge reserve in equity.

Information about fair value hierarchy of derivative financial instrument is disclosed in note 17.

The table below shows the fair values of derivative financial instruments, together with the notional amounts analysed by the term to maturity. Notional amounts represent amounts to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments.

Derivatives held for hedging:

	2025	2024
	KD	KD
<i>Cash flow hedges - Interest rate swaps</i>		
Notional amount:		
At 31 December	<u>260,058,725</u>	<u>280,387,308</u>
Negative fair value:		
Short term	(681,492)	(160,108)
Long term	<u>(8,588,742)</u>	<u>(3,729,617)</u>
	<u>(9,270,234)</u>	<u>(3,889,725)</u>

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

19. Embedded derivatives

The ECWPA and the O&M contain embedded derivatives in the form of price adjustments for inflation based on price indices.

These embedded derivatives are not separated from the host contracts and are not accounted for as stand-alone derivatives under IFRS 9, as management believes that the economic characteristics and risks associated with the embedded derivatives are closely related to those of the host contract.

20. Capital management

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

Consistent with others in the industry, the Company monitors capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents as per the statement of cash flows. Total capital is calculated as equity, excluding the hedge reserve (as shown in the statement of financial position) plus net debt.

	2025	2024
	KD	KD
Total borrowings (note 10)	273,745,583	295,144,147
Less: cash and cash equivalents as per the statement of cash flows	<u>(3,945,832)</u>	<u>(8,273,444)</u>
Net debt	269,799,751	286,870,703
Total equity (excluding hedge reserve)	<u>144,938,855</u>	<u>138,835,973</u>
Total capital	<u>414,738,606</u>	<u>425,706,676</u>
Gearing ratio	<u>65%</u>	<u>67%</u>

21. Commitments

Operation and maintenance commitments

The Company has an operation and maintenance agreement ("O&M") with AZN O&M Company W.L.L, a related party, which operates and maintains the Plant, for which the Company has agreed to pay fixed and variable operating fees, to be adjusted based on price indices.

Under the O&M, the minimum future payments due are as follows:

	2025	2024
	KD	KD
Within one year	17,803,428	17,358,020
Year 2 to 5 inclusive	74,283,957	73,140,018
After year 5	<u>226,765,692</u>	<u>245,985,252</u>
	<u>318,853,077</u>	<u>336,483,290</u>

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

22. Contingencies

Contingent assets are not recognised as an asset until realisation becomes virtually certain. Contingent liabilities are not recognised as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation and the amount can be reliably estimated.

The Company had no contingencies as at 31 December 2025 (2024: nil).



Shamal Az-Zour Al-Oula Power and Water Company (K.S.C.P)

CORPORATE GOVERNANCE REPORT 2025

Rule1 – Construct a Balanced Board Composition

Composition of the Board of Directors (“the Board”):

Name	Representing	Classification	Date of appointment/election
Ahmad Othman AlMujalham - Chairman	Kuwait Investment Authority	Non-Executive	21-04-21
Balwinder Panesar – Vice Chairman	AZN Cayman Holding 1	Non-Executive	06-10-23
Paul Leslie Floyd - CEO	Azour North One Holding Company	Executive	11-09-23
Ghazi Abdulrahman AlSanie	The Public Institution for Social Security	Non-Executive	17-09-20
Ernesto Parra	AZN Dutch Holdco 1 B.V.	Non-Executive	27-05-25
Julien Diaz	AZN Dutch Holdco 2 B.V.	Non-Executive	07-02-24
Taizo Matsuda	AZN Cayman Holding 2	Non-Executive	27-05-25
Fatima Ahmad AlHomaïdan	-	Independent	02-05-24
Eyad Ali AlFalah	-	Independent	12-04-21
Farah Abdulrahman AlHumaidan	-	Board Secretary	24-09-18

Qualifications and Experience:

Ahmad Othman AlMujalham:

Mr. Ahmad Al Mujalham is the Chairman of the Board of Directors. Prior to joining the Board in April 2021, he held multiple roles at the Kuwait Fund for Arab Economic Development for 23 years where he handled the project development of high dams, irrigation schemes, resettlements, and flood protection and has represented the Fund in many international donors and consultative group meetings. He returned to the Kuwait Fund in 2014 and presently serves as a Senior Engineering Advisor for the Appraisal of Roads and Social Projects. Mr. Al Mujalham has also previously held a role as Mega Project Manager at Almal Investment Company where he oversaw the development of the Hail Economic City in Saudi Arabia. Mr. Al Mujalham holds a degree in Civil Engineering and an MBA from Kuwait University, Kuwait.

Balwinder Panesar:

Mr. Balwinder Panesar is the Vice Chairman of the Board of Directors. Mr. Panesar is also the Chief Executive Officer of Summit MEA Power FZE, a wholly owned subsidiary of Sumitomo Corporation that

Shamal Az-Zour Al-Oula Power and Water Company (K.S.C.P) - Corporate Governance Report for 2025

develops, operates, and manages private power, cooling, and water plants in the Middle East, Africa, and CIS regions. Mr. Panesar's previous roles include the Executive Managing Director of Sharjah Hamriyah Independent Power Company in UAE and several other positions in the power generation sectors in the UK and Asia. Mr. Panesar holds a degree in Chemical Engineering from University College London, UK, and an MBA from Henley Management College, UK. Mr. Panesar is also a fully qualified member of the Institute of Chartered Accountants in England and Wales.

Paul Leslie Floyd:

Mr. Paul Leslie Floyd is an Executive member of the Board of Directors. Joining the company in September 2023, he also serves as Chief Executive Officer. He brings with him over 30 years of experience in the power generation and water production industry and a background in commercial leadership, business management and project development/delivery, backed up by multifaceted experience in construction, commissioning, operations and maintenance, and asset management. He currently holds several directorship positions within Operation and Maintenance Companies in the Middle East. Mr. Floyd holds a master's degree in engineering from RMIT University in Australia, and another master's degree in business administration from Massey University in New Zealand.

Ghazi Abdulrahman AlSanie:

Mr. Ghazi is Head of Investment Research at the Public Institution for Social Security since March 2018 and has 20 years of experience in the investment field, where he manages a team that is responsible for portfolio analysis on the total portfolio of the pension, and to conduct macro studies to evaluate the effect of the macro environment on the portfolio. Previously, Mr. Ghazi was a Partner of Investment Due Diligence at Albourne Partners Ltd for nine years. He was responsible for research and due diligence and manager selection in various private markets geographically and covering many strategies. Prior to Albourne, Mr. Ghazi worked at Global Investment House in Kuwait for seven years as an AVP covering mutual funds and private equity funds.

Ernesto Parra:

Mr. Ernesto Parra is a seasoned energy executive with over two decades of experience in power generation and water desalination. He joined ENGIE in 2000 and currently serves as Head of Project Delivery and Technical Support for ENGIE Generation International (AMEA–Americas), overseeing thermal and desalination projects across multiple regions including the GCC, Australia, Africa, and Latin America. Throughout his international career, he has held senior leadership roles in operations, asset management, and project execution. He has served on the boards of several key companies, including Shamal Az-Zour Power and Water Company, and led strategic initiatives focused on performance, decarbonization, and asset life extension.

Mr. Parra holds a degree in Mechanical Engineering and advanced diplomas in project and strategic management from institutions in Chile and the UK

Julien Diaz:

Mr. Julien Diaz is a non-executive Director of the Board of Directors. Joining in February 2024, he brings with him 15 years of experience in infrastructure sector (power, water, waste...) where he held different financial positions acquiring expertise in project finance, acquisition and financial management. Mr. Julien Diaz started his career in 2007 at Credit Agricole New-York in project finance and then joined Ernst & Young Paris as financial advisor of public and private companies of the infrastructure industry. In 2013, he joined SUEZ as expert in project finance before evolving to more corporate finance role. In 2020, he became Chief Financial Officer for Middle East and Central Asia extended to Africa one year later. Mr. Julien Diaz joined Engie in 2023 as Senior Financial Advisor for Middle East, India & Africa.

Taizo Matsuda:

Mr. Taizo Matsuda is the General Manager of the Power Infrastructure Asset Management Department at Sumitomo Corporation Middle East FZE. He brings over 25 years of experience in the social infrastructure and power industries, including 17 years dedicated to power plant projects across Asia, the Middle East, and Africa.

He has led major EPC projects financed by JBIC in Vietnam and Indonesia and held key management roles in both coal-fired and offshore wind IPP/IWPP projects. His past roles include serving as President of GN Power in Indonesia and managing the Central Java and Duyen Hai 3 Extension projects. Mr. Matsuda currently oversees a portfolio of eight IPP/IWPP assets in the Middle East and Africa.

He holds a bachelor's degree in electrical engineering from Osaka University and completed language training at Beijing Language and Culture University.

Eyad Ali AlFalah:

Mr. Ayad Al Falah is an Independent Member of the Board of the Directors. Joining the Board in April 2021, he brings with him extensive experience in Power Generation & Water Desalination Projects. Mr. Al Falah is currently a Member of the Joint Committee for the pre-feasibility study of Privatization of North Shuaiba Power Plant (NSPP) in Kuwait and is a Technical Consultant for a private local contracting company working on public tenders for MEW, MPW, PAHW, and the Oil sector. His previous roles include MEW Assistant Undersecretary for Power Generation & Water Desalination Projects Sector where he oversaw the Gas Turbine Power Plant project. Mr. Falah holds a degree in Mechanical Engineering from the University of Miami, USA, and an MBA from Kuwait University, Kuwait.

Fatima Ahmad AlHomaidan:

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Mrs. Al Homaidan joined the Board in May 2024, with a 28-year tenure in the downstream & oil products marketing sectors of Kuwait's oil sector. With a rich history of holding numerous operational and managerial roles globally, she currently excels as Corporate Planning Group Manager at Kuwait Petroleum International. Her expertise is further recognized through her board memberships with several esteemed companies in Europe & Asia, showcasing her wide-ranging influence and strategic acumen in the global energy industry. Mrs. Al Homaidan holds a Bachelors Degree in Chemical Engineering and a Masters in Business Administration from Kuwait University.

Board of Directors Meetings in 2025

Name of Member:	1	2	3	4	5	6	Total Meetings
	05-02-25	19-02-25	17-03-25	30-04-25	30-07-25	04-11-25	
Ahmad AlMujalham - Chairman	√	APN	√	APN	√	√	4/6
Balwinder Panesar – Vice Chairman	√	√	√	√	√	√	6/6
Paul Leslie Floyd - CEO	√	√	√	√	√	√	6/6
Ghazi AlSanie	APN	√	√	√	APN	√	4/6
Ernesto Parra	N/A	N/A	N/A	N/A	APN	√	1/2
Laurent Furedi	APN	APN	APN	APN	N/A	N/A	0/4
Julien Diaz	√	√	√	√	√	√	6/6
Eyad Ali AlFalah	√	√	√	√	√	√	6/6
Taizo Matsuda	N/A	N/A	N/A	N/A	√	√	2/2
Koji Makita	√	APN	√	APN	N/A	N/A	2/4
Fatima AlHomaidan	√	APN	√	√	√	√	5/6

Note: Mr. Taizo Matsuda and Mr. Ernesto Parra joined the board on 27 May 2025.

APN – Absence with Prior Notice

N/A – Not Applicable (member had not joined the Board or replaced at the time of the meeting)

Registering, coordinating, and archiving the Board's minutes of meetings:

The Board Secretary is responsible for assisting the Board of Directors. She is the main coordinator as she is responsible for organizing all board meetings. This includes preparing agendas and invitations while

ensuring compliance with all the regularity requirements. The Board Secretary ensures that board members are provided with sufficient information and all documents required in a timely manner (at least 3 working days prior to each board meeting, excluding emergency meetings). All Board and Committee meeting decisions are recorded within the minutes of each meeting and are archived accordingly by the Board Secretary, noting the date, place, and time of the meeting.

Acknowledgment by the independent members that the controls of independence are available (attached)

Mr. Eyad Al Falah was elected in the AGM on 12 April 2021 and was reelected again on 2 May 2024. Mrs. Fatima Al Homaidan was also elected on 2 May 2024. Both our independent members were selected from a list of specialized candidates. They are committed to all the necessary independence standards set by the CMA.

Rule 2 - Appropriate Roles and Responsibilities:

Roles and Responsibilities:

The Board's role is to achieve the maximum value for all stakeholders. Their duties and responsibilities have been determined by charters approved by the Board itself, and their tasks and responsibilities have been outlined in the same charter. The company maintains an organizational structure approved by the Board, which clearly separates the Board, executive management, and managers. The Board monitors the executive management, and through board resolution, has delegated specific powers and authorities to be exercised by the executive management.

Board of Directors main achievements during the year:

Approval of the Q4 2024 Dividend.

Approval of the Q3 2025 Dividend. (Based on the authorization from the AGM)

Approval of quarterly and yearly financial statements.

Approval of 2026 business plan

Formation of independent specialized committees by the Board of Directors:

The Board reformed the three committees mentioned below on 2 May 2024 for a period of 3 years. These committees are tasked with and granted authority according to the Capital Markets Authority regulations. The Board monitors these committees while also receiving recommendations from them for final approval.

Audit Committee:

Members:	Main Tasks and Achievements	Number of Meetings
-Balwinder Panesar (Chairman)	Review of annual and quarterly financial statements.	4
-Ghazi Al Sanie	Evaluation of the Internal Control system.	
-Eyad Al Falah	Supervising the internal audit unit.	
	Review and amendment of policies and procedures.	

Risk Committee

Members:	Main Tasks and Achievements	Number of Meetings
-Ernesto Parra (Chairman)	Review of related party transactions.	4
-Paul Leslie Floyd	Monitoring and updating the risk register.	
-Julien Diaz	Review and amendment of policies and procedures.	

Nomination and Remuneration Committee

Members:	Main Tasks and Achievements	Number of Meetings
-Ahmad Al Mujalham (Chairman)	Determining and evaluating board candidates.	1
-Taizo Matsuda	Recommendation and review of Board and staff Remuneration.	
- Fatima Al Homaidan	Review of Company KPI's	
	Appointing Members to Board Committees.	

Board Members access to data and information:

The Board Secretary oversees the coordination and flow of data to the Board. She ensures that the Board receives information in a timely and accurate manner. With the help of the Executive management the Board Secretary provides the Board and its Committees with any information required.

Rule 3 – Recruitment of Qualified Candidates for Members of the Board of Directors and the Executive Management

Formation of the Nomination and Remuneration Committee:

(Refer to rule 2 for more key information about the committee)

Remuneration report on the members of the Board of Directors and Executive Management and Managers:

The Company has a remuneration scheme recommended by the Nomination and Remuneration Committee and approved by the Board. The remuneration scheme states that each board member receives a fixed fee of KD 5,500 (Chairman receiving 1.5 times the fixed fee), plus KD 250 for every committee meeting attended by the committee members (Executive members do not receive any remuneration). Part of the Executive Management are covered by secondment agreements between their employers and the Company, while the Company has a remuneration policy that covers all other employees based on the Company's performance and the employee's individual performance.

Shamal Az-Zour Al-Oula Power and Water Company - Corporate Governance Report for 2025

Total remuneration granted to the Board of Directors:

Remuneration from Shamal Az-zour Al-Oula Powr and Water Company				Remuneration from Azzour North One Holding Company, (parent company)		
Total number of members	Fixed Remuneration	Variable remuneration and benefits		Fixed Remuneration	Variable remuneration and benefits	
	Health Insurance	Annual Remuneration	Committees' remuneration	Health Insurance	Annual Remuneration	Committees' remuneration
9	-	46,750	6,250	-	-	-

Total remuneration paid to Board members during 2025: 53,000

Total Remuneration Granted to the CEO, CFO, and 3 other Executives:

Remuneration from Shamal Az-zour Al-Oula Powr and Water Company									Remuneration from Azzour North One Holding Company, parent company							
Total number of executives	Fixed Remuneration							Variable Remuneration	Fixed Remuneration							Variable Remuneration
	Salary (total during the year)	Health Insurance	Yearly travel tickets	Housing	Road allowance	Childrens education allowance	Other	Annual Bonus	Salary (total during the year)	Health Insurance	Yearly travel tickets	Housing	Road allowance	Childrens education allowance	Other	Annual Bonus
5	139,657	5,939	3,410	35,040	11,796	4,060	4,600	16,885	72,240	1,365	864	-	-	-	231	4,642

Total remuneration paid to Executive Managements during 2025: 300,729

There is no significant deviations from the remuneration policy approved by the Board of Directors

Rule 4 – Integrity of financial Statements

Written acknowledgements by both Board of Directors and Executive Management:

The executive management (CEO and CFO) have signed a written acknowledgement confirming to the Board that the financial statements are stated reasonably and fairly. Delegated by the Board, the Chairman has signed an acknowledgement confirming to shareholders the financial statements are stated reasonably and fairly and in accordance with applicable accounting standards.



Date: 18 February 2026

التاريخ: 18 فبراير 2026

Board of Directors statement regarding the
Financial Statements for the year ended 31
December 2025

تعهد مجلس الإدارة بشأن التقارير المالية لسنة المنتهية في
31 ديسمبر 2025

As duly delegated by the Board of Directors, I,
Eng. Ahmad Othman AIMujalham – Board
Chairman, hereby confirm that the financial
statements of Shamal Az-Zour Al-Oula Power
and Water Company K.S.C.P ("the Company")
for the year ended 31 December 2025 are stated
reasonably and fairly, and present all financial
aspects of the Company, including data and
operational results, and are prepared in
accordance with the International Accounting
Standards approved by the Capital Markets
Authority.

بناءً على تفويض من قبل مجلس الإدارة، أنا، المهندس / أحمد
عثمان المجلهم - رئيس مجلس الإدارة، أتعهد بأن البيانات
المالية لشركة شمال الزور الأولى للطاقة والمياه ش.م.ك.ع
("الشركة") للسنة المالية المنتهية في 31 ديسمبر 2025 يتم
عرضها بصورة سليمة وعادلة، وبأنها تستعرض كافة الجوانب
المالية للشركة من بيانات ونتائج تشغيلية، وقد تم إعدادها
وفقاً لمعايير المحاسبة الدولية المعتمدة من قبل هيئة أسواق
المال.

Signed by:

0D42A756B3B4471...

Signed by:


Eng. Ahmad Othman AIMujalham Chairman Shamal Az-Zour Al-Oula Power and Water Company K.S.C. (Public)	المهندس / أحمد عثمان المجلهم رئيس مجلس الإدارة شركة شمال الزور الأولى للطاقة والمياه ش.م.ك - عامة
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Formation of the Audit Committee:

Neither the Board Chairman nor the Executive Board Member are part of this Committee. Four Committee meetings in each quarter have included the internal and external auditors.

Conflicts between the recommendations of the audit committee and the resolutions of the Board of Directors:

There have been no conflicts between any of the Audit Committee recommendations to the Board and the Board's final decisions issued within the Board Meeting Resolutions of 2025.

Independence and neutrality of the external auditor:

KPMG Dr. Rasheed Al-Qenai & Partners are independent and do not perform additional tasks for the Company that may affect that independence and neutrality.

Rule 5 – Application of Sound Systems of Risk Management and Internal Audit

Formation requirement of the independent risk unit:

The Risk function has been outsourced to an independent company (Summit Path for Management and Economic Consulting) and reports directly to the Risk Committee.

Formation requirement of the Risk Management Committee:

(Refer to Rule 2 for more information about the Risk Committee)

Internal Control and Audit Systems:

The Board oversees the effectiveness of the internal control systems in place. They ensure the effectiveness of maintaining sound and fair financial statements. They also monitor internal control through risk management, compliance, and internal audit.

Formation requirement of the internal audit unit:

The internal audit function has been outsourced to an independent company (Grant Thornton for Management and Economic Advisory) and reports directly to the Audit Committee. The unit ensures all policies and procedures are followed by all departments. They prepare periodic reports to the Audit Committee which are then sent to the Board, assessing the efficiency of internal controls and their recommendations.

Rule 6 – Code of Conduct and Ethical Standards

Standards and determinants of code of conduct and ethical standards:

The Company has a code of ethics and professional conduct policy, as it is one of the main aspects of the Company's governance. The code aims to define the principles of integrity, excellence, accountability, and

respect in everything carried out by the Company. These values form the basis of the Company's commitment to the highest level of ethical conduct.

Conflicts of interest:

The Company has a Conflicts of Interest Policy. The Company is committed to managing any potential conflicts of interest which may emerge and is also committed to fulfilling the Company's obligations to find and implement effective regulatory and administrative measures for the purpose of taking all the reasonable steps to identify, monitor, and manage any conflicts of interest. The objective of the policy is to ensure the existence of suitable procedures and measures and effective management to identify any conflicts of interest that the Board of Directors deals with appropriately, and that all decisions are taken, having in mind the best interest of the Company.

There have been no conflicts of interest for the year 2025.

Rule 7 – Disclosure and Transparency

A brief on the implementation of the disclosure procedures:

The Company has a disclosure policy. Transparency and disclosure are amongst the most significant principles of corporate governance, which aim at enabling shareholders to obtain the required information with transparency and fairness. The commitment of the Company is to provide information, which is accurate and trustworthy at the appropriate time, in a manner which conforms with the legal requirements and relevant applicable regulations.

Requirements of the Board of Directors and Executive Management disclosures:

The Company has a register of disclosures when it comes to the Board of Directors, Executive Management, and Managers. The register is updated periodically to reflect any disclosure related to the Board of Directors or Executive Management or managers. The Board, Executive Management, and Managers have all signed acknowledgements stating they comply with all CMA requirements regarding any matter related to their disclosures.

Formation requirement of the investor relations unit:

The Company has put in place a policy governing the Investor Relations Unit. The main objective of this unit is to promote trust between the Company and its shareholders. The unit ensures consistent and reliable communication channels with investors, serving as the link between Executive Management and the financial community to strengthen Executive Management's relationship with analysts and stakeholders. The unit provides information to concerned parties related to news, events, and other disclosures.

I.T. Infrastructure and the disclosure process:

The Company follows the electronic disclosure process through both the Boursa Portal and CMA's IFSAH portal. These portals directly place all disclosures within Boursa Kuwait's website under our Company's section. After disclosures within the Boursa website, the Company is then responsible for having these disclosures on the Company's official website. The Investor Relations unit also maintains an internal electronic register with all disclosures.

Rule 8 – Respect the Rights of Shareholders

Requirement for the protection of the general rights of shareholders:

The main objective of the Company is to realize and increase the profits for shareholders. The Board is responsible for representing the interests of all shareholders. The Company shall protect the rights of its shareholders, as stipulated by law, and as part of the Company's governance framework. Furthermore, the Company's Memorandum of Association clearly states the rights of the shareholders.

Monitoring shareholders data:

The Company maintains a register with all shareholders' data through the Kuwait Clearing Company (KCC), which is updated by KCC on a regular basis.

Shareholders' participation in the general assembly meetings:

All shareholders have equal rights in participating and voting at general assembly meetings. The Company guarantees the shareholders voting rights in accordance with the Company's Memorandum of Association. The Board invites shareholders to the general assembly in accordance with the laws and regulations, providing an agenda and documents related to the agenda in advance.

Rule 9 – Recognize the Roles of Stakeholders

Protection and recognition of the rights of stakeholders:

The Company has a Stakeholders Policy. The Company is committed to protecting the rights of stakeholders and to creating opportunities for the procurement, operation, and continuation of sound financial projects. As part of the corporate governance framework, the objective of the protection of the stakeholders' rights is to ensure the respect and protection of the rights of stakeholders by the Company as stipulated under the applicable laws of the State of Kuwait. The Company's Board is responsible for laying down the standards for the protection of the rights of all the stakeholders and updating such standards as needed, so that they reflect the changes in the provisions of the laws, regulations, and instructions issued by the regulatory authorities.

How stakeholders keep track of the Company's various activities:

Stakeholders are given more than one method to keep track of the Company's activity. Public disclosures can be found on the Bursa website or the Company's official website. Stakeholders can easily contact the Company through the website (www.aznoula.com), whether it's to ask questions or file complaints. The Company's hotline is also there to receive and answer queries.

Rule 10 – Encourage and Enhance Performance

Board of Directors and Executive Management training:

The Board and Executive Management have access to training programs, whether internally or externally. Periodic training is provided to the Board and Executive Management with the aim of developing their skills and increasing their knowledge. This training ensures that they remain up to date with all the new rules and regulations that are required.

Performance of the Board of Directors as a whole, each member individually and Executive Management:

The performance of the Board as a whole, the directors individually, and the Executive Management, is done through key performance indicators (KPI's) and Questionnaires. This assessment provides an evaluation of their performance.

Board of Directors effort in corporate value creation through achieving the Company's goals:

The Company targets are cascaded down to employees via individual performance targets. Actual performance against target is used in the calculation of annual bonus payments.

Rule 11 - Corporate Social Responsibility

Summary of the Corporate Social Responsibility Policy:

The Company has a Corporate Social Responsibility policy that outlines its responsibility to society. Commitment to corporate social responsibility is a core value of the Company and has a positive impact on the Company, its employees, shareholders, and society.

To successfully fulfill its social responsibility, the Company is committed to conducting its business ethically, supporting human rights, contributing to community well-being, preserving the environment, promoting education and preventive healthcare, and fostering employment opportunities.

The Company implements various programs and mechanisms to demonstrate its commitment to social contribution. In line with its environmental and social plan, the Company has identified the following

institutions as organizations it has worked with in prior years, and with which it intends to maintain future cooperation, due to the relevance of their objectives to the Company's operations:

- Kuwait Institute of Scientific Research (KISR)
- Kuwait Society of Engineers (KSE)
- Kuwait University (KU)

These institutions have been identified as those with aims most directly related to the Company's business.

During 2025, a research paper titled "Steady-state and transient performance assessment of power system under simultaneous optimal power flow and optimal integration of multi-type DGs based on geometric mean optimizer" was officially published on 11 September 2025 in the Journal of Engineering Research (Elsevier). This study was funded by the Company and represents an important milestone in our efforts to support academic advancement and intellectual development within the community. Our continued cooperation with Kuwait University reflects our belief in the value of collaboration between the academic and industrial sectors in driving positive change and fulfilling our corporate social responsibility objectives.

As part of its environmental responsibility initiatives, Shamal Az-Zour Al-Oula contributed as one of the sponsors of the Fourth Annual Plastic Recycling Competition organized by Omniya, a non-profit Kuwaiti company. Our sponsorship support was provided at the end of 2025, while the competition itself is scheduled to take place in 2026.

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شركة شمال الزور الأولى للطاقة والمياه ش.م.ك - عامة

SHAMAL AZ-ZOUR AL-OULA POWER AND WATER COMPANY K.S.C. (PUBLIC)

Date: 06 January 2026 3:51:03 AM PST	التاريخ:
Independent Member Annual Acknowledgement This annual confirmation is provided in respect of the financial year ended 31 December 2025 and up to the date of signing of this confirmation and confirms that the Independent Member has maintained his independence throughout such period.	أقرار سنوي باستقلالية عضو مجلس الإدارة المستقل يقدم هذا الإقرار السنوي عن السنة المالية المنتهية في 31 ديسمبر 2025 وحتى تاريخ توقيع هذا الإقرار، ويؤكد استمرار تمتع عضو مجلس الإدارة المستقل باستقلاليته طوال تلك الفترة.
I, the undersigned, in my capacity as an Independent Member of the Board of Directors of Shamal Az-Zour Al-Oula Power and Water Company K.S.C. (Public), hereby reconfirm my independence in accordance with Article (2-3) of Module 15 (Corporate Governance) of the Executive Bylaws of Law No. (7) of 2010, and its amendments regarding the establishment of the Capital Markets Authority and Regulating Securities Activities:	أنا الموقع أدناه بصفتي عضواً مستقلاً في مجلس إدارة شركة شمال الزور الأولى للطاقة والمياه ش.م.ك. (عامة)، أقر وأؤكد استمرارية تمتعي بالاستقلالية وفقاً إلى أحكام المادة (2-3) من الكتاب الخامس عشر (حوكمة الشركات) من اللائحة التنفيذية للقانون رقم (7) لسنة 2010 وتعديلاته بشأن هيئة أسواق المال وتنظيم نشاط الأوراق المالية:
1- I do not hold 5% or more of the Company shares. 2- I do not have a first-degree relation with any of the members of the Board of Directors or executive management members in the Company or any other company in it Group or the relevant main parties. 3- I am not a member of a Board of Directors in any company of the Group. 4- I am not an employee in the Company or any company in the group or for any of the Stakeholders. 5- I am not an employee for corporate entities who own control shares in the Company. 6- I do have the qualifications, experience and technical skills which are constituent with the Company's activity. I pledge to disclose to the Company if any of the above controls of the independent member change.	1- لا أملك 5% أو أكثر من أسهم الشركة. 2- ليس لدي صلة قرابة من الدرجة الأولى مع أي من أعضاء مجلس إدارة الشركة أو الإدارة التنفيذية في الشركة أو في أي شركة من مجموعتها أو الأطراف الرئيسية ذات الصلة. 3- لست عضو مجلس إدارة في أي شركة من مجموعتها. 4- لست موظفاً بالشركة أو بأي شركة من مجموعاتها أو لدى أي من أصحاب المصالح. 5- لست موظفاً لدى الأشخاص الاعتباريين الذين يملكون حصص سيطرة في الشركة. 6- أمتلك المؤهلات والخبرات والمهارات الفنية التي تناسب مع نشاط الشركة. أتعهد بالافصاح للشركة إذا تم تغيير أي من الضوابط المذكورة اعلاه للعضو المستقل.

Signed by:

Eyad AlFalalah

9EE84FFAC4CF4BF...

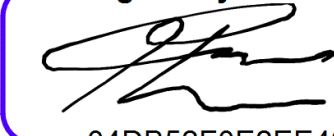
Eyad A J AlFalalah	أياد علي جاسم الفلاح
Independent Board Member	عضو مجلس إدارة مستقل

شركة شمال الزور الأولى للطاقة والمياه ش.م.ك - عامة

SHAMAL AZ-ZOUR AL-OULA POWER AND WATER COMPANY K.S.C. (PUBLIC)

Date: 06 January 2026 3:48:51 AM PST	التاريخ:
Independent Member Annual Acknowledgement	أقرار سنوي باستقلالية عضو مجلس الإدارة المستقل
This annual confirmation is provided in respect of the financial year ended 31 December 2025 and up to the date of signing of this confirmation and confirms that the Independent Member has maintained his independence throughout such period.	يقدم هذا الإقرار السنوي عن السنة المالية المنتهية في 31 ديسمبر 2025 وحتى تاريخ توقيع هذا الإقرار، ويؤكد استمرار تمتع عضو مجلس الإدارة المستقل باستقلاليته طوال تلك الفترة.
I, the undersigned, in my capacity as an Independent Member of the Board of Directors of Shamal Az-Zour Al-Oula Power and Water Company K.S.C. (Public), hereby reconfirm my independence in accordance with Article (2-3) of Module 15 (Corporate Governance) of the Executive Bylaws of Law No. (7) of 2010, and its amendments regarding the establishment of the Capital Markets Authority and Regulating Securities Activities:	أنا الموقع أدناه بصفتي عضواً مستقلاً في مجلس إدارة شركة شمال الزور الأولى للطاقة والمياه ش.م.ك. (عامة)، أقر وأؤكد استمرارية تمتعي بالاستقلالية وفقاً إلى أحكام المادة (2-3) من الكتاب الخامس عشر (حوكمة الشركات) من اللائحة التنفيذية للقانون رقم (7) لسنة 2010 وتعديلاته بشأن هيئة أسواق المال وتنظيم نشاط الأوراق المالية:
1- I do not hold 5% or more of the Company shares. 2- I do not have a first-degree relation with any of the members of the Board of Directors or executive management members in the Company or any other company in it Group or the relevant main parties. 3- I am not a member of a Board of Directors in any company of the Group. 4- I am not an employee in the Company or any company in the group or for any of the Stakeholders. 5- I am not an employee for corporate entities who own control shares in the Company. 6- I do have the qualifications, experience and technical skills which are constituent with the Company's activity. I pledge to disclose to the Company if any of the above controls of the independent member change.	1- لا أملك 5% أو أكثر من أسهم الشركة. 2- ليس لدي صلة قرابة من الدرجة الأولى مع أي من أعضاء مجلس إدارة الشركة أو الإدارة التنفيذية في الشركة أو في أي شركة من مجموعتها أو الأطراف الرئيسية ذات الصلة. 3- لست عضو مجلس إدارة في أي شركة من مجموعتها. 4- لست موظفاً بالشركة أو بأي شركة من مجموعاتها أو لدى أي من أصحاب المصالح. 5- لست موظفاً لدى الأشخاص الاعتباريين الذين يملكون حصص سيطرة في الشركة. 6- أمتلك المؤهلات والخبرات والمهارات الفنية التي تناسب مع نشاط الشركة. أتعهد بالافصاح للشركة إذا تم تغيير أي من الضوابط المذكورة اعلاه للعضو المستقل.

Signed by:



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Fatima Ahmad M AlHomaidan	فاطمة أحمد محمد الحميدان
Independent Board Member	عضو مجلس إدارة مستقل

SHAMAL AZ-ZOUR AL-OUULA POWER AND WATER COMPANY (K.S.C.P)

Date: 16 February 2026

Audit Committee Report
For the year ended 31 December 2025

Members	Position	Main Tasks and Achievements	# Of Meetings
Balwinder Panesar	Committee Chairman	- Review of annual and quarterly financial statements. - Recommendation of the appointment of the External Auditor. - Evaluation of the Internal Control system. - Review of the ICR report. - Supervising the Internal Audit unit. - Review and amendment of policies and procedures.	4
Ghazi Abdulrahman AlSanie	Member		
Eyad Ali AlFalah	Independent Member		
Farah Abdulrahman AlHumaidan	Committee Secretary		

The Audit Committee had four meetings during 2025. All meetings included the Internal Auditor and the External Auditor.

The Committee supervised the Company's Internal Auditor to verify its effectiveness in implementing the tasks specified by the Board of Directors. The Committee ensured that the internal control systems are maintained with adequacy and effectiveness. The Committee is keen to ensure the Company's compliance with relevant rules, laws, and regulations.

Signed by:



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Mr. Balwinder Panesar

Audit Committee Chairman

Shamal Az-Zour Al-Oula Power and Water Company (K.S.C.P)